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CORRPRO COMPANIES INC /OH/
Form 10-K/A
August 12, 2004

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

FORM 10-K/A

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

or

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

COMMISSION FILE NUMBER 1-12282

CORRPRO COMPANIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

OHIO

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

34-1422570

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

1090 ENTERPRISE DRIVE, MEDINA, OHIO

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

44256

(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (330) 723-5082

SECURITIES REGISTERED PURSUANT
TO SECTION 12(b) OF THE ACT:

SECURITIES REGISTERED PURSUANT TO
SECTION 12(g) OF THE ACT:

COMMON SHARES WITHOUT PAR VALUE

NONE

(TITLE OF CLASS)

(TITLE OF CLASS)

AMERICAN STOCK EXCHANGE

(NAME OF EACH EXCHANGE ON WHICH REGISTERED)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES

NO

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

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YES []

NO [X]

The aggregate market value of Common Shares held by nonaffiliates of the Registrant was approximately \$15,160,097 at September 30, 2003. For purposes of this calculation, the Registrant deems the Common Shares held by its Directors, executive officers and holders of 10% or more of its Common Shares to be Common Shares held by affiliates.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. [X]

8,450,442

(Number of Common Shares outstanding as of August 11, 2004.)

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with its 2004 Annual Meeting of Shareholders are incorporated by reference in Part III of this Annual Report on Form 10-K/A.

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EXPLANATORY NOTE

This Amendment No. 1 (this "Amendment") to our Annual Report on Form 10-K for the fiscal year ended March 31, 2004 (the "Originally Filed 10-K") is being filed to restate our consolidated balance sheet as of March 31, 2004 and our consolidated statement of cash flows for the year ended March 31, 2004.

As part of our recapitalization and refinancing, we issued Series B Cumulative Redeemable Voting Preferred Stock and a warrant for \$13 million and Senior Secured Subordinated Notes and a warrant for \$14 million on March 30, 2004. In the Originally Filed 10-K, the proceeds from these issuances were allocated between the Series B Preferred Stock and the warrant and the senior secured subordinated notes and the warrant, respectively, based on a calculation of the fair value of the warrants that included a "blockage" discount. During the preparation of our June 30, 2004 consolidated financial statements, it was determined that the value of these warrants should not include a "blockage" discount factor. See Note 1 - - Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements included in this Amendment. Based on this determination, we are restating our consolidated balance sheet to reflect an increase in the allocation of the proceeds to the warrants, a corresponding decrease in the allocation of the proceeds to the Series B Preferred Stock and senior secured subordinated notes, and conforming changes as of March 31, 2004. We are also restating our consolidated statement of cash flows for the year ended March 31, 2004 to reflect related changes in the allocations to "Net proceeds from issuance of Preferred Shares and warrants" and "Payment of financing costs." The changes contained in this restatement are a non-cash event, do not affect our consolidated statements of operations and shareholders' equity (deficit), and do not affect the financial covenants included in our financing arrangements.

This Amendment amends and restates Item 1, Item 6, Item 7, Item 8 and Item 9A (solely to indicate that management believes that the restatement

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contained in this Amendment was not reflective of any weakness in our disclosure controls and procedures, and that such controls were operating effectively throughout the period covered by this Amendment) of the Originally Filed 10-K, and Exhibits 23.1, 31.1, 31.2, 32.1 and 32.2 of Item 15 of the Originally Filed 10-K.

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CORRPRO COMPANIES, INC.
ANNUAL REPORT ON FORM 10-K/A

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PART I

ITEM 1. BUSINESS

GENERAL

Corrpro Companies, Inc. was founded in 1984 and is organized under the laws of the State of Ohio. As used in this report, the terms "we," "us," "our," "Corrpro" and the "Company" mean Corrpro Companies, Inc. and its consolidated subsidiaries unless the context indicates otherwise.

RECENT EVENTS

On March 30, 2004, we completed a refinancing and recapitalization, pursuant to which CorrPro Investments, LLC ("CPI"), an affiliate of Wingate Partners III, L.P. ("Wingate Partners"), purchased 13,000 shares of our Series B Cumulative Redeemable Voting Preferred Stock, no par value ("Series B Preferred Stock"), and warrants to acquire approximately 12.1 million of our common shares at a nominal exercise price for aggregate consideration of \$13.0 million. We also entered into a new \$40.0 million senior secured credit facility with CapitalSource Finance LLC ("CapitalSource"). The facility consists of a revolving credit line, a term loan with a five-year maturity and a letter of credit sub-facility. In addition, we issued \$14.0 million in senior secured

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subordinated notes to American Capital Strategies, Ltd. ("American Capital") as well as warrants to acquire approximately 3.9 million of our common shares at a nominal exercise price. As part of the refinancing and recapitalization, we repaid and terminated our prior revolving credit facility due March 31, 2004 and our outstanding senior notes due January 15, 2008.

In connection with the refinancing and recapitalization, we increased the size of our Board of Directors from seven to nine. Messrs. Jay I. Applebaum, James A. Johnson, and Jason H. Reed, executives affiliated with Wingate Partners, were appointed to the Board, with Mr. Johnson serving as Chairman of the Board. Messrs. C. Richard Lynham, Harry W. Millis, Neal R. Restivo, Joseph W. Rog, and Dr. Warren F. Rogers continue to serve on the Board. American Capital has the right to designate a director to serve on the Board of Directors. In May 2004, Joseph P. Lahey was named Chief Executive Officer and President of Corrpro and was elected to serve on Corrpro's Board of Directors.

PRODUCTS AND SERVICES

We provide corrosion control related services, systems, equipment and materials to the infrastructure, environmental and energy markets. Our products and services include:

- corrosion control engineering services, systems and equipment ("corrosion control");
- coatings services ("coatings"); and
- pipeline integrity and risk assessment services.

CORROSION CONTROL. Our specialty in the corrosion control market is cathodic protection. We offer a comprehensive range of services in this area, which includes the design, manufacture, installation, maintenance and monitoring of cathodic protection systems. Cathodic protection is an electrochemical process that prevents corrosion for new structures and stops the corrosion process for existing structures. It can provide a cost-effective alternative to the replacement of corroding structures. In order to understand how cathodic protection works, it is helpful to first understand the corrosion process. Steel, the most common metal protected by cathodic protection, is produced from iron ore. To produce steel, iron ore is subjected to a refining process that adds energy. Once steel is put back into the environment, it begins to revert back to its original state (i.e., iron ore) by releasing the added energy back into the surrounding environment. This process of dispersing energy is called corrosion. Cathodic protection electrodes, called anodes, are placed near, and connected to, the structure to be protected (i.e., the cathode). Anodes are typically made from cast iron, graphite, aluminum, zinc or magnesium. A cathodic protection system works by passing an electrical

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current from the anode to the cathode. This process maintains the energy level on the cathode, thus stopping it from corroding. Instead, the anode corrodes, sacrificing itself to maintain the integrity of the structure. In order for the electrical current to pass from the anode to the cathode, they both must be in a common environment. Therefore, cathodic protection can only be used to protect structures that are buried in soil, submerged in water or encased in concrete. Structures commonly protected against corrosion by the cathodic protection process include oil and gas pipelines, offshore platforms, above and underground storage tanks, ships, electric power plants, bridges, parking garages, transit systems and water and wastewater treatment equipment.

In addition to cathodic protection, our corrosion control services

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include corrosion engineering, material selection, inspection services, advanced corrosion research and testing. We also sell a variety of materials and equipment used in cathodic protection and corrosion monitoring systems, including anodes, rectifiers and corrosion monitoring probes. Corrosion control revenues as a percentage of our total revenues were approximately 81% for fiscal year 2004, 82% for fiscal year 2003 and 68% for fiscal year 2002.

COATINGS. We offer a wide variety of coatings-related services designed to provide our customers with longer coatings life, reduced corrosion, improved aesthetics and lower life-cycle costs for their coated structures. Coatings services include research, testing, evaluation and application of coatings. In addition, we provide project management services for coatings maintenance programs, including condition surveys, failure analysis, selection of site surface preparation methods and selection and application of coatings. We also provide specialized coatings application services for structures with aggressive corrosion conditions such as the inside and outside of storage tanks and pipelines. Coatings revenues as a percentage of our total revenues were approximately 15% for fiscal year 2004, 14% for fiscal year 2003 and 28% for fiscal year 2002.

PIPELINE INTEGRITY AND RISK ASSESSMENT SERVICES. We offer a comprehensive line of pipeline integrity, risk assessment and inspection services, including assessment, surveys, inspection, analysis, repairs and ongoing maintenance. By offering a wide range of services, we are able to provide pipeline owners with one-stop shopping for the preservation of their pipeline systems. Pipeline integrity and risk assessment services represented approximately 4% of our revenues in each of fiscal years 2004, 2003 and 2002.

DISPOSITIONS

In July 2002, our Board of Directors approved a formal business restructuring plan. The multi-year plan included a series of initiatives to improve operating income and reduce debt by selling non-core business units. We engaged outside professionals to assist in the disposition of our domestic and international non-core business units. Prior to the quarter ended September 30, 2002, our non-core domestic and international units were reported as the Other Operations and International Operations reporting segments. Effective as of the quarter ended September 30, 2002, the Other Operations and the International Operations reporting segments were eliminated and the non-core domestic and international units were reported as discontinued operations. Prior-year financial statements were reclassified to reflect these non-core units as discontinued operations, which were also referred to as "assets and liabilities held for sale."

In the second quarter of fiscal 2004, our Board of Directors removed our European Operations from discontinued operations. The Board concluded that our value would be enhanced by maintaining our European presence rather than by selling the European Operations at this time, based in part on the strength of the local management team, the similar characteristics of the served markets, and the favorable prospects for this business. Therefore, effective in the second quarter of fiscal 2004, we reported quarterly and annual results of our European Operations in our continuing operations, and prior-year financial statements have been reclassified to reflect our European Operations as continuing operations.

During fiscal 2004, we substantially completed the sales of our Middle East subsidiaries, and we recorded impairment charges relating to our Middle East Operations of \$3.5 million. During the first quarter of fiscal 2004, we sold our Asia Pacific Operations for a net loss of \$46,000 after taking into account an impairment charge on net assets that was recorded during the fourth quarter of fiscal 2003 totaling \$1.6 million. During fiscal 2003, we disposed of four non-strategic business units. First, in March 2003, we sold our Bass-Trigon

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Software business unit for \$3.2 million and recognized a gain of \$0.2 million. Also, in March 2003, we sold our Rohrback Cosasco Systems subsidiary and recorded

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a note receivable for \$6.2 million, which we collected during fiscal 2004 and recognized a gain of \$1.8 million. We also disposed of two smaller international offices resulting in a net gain of \$0.1 million during fiscal 2003. The net proceeds from these dispositions were used to reduce our then outstanding debt. For further information about our discontinued operations see Note 2, Assets and Liabilities Held for Sale, Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K/A.

SEGMENTS

We have organized our operations into three business segments by geographic region: Domestic Core Operations, Canadian Operations and European Operations. Our former non-core domestic, Middle East and Asia Pacific operations are reported as discontinued operations. Our business segments and a description of the products and services they provide are described below:

DOMESTIC CORE OPERATIONS. Our Domestic Core Operations segment provides products and services, which include corrosion control, coatings and pipeline integrity and risk assessment. We provide these products and services to a wide-range of customers in the United States in a number of industries, including energy, utilities, water and wastewater treatment, chemical and petrochemical, pipelines, defense and municipalities. In addition, this segment provides coatings services to customers in the entertainment, aerospace, transportation, petrochemical and electric power industries, as well as the United States military. Finally, the Domestic Core Operations segment includes a production facility in the United States that assembles and distributes cathodic protection products, such as anodes, primarily to the United States market. Revenues relating to this segment totaled \$92.9 million (or 72% of consolidated revenues) for fiscal year 2004, \$85.0 million (or 72% of consolidated revenues) for fiscal year 2003 and \$101.8 million (or 76% of consolidated revenues) for fiscal 2002.

CANADIAN OPERATIONS. Our Canadian Operations segment provides corrosion control, pipeline integrity and risk assessment services to customers in Canada that are primarily in the oil and gas industry. These customers include pipeline operators and petrochemical plants and refineries. The Canadian Operations segment has a production facility that assembles products such as anodes and rectifiers. Revenues relating to this segment totaled \$24.1 million (or 18% of consolidated revenues) for fiscal year 2004, \$19.3 million (or 17% of consolidated revenues) for fiscal year 2003 and \$21.3 million (or 16% of consolidated revenues) for fiscal year 2002.

EUROPEAN OPERATIONS. Our European Operations segment provides corrosion control products and services to customers in the petroleum, utility, industrial, marine and offshore markets, as well as to governmental entities in connection with their infrastructure assets. Revenues relating to this segment totaled \$13.1 million (or 10% of consolidated revenues) for fiscal year 2004, \$13.4 million (or 11% of consolidated revenues) for fiscal year 2003 and \$11.7 million (or 8% of consolidated revenues) for fiscal year 2002.

Further information about our business segments is included in Note 10, Business Segments, Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K/A.

SALES AND MARKETING

We market our products and services in the United States, Canada and Europe primarily through our sales personnel. The technical nature of our products and services requires a highly trained, professional sales force, and, as a result, many of our sales personnel have engineering or technical expertise and experience. Due to the problem solving experience of our engineering staff, potential and existing customers regularly seek out advice from our technical personnel, which can result in business opportunities on an ongoing basis.

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SOURCES AND AVAILABILITY OF RAW MATERIALS

With regard to our corrosion control services, we assemble components of cathodic protection systems, which include aluminum, zinc, magnesium and other metallic anodes. With regard to our coatings-related services, we manufacture, develop and apply coatings. We do not believe that we are dependent upon any single outside vendor as a source of supply and we believe that sufficient alternative sources of supply for the same, similar or alternative products are available. The prices paid for our raw materials may be affected by, among other things, energy, petroleum, steel and other commodity prices, tariffs and duties on imported materials, and foreign currency and exchange rates. We may experience higher energy, petroleum and steel prices in fiscal year 2005 than we experienced in fiscal year 2004, based on increasing prices for such commodities.

INTELLECTUAL PROPERTY

Through internal development programs and strategic acquisitions, we have assembled an extensive array of technologies protected by a significant number of trade and service marks, patents, trade secrets and other proprietary rights. As of March 31, 2004, we were the licensee of certain patents and held a significant number of patents and pending patent applications. Expiration dates of such patents range from 2004 to 2021. In addition, we maintain a significant number of trade and service marks and trade secrets. Although we believe that our intellectual property has value, we consider the quality and timely delivery of our products, the service we provide to our customers and the technical knowledge and skills of our personnel to be more important in our ability to compete. While our intellectual property rights may be of importance to individual components of our operations, our business as a whole is not materially dependent on any single intellectual property right or such intellectual property rights as a group.

RESEARCH AND DEVELOPMENT

Our engineering and product development activities are primarily directed toward designing new products and services to meet the specific requirements of our customers. Product development costs were minimal in fiscal 2004, 2003 and 2002. While we stress the importance of our research and development programs, the expense and market uncertainties associated with the development and successful introduction of new products are such that there can be no assurance that we will realize future revenues from new products.

SEASONAL TRENDS

Each of our segments is subject to seasonal fluctuations that may affect our operating performance. A large portion of our service activity is performed in the field. Therefore, adverse climatic conditions, such as cold weather, snow, heavy or sustained rainfall, hurricanes and typhoons, may reduce the level of our service activity or result in work stoppages. Since a large portion of our business can be adversely impacted by inclement weather, we

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usually experience a reduction in sales during our fourth fiscal quarter reflecting the effect of the winter season in our principal markets in North America and Europe. For these reasons, our revenues during the fourth quarter of our fiscal year typically have been lower than revenues during each of the other three fiscal quarters.

FOREIGN OPERATIONS

The Company's foreign operations are subject to the usual risks of operating in foreign jurisdictions. They include, but are not limited to, exchange controls, currency restrictions and fluctuations, changes in local economics and changes in political conditions.

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CUSTOMERS

We sell our products and services to a broad range of customers. During the fiscal year ended March 31, 2004, no one customer accounted for more than 10% of our sales. We do not believe that the loss of any one customer would have a material adverse effect on our business.

We sell products and services to the U.S. government and agencies and municipalities thereof, including the U.S. Navy. Sales to these customers as a percentage of our net sales were approximately 9% for fiscal year 2004, 8% for fiscal year 2003 and 10% for fiscal year 2002. Our contracts with the U.S. government contain standard provisions permitting the government to terminate these contracts without cause. In the event of termination, we are entitled to receive reimbursement on the basis of the work completed (cost plus a reasonable profit). These contracts are also subject to renegotiation of profits. In addition, many of our contracts with the U.S. government are subject to certain completion schedule requirements that include liquidated damages in the event schedules are not met as the result of circumstances within our control. Government procurement programs are also subject to budget cutbacks and policy changes that could impact the revenue for, or alter the demand for, our products or services. Accordingly, our future sales to the government are subject to these budgetary and policy changes.

BACKLOG

Backlog consists of our anticipated revenue from the uncompleted portions of our existing contracts and contracts whose award is reasonably assured. As of March 31, 2004, our backlog of unshipped orders was \$52.5 million, compared to \$49.6 million as of March 31, 2003. We believe that the backlog figures are firm, subject to the cancellation and modification provisions contained in various contracts. We estimate that a substantial portion of our backlog as of March 31, 2004 will be filled during fiscal 2005. The level of our backlog at any particular time is not necessarily indicative of our future operating performance.

COMPETITIVE CONDITIONS

Within the corrosion control market, we face competition from a large number of domestic and international companies, most of which we believe are considerably smaller than we are. Although some of our competitors offer a broad range of corrosion control engineering services, systems and products, we do not believe that any of our competitors offer the comprehensive range of products and services that we provide. In the service area, we compete principally on the basis of quality, customer service and technical expertise and capabilities, and to some degree on price, particularly when we are providing construction and installation services. In the product area, we typically compete on the basis of

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quality, service and price.

GOVERNMENT REGULATIONS

Other than as disclosed under "Item 3 - Legal Proceedings" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2004, we believe that our current operations and our current use of property, plant and equipment conform in all material respects to applicable environmental laws and regulations, and we have not experienced, nor do we anticipate, any material claim or material capital expenditure in connection with environmental laws and other regulations impacting our operations. Further information about environmental and foreign regulatory risks is included under this Item in "Factors Influencing Future Results and Accuracy of Forward Looking Information." Circumstances or developments that are not currently known as well as the future cost of compliance with environmental laws and regulations could be substantial and could have a material adverse effect on our results of operations and financial condition.

EMPLOYEES

As of March 31, 2004, we had 869 employees, 308 of whom were located outside the United States. We believe that our relationship with our employees is good.

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FACTORS INFLUENCING FUTURE RESULTS AND ACCURACY OF FORWARD LOOKING INFORMATION

This document includes certain statements that may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on management's expectations and beliefs concerning future events and discuss, among other things, anticipated future performance and revenues, expected growth and future business plans. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" or variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any forward-looking statement speaks only as of the date on which such statement is made and we do not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. We believe that the following factors, among others, could affect our future performance or the price and liquidity of our common shares and cause our actual results to differ materially from those that are expressed or implied by forward-looking statements, or diminish the liquidity of our common shares:

OUR COMPLIANCE WITH THE LISTING STANDARDS AND REPORTING REQUIREMENTS OF THE STOCK EXCHANGE ON WHICH OUR COMMON SHARES TRADE. We are required by the American Stock Exchange to maintain certain listing standards and meet certain reporting requirements in order for our common shares to continue trading and to remain listed on the exchange. The exchange notified us in September 2003 that we were not in compliance with the shareholders' equity requirement of its continued listing requirements and that we should submit a plan to regain compliance. In December 2003, the American Stock Exchange accepted the plan that we submitted in accordance with its request. There can be no assurances that we will comply with the plan, the applicable shareholders equity requirement, or other continued listing requirements. If the exchange determines for any reason, including non-compliance with our plan, that our common shares should be de-listed from the exchange:

- the market liquidity and price of our common shares would likely be negatively affected;

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- it may be more difficult to dispose of, or to obtain accurate quotations of, our common shares;
- we may be unable to list our shares for trading on any exchange or quotation on any automated quotation system;
- we may be unable to remain a reporting company; and
- we could face difficulty raising capital necessary for our continued operations.

ADVERSE DEVELOPMENTS IN PENDING LITIGATION OR REGULATORY MATTERS COULD NEGATIVELY IMPACT OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION. From time to time, we are involved in litigation and regulatory proceedings, including those disclosed in "Item 3 - - Legal Proceedings" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2004, and in our other periodic reports filed with the Securities and Exchange Commission. There are always significant uncertainties involved in litigation and regulatory proceedings and we cannot guarantee the result of any particular action. Regulatory compliance is often complex and subject to variation and unexpected changes, including changing interpretations and enforcement agendas affecting the regulatory community. We may need to expend significant financial resources in connection with legal and regulatory procedures and our management may be required to divert attention from other portions of our business. If, as a result of any proceeding, a judgment is rendered, decree is entered or administrative action is taken against us or our customers, it may materially and adversely affect our business, financial condition and results of operations.

OUR COMPLIANCE WITH THE SEC SETTLEMENT. In addition to significant expenditures we may have to make to comply with the terms of the SEC settlement described in "Item 3 - - Legal Proceedings - - SEC Enforcement Proceeding" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2004, we must comply with the terms of the permanent injunction and the undertakings, which require us to take affirmative actions to ensure compliance with the federal securities laws. Our failure to adequately comply with the provisions of the injunction or any of the undertakings therein may result in additional enforcement action by the SEC, severe penalties against us and our officers and directors,

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and may have an impact on our business, financial condition and results of operations. Additionally, the publicity surrounding the SEC investigation and subsequent settlement and injunction may adversely affect our reputation with our customers and suppliers and have an adverse impact on our revenues and expenses.

OUR PRINCIPAL SHAREHOLDER IS A CONTROLLING SHAREHOLDER. As of March 31, 2004, CPI beneficially owned approximately 58.9% of our common shares, assuming the exercise of its warrant to purchase an aggregate of 12,113,744 of our common shares. In addition, CPI has the right to vote 51% of the voting power of Corrpro and to elect a majority of our Board of Directors through its ownership of our Series B Preferred Stock. As a result, CPI has the ability to determine the outcome of all matters requiring approval by our shareholders, including the election and removal of directors and any proposed merger, consolidation or sale of all or substantially all of our assets. In addition, CPI could dictate the management of our business and affairs. This concentration of ownership could have the effect of delaying, deferring, or preventing a change in control, or impeding a merger or consolidation, takeover, or other business combination that could be favorable to our shareholders. This significant concentration of share

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ownership and voting power may adversely affect the trading price for our common shares because investors often perceive disadvantages in owning stock in companies with controlling shareholders.

OUR SHAREHOLDERS ARE EXPOSED TO DILUTION AND OTHER RISKS ASSOCIATED WITH OUR OUTSTANDING WARRANTS AND OPTIONS. As of March 31, 2004, we had outstanding:

- options to purchase an aggregate of approximately 1,351,611 shares of our common shares that were issued pursuant to our stock option plans; and
- warrants to purchase an aggregate of approximately 17,278,859 shares of our common shares, which represents approximately 63.8% of our common shares on a fully diluted basis, that were issued in connection with financing arrangements.

All of these warrants, which have nominal exercise prices, and many of these options have exercise prices below the current market price of our common shares. In addition, we may issue additional stock, warrants and/or options pursuant to stock option plans or to raise capital in the future. Assuming the exercise of all warrants and options, our current outstanding common shares would represent approximately 31.2% of our common shares. The significant number of common shares issuable upon exercise of these warrants and options could have any or all of the following effects:

- the exercise of these options and warrants may have an adverse effect on the market value of our common shares;
- the existence of these options and warrants may adversely affect the terms on which we can obtain additional equity financing; and
- to the extent the exercise prices of these options and warrants are less than the net tangible book value of our common shares at the time these options and warrants are exercised, our shareholders will experience immediate dilution in the net tangible book value of their investment.

OUR DEBT INSTRUMENTS CONTAIN COVENANTS THAT LIMIT OUR OPERATING AND FINANCIAL FLEXIBILITY. On March 30, 2004, we entered into a new \$40.0 million senior secured credit facility and issued \$14.0 million of senior secured subordinated notes, which replaced our previous \$26.4 million revolving credit facility and \$24.4 million of senior notes. Both the new senior secured credit facility and the new senior secured subordinated notes require us to maintain a minimum level of earnings before interest, taxes, and depreciation/amortization, a minimum fixed charge coverage ratio and comply with, among other things, leverage ratios. Our ability to meet these financial ratios and tests under our new credit agreements is affected by our results of operations and by events beyond our control. We may be unable to satisfy these ratios and tests. If we fail to comply with these ratios and tests, and we are unable to obtain a waiver for such failure, no further borrowings would be available under the new senior secured credit facility and our lenders will be entitled to, among other things, accelerate the debt outstanding under the new credit agreements so that it is immediately due and

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payable and ultimately foreclose on our assets that secure the debt. Any significant inability to draw on the new senior secured credit facility or acceleration of the debt outstanding under the new credit agreements would have

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a material adverse effect on our financial condition and operations. In addition, our new senior secured credit facility restricts our ability and the ability of certain of our subsidiaries to, among other things:

- incur additional debt and make certain investments or acquisitions;
- incur or permit to exist certain liens;
- sell, lease or transfer assets; and
- merge or consolidate with another company.

OUR LEVEL OF INDEBTEDNESS AND OTHER DEMANDS ON OUR CASH RESOURCES COULD MATERIALLY AFFECT OUR OPERATIONS AND BUSINESS STRATEGY. As of March 31, 2004, we had approximately \$33.3 million of total consolidated debt, net of debt discount of \$4.1 million. In addition, we have approximately \$4.5 million available under our new senior secured credit facility. Subject to the limits contained in our new credit agreements and our other debt agreements, our total consolidated debt could increase due to this additional borrowing capacity. In addition to the debt service requirements on our outstanding debt, we have other demands on our cash resources, including, among others, capital expenditures and operating expenses. Our level of indebtedness and the significant debt servicing costs associated with that indebtedness could significantly impact on our operations and business strategy. For example, they could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the amount of our cash flow available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in the industries in which we compete;
- place us at a competitive disadvantage compared to our competitors, some of which have lower debt service obligations and greater financial resources than we do;
- limit our ability to borrow additional funds;
- increase our vulnerability to general adverse economic and industry conditions; and
- result in our failure to satisfy the financial covenants contained in our new credit agreements or in other debt agreements, which, if not cured or waived, could have a material adverse effect on our business, financial condition or results of operations.

WE MAY BE UNABLE TO GENERATE A SUFFICIENT AMOUNT OF CASH FLOW TO SERVICE OUR DEBT. Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are unable to generate sufficient cash flow from operations, achieve currently anticipated operating improvements or have access to future borrowings, we may be unable to repay our indebtedness or to fund our other liquidity needs. In addition, we may need to refinance all or a portion of our indebtedness on or before maturity, and we may be unable to refinance any of our indebtedness on commercially reasonable terms or at all.

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THE MANNER IN WHICH WE ARE REQUIRED TO ACCOUNT FOR OUR OUTSTANDING WARRANTS COULD IMPACT OUR RESULTS OF OPERATIONS. Under applicable accounting rules and regulations, we are required to use marked-to-market accounting to value our outstanding warrants. This accounting treatment will result in charges and credits to our results of operations which are based on the market price for our common shares. If the market price for our common shares on the last day of

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our fiscal quarter is higher than that of the previous quarter, we are required to take a charge against our earnings for that quarter. Conversely, if the market price for our common shares on the last day of our fiscal quarter is lower than that of the previous quarter, we are required to make a credit to our earnings for that quarter. Due to the large percentage of our fully diluted common shares that is issuable upon exercise of our outstanding warrants, the changes to our reported earnings as a result of such accounting treatment could be significant.

OUR OPERATIONS CAN BE ADVERSELY IMPACTED BY INCLEMENT WEATHER. A large portion of our service activity is performed in the field. Therefore, adverse climatic conditions, such as cold weather, snow, heavy or sustained rainfall, hurricanes and typhoons, may reduce the level of our service activity or result in work stoppages. Working under inclement weather conditions can also reduce our efficiencies, which can have a negative impact on our profitability. As is common in our industry, we typically bear the risk of delays caused by some, but not all, adverse weather conditions. If these adverse climatic conditions present unusual intensity, occur at abnormal periods or last longer than usual in major geographic markets, especially during peak construction periods, we could experience a material adverse effect on our results of operations and profitability.

OUR BUSINESS IS SEASONAL. Since a large portion of our business can be adversely impacted by inclement weather, we usually experience a reduction in sales during our fourth fiscal quarter reflecting the effect of the winter season in our principal markets in North America and Europe. Accordingly, our results in any one quarter are not necessarily indicative of annual results or continuing trends.

OUR BUSINESS IS HIGHLY DEPENDENT ON THE LEVEL OF EXPENDITURES BY ENERGY COMPANIES. The products and services we provide to our customers in the energy markets are, to some extent, deferrable in the event that these customers reduce their capital and discretionary maintenance expenditures. The level of spending on these types of expenditures can be influenced by a number of factors beyond our control, including:

- current and projected oil, gas and power prices;
- the demand for electricity;
- the abilities of oil, gas and power companies to generate, access and deploy capital;
- exploration, production and transportation costs;
- the discovery rate of new oil and gas reserves;
- the sale and expiration dates of oil and gas leases and concessions;
- regulatory restraints on the rates that power companies may charge their customers;

- local and international political and economic conditions;
- worldwide economic activity;
- economic and political conditions in the Middle East and other oil-producing regions;
- coordination by the Organization of Petroleum Exporting Countries, or OPEC;
- the ability or willingness of host country government entities to fund their budgetary commitments; and
- technological advances.

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A sustained reduction in capital and discretionary maintenance expenditures by our energy customers has in the past, and may in the future, have a negative impact on our business and will likely result in decreased demand for our services, low margins and lower revenues.

OUR REVENUES HAVE BEEN DEPENDENT ON GOVERNMENT CONTRACTS IN THE PAST. In previous years, we have derived a significant portion of our revenues from contracts with agencies of the United States government. Our contracts with the U.S. government expose us to various business risks, including, but not limited to the ability of the U.S. government to unilaterally:

- suspend us from receiving new contracts pending resolution of alleged violations of procurement laws or regulations;
- terminate existing contracts;
- reduce the value of existing contracts;
- audit our contract-related costs and fees, including allocated indirect costs; and
- control and potentially prohibit the export of our products.

Any of our U.S. government contracts can be terminated by the U.S. government either for its convenience or if we default by failing to perform under the contract. Termination for convenience provisions provide only for our recovery of costs incurred or committed, settlement expenses and profit on the work completed prior to termination. Termination for default provisions provide for us to be liable for excess costs incurred by the U.S. government in procuring undelivered items from another source. If our contracts with the U.S. government are terminated, our business, results of operations and financial condition could be materially adversely affected.

In addition, the U.S. government's competitive bidding process may adversely affect our revenues. We obtain most of our U.S. government contracts through a competitive bidding process, and competitive bidding presents a number of risks, including, but not limited to:

- the need to compete against companies or teams of companies that may be long-term, entrenched incumbents for a particular contract for which we are competing;
- the need to compete on occasion to retain existing contracts

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that may have in the past been awarded to us on a sole-source basis; and

- the substantial costs and managerial time and effort, including design, development and marketing activities, necessary to prepare bids and proposals for contracts that may not be awarded to us.

If we are unable to win particular contracts that are awarded through the competitive bidding process, we may be unable to operate in the market for services that are provided under those contracts for a number of years. If we are unable to consistently retain existing contracts or win new contract awards over any extended period, our business, prospects, financial condition and results of operations could be adversely affected.

OUR DEPENDENCE ON FIXED-PRICE CONTRACTS COULD ADVERSELY AFFECT OUR OPERATING RESULTS. A substantial portion of our projects are currently performed on a fixed-price basis. Under a fixed-price contract, we agree on the price that we will receive for the entire project, based upon a defined scope, which includes specific assumptions and project criteria. If our estimates of our costs to complete the project are below the actual costs that we may incur, our margins will decrease, and we may incur a loss. The revenue, cost and gross profit realized on a fixed-price contract will often vary from our estimates because of unforeseen conditions or changes in job conditions and variations in labor and equipment productivity over the term of the contract. If we are unsuccessful in mitigating these risks, we may realize gross profits

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that are different from those originally estimated and reduced profitability or losses on projects. Depending on the size of a project, these variations from estimated contract performance could significantly impact our operating results for any quarter or year. In general, our turnkey contracts to be performed on a fixed-price basis involve an even greater risk of significant variations from our estimates. This is a result of the long-term nature of these contracts as well as the interrelationship of the integrated services to be provided under these contracts, whereby unanticipated costs or delays in performing part of the contract can have compounding effects by increasing costs of performing other parts of the contract.

WE USE PERCENTAGE-OF-COMPLETION ACCOUNTING FOR CONTRACT REVENUE WHICH MAY RESULT IN MATERIAL ADJUSTMENTS THAT WOULD AFFECT OUR OPERATING RESULTS. We recognize contract revenue using the percentage-of-completion method. Under this method, estimated contract revenue is accrued based generally on the percentage that costs to date bear to total estimated costs, taking into consideration physical completion. Estimated contract losses are recognized in full when determined. Accordingly, contract revenue and total cost estimates are reviewed and revised periodically as the work progresses and as change orders are approved, and adjustments based upon the percentage of completion are reflected in contract revenue in the period when these estimates are revised. These estimates are based on management's reasonable assumptions and our historical experience and are only estimates. Variations of actual results from these assumptions or our historical experience could be material. To the extent that these adjustments result in an increase, a reduction or an elimination of previously reported contract revenue, we would recognize a credit or a charge against current earnings, which could be material.

WE ARE REQUIRED TO OBTAIN SURETY BONDS IN CONNECTION WITH OUR BUSINESS. Government contracting agencies and some private contracting parties from time to time require prime contractors to furnish surety bonds guaranteeing their performance and payment to all subcontractors and suppliers of material and

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equipment under the contract. Our ability to obtain surety bonds depends upon our capitalization, working capital, past performance, management expertise and other variable factors. Surety companies consider such factors in light of the amount of surety bonds then outstanding in favor of us and their current underwriting standards, which may change from time to time. Our ability to obtain new projects may be restricted if we are unable to obtain adequate surety bonds.

WE ARE SUBJECT TO PRIME CONTRACTOR LIABILITIES ON PROJECTS THAT WE UNDERTAKE. We act as prime contractor on some of the construction projects that we undertake. As prime contractor, we are responsible for the performance of the entire contract, including subcontract work. Thus, we are subject to risks associated with the failure of one or more subcontractors to perform as anticipated. Claims may be asserted against us for construction defects, personal injury or property damage caused by subcontractors, and if successful these claims could expose us to liability. If unforeseen events occur with respect to our subcontractors, including bankruptcy of, or an uninsured or under-insured loss claimed against, our subcontractors, we may be responsible for the losses or other obligations of those subcontractors. If any of these situations occur, our business and results of operations could be adversely affected.

WE ARE EXPOSED TO LIABILITIES BEYOND OUR CONTROL AS A SUBCONTRACTOR. On projects in which we act as a subcontractor, if the general contractor or other subcontractors fail to perform their obligations or cause delays or failures in the project, we

- may not receive all or a portion of the distributions or payments to which we are entitled in connection with the project;
- the project may be terminated by the customer; and
- we may be exposed to litigation or other claims in connection with any such delay or failure.

OUR PROFITABILITY CAN BE IMPACTED BY OUR MIX OF PRODUCTS AND SERVICES. Given that our selling, general and administrative costs are largely fixed in terms of dollars, our profitability is dependent upon the amount of gross profit that we are able to realize. We typically generate higher gross profit margins on pure engineering service projects than on those projects that include a material or installation component. In addition, our gross profit margins can be negatively impacted when we utilize subcontractors. Therefore, a shift in mix from engineering services to more construction and

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installation type work or an increase in the amount of subcontracting costs could have a negative impact on our operating results. In addition, certain of the products that we sell have gross profit margins that are considerably lower than our overall average gross profit margin. A shift in mix which results in a greater percentage of revenues relating to these lower margin products would also have a negative impact on our operating results.

THE TIMING OF PROJECTS CAN IMPACT OUR PROFITABILITY. There are a number of factors, some of which are beyond our control, that can cause our projects to be delayed and thus negatively impact our profitability for the related period. These factors include the availability of labor, equipment or materials, customer scheduling issues, delays in obtaining required permits and adverse weather conditions. In addition, when we work as a subcontractor on a project, our portion of the project can be delayed as a result of various factors

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affecting the general contractor for such project.

THE AVAILABILITY AND VALUE OF LARGER PROJECTS CAN IMPACT OUR PROFITABILITY. While the majority of our projects are relatively small, we can have a number of individual contracts in excess of \$1 million in progress at any particular time. These larger contracts typically generate more gross profit dollars than our average size projects. Therefore, the absence of larger projects, which can result from a number of factors, including market conditions, can have a negative impact on our operating results.

OUR BUSINESS EXPOSES US TO SIGNIFICANT LIABILITIES UNDER ENVIRONMENTAL AND OTHER GOVERNMENTAL REGULATIONS. We and our customers are subject to various federal, state, local and foreign environmental, health and safety laws and regulations. These laws and regulations affect our operations by imposing standards for the protection of health, welfare and the environment. Significant fines and penalties may be imposed for non-compliance with environmental laws and regulations, and some environmental laws provide for joint and several strict liability for remediation of releases of hazardous substances, rendering a company liable for environmental damage, without regard to negligence or fault on the part of such company. These laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our acts which were in compliance with all applicable laws at the time these acts were performed. We may also be subject from time to time to legal proceedings brought by private parties or governmental authorities with respect to environmental matters, including matters involving alleged property damage or personal injury.

WE MAY INCUR SIGNIFICANT COSTS OR BE REQUIRED TO ALTER THE MANNER IN WHICH WE CONDUCT OUR BUSINESS IN RESPONSE TO CHANGES IN GOVERNMENT REGULATIONS. Federal, state, local and foreign environmental, health and safety laws and regulations laws are becoming increasingly complex and stringent. The risks of substantial costs related to compliance with these laws and regulations are an inherent part of our business, and future conditions may develop, arise or be discovered that create substantial environmental compliance costs. Compliance with environmental legislation and regulatory requirements may prove to be more limiting and costly than we anticipate. New laws and regulations or stricter enforcement of existing laws and regulations could require us to incur significant costs or alter the manner in which we conduct our business.

OUR INTERNATIONAL OPERATIONS ARE SUBJECT TO POLITICAL AND ECONOMIC RISKS. A significant portion of our revenue is derived from operations outside the United States. The scope and extent of our operations outside of the United States means that we are exposed to the risks inherent in doing business abroad. These risks include, but are not limited to:

- foreign currency restrictions, which may prevent us from repatriating foreign currency received in excess of local currency requirements and converting it into U.S. dollars or other fungible currency;
- expropriation of assets, by either a recognized or unrecognized foreign government, which can disrupt our business activities and create delays and corresponding losses;
- civil uprisings, riots and war, which can make it impractical to continue operations, adversely affect both budgets and schedules and expose us to losses;
- availability of suitable personnel and equipment, which can be affected by government policy, or changes in policy, which limit the importation of skilled craftsmen or specialized

equipment in areas where local resources are insufficient;

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- government instability, which can cause investment in capital projects by our potential customers to be withdrawn or delayed, reducing or eliminating the viability of some markets for our services; and
- decrees, laws, regulations, interpretations and court decisions under legal systems, including unexpected changes in taxation and environmental or other regulatory requirements, which are not always fully developed and which may be retroactively applied and cause us to incur unanticipated and/or unrecoverable costs as well as delays which may result in real or opportunity costs.

We cannot predict the nature of foreign governmental regulations applicable to our operations that may be enacted in the future. In many cases, our direct or indirect customer will be a foreign government, which can increase our exposure to these risks. U.S. government-imposed export restrictions or trade sanctions under the Export Administration Act, the Trading with the Enemy Act or similar legislation or regulation may also impede our ability, or the ability of our customers, to operate or continue to operate in specific countries. These factors could have a material adverse effect on our financial condition and results of operation.

THE INTERNATIONAL NATURE OF OUR BUSINESS EXPOSES US TO FOREIGN CURRENCY FLUCTUATIONS THAT MAY AFFECT OUR ASSET VALUES, RESULTS OF OPERATIONS AND COMPETITIVENESS. We are exposed to the risks of foreign currency exchange rate fluctuations as a significant portion of our net sales and certain of our costs, assets and liabilities are denominated in currencies other than the U.S. dollar. These risks include a reduction in our asset values, net sales, operating income and competitiveness. For those countries outside the United States where we have significant sales, a devaluation in the local currency will reduce the value of our local inventory as presented in our financial statements. In addition, a stronger U.S. dollar will result in reduced revenue, operating profit and shareholders' equity due to the impact of foreign exchange translation on our financial statements. Lastly, fluctuations in foreign currency exchange rates may make our products more expensive for customers to purchase or increase our operating costs, thereby adversely affecting our competitiveness and our profitability.

TERRORIST ATTACKS AND MILITARY CONFLICTS MAY ADVERSELY AFFECT OUR OPERATIONS, OUR ABILITY TO RAISE CAPITAL OR OUR FUTURE GROWTH. The continued threat of terrorism and the impact of military and other action, including U.S. military operations in Iraq, will likely lead to continued volatility in prices for crude oil and natural gas and could affect the markets for our operations. In addition, future acts of terrorism could be directed against companies operating both outside and inside the United States. Further, the U.S. government has issued public warnings that indicate that pipelines and other energy assets might be specific targets of terrorist organizations. These developments have subjected our operations to increased risks and, depending on their ultimate magnitude, could have a material adverse effect on our business, adversely impact our ability to raise additional capital if needed or restrict our anticipated growth.

WE ARE SUBJECT TO VARIOUS RISKS ASSOCIATED WITH CHANGING GLOBAL, POLITICAL AND ECONOMIC CONDITIONS. Changing political and economic conditions regionally or worldwide can adversely impact our business. Deteriorating political and general economic conditions may result in customers delaying or

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canceling contracts and orders for our products and services, difficulties and inefficiencies in the performance of our services including work stoppages, and difficulties in collecting payment from our customers. As a result, such conditions can negatively impact our results of operations and our cash flows.

THE LOSS OF ONE OR MORE KEY EMPLOYEES, OR FAILURE TO ATTRACT AND RETAIN OTHER HIGHLY QUALIFIED PERSONNEL IN THE FUTURE, COULD DISRUPT OUR OPERATIONS AND ADVERSELY AFFECT OUR FINANCIAL RESULTS. Our continued success depends on the active participation of our key employees. The loss of our key personnel could adversely affect our operations. We believe that our success and continued growth are also dependent upon our ability to attract and retain skilled personnel. We believe that our wage rates are competitive; however, a significant increase in the wages paid by other employers could result in a reduction in our workforce, increases in the wage rates we pay, or both. If these events occur for any significant period of time, our revenues and profitability could be diminished and our growth potential could be impaired. Further, if we are unable to attract and retain skilled workers, our business will be adversely affected. Our operations depend substantially upon our ability to continue to retain and attract project managers, project engineers, and skilled construction workers, and equipment operators. Our ability to expand our operations is impacted by our ability to

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increase our labor force. The demand for skilled workers in our industry is currently high and the supply is limited. As a result of the cyclical nature of the oil and gas industry as well as the physically demanding nature of the work, skilled workers may choose to pursue employment in other fields.

OUR BUSINESS INVOLVES HAZARDS AND OPERATIONAL RISKS, AND WE MAY FAIL TO MAINTAIN ADEQUATE INSURANCE COVERAGE TO PROTECT US AGAINST THESE RISKS. Insufficient insurance coverage and increased insurance costs could adversely impact our cash flows, financial condition and results of operations. Although we maintain insurance coverage that we believe is commercially reasonable for our business circumstances, we are not fully insured against all risks. The occurrence of a significant event that is not fully insured against could have a material adverse effect on our financial condition. Our insurance does not cover every potential risk associated with providing our products and services. We cannot be certain that insurance coverage will be available in the future on commercially reasonable terms or that the insurance proceeds received for any covered loss or damage will be sufficient to restore the loss or damage without a negative impact on our financial condition.

WE HAVE NO PLANS TO PAY DIVIDENDS ON OUR COMMON SHARES. We have no plans to pay dividends on our common shares in the foreseeable future. We intend to invest our future earnings, if any, to fund our anticipated growth. In addition, our senior secured credit facility limits the payment of cash dividends. Any payment of future dividends on our common shares will be at the discretion of our board of directors and will depend upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions applying to the payment of any such dividends, and other considerations that our board of directors deems relevant.

DECLINES IN THE STOCK MARKET AND PREVAILING INTEREST RATES RESULT IN REDUCTIONS IN OUR PENSION FUND ASSET VALUES IN THE UNITED KINGDOM, WHICH HAVE CAUSED AND MAY CONTINUE TO CAUSE A SIGNIFICANT REDUCTION IN OUR NET WORTH. In the fiscal year ended March 31, 2002, as a result of lower investment performance caused by lower stock market returns and a decline in prevailing interest rates, our projected pension fund asset values in the United Kingdom decreased. The reduction in asset values required that we take a non-cash after-tax charge to accumulated other comprehensive loss, which is a component

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of shareholders' equity. Primarily as a result of a negative return on our pension fund assets and further reductions in interest rate levels in fiscal year 2003, we were required to further reduce shareholders' equity. We may be required to take further charges related to pension liabilities in the future and these charges may be significant. We continue to review our assumptions regarding rates of return and discount rates in light of the factors mentioned above and other relevant considerations, and our future pension expense may further increase as a result.

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PART II

ITEM 6. SELECTED FINANCIAL DATA

The financial data presented below for each of the five years ended March 31, should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K/A.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2004 -----	2003 -----	2002 -----
STATEMENT OF OPERATIONS DATA:			
Revenues	\$ 130,084	\$ 117,623	\$ 134,784
Operating income (loss)	8,530	1,960	4,313
Interest expense	9,565	6,725	5,878
	-----	-----	-----
Income (loss) before income taxes from continuing operations	(1,035)	(4,765)	(1,565)
Income tax provision (benefit) (1)	576	(363)	11,155
	-----	-----	-----
Loss from continuing operations	(1,611)	(4,402)	(12,720)
	-----	-----	-----
Net loss(2)	\$ (5,479)	\$ (28,825)	\$ (18,217)
	=====	=====	=====
LOSS PER SHARE FROM CONTINUING OPERATIONS-			
Basic	\$ (0.19)	\$ (0.52)	\$ (1.57)
Diluted	(0.19)	(0.52)	(1.57)
NET LOSS-			
Basic	\$ (0.65)	\$ (3.43)	\$ (2.24)
Diluted	(0.65)	(3.43)	(2.24)
OTHER DATA:			
Total assets (2004 as restated)	\$ 73,632	\$ 78,540	\$ 109,993
Working capital, excluding net assets held for sale	16,139	(25,006)	(37,918)
Net assets held for sale	--	6,392	31,857
Total debt (2004 as restated)	33,303	51,241	62,686
Shareholders' equity (deficit)	(2,729)	1,199	23,857

(1) Includes a valuation allowance of \$10,472 in fiscal 2002, related to

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our deferred tax asset. See Note 1, Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K/A for further information.

- (2) Includes a cumulative effect of change in accounting principle of \$18,238 in fiscal 2003, related to our evaluation of goodwill. See Note 1, Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K/A for further information.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contains certain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The following discussion should be read in conjunction with the consolidated financial statements, accompanying notes and selected financial data appearing elsewhere in this Annual Report on Form 10-K/A and may contain certain statements that constitute "forward-looking statements." Words such as "anticipates," "expects," "intends," "believes," "seeks," "estimates" or variations of such words and similar expressions are intended to identify such forward-looking statements. A number of risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Important risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements appear elsewhere in this Annual Report on Form 10-K/A. See "Business - - Factors Influencing Future Results and Accuracy of Forward Looking Information."

OVERVIEW

We provide a comprehensive range of corrosion control engineering services, systems, equipment and materials; coatings services; and pipeline integrity and risk assessment services to a wide variety of customers in the North American and European infrastructure, environmental and energy markets, including the U.S. government and its agencies.

In July 2002, our Board of Directors approved a multi-year restructuring plan that included a series of initiatives designed to improve our gross margin and operating income and reduce our outstanding indebtedness. We believe that we have been successful in implementing these initiatives to date. Our gross margin has increased from 29.3% in fiscal 2002 to 31.8% in fiscal 2004 based in part on a number of measures that we have taken, including closing underperforming offices, improving our material purchase program, containing employee compensation costs and restricting nonessential travel and entertainment.

We also believe that we have enhanced our capital structure by implementing initiatives designed to reduce our outstanding indebtedness. During fiscal 2003 and fiscal 2004, we disposed of our Middle East operations, Asia Pacific operations and four other non-strategic business units and used the proceeds from such dispositions to reduce our outstanding indebtedness. In addition, on March 30, 2004, we completed a refinancing and recapitalization pursuant to which we (i) issued and sold 13,000 shares of our Series B Preferred Stock and a warrant to purchase 12,113,744 of our common shares to CPI for aggregate consideration of \$13.0 million, (ii) issued and sold \$14.0 million of

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our secured subordinated notes and a warrant to purchase 3,936,967 of our common shares to American Capital and (iii) entered into a \$40.0 million senior secured credit facility with CapitalSource, we used the proceeds therefrom to repay our prior revolving credit facility and senior notes and for working capital purposes. We believe that our new capital structure will be critical in our efforts to expand our business and achieve our other business objectives.

RESTATEMENT OF 2004 FINANCIAL INFORMATION

As part of our recapitalization and refinancing, we issued Series B Cumulative Redeemable Voting Preferred Stock and a warrant for \$13 million and senior secured subordinated notes and a warrant for \$14 million on March 30, 2004. In the Originally Filed 10-K, the proceeds from these issuances were allocated between the Series B Preferred Stock and the warrant and the senior secured subordinated notes and the warrant, respectively, based on a calculation of the fair value of the warrants that included a "blockage" discount. During the preparation of our June 30, 2004 consolidated financial statements, it was determined that the value of these warrants should not include a "blockage" discount factor. See Note 1 - - Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements included in this Amendment. Based on this determination, we are restating our consolidated balance sheet to reflect an increase in the allocation of the proceeds to the warrants, a corresponding decrease in the allocation of the proceeds to the Series B Preferred Stock and senior secured subordinated notes, and conforming changes as of March 31, 2004. We are

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also restating our consolidated statement of cash flows for the year ended March 31, 2004 to reflect related changes in the allocations to "Net proceeds from issuance of Preferred Shares and warrants" and "Payment of financing costs." The changes contained in this restatement are a non-cash event, do not affect our consolidated statements of operations and shareholders' equity (deficit), and do not affect the financial covenants included in our financing arrangements.

CRITICAL ACCOUNTING POLICIES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires management to use assumptions and estimates, some of which are significant, to determine certain of the reported values on our financial statements. Although management bases its assumptions and estimates on historical experience and other factors that management considers relevant, these assumptions and estimates could change materially as conditions both within and beyond our control change. The following is a discussion of our critical accounting policies and the related management assumptions and estimates necessary in determining certain of the reported values on our financial statements. Our critical accounting policies, including the assumptions and estimates underlying them, are more fully described in Note 1, Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K/A.

REVENUE RECOGNITION. We record income from construction and engineering contracts under the percentage-of-completion method, using costs incurred to date in relation to estimated total costs of the contracts, to measure the stage of completion. Original contract prices are adjusted for change orders and claims when the change order or claim has been approved by the customer. Cost budgets are revised, when necessary, in the amounts that are reasonably estimated based on the project leaders' knowledge of the project as well as our historical experience. The cumulative effects of changes in estimated total contract costs and revenues are recorded in the period in which the facts

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requiring such revisions become known, and are accounted for using the percentage-of-completion method. At the time it is determined that a contract is expected to result in a loss, the entire estimated loss is recorded. We recognize revenue from product sales upon shipment and transfer of ownership.

ACCOUNTS RECEIVABLE. We record estimated allowances for uncollectible accounts receivable based upon the number of days the accounts are past due, the current business environment, and specific information such as bankruptcy or liquidity issues of customers. Historically, losses for uncollectible accounts receivable have been within management's range of estimates. Corrosion control services and products are provided to a large number of customers with no substantial concentration in a particular industry or with an individual customer.

INVENTORIES. Inventories are valued at the lower of cost or market with cost being determined on the first-in, first-out method. Management periodically reviews inventories for excess and obsolete goods based upon a combination of historical and forecasted usage. Additionally, discrete provisions are made when facts and circumstances indicate that particular inventories will not be utilized. If future market conditions are different than those estimated, a change to the valuation of inventory may be required and would be reflected in the period the conditions change.

ASSET IMPAIRMENT. We periodically evaluate whether events and circumstances have occurred that indicate the remaining estimated useful life of any long-lived or intangible asset may warrant revision or that the remaining balance of the asset may not be recoverable. If factors indicate that the long-lived assets should be evaluated for possible impairment, we use an estimate of the related asset's net undiscounted cash flows from operations over the remaining life to determine recoverability. The measurement of the impairment would be based on the amount by which the carrying value of the asset exceeds its fair value.

During fiscal 2004, we recorded an impairment charge relating to our Middle East operations totaling \$3.5 million based on the current market value of these operations. This impairment charge was included in results from discontinued operations. During fiscal 2003, we recorded an impairment charge relating to our Asia Pacific operations totaling \$1.6 million based on the current market value of these operations and additionally recorded impairment charges totaling \$0.9 million based on a market value analysis for our European and Middle East operations. The Asia Pacific and Middle East operations were reported as discontinued operations and were sold in fiscal 2004.

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In July 2001, Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), were issued by the Financial Accounting Standards Board. SFAS 141 eliminates the pooling-of-interests method for business combinations and requires the use of the purchase method. SFAS 142 changes the accounting for goodwill and indefinite life intangibles from an amortization approach to a non-amortization approach, and require periodic tests for impairment of these assets. Upon our adoption of SFAS 142 on April 1, 2002, the provisions of SFAS 142 required the discontinuance of amortization of goodwill and indefinite life intangibles that had been recorded in connection with previous business combinations. We completed impairment testing under SFAS 142 and recorded an impairment loss, as of April 1, 2002, totaling \$18.2 million of which \$11.8 million related to discontinued operations and \$6.4 million related to continuing operations. The loss was recognized as the cumulative effect of a change in accounting principle. This impairment testing is also done annually in the fourth quarter

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and such testing resulted in no additional impairment as of March 31, 2004.

INCOME TAXES. We use the liability method whereby income taxes are recognized during the fiscal year in which transactions enter into the determination of financial statement income. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between financial statement and tax basis of assets and liabilities. We recorded a valuation allowance for our net domestic deferred tax assets carryforwards of \$10.5 million in the fourth quarter of fiscal 2002. We maintained a valuation allowance at March 31, 2004 and intend to maintain a full valuation allowance for our net domestic deferred tax assets and net operating loss carryforwards until sufficient positive evidence exists to support the reversal of the remaining reserve. Until such time, except for foreign tax provisions, we expect to have no reported tax provision, net of valuation allowance adjustments. In the event we were to determine, based on the existence of sufficient positive evidence, that we would be able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment to the valuation allowance would increase income in the period such determination was made. See Note 6-Income Taxes of our consolidated financial statements for additional information regarding income taxes.

RESULTS OF OPERATIONS

In July 2002, our Board of Directors approved a formal business restructuring plan. The multi-year plan included a series of initiatives to improve operating income and reduce debt by selling non-core business units. We engaged outside professionals to assist in the disposition of the domestic and international non-core business units. Prior to the quarter ended September 30, 2002, our non-core domestic and international units were reported as the Other Operations and International Operations reporting segments. Effective as of the quarter ended September 30, 2002, the Other Operations and the International Operations reporting segments were eliminated and the non-core domestic and international units were reported as discontinued operations. Prior-year financial statements were reclassified to reflect these non-core units as discontinued operations, which were also referred to as "assets and liabilities held for sale."

In the second quarter of fiscal 2004, our Board of Directors removed our European Operations from discontinued operations. The Board concluded that our value would be enhanced by maintaining our European presence rather than by selling our European Operations at this time, based in part on the strength of the local management team, the similar characteristics of the served markets, and the favorable prospects for this business. Therefore, effective in the second quarter of fiscal 2004, we reported quarterly and annual results of the European Operations in our continuing operations. Prior-year financial statements have been reclassified to reflect the European Operations as continuing operations.

YEAR ENDED MARCH 31, 2004 COMPARED TO YEAR ENDED MARCH 31, 2003

REVENUES. Revenues from continuing operations for fiscal 2004 totaled \$130.1 million, compared with \$117.6 million for fiscal 2003, an increase of \$12.5 million, or 10.6%. Revenues from the discontinued operations were \$10.1 million in fiscal 2004 compared to \$26.9 million in the prior fiscal year. The decrease in discontinued operations is primarily attributable to the sale of four non-strategic business units.

Revenues for fiscal 2004 relating to the Domestic Core Operations totaled \$92.9 million compared to prior-year results of \$85.0 million, an increase of \$7.9 million or 9.3%. The increase was primarily related to a large well casing

project being run out of our Houston office that generated \$5.7 million in revenues in fiscal 2004 compared to \$0.4 million in the year-earlier period. In addition, our commercial coatings offices experienced increased revenues of \$2.1 million in fiscal 2004 compared to the year-earlier period, primarily due to increased activity levels in our Chicago and Bakersfield offices as well as increased inspection revenues in our Lafayette office. These increases were partially offset by decreases in several areas of our Domestic Core Operations. Our Eastern Region offices experienced a revenue decline of \$0.2 million in fiscal 2004 compared to the year-earlier period, primarily as a result of lower revenues from a large bridge project in fiscal 2004 compared to the year-earlier period. Also, our Water Tank business experienced a \$0.6 million revenue decline in fiscal 2004 compared to the year-earlier period. This decrease is attributed to the Federal EPA mandate that all municipal water systems serving 3,300 or more customers perform and file security and vulnerability assessments with the EPA. As a result of this mandate, municipal water systems have been deferring infrastructure maintenance as a means of allocating funds to pay for these assessments.

Revenues from our Canadian Operations for fiscal 2004 totaled \$24.1 million compared to \$19.3 million, for fiscal 2003, an increase of \$4.8 million, or 24.9%. Approximately \$2.6 million of this increase was due to the strengthening of the Canadian dollar against the U.S. dollar in fiscal 2004 compared to fiscal 2003. The remaining increase was primarily due to increased volume of material and rectifier sales as well as an increase in the energy segment of our business.

Revenues from our European Operations for fiscal 2004 totaled \$13.1 million compared to \$13.4 million, for fiscal 2003, a decrease of \$0.3 million, or 2.2%. This decrease was primarily due to lower revenues received from a large contract to perform work on underground storage tanks in the United Kingdom and was offset by approximately \$2.0 million due to the strengthening of the British pound against the U.S. dollar in fiscal 2004 compared to fiscal 2003.

GROSS PROFIT. Consolidated gross profit margins were 31.8% for fiscal year 2004 compared to 31.5% for the prior-year period. Gross margins continued to benefit from the restructuring plans and cost containment programs implemented in fiscal 2001 and 2002 as well as our Board of Directors decision to approve a formal business restructuring plan in July 2002. The multi-year plan included a series of initiatives to improve gross margins as well as operating income and reduce debt. The initiatives that impacted gross margin in fiscal 2004 included the following:

- Closure of underperforming offices. At the end of fiscal 2003, we closed one underperforming office. This office experienced a gross margin rate of 21.5% in fiscal 2003.
- Improved material purchase program. Efficiencies were achieved in purchasing certain corrosion control materials that are sold to our customers. Our Material Sales Center experienced a 23 basis point improvement in its gross margin rate in fiscal 2004 compared to the year-earlier period.
- Wage and salary freeze. We implemented a general wage and salary freeze for employees in fiscal 2003 in order to contain costs. This wage and salary freeze was not lifted until July 2003.
- Restrictions on travel and entertainment. Travel and entertainment continues to be restricted to essential, revenue producing ventures.

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses totaled \$32.8 million (25.2% of revenues) for fiscal year 2004 compared to \$35.2 million (29.9% of revenues) for fiscal 2003. Selling, general and administrative expenses for year ended March 31, 2004, included \$1.5 million related to professional fees associated with our lender requirements and \$1.1 million for severance and retirement benefits associated with our former Chief Executive Officer. Fiscal year 2003 included \$2.9 million in professional fees related to lender requirements, \$2.1 million of pension expense related to our European Operations and a \$0.5 million impairment charge recorded for our European Operations. Selling, general and administrative expenses continue to improve due to the informal cost containment and restructuring plans mentioned above as well as the Board of Directors plan also mentioned above. An activity-based analysis was performed to eliminate our non-value added costs. In addition, we continue to see benefits pertaining to the closure of underperforming offices. Also, we have reduced headcount in corporate overhead areas.

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Headcount was reduced in both fiscal 2002 and 2003, which resulted in annual savings in each year of approximately \$4.0 million. We continue to restrict travel and entertainment to essential, revenue producing ventures as well as restricting the purchase of advertising materials, catalogs, office supplies and other discretionary overhead items. Also, we had favorable claims experience in our health care costs in both fiscal 2004 and fiscal 2003.

OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS. Operating income from continuing operations totaled \$8.5 million for fiscal year 2004 compared to \$2.0 million in fiscal 2003, an increase in earnings of \$6.5 million. This increase is primarily related to higher restructuring costs incurred in fiscal 2003 and improved revenues generated during the fiscal year 2004.

INTEREST EXPENSE. Interest expense totaled \$9.6 million for fiscal year 2004 compared to \$6.7 million in fiscal 2003. We completed our refinancing and recapitalization transaction in the fourth quarter of fiscal 2004. As a result of the refinancing, we expensed deferred financing costs associated with the previous lenders of \$1.3 million in fiscal year 2004. In addition, we expensed yield maintenance amounts required under previous debt arrangements of \$2.2 million in fiscal year 2004 and \$1.0 million in fiscal 2003.

INCOME TAX PROVISION. We recorded a provision for income taxes of \$0.6 million for the year ended March 31, 2004 compared to a income tax benefit of \$0.4 million recorded for the year ended March 31, 2003. Our effective tax rate is based on the statutory rates in effect in the countries in which we operate. We recorded a provision greater than the statutory tax rate of 34% since we have not realized the tax benefits of losses in our Domestic Core Operations for which a previously recorded valuation allowance has been provided. We intend to maintain a full valuation allowance on our domestic net deferred tax assets including net operating loss carryforwards associated with losses generated prior to our refinancing and recapitalization transaction. The refinancing and recapitalization transaction resulted in a change of control for income tax purposes as defined in U.S. tax law. As such, we will be limited as to how much of our net operating loss carryforwards will be available for use in future periods.

LOSS FROM CONTINUING OPERATIONS. Loss from continuing operations totaled \$1.6 million in fiscal year 2004 compared to a loss of \$4.4 million in fiscal year 2003, an improvement of \$2.8 million. The fiscal 2004 improvement was the result of improved revenue levels, improved operating efficiencies and our overall efforts to streamline operations.

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DISCONTINUED OPERATIONS. Loss from discontinued operations, net of income taxes, for the year ended March 31, 2004, was \$3.9 million compared to a loss, net of income taxes, of \$6.2 million in fiscal year 2003, an improvement of \$2.3 million. The loss in fiscal 2004 is primarily attributable to a \$3.5 million impairment charge on net assets related to our Middle East Operations, which was recorded in the second quarter of fiscal 2004.

CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE. During fiscal 2003, we, with the assistance of independent valuation experts, completed our initial assessment test and concluded that certain of our goodwill was impaired. Effective April 1, 2002, we recognized a transitional impairment charge of \$18.2 million as the cumulative effect of a change in accounting principle to reduce the carrying values of certain indefinite lived intangible assets and goodwill to estimated fair values as required by SFAS No. 142. This is a non-cash charge and does not impact compliance with the financial covenants contained in our lender agreements.

NET LOSS. Net loss totaled \$5.5 million for the year ended March 31, 2004, compared to a net loss of \$28.8 million in fiscal year 2003, an improvement of \$23.3 million, which was primarily attributable to \$18.2 million of non-cash goodwill impairment charges as a result of a change in accounting principle in fiscal 2003, improved revenue levels, improved operating efficiencies and our overall efforts to streamline operations.

Loss per share on a fully diluted basis totaled \$0.65 per share for the year ended March 31, 2004, compared to a loss per fully diluted share of \$3.43 for the year ended March 31, 2003. The weighted average number of shares used in calculating loss per share is computed based on the number of common shares issued and outstanding. On March 30, 2004, we completed our recapitalization which resulted in the issuance of warrants exercisable for 16.1 million common shares. In accordance with generally accepted accounting principles for "Participating Securities", these warrants will be

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included in the weighted average shares calculation only in periods in which we generate net income available to common shareholders. Net income available to common shareholders represents net income less the annual preferred stock dividend.

YEAR ENDED MARCH 31, 2003 COMPARED TO YEAR ENDED MARCH 31, 2002

REVENUES. Revenues from continuing operations for fiscal 2003 totaled \$117.6 million, compared with \$134.8 million for fiscal 2002, a decrease of 12.8%.

Our Domestic Core Operations generated revenues of \$85.0 million in fiscal 2003 compared with \$101.8 million in fiscal 2002, a decrease of 16.5%. This decrease was primarily related to our Preservation Team contracts with the U.S. Navy. Since June 2000, we have been providing Preservation Team services to the U.S. Navy under a demonstration contract. In calendar 2002, these contracts were placed in the normal Navy procurement process and put out for competitive bid. A number of these contracts were designated as small business contracts and we did not qualify as a small business. Therefore, we were unable to compete for these contracts as a prime contractor, although we were eventually awarded a number of subcontracts for this work. The net result was a reduction in revenues for this work of approximately \$11.6 million in fiscal year 2003. In fiscal 2003, we also made the decision to close two offices in New Mexico and South America, resulting in lost revenues of approximately \$1.9 million. The remaining decrease was primarily due to decreased material sales of \$1.1 million and lower

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revenues generated by our commercial coatings offices of \$1.3 million.

Revenues relating to our Canadian Operations segment totaled \$19.3 million in fiscal year 2003, compared to \$21.3 million in fiscal year 2002, a decrease of 9.4%. The decrease was due primarily to lower material and rectifier sales and the closure of our office in Taiwan.

Revenues relating to our European Operations segment totaled \$13.4 million in fiscal year 2003, compared to \$11.7 million in fiscal year 2002, an increase of 14.5%. The increase was primarily due to a large contract with an energy company to provide engineering services for their underground storage tanks.

GROSS PROFIT. Consolidated gross profit margins for fiscal 2003 totaled \$37.1 million (31.6% of revenues) compared to \$39.5 million (29.3% of revenues) for fiscal 2002, a decrease in gross profit dollars of \$2.4 million or 6.1%. The higher gross profit as a percent to revenue (a 230 basis point increase) can be attributed to informal restructuring plans and cost containment programs implemented in fiscal 2001 and 2002 as well as our Board of Directors decision to approve a formal business restructuring plan in July 2002. The multi-year plan includes a series of initiatives to improve gross margins as well as operating income and reduce debt. The initiatives that impacted gross margins in fiscal 2003 included the following:

- Closure of underperforming offices. At the end of fiscal 2001, we closed five underperforming offices. Costs continued to be incurred in fiscal 2002 as we restructured our operations. Approximately \$0.4 million in margin costs were incurred in fiscal 2002 while none were incurred in fiscal 2003. In fiscal 2002, we closed our office in Taiwan and realized gross margin improvement of \$0.4 million in fiscal 2003.
- Improved insurance programs. We moved certain insurance policies to deductible programs in fiscal 2003. These changes allowed us to reduce costs by approximately \$0.7 million.
- Improved material purchase program. Efficiencies were achieved in purchasing certain corrosion control materials that are sold to our customers. Gross margin improvement in our Material Sales Center totaled \$0.3 million in fiscal 2003.
- Wage and salary freeze. We implemented a general wage and salary freeze for employees in fiscal 2003 in order to contain costs.

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- Restrictions on travel and entertainment. Travel and entertainment was restricted to essential, revenue producing ventures.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses for fiscal 2003 totaled \$35.2 million (29.9% of revenues), compared with \$35.2 million (26.1% of revenues) for fiscal 2002. The fiscal 2003 amount of \$35.2 million includes \$2.9 million in professional fees related to lender requirements, severance expenses totaling \$0.5 million, \$2.1 million of pension expense related to our European Operations and a \$0.5 million impairment charge recorded for our European Operations. The overall improvement in the base level of selling, general and administrative expenses was achieved in part by the implementation of informal cost containment programs and restructuring plans in fiscal 2001 and 2002 as well as in part because of the Board of Director's approval of a formal restructuring plan in July 2002. An

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activity-based analysis was performed to eliminate our non-value added costs. Savings were achieved through the following initiatives:

- Reduced headcount in corporate overhead areas. Headcount was reduced in both fiscal 2002 and fiscal 2003. Savings of approximately \$4.0 million was achieved by these headcount reductions in fiscal 2003.
- Closed under performing offices. At the end of fiscal 2001, we closed five under performing offices. Costs continued to be incurred in fiscal 2002 as we restructured our operations. In addition, we closed our office in Taiwan in fiscal 2002. The total reduction in selling, general and administrative expenses realized by these closures was approximately \$0.4 million in fiscal 2003.
- Restrictions on travel and entertainment as well as other discretionary overhead costs. Travel and entertainment was restricted to essential, revenue producing ventures. Purchase of advertising materials, catalogs, office supplies and other discretionary overhead items were also restricted. Total savings achieved in fiscal 2003 was approximately \$0.4 million.
- Wage and salary freeze. We implemented a general wage and salary freeze for employees in fiscal 2003 in order to contain costs. In addition, the management incentive plan was suspended in fiscal 2003. The savings achieved in fiscal 2003 from the suspension of the management incentive plan was approximately \$0.4 million.

In addition to the initiatives above, we achieved a savings from reduced employee benefit costs. In fiscal 2003, we suspended the match feature in our 401(k) plan. In addition, we had a favorable claims experience in our health care costs. These items resulted in savings of approximately \$0.9 million in fiscal 2003.

OPERATING INCOME FROM CONTINUING OPERATIONS. Operating income from continuing operations for fiscal 2003 totaled \$2.0 million, compared to \$4.3 million for fiscal 2002, a decrease of \$2.3 million. The decrease was primarily due to the decrease in revenue levels. The savings achieved in selling, general and administrative expenses were offset by the additional costs outlined above.

INTEREST EXPENSE. Interest expense for fiscal 2003 totaled \$6.7 million, compared to \$5.9 million for fiscal 2002. The increase was related primarily to a provision for yield maintenance of \$1.0 million in our then-outstanding senior notes.

INCOME TAX PROVISION. We recorded an income tax benefit of \$0.4 million for fiscal 2003, compared to an income tax provision of \$11.2 million in fiscal 2002. Our effective rate is based on the statutory rates in effect in the countries in which we operate. See Note 6, Income Taxes, Notes to Consolidated Financial Statements included in Item 8 for a reconciliation of our effective tax rates. Within the fiscal 2002 tax provision is an increase in valuation allowance for our domestic deferred tax asset of \$10.5 million.

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LOSS FROM CONTINUING OPERATIONS. As a result of the foregoing, loss from continuing operations in fiscal 2003 totaled \$4.4 million, compared with a loss from continuing operations of \$12.7 million in fiscal 2002, an improvement of \$8.3 million. The improvement was primarily attributable to the valuation

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allowance for our deferred tax assets taken in fiscal 2002.

DISCONTINUED OPERATIONS. Loss from discontinued operations, net of income taxes totaled \$6.2 million for fiscal 2003, compared with a loss from discontinued operations, net of income taxes, of \$5.5 million for fiscal 2002. This incremental loss was mainly attributable to currency translation adjustments and impairment charges. In fiscal 2003, four non-strategic business units were sold for a gain, net of taxes of \$2.1 million.

CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE. During fiscal 2003, we, with the assistance of independent valuation experts, completed our initial assessment test and concluded that certain of our goodwill was impaired. Effective April 1, 2002, we recognized a transitional impairment charge of \$18.2 million as the cumulative effect of a change in accounting principle to reduce the carrying values of certain indefinite lived intangible assets and goodwill to estimated fair values as required by SFAS No. 142. This is a non-cash charge and does not impact compliance with the financial covenants contained in our lender agreements.

NET LOSS. The net loss for fiscal 2003 totaled \$28.8 million, compared with a net loss of \$18.2 million in fiscal 2002. The net loss increase reflects the impact of the change in accounting principle and increased losses from discontinued operations. Diluted loss per share increased to a loss of \$3.43 in fiscal 2003 compared with a loss of \$2.24 in fiscal 2002.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW. At March 31, 2004, we had working capital of \$16.1 million, compared to a deficit of \$25.0 million at March 31, 2003, an improvement of \$41.1 million. This improvement in working capital was due to a number of factors, the most significant of which was that we completed our refinancing and recapitalization transaction on March 30, 2004. The refinancing and recapitalization transaction resulted in a \$45.2 million reduction in the current portion of long-term debt in fiscal 2004. Accounts receivable increased by \$6.0 million in fiscal 2004 due to higher revenue levels in fiscal 2004. The increase in accounts receivable was offset by a decrease in notes receivable of \$6.4 million. On March 31, 2003, we sold a non-strategic business unit and recorded a \$6.2 million note receivable, which increased working capital. This note was collected in fiscal year 2004. Inventory levels increased approximately \$1.6 million in fiscal year 2004, primarily due to a large well casing project being run out of our Houston office. Accounts payable and accrued liabilities increased \$2.4 million in fiscal year 2004 primarily due to higher activity levels in fiscal year 2004.

During fiscal 2004, cash provided by operating activities totaled \$1.0 million, compared to \$2.3 million in fiscal 2003. The overall decrease in cash generated from operating activities was primarily due to the fact that we paid \$3.2 million in yield maintenance amounts required under previous debt arrangements in fiscal 2004. We had accrued \$1.0 million of this yield maintenance in fiscal 2003, but it was actually paid in fiscal 2004. Improvements in accounts and notes receivable and accounts payable and accrued expenses were offset by unfavorable changes in inventory and prepaid expenses and other. As discussed above, the change in inventory was primarily due to a large well casing project being run out of our Houston office. The change in prepaid expenses and other was primarily due to an increase in our prepaid Directors and Officers insurance of approximately \$0.5 million and an April 2, 2004 payroll payment of \$0.7 million that we deposited with our payroll processor on March 31, 2004.

We believe that cash generated by operations and amounts available under our credit facilities will be sufficient to satisfy our liquidity requirements through at least fiscal 2005.

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SENIOR SECURED CREDIT FACILITY. On March 30, 2004, we entered into a \$40.0 million revolving credit, term loan and security agreement with CapitalSource that expires on March 30, 2009. Initial borrowings were used to repay existing indebtedness. The revolving credit facility provides for a maximum principal amount of \$19.5 million. Borrowings under the revolving credit facility are limited to borrowing base amounts as defined. The interest rate on the revolving credit facility is at prime plus 1.75%, which was 5.75% at March 31, 2004. We are also required to pay an

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unused line fee of 0.75% on the unused portion of the revolving credit facility and a collateral management fee of 0.50% based on the funded portion of the revolving credit facility. The revolving credit facility includes a credit sub-facility of \$7.0 million for the issuance of standby letters of credit. Standby letter of credit fees are 3.0% on the undrawn face amount of all outstanding standby letters of credit. At March 31, 2004, we had \$2.8 million outstanding under the revolving credit facility and \$6.1 million of outstanding letters of credit. Total availability under the revolving credit facility at March 31, 2004, was approximately \$4.5 million, after giving consideration to the borrowing base limitations under the revolving credit facility.

The term loan facility provided for an original principal amount of \$20.5 million. The term loan bears interest at prime plus 3.5% subject to a floor of 7.5%. The term loan requires us to make monthly principal payments from inception to March 1, 2009. The amount of the monthly payments are fixed, but the monthly amount increases each year. In addition, notwithstanding any other provisions in the revolving credit, term loan and security agreement, we are required to pay 50% of our excess cash flow, as defined, each year, starting with the year ending March 31, 2005, to further pay down the term loan. At March 31, 2004, the outstanding balance on the term loan was \$20.5 million.

Borrowings under the revolving credit, term loan and security agreement are secured by a first priority security interest in our domestic and Canadian accounts receivable, inventories, certain intangibles, machinery and equipment and owned real estate. We have also pledged slightly less than two-thirds of the capital stock of two of our foreign subsidiaries. The agreement requires us to maintain certain financial ratios and limits our ability to pay cash dividends, incur additional indebtedness and make investments, including acquisitions, and to take certain other actions specified therein. We were in compliance with these covenants at March 31, 2004.

SENIOR SECURED SUBORDINATED NOTES. On March 30, 2004, we entered into a senior secured subordinated note and equity purchase agreement with American Capital pursuant to which we sold \$14.0 million of our senior secured subordinated notes and a warrant to purchase 3,936,967 of our common shares to American Capital. Initial borrowings were used to repay existing indebtedness. The interest rate on the senior secured subordinated notes is 12.5%. The senior secured subordinated notes do not require principal payments and the notes are due on March 29, 2011. The senior secured subordinated notes are secured by a lien on our domestic and Canadian accounts receivable, inventories, certain intangibles, machinery and equipment and owned real estate subordinated in lien priority only to the liens in favor of CapitalSource. The senior secured subordinated note and equity purchase agreement requires us to maintain certain financial ratios and limits our ability to pay cash dividends, incur additional indebtedness, make investments, including acquisitions, and to take certain other actions specified therein. We were in compliance with these covenants at March 31, 2004.

SERIES B CUMULATIVE REDEEMABLE VOTING PREFERRED STOCK. On March 30,

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2004, we entered into a securities purchase agreement with CPI pursuant to which we sold 13,000 shares of our Series B Preferred Stock and a warrant to purchase 12,113,744 of our common shares to CPI for aggregate consideration of \$13.0 million. We used these proceeds to repay our outstanding indebtedness. The securities purchase agreement requires us to maintain certain financial ratios and limits our ability to incur additional indebtedness, make investments, including acquisitions, and to take certain other actions specified therein. We were in compliance with these covenants at March 31, 2004. In addition, the Series B Preferred Stock is redeemable at the option of the holders of Series B Preferred Stock upon the occurrence of certain events.

The Series B Preferred Stock will accrue cumulative quarterly dividends at an annual rate of 13.5%. In the event we do not maintain certain financial covenants for the twelve months preceding any quarterly dividend payment date, the annual dividend rate will increase to 16.5% for each subsequent calendar quarter during which we fail to comply with such financial covenants. Dividends on the Series B Preferred Stock are payable either (i) in cash if then permitted under the terms of our outstanding senior secured credit facility and/or senior secured subordinated notes or (ii) in additional shares of Series B Preferred Stock. Dividends payable in cash would be paid when, as and if declared by the Board of Directors out of funds legally available thereof. The terms of our senior financing prohibit, unless approved by the lender, the payment of any cash dividends on the Series B Preferred Stock while such debt is outstanding.

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CONTRACTUAL OBLIGATIONS. The following table summarizes our contractual obligations at March 31, 2004:

(IN THOUSANDS)	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN ONE YEAR	1 - 3 YEARS	4 - 5 YEARS	AFTER 5 YEARS
Indebtedness:					
Revolving Credit Facility, Due 2009	\$ 2,779	\$ 2,779	\$ --	\$ --	\$ --
Term Loan, Due 2009	20,500	2,500	12,000	6,000	--
Senior Secured Subordinated Notes(1)	14,000	--	--	--	14,000
Other Debt Obligations	154	--	154	--	--
Management Fee	3,200	400	1,200	800	800
Operating Leases	7,424	2,475	3,842	907	200
	-----	-----	-----	-----	-----
Total Contractual Cash Obligations	\$48,057	\$ 8,154	\$17,196	\$ 7,707	\$15,000

(1) The Senior Secured Subordinated Notes is net of discount of \$4,130 as reported on the consolidated financial statements.

RELATED PARTY TRANSACTIONS

On March 30, 2004, we entered into a services agreement with Wingate Partners, an affiliate of CPI. The services agreement provides that Wingate Partners agrees to consult with the Board of Directors in such a manner and on such business and financial matters as would be reasonably requested from time to time by the Board, including financial advisory, management advisory,

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strategic planning, monitoring and other related services, in exchange for which we will pay an annual non-refundable services fee of \$0.4 million payable quarterly in advance, to such persons designated by Wingate Partners. In lieu of paying any quarterly installment of the services fee in cash, we may, at our option, or if we are restricted from paying any such quarterly installment in cash under, or the Board determines that payment of such quarterly installment in cash would result in a default under, the terms of our new senior secured credit facility or senior secured subordinated notes, delay payment and accrue any unpaid portion of the services fee, without interest. The services agreement will have an initial term of eight years, which term will automatically renew for successive one year periods thereafter unless either party notifies the other of its desire to terminate the services agreement.

EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." This Interpretation addresses the consolidation by business enterprises of various interest entities as defined in the Interpretation. We do not expect the adoption of this Interpretation to have a material impact on our results of operations or financial position.

In December 2003, the FASB revised SFAS No. 132, "Employers' Disclosures about Pensions and Other Post Retirement Benefits." This revision requires additional disclosures to those in the original SFAS No. 132 about assets, obligations, cash flows and the periodic benefit cost of deferred benefit pension plans and other deferred benefit post-retirement plans. The required information should be provided separately for pension plans and for other post-retirement benefit plans. This statement revision is in effect for our fiscal years ended June 14, 2004, and interim periods beginning after June 15, 2004, for foreign plans. The adoption of this revision is not expected to have a material impact on our results of operations, financial position or disclosures.

In November 2003, the Emerging Issues Task Force ("EITF") issued EITF 03-06, "Participating Securities and the Two-Class Method under FASB Statement No. 128", FASB Statement No. 128, "Earning Per Share". This EITF provides clarification on the earning per share calculation for participating securities as defined under FASB No. 128. The EITF is effective for the reporting period after March 31, 2004. Prior period earnings per share amounts presented

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for comparative purposes should be restated to conform to the guidance in the consensus. We do not expect the adoption of this EITF to have a material effect on our consolidated financial statements or our results from operations.

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ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Corrpro Companies, Inc.:

We have audited the accompanying consolidated balance sheets of Corrpro Companies, Inc. and subsidiaries (Company) as of March 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended

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March 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corrpro Companies, Inc. and subsidiaries as of March 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1, to the accompanying consolidated financial statements, effective April 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets.

As discussed in note 1, to the accompanying consolidated financial statements, the accompanying balance sheet as of March 31, 2004, and the related statement of cash flows for the year then ended, have been restated.

/s/ KPMG LLP
Cleveland, Ohio

June 17, 2004, except for note 1, for which the date is August 9, 2004

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CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS MARCH 31, 2004 AND 2003

(In Thousands)

ASSETS

	Restated See Note 1 2004 -----	2003 -----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,498	\$ 7,037
Accounts receivable, less allowance for doubtful accounts of \$729 and \$660 at March 31, 2004 and 2003, respectively	24,139	18,156
Note receivable	768	7,192
Inventories	9,807	8,233
Prepaid expenses and other	5,974	4,246
Assets held for sale	--	9,846
	-----	-----

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Total current assets	43,186	54,710
	-----	-----
PROPERTY, PLANT AND EQUIPMENT:		
Land	548	443
Buildings and improvements	6,153	4,897
Equipment, furniture and fixtures	17,242	15,610
	-----	-----
	23,943	20,950
Less accumulated depreciation	(16,794)	(13,968)
	-----	-----
Property, plant and equipment, net	7,149	6,982
	-----	-----
OTHER ASSETS:		
Goodwill, net	14,560	13,343
Deferred income taxes	763	482
Other assets	7,974	3,023
	-----	-----
Total other assets	23,297	16,848
	-----	-----
	\$ 73,632	\$ 78,540
	=====	=====

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

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CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2004 AND 2003

(In Thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

	Restated See Note 1 2004	2003
	-----	-----
CURRENT LIABILITIES:		
Revolving credit facility	\$ 2,779	\$ 22,192
Current portion of long-term debt	2,500	28,284
Accounts payable	10,894	9,081
Accrued liabilities and other	10,874	10,313
Liabilities held for sale	--	3,454
	-----	-----
Total current liabilities	27,047	73,324
	-----	-----
LONG-TERM DEBT		
Long-term debt, net of current portion	18,154	765
Senior secured subordinated notes, net of discount of \$4,130	9,870	--

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eir respective affiliates, and Baltek has not paid Phoenix, nor any of its affiliates, any compensation for the opinion rendered by Phoenix in connection with the Merger. Baltek gave no limitations or instructions to Phoenix regarding limitations that would be given in due course in connection with a public company obtaining a fair

Phoenix delivered its opinion to the Board on March 4, 2003, which stated that as of that date and based upon and subject to the assumptions, factors and limitations set forth in the written opinion and described below, the consideration proposed to be paid to Baltek's stockholders in the proposed Merger was fair, from a financial point of view, to those stockholders. A copy of Phoenix's written opinion is attached to this proxy statement as *Annex C*.

While Phoenix rendered its opinion and provided certain analyses to the Board, Phoenix was not requested to and did not make any recommendation to the Board as to the specific form or amount of the consideration to be received by Baltek's stockholders in the proposed Merger, which was determined through negotiations between Baltek and Alcan. Phoenix's written opinion, which was directed to the Board, addresses only the fairness, from a financial point of view, of the consideration to be received by Baltek's stockholders in the Merger, does not address Baltek's underlying business decision to proceed with or effect the Merger or the structure thereof or the relative merits of the Merger compared to any alternative business strategy or transaction in which Baltek might engage, and does not constitute a recommendation to any Baltek stockholder as to how to vote in the Merger.

In arriving at its opinion, Phoenix's review included, without limitation:

publicly available financial, business and operating information relative to Baltek;

the reported prices and trading activity for shares of Baltek's common stock;

Baltek's past and current operations, financial condition, forecasts and prospects and the strategic, financial and operational benefits anticipated from the Merger based on discussions with senior executives of Baltek;

financial terms, to the extent publicly available, of certain comparable financing transactions;

the Merger Agreement; and

such other analyses and factors as Phoenix deemed appropriate.

In conducting its valuation analysis, Phoenix was of the opinion that the discounted cash flow analysis provided the best indicator of Baltek's valuation. Phoenix based its opinion on several factors, including the lack of comparable companies to Baltek, Baltek's limited float effectively precluding participation by institutional investors, Baltek's limited daily trading volume and its relatively small shareholder base. A further factor noted by Phoenix was that Baltek's public valuation is likely to continue to suffer due to the location of a sizable amount of its assets in countries with higher perceived investment risk. Accordingly, Phoenix concluded that generally used valuation criteria for publicly-traded companies, such as price-to-book value and price-to-earnings, were not meaningful valuation tools. The data and information contained in the discounted cash flow analysis and comparable company analysis were provided to Baltek by Phoenix and are based on market and securities data gathered by Phoenix and internal financial material prepared by Baltek.

As is customary in the rendering of fairness opinions, Phoenix based its opinion on financial, economic, market and other conditions in effect, and the information made available to Phoenix by Baltek, as of March 4, 2003. It was understood that, although subsequent developments may affect

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Phoenix's opinion, Phoenix does not have any obligation to update, revise or reaffirm its opinion. Phoenix expressed no opinion as to whether any alternative transaction might produce consideration for the holders of Baltek's capital stock in an amount in excess of that contemplated in the Merger.

In accordance with customary investment banking practice, Phoenix employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses that Phoenix relied on in delivering its opinion to the Board:

Discounted Cash Flow Analysis

Due to Baltek's capital structure, country risk assessments, market size and the lack of companies that Phoenix would consider reasonably comparable to Baltek, Phoenix determined that the discounted cash flow analysis served as the most appropriate valuation method. Based upon the projections provided to Phoenix by the management of Baltek, Phoenix performed the discounted cash flow analysis using debt-free operating cash flows.

Phoenix first determined the most likely discount rate (weighted average cost of capital) to use in its discounted cash flow analysis for Baltek. On the date of Phoenix's presentation to the Board, the risk free rate, represented by the 10-year United States Treasury Bond, was approximately 3.78%. Phoenix then estimated the systemic risk premium for an equity investment considering factors that include, in part, price volatility and industry risk. Phoenix then determined an appropriate beta, which measures a stock's risk, or price volatility, related to the overall market averages based on the Standard and Poors Industrial Index; a size premium based on the size of Baltek in the composite industry and a specific risk based on such factors as market risk to Baltek's products, country risk, financial risks associated with liquidity and debt, management risks and business environment risks. Phoenix then estimated that a two percent variance from the median discount rate calculated would represent the most likely range of applicable discount rates for Baltek. The median discount rate used by Phoenix is represented in the following table:

Weighted Average Cost of Capital Baltek Corporation (Stand Alone)		
Risk-free Rate (10-Year U.S. Government Bond)		3.78%
Systemic Risk		
Long-term expected risk premium	11.22%	
Beta (Vs SPX)	0.47	5.27%
Expected Size Premium		5.00%
Specific Risk		4.00%
Cost of Equity		18.05%
Pre-tax cost of Debt		6.34%
After-tax cost of Debt		4.25%
	Weight %	
Cost of Equity	13.99%	
Cost of Debt	0.96%	

Weighted Average Cost of Capital (rounded)

15%

After deriving an average cost of capital, Phoenix then used selected discount rates to make valuation ranges for the operating cash flow stream. The discounted cash flow analysis calculated the present value of the projected hypothetical future cash flows of Baltek using internal financial planning data prepared by Baltek's management. Phoenix determined, based upon the historical trading range of Baltek's common stock relative to its cash flow, that a range of projected debt-free future cash flow for

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fiscal year 2007 of 2x, 3x and 4x, respectively, would most accurately model the most likely present values for Baltek. The terminal value at the end of fiscal year 2007 was then computed by Phoenix using a three-times multiple on the projected debt-free cash flow in fiscal year 2007 as the most likely scenario. The present value of Baltek's future cash flows were calculated using discount rates of 13%, 15% and 17%. Such discounted cash flow analysis is represented in the following table:

(In \$000s)

Present Value of Debt-free Projected Cash Flows

Year	Projected Cash Flow	Discount Rate		
		13%	15%	17%
2003	\$ 2,250	\$ 1,991	\$ 1,957	\$ 1,923
2004	\$ 2,900	\$ 2,271	\$ 2,193	\$ 2,118
2005	\$ 4,370	\$ 3,029	\$ 2,873	\$ 2,728
2006	\$ 4,680	\$ 2,870	\$ 2,676	\$ 2,497
2007	\$ 5,650	\$ 3,067	\$ 2,809	\$ 2,577
Total:		\$ 13,228	\$ 12,508	\$ 11,845

PV of terminal Value as a multiple of 2007 FCF

2007 Projected CF		Discount Rate		
		13%	15%	17%
				\$ 5,650
Terminal Value/2007 FCF Multiple	2x	\$ 6,133	\$ 5,618	\$ 5,154
	3x	\$ 9,200	\$ 8,427	\$ 7,731
	4x	\$ 12,266	\$ 11,236	\$ 10,308

PV of FCF over the forecast period and the Terminal Value

Terminal Value/2007 FCF Multiple		Discount Rate		
		13%	15%	17%
	2x	\$ 19,361	\$ 18,641	\$ 16,999
	3x	\$ 22,428	\$ 20,935	\$ 19,576
	4x	\$ 25,494	\$ 23,744	\$ 22,153
	Value to Stockholders:		\$ 20,935	
	Less: Long-term Debt:		\$ 1,000	
	Value to Equity Holders:		\$ 19,935	

The analysis yielded results indicating that the present value of Baltek over the forecast period ranged from \$19,361,000 to \$22,153,000, with the most likely scenario yielding a value to stockholders of Baltek of \$19,935,000, on a debt free basis, compared to the aggregate consideration for the Merger expected to be received by the stockholders of Baltek of \$35,254,231, on a debt free basis.

Though Phoenix relies on the discounted cash flow examination as the most appropriate indication of Baltek's valuation, it also searched various sources and databases for comparable publicly-traded companies. Phoenix identified approximately 50 potentially comparable companies in the building product (wood), advanced materials/product and chemical-fibers sectors. Phoenix then eliminated 35 companies where the line of business was too dissimilar, the comparable company was too large or too small, or the amount of publicly available data was insufficient. Of the remaining 15 companies, an additional nine companies were eliminated since the respective business model and/or the revenue model was significantly different.

Phoenix compared Baltek's financial information and valuation ratios to corresponding data and ratios from six publicly-traded companies deemed to approximate Baltek's business based on similarities in size, business and financial characteristics. While Phoenix selected six comparable companies, it noted that the product lines and composition of incomes of such companies were so different from Baltek's that comparable company analysis would not provide a reasonably accurate guide to value Baltek and that the results of such comparison may be misleading.

Assumptions and Limitations

The preparation of a fairness opinion is a complex process and not necessarily susceptible to partial analysis or summary description. Phoenix believes that its analyses must be considered as a whole, as presented to the Special Committee and to the Board, and that selection of portions of its analyses and of the factors considered by it, without considering all of the factors and analyses, would create a misleading view of the processes underlying the opinion.

The analyses of Phoenix are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by the analyses. Analyses relating to the value of companies do not purport to be appraisals or valuations or necessarily reflect the price at which companies may actually be sold. No company or transaction used in any analysis for purposes of comparison is identical to Baltek or the Merger. Accordingly, an analysis of the results of the comparisons is not mathematical; rather, it involves complex considerations and judgments about differences in the companies to which Baltek was compared and other factors that could affect the public trading value of the companies.

For purposes of its opinion, Phoenix relied upon and assumed the accuracy and completeness of the financial statements and other information provided to it by Baltek, or otherwise made available to it, and did not assume responsibility for the independent verification of that information. Phoenix relied upon the assurances of the management of Baltek that the information provided to it by Baltek was prepared on a reasonable basis in accordance with industry practice, that the financial planning data, estimates and other business outlook information reflect the best currently available estimates and judgment of management, and that management was not aware of any information or facts that would make the information provided to Phoenix incomplete or misleading. Phoenix expressed no opinion as to such financial planning data, estimates and other business outlook information or the assumptions on which they are based. Phoenix also assumed the Merger will be consummated pursuant to the terms of the Merger Agreement without material modifications and without waiver by any party of any material conditions or obligations. In arriving at its opinion, Phoenix assumed that, in the course of obtaining regulatory approvals for the Merger, if any, no restrictions, including any divestiture requirements, will be imposed that would have a material adverse effect on the contemplated benefits of the Merger.

In arriving at its opinion, Phoenix did not perform any appraisals or valuations of any specific assets or liabilities of Baltek, nor was it furnished with any such appraisals or valuations. Phoenix made no physical inspection of the properties or assets of Baltek. Phoenix undertook no independent analysis

of any owned real estate, or any pending or threatened litigation, and Phoenix's opinion made no assumption concerning, and therefore did not consider, the possible assertion of claims, outcomes or damages arising out of any such matters.

Phoenix expressed no opinion as to the price at which shares of Baltek's common stock have traded or may trade following announcement of the Merger or at any future time. Phoenix's opinion addressed only the consideration to be received by stockholders of Baltek and no other term or agreement relating to the Merger. The opinion is based on information available to Phoenix and the facts and circumstances and economic, market and other conditions as they existed and were subject to evaluation on the date of the opinion. Events occurring after that date could materially affect the assumptions used in preparing the opinion. Phoenix has not undertaken, and is not obligated, to affirm or revise its opinion or otherwise comment on any events occurring after the date it was given.

Phoenix, as a customary part of its corporate advisory services, is engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, private placements and valuations for estate, corporate and other purposes. Under the terms of the engagement

letter dated February 20, 2003, Baltek has agreed to pay Phoenix \$75,000 for rendering its opinion, whether or not the transaction is consummated. Baltek has agreed to pay the reasonable out-of-pocket expenses of Phoenix and to indemnify Phoenix against liabilities incurred. These liabilities include liabilities under federal securities laws in connection with the engagement of Phoenix by the Board.

INTERESTS OF BALTEK'S DIRECTORS AND EXECUTIVE OFFICERS IN THE MERGER

In considering the recommendation of the Board in favor of the Merger, Baltek's stockholders should be aware that members of its Board and executive officers have interests in the Merger that are different from, or in addition to, the interests of Baltek's stockholders. Such interests relate to or arise from, among other things:

Consulting Agreements

By the Closing Date, Alcan is expected to have entered into consulting agreements with Jacques Kohn and Margot W. Kohn, which agreements will take effect at the effective time of the Merger and continue for a period of six months thereafter. These agreements are intended to maintain continuity of senior management in order to facilitate a smooth transition period for Baltek after the Merger. Under the consulting agreements, the aggregate consideration for Mr. And Mrs. Kohn will be \$500,000.

Indemnification

The Merger Agreement provides that Alcan and the surviving company will indemnify and hold harmless, and advance expenses, to the fullest extent permissible by applicable law, to each present and former director, officer and employee of Baltek, and certain subsidiaries, against reasonable costs and expenses (including reasonable attorneys' fees), judgments, fines, losses and claims and damages in connection with any civil, criminal or administrative claim or proceeding arising out of matters existing prior to the effective time of the Merger.

Bonuses and Termination and Non-Competition Agreements

In recognition of the efforts of certain Baltek officers and management staff during the negotiations and due diligence, as well as the contemplated integration and implementation, of the Merger and the associated transactions, the Board has implemented a bonus program for such officers and management staff. In the event that the Merger is consummated, Thomas G. Preisel, Ronald Tassello, Antonio L. Diaz, Harold Gutmann and certain senior management employees will be paid bonuses of \$150,000, \$100,000, \$100,000, \$100,000 and an aggregate of \$75,000, respectively.

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After dedicated service to Baltek for over 30 years, Jacques Kohn, Jean J. Kohn, Henri-Armand Kohn, Margot W. Kohn and Isabelle Kohn have decided not to continue their employment with Baltek upon and after the consummation of the Merger. Accordingly, each of these individuals will enter into termination of employment and non-competition agreements with Baltek and Alcan prior to the consummation of the Merger. In the event that the Merger is consummated and as consideration for entering into such agreements, Jacques Kohn, Jean J. Kohn, Henri-Armand Kohn, Margot W. Kohn and Isabelle Kohn will receive severance payments of \$250,000, \$250,000, \$500,000, \$250,000 and \$500,000, respectively, under the terms of these agreements.

Other than the Kohn family members who will not remain with Baltek after the Merger, Baltek has no knowledge of Alcan's plans for remaining management. Alcan has indicated its intent to honor the employment agreements between Baltek and Messrs. Preisel, Tassello, Diaz and Gutmann under their current terms after the closing of the Merger; and each of these individuals is currently expected to remain in their current positions at Baltek as Chief Operating Officer, Chief Financial Officer, Vice President, Latin American Operations and Vice President U.S. Manufacturing, respectively.

RIGHTS OF DISSENTING STOCKHOLDERS

Under Delaware law, any Baltek stockholder who does not wish to accept the consideration provided in the Merger Agreement has the right to demand the appraisal of, and to be paid the fair market value for, the stockholder's shares of Baltek's common stock. The value of Baltek's common stock for this purpose will exclude any element of value arising from the completion of the Merger.

It is a condition precedent to Alcan's obligation to close the Merger that less than 5% of the outstanding shares of Baltek's common stock have exercised their rights to dissent under Section 262 of the DGCL.

Delaware Law

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The discussion of the provisions set forth below is not intended to be a complete statement of a stockholder's appraisal rights under Delaware law. Rather, it is only a guide for a stockholder who wishes to exercise his, her or its appraisal rights, and stockholders are directed to the full text of the relevant provisions of the DGCL, which are attached to this proxy statement as *Annex D*. Stockholders intending to exercise appraisal rights pursuant to the DGCL should carefully review *Annex D*. Failure to follow precisely any of the statutory procedures for existing appraisal rights set forth in *Annex D* may result in a termination or waiver of these rights.

If the Merger is consummated, dissenting holders of Baltek's common stock who follow the procedures specified in Section 262 of the DGCL within the appropriate time periods will be entitled to have their shares of Baltek's common stock appraised by the Delaware Court of Chancery and to receive the "fair value" of such shares in cash as determined by such court in lieu of the consideration that such stockholder would otherwise be entitled to receive pursuant to the Merger Agreement.

The following is a brief summary of Section 262 of the DGCL, which sets forth the procedures for dissenting from the Merger and demanding statutory appraisal rights. Failure to follow the procedures set forth in Section 262 of the DGCL precisely could result in the loss of appraisal rights. This proxy statement constitutes notice to holders of Baltek's common stock concerning the availability of appraisal rights under Section 262 of the DGCL. A stockholder of record wishing to assert appraisal rights must hold the shares of stock on the date of making a demand for appraisal rights with respect to such shares and must continuously hold such shares through the effective time of the Merger.

Stockholders who desire to exercise their appraisal rights must satisfy all of the conditions of Section 262 of the DGCL. A written demand for appraisal of shares must be filed with Baltek at its main office in Northvale, New Jersey, before the special meeting. This written demand for appraisal

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must be in addition to, and separate from, any vote or proxy as to the Merger. Stockholders electing to exercise their appraisal rights must not vote "for" the Merger. Any proxy or vote against the Merger will not constitute a demand for appraisal within the meaning of Section 262 of the DGCL.

A demand for appraisal must be executed by or for the stockholder of record, fully and correctly, as such stockholder's name appears on the share certificate. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, this demand must be executed by or for the fiduciary. If the shares are owned by or for more than one person, as in a joint tenancy or tenancy in common, such demand must be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner. A person having a beneficial interest in Baltek's common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized below and in a timely manner to perfect whatever appraisal rights the beneficial owners may have.

A Baltek stockholder who elects to exercise his, her or its appraisal rights should mail or deliver his, her or its written demand to Baltek at its address at 10 Fairway Court, P.O. Box 195, Northvale, New Jersey, 07647, Attention: President. In order to be effective, the written demand for appraisal must specify the stockholder's name and mailing address, and that the stockholder is specifically demanding appraisal of his, her or its shares of Baltek's common stock. Within ten days after the effective time of the Merger, Baltek must provide notice of the effective time of the Merger to all of its stockholders who have complied with Section 262 of the DGCL and have not voted for the Merger.

Within 120 days after the effective time of the Merger (but not thereafter), any stockholder who has satisfied the requirements of Section 262 of the DGCL may deliver to Baltek a written demand for a statement listing the aggregate number of shares not voted in favor of the Merger and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Baltek, as the surviving corporation in the Merger, must mail such written statement to the stockholder no later than the later of 10 days after the stockholder's request is received by Baltek or 10 days after the latest date for delivery of a demand for appraisal under Section 262 of the DGCL.

Within 120 days after the effective time of the Merger (but not thereafter), either Baltek or any stockholder who has complied with the required conditions of Section 262 of the DGCL and who is otherwise entitled to appraisal rights may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the Baltek shares of stockholders entitled to appraisal rights. Baltek has no present intention to file such a petition if demand for appraisal is made.

Upon the filing of any petition by a stockholder in accordance with Section 262 of the DGCL, service of a copy must be made upon Baltek, which must, within 20 days after service, file in the office of the Register in Chancery in which the petition was filed, a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by Baltek. If a petition is filed by Baltek, the petition must be accompanied by the verified list. The

Register in Chancery, if so ordered by the court, will give notice of the time and place fixed for the hearing of such petition by registered or certified mail to Baltek and to the stockholders shown on the list at the addresses therein stated. Such notice will also be given by publishing a notice at least one week before the day of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware, or such publication as the court deems advisable. The forms of the notices by mail and by publication must be approved by the court, and the costs thereof will be borne by Baltek.

At the hearing for the petition, the Delaware Court of Chancery will determine the Baltek's stockholders who complied with Section 262 of the DGCL and have become entitled to appraisal rights. The court may require the stockholders who have demanded an appraisal for their shares (and

who hold stock represented by certificates) to submit their stock certificates to the Register in Chancery for notation of the pendency of the appraisal proceedings. If any of Baltek's stockholders demanding an appraisal fails to comply with the court's instruction, the court may dismiss his, her or its appraisal proceedings.

After determining which stockholders are entitled to appraisal rights, the court will appraise the shares owned by these stockholders, determining the fair value of such shares. The determination of the court will be made exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest to be paid, if any, upon the amount determined to be the fair value.

Baltek's stockholders considering seeking appraisal of their shares should note that the fair value of their shares determined under Section 262 of the DGCL could be more, the same or less than the consideration they would receive pursuant to the Merger Agreement if they did not seek appraisal of their shares. The costs of the appraisal proceeding may be determined by the court and taxed against the parties as the court deems equitable under the circumstances. Upon application of a dissenting stockholder, the court may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all shares entitled to appraisal. In the absence of a determination or assessment, each party bears his, her or its own expenses. The exchange of shares for cash pursuant to the exercise of appraisal rights will be a taxable transaction for United States federal income tax purposes and possibly state, local and foreign income tax purposes as well. See "Certain Material United States Federal Income Tax Consequences of the Merger" on page 30 of this proxy statement.

Any stockholder who has duly demanded an appraisal in compliance with Section 262 of the DGCL will not, from and after the effective time of the Merger, be entitled to vote for any purpose the shares subject to demand or to receive payment of dividends or other distributions on such shares, except for dividends or distributions payable to stockholders of record at a date prior to the effective time of the Merger.

At any time within 60 days after the effective time of the Merger, any stockholder will have the right to withdraw his demand for appraisal and to accept the terms offered in the Merger Agreement. After this period, a stockholder may withdraw his, her or its demand for appraisal and receive payment for his, her or its shares as provided in the Merger Agreement only with the consent of Baltek. If no petition for appraisal is filed with the court within 120 days after the effective time of the Merger, stockholders' rights to appraisal (if available) will cease. Inasmuch as Baltek has no obligation to file such a petition, any stockholder who desires a petition to be filed is advised to file it on a timely basis. No petition timely filed in the court demanding appraisal may be dismissed as to any stockholder without the approval of the court, which approval may be conditioned upon such terms as the court deems just.

Failure by any Baltek stockholder to comply fully with the procedures described above and set forth in *Annex D* to this proxy statement may result in termination of such stockholder's appraisal rights.

STOCKHOLDERS CONSIDERING SEEKING APPRAISAL SHOULD BE AWARE THAT THE FAIR VALUE OF THEIR SHARES AS DETERMINED UNDER SECTION 262 OF THE DGCL COULD BE MORE THAN, THE SAME AS OR LESS THAN THE MERGER CONSIDERATION THEY WOULD RECEIVE PURSUANT TO THE MERGER PROPOSAL IF THEY DID NOT SEEK APPRAISAL OF THEIR SHARES. FAILURE TO COMPLY STRICTLY WITH ALL OF THE PROCEDURES SET FORTH IN SECTION 262 OF THE DGCL MAY RESULT IN THE LOSS OF A STOCKHOLDER'S STATUTORY APPRAISAL RIGHTS. CONSEQUENTLY, ANY STOCKHOLDER WISHING TO EXERCISE APPRAISAL

RIGHTS IS URGED TO CONSULT LEGAL COUNSEL BEFORE ATTEMPTING TO EXERCISE SUCH RIGHTS.

ACCOUNTING TREATMENT

The Merger will be accounted for as a "purchase transaction" for financial accounting purposes.

FORM OF THE MERGER

Subject to the terms and conditions of the Merger Agreement and in accordance with Delaware law, at the effective time of the Merger, Alcan Balcop will merge with and into Baltek. Baltek will survive the Merger as a wholly-owned subsidiary of Alcan.

MERGER CONSIDERATION

At the effective time of the Merger, each outstanding share of Baltek's common stock, other than treasury shares and those shares held by stockholders who perfect their appraisal or dissenters' rights (as described in "The Merger Rights of Dissenting Stockholders" on page 26 of this proxy statement), will be converted into the right to receive \$15.17 per share. As of the effective time of the Merger, all shares of Baltek's common stock will no longer be outstanding, will automatically be canceled and will cease to exist, and each holder of a certificate representing any shares of Baltek's common stock (other than stockholders who have perfected their appraisal or dissenters' rights) will cease to have any rights as a stockholder, except the right to receive the ratable portion of the aggregate consideration for the Merger. The aggregate consideration for the Merger was determined through arm's-length negotiations between Baltek and Alcan.

CONVERSION OF SHARES; PROCEDURES FOR EXCHANGE OF CERTIFICATES

The conversion of Baltek's common stock into the right to receive the consideration for the Merger will occur automatically at the effective time of the Merger. As soon as reasonably practicable after the effective time of the Merger, Alcan's paying agent will send a transmittal letter to each former Baltek stockholder. The transmittal letter will contain instructions for obtaining cash in exchange for shares of Baltek's common stock. Baltek's stockholders should not return stock certificates with the enclosed proxy.

In the event of a transfer of ownership of Baltek's common stock that is not registered in the records of Baltek's transfer agent, the cash consideration for shares of Baltek's common stock may be paid to a person other than the person in whose name the certificate so surrendered is registered if:

the certificate is properly endorsed or otherwise is in proper form for transfer; and

the person requesting such payment (a) pays any transfer or other taxes resulting from the payment to a person other than the registered holder of the certificate or (b) establishes to Baltek, the surviving corporation in the Merger, that the tax has been paid or is not applicable.

The cash paid upon conversion of shares of Baltek's common stock will be issued in full satisfaction of all rights relating to the shares of Baltek's common stock.

EFFECTIVE TIME OF THE MERGER

The Merger will become effective upon the filing of a certificate of merger with the Delaware Secretary of State or at such later time (but no later than 90 days from the filing date) as set forth in the certificate of merger. The filing of the certificate of merger will occur as soon as practicable after satisfaction or waiver of the conditions to the completion of the Merger described in the Merger Agreement.

DELISTING AND DEREGISTRATION OF BALTEK'S COMMON STOCK

If the Merger is completed, Baltek's common stock will be delisted from the Nasdaq National Market and Baltek will cease to be a reporting company under the Securities Exchange Act of 1934.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following is a summary of certain material federal income tax consequences of the Merger to Baltek's stockholders whose shares of Baltek's common stock are converted into the right to receive their respective pro-rata share of the consideration for the Merger in the Merger (including any cash amounts received by dissenting stockholders pursuant to the exercise of dissenters' rights or appraisal rights). This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the applicable Treasury Regulations promulgated and proposed thereunder, and published judicial authority and administrative rulings and practice. Legislative, judicial or administrative authorities or interpretations are subject to change, possibly on a retroactive basis, at any time and a change could alter or modify the statements and conclusions set forth below. It is assumed for purposes of this discussion that the shares of Baltek's common stock are held as "capital assets" within the meaning of Section 1221 of the Code. This discussion does not address all aspects of federal income taxation that may be relevant to a particular stockholder in light of such stockholder's personal investment circumstances, or those stockholders subject to special treatment under the Federal income tax laws (for example, dealers in securities, financial institutions, mutual funds, life insurance companies, tax-exempt organizations or foreign persons) or to stockholders who acquired their shares of common stock through the exercise of employee stock options, pursuant to an employee stock purchase plan, exercise of warrants or other compensation arrangements, or to stockholders who hold their shares as part of an integrated investment such as a hedge, straddle or other risk reduction transaction, or who hold shares that are qualified small business stock for purposes of Section 1202 of the Code. In addition, the discussion does not address any aspect of foreign, state or local income taxation or any other form of taxation that may be applicable to a stockholder. Accordingly, all of Baltek's stockholders are urged to consult their own tax advisors as to the specific tax consequences to them of the Merger, including the applicable federal, state, local and foreign tax consequences.

Consequences of the Merger to Baltek's Stockholders

General

The receipt of the consideration for the Merger (and any cash amounts received by dissenting stockholders pursuant to the exercise of dissenters' rights or appraisal rights) will be a taxable transaction for federal income tax purposes (and also may be a taxable transaction under applicable state, local and other income tax laws). In general, for federal income tax purposes, a stockholder will recognize gain or loss equal to the difference between his, her or its adjusted tax basis in the shares of Baltek's common stock converted to cash in the Merger (or pursuant to the exercise of dissenters' rights) and the amount of cash received therefor. Such gain or loss will be capital gain or loss and will be long-term gain or loss, if, on the date of the Merger, the shares of Baltek's common stock were held for more than one year.

Generally, capital losses are deductible only against capital gains and are not available to offset ordinary income; however, individuals are allowed to offset a limited amount of net capital losses against ordinary income.

Dissenters' Rights

Under specified circumstances, holders of Baltek's common stock may be entitled to dissenters' or appraisal rights in connection with the Merger. See "Rights of Dissenting Stockholders" on page 26 of this proxy statement. If dissenters' or appraisal rights are available and a holder of Baltek's common

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stock receives cash pursuant to the exercise of such rights, such holder generally will recognize a gain or loss, measured by the difference between the cash received and such holder's tax basis in such common stock. Holders of Baltek's common stock who exercise dissenters' or appraisal rights are urged to consult their own tax advisors.

Federal Backup Tax Withholding

Under the Code, a stockholder may be subject, under certain circumstances, to "backup withholding" at a rate of 30% with respect to payments made in connection with the Merger. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Backup withholding generally applies if the stockholder:

fails to furnish his or her social security number or its taxpayer identification number ("TIN");

furnishes an incorrect social security number or TIN;

fails properly to report interest or dividends; or

under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the social security number or TIN provided is his, her or its correct number and that he, she or it is not subject to backup withholding.

To prevent federal backup income tax withholding with respect to cash received pursuant to the Merger, a stockholder must either provide the exchange agent with a correct social security number or TIN and certify whether such stockholder is subject to backup withholding of federal income tax by completing the substitute Form W-9 included in the letter of transmittal or establish a basis for exemption from backup withholding. Certain persons generally are exempt from backup withholding, including corporations, financial institutions and certain foreign individuals.

Certain penalties apply for failure to furnish correct information and for failure to include the reportable payments in income. Each stockholder should consult with his, her or its own tax advisor as to his, her or its qualifications for exemption from withholding and the procedure for obtaining such exemption.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS NOT INTENDED TO PROVIDE TAX ADVICE TO BALTEK'S STOCKHOLDERS. BALTEK'S STOCKHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE MERGER TO THEM IN VIEW OF THEIR OWN PARTICULAR CIRCUMSTANCES.

REGULATORY MATTERS

Although all business combination transactions are subject to U.S. antitrust laws and also may be subject to international antitrust laws, filings with the Department of Justice and the Federal Trade Commission prior to closing of the Merger are not required. However, the Department of Justice or the Federal Trade Commission, as well as a state or private person, may challenge the Merger at any time before or after its completion.

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THE MERGER AGREEMENT

The following description summarizes the material provisions of the Merger Agreement. Stockholders should read carefully the Merger Agreement, which is attached as *Annex A* to this proxy statement.

REPRESENTATIONS AND WARRANTIES

The Merger Agreement contains customary representations and warranties made by Baltek relating to, among other things:

corporate organization and similar corporate matters;

Baltek's capital structure;

authorization, execution, delivery, performance and enforceability of the Merger Agreement and other closing documents;
receipt of fairness opinion by Baltek from its financial advisor;

required consents, registrations, approvals, permits and authorizations of governmental authorities relating to the Merger Agreement;

no violation of organizational documents or material agreements as a result of the Merger Agreement or completion of the Merger;

the status and accuracy of information provided in connection with Baltek's existing contracts and the validity and effectiveness of such contracts;

documents filed by Baltek with the SEC, the accuracy of the financial statements and other information contained in such documents and the disclosure of long term indebtedness of Baltek;

absence of certain changes or events since December 31, 2001 that would have a Company Material Adverse Effect;

outstanding and pending litigation involving Baltek;

absence of liabilities other than as reflected in financial statements;

matters relating to employee benefits matters, compliance of compensation and benefit plans with ERISA, absence of certain ERISA liabilities and compliance with certain contribution requirements;

compliance with laws and permits;

satisfaction of actions necessary to render Delaware takeover statutes inapplicable to the Merger;

environmental matters that might have a material adverse effect on Baltek;

taxes, including filing of tax returns and payment of taxes by Baltek and absence of certain tax audits, examinations or proceedings;

labor matters, including status of labor relations and practices of Baltek;

insurance policies of Baltek;

intellectual property of Baltek;

brokerage and finder's fees; and

the required stockholder vote of Baltek's stockholders to approve the transaction.

The Merger Agreement also contains customary representations and warranties made by Alcan and Alcan Balcorp relating to, among other things:

corporate organization and similar corporate matters;

authorization, execution, delivery, performance and enforceability of the Merger Agreement;

required consents, registrations, approvals, permits and authorizations of governmental authorities relating to the Merger Agreement;

no violation of organizational documents or material agreements as a result of the Merger Agreement or completion of the Merger;

absence of beneficial ownership of shares of Baltek's common stock; and

availability of funds to consummate the Merger and the other transactions contemplated by the Merger Agreement.

CONDITIONS TO THE COMPLETION OF THE MERGER

Each of Baltek, Alcan and Alcan Balcorp is obligated to complete the Merger only if the following conditions are met or waived by such party at or prior to the effective time of the Merger:

the Merger and the Merger Agreement must be approved by and adopted by the requisite vote of Baltek's stockholders;

all governmental approvals and consents necessary to effect the transactions are obtained, unless the failure to obtain the approvals and consent would not have a Company Material Adverse Effect; and

no court or government entity having jurisdiction over any of the parties has issued an order that prohibits the consummation of the Merger.

Alcan and Alcan Balcorp are obligated to complete the Merger only if certain conditions are met by Baltek or waived by Alcan or Alcan Balcorp at or prior to the effective time of the Merger. These include that:

the representations and warranties of Baltek set forth in the Merger Agreement are true and correct when made and will be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date, except where a representation or warranty speaks as of an earlier date, and Alcan has received a certificate signed on behalf of Baltek by the President and Chief Executive Officer of Baltek to such effect;

Alcan has access to the business of Baltek and its subsidiaries to permit it to conduct a due diligence investigation to confirm to its satisfaction the representations and warranties of Baltek made in the Merger Agreement;

the holders of no more than 5% of Baltek's outstanding shares have perfected appraisal rights under Delaware law;

all of the directors of Baltek have submitted their resignations and Baltek has performed in all material respects each of its obligations contained in the Merger Agreement required to be performed on or prior to the Closing Date;

Baltek has divested all of its interests in its subsidiaries conducting its shrimp business;

each of Jacques Kohn, Jean J. Kohn, Margot W. Kohn, Henri-Armand Kohn and Isabelle Kohn has executed and delivered termination of employment and non-competition agreements on terms satisfactory to Alcan;

each of Jacques Kohn and Margot W. Kohn has executed and delivered consulting agreements on terms satisfactory to Alcan;

the Voting Agreement between Alcan and the Voting Agreement Stockholders remains in full force and effect; and

Baltek has obtained certain written consents pursuant to certain material contracts with third parties on terms satisfactory to Alcan.

Baltek is obligated to complete the Merger only if the following additional conditions are met by Alcan Balcorp and Alcan or waived by Baltek at or prior to the effective time of the Merger:

the representations and warranties of Alcan and Alcan Balcorp set forth in the Merger Agreement are true and correct when made and will be true and correct in all material respects on and as of the Closing Date as if made on and as of such date, except where a representation or warranty expressly speaks as of an earlier date, and Baltek has received certificates signed on behalf of Alcan by an officer of Alcan and by Alcan Balcorp by the Chief Executive Officer of Alcan Balcorp to such effect; and

Alcan and Alcan Balcorp have performed in all material respects all material obligations contained in the Merger Agreement required to be performed on or prior to the Closing Date.

Baltek can provide no assurance that all of the conditions precedent to the Merger will be satisfied or waived by the party permitted to do so. Baltek cannot at this point determine whether it would resolicit proxies in the event that it decides to waive any of the items listed above. This decision would depend on the facts and circumstances leading to Baltek's decision to complete the Merger and whether Baltek believes there has been a material change in the terms of the Merger and the effect of such change on Baltek's stockholders. In making its determination, Baltek would consider, among other factors, the reasons for the waiver, the effect of the waiver on the terms of the Merger, whether the requirement being waived was necessary in order to make the Merger fair to Baltek's stockholders from a financial point of view, the availability of alternative transactions and the prospects of Baltek as an independent entity. If Baltek determines that a waiver of a condition would materially change the terms of the Merger, it will resolicit proxies.

CONDUCT OF BUSINESS BY BALTEK PENDING THE MERGER

During the period from the date of the Merger Agreement through the effective time of the Merger, Baltek has agreed as to itself and its subsidiaries that, except as otherwise contemplated in the Merger Agreement or other instruments relating to the Merger, and unless Alcan otherwise approves in writing (which approval will not be unreasonably withheld or delayed), Baltek will:

operate its business and that of its subsidiaries only in the ordinary course of business and, to the extent consistent with such operation, use its best efforts to (i) preserve the present business organization intact and (ii) preserve all beneficial business relationships with all customers, suppliers, employees and others having business dealings with its business and that of its subsidiaries;

maintain its material assets in such condition and repair consistent with past practice and maintain upon all of its material assets, in full force and effect, insurance comparable in amount and coverage to that in effect on the date of the Merger Agreement;

not issue, sell, pledge, dispose of or encumber any capital stock owned by it in any of its subsidiaries; amend its certificate of incorporation or bylaws; split, combine or reclassify its outstanding shares of capital stock; declare, set aside or pay any dividend other than dividends from its direct or indirect wholly-owned subsidiaries or repurchase, redeem or otherwise acquire, or permit any of its subsidiaries to purchase or otherwise acquire, any shares of its capital stock or any securities convertible into or exchangeable or exercisable for any shares of its capital stock;

not issue, sell, pledge, dispose of or encumber any shares of, or securities convertible into or exchangeable or exercisable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of its capital stock or any outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote with Baltek's stockholders; grant or sell any option or right to purchase the assets of Baltek, except regarding non-material assets in the ordinary course of business consistent with past practice; or subject any of its assets to any further material lien, charge, mortgage, pledge, security interest or similar encumbrance, other than (i) as disclosed in the financial statements included in any of Baltek's registration statements, reports, proxy statements or information statements prepared by Baltek since December 31, 2001, and (ii) in the ordinary course of business consistent with past practice;

not terminate, establish, adopt, enter into, make any new grants or awards under, amend or otherwise modify, any compensation and benefit plans, or pay or promise to pay any bonus, profit-sharing or special compensation to any of its current or former employees, or those of any of its subsidiaries, or make any increase in the compensation payable or to become payable to any of such employees, except (i) for changes that are required by applicable law, (ii) to satisfy obligations under the terms of any agreement or plan in effect as of the date of the Merger Agreement, (iii) for increases in compensation that are made in the ordinary course of business consistent with past practice (which shall include normal, periodic performance reviews and related compensation and benefit increases) and (iv) for employment arrangements for, or grants of awards to, newly hired employees in the ordinary course of business;

except in the ordinary course of business not enter into or terminate any of its contracts, the performance of which involves consideration in excess of \$100,000, other than distribution, purchase or supply agreements entered into in the ordinary course of business, or make any change to any such contract;

not make any tax election or permit any insurance policy naming it as a beneficiary or loss-payable payee to be canceled or terminated without prior notice to Alcan, except in the ordinary and usual course of business;

not settle or compromise any material claims or litigation or, except in the ordinary and usual course of business, waive, release or assign any material rights or claims; and

not authorize or enter into an agreement to do any of the foregoing.

Notwithstanding the foregoing, Baltek is not prohibited from:

making, accepting or settling inter-company advances to, from or with any or all of its subsidiaries;

causing any of its subsidiaries to pay or distribute to Baltek all cash, money market instruments, bank deposits, certificates of deposit, other cash equivalents, marketable securities and other investment securities then owned or held by such subsidiary; or

engaging in any other transaction incident to the normal cash management procedures of Baltek and its subsidiaries in the ordinary course of business.

LIMITATION ON CONSIDERING OTHER ACQUISITION PROPOSALS

Baltek has agreed that neither it nor any of its subsidiaries nor any of their respective officers or directors will, and that it will direct and use its best efforts to cause their respective employees, agents and representatives not to (i) solicit, initiate, encourage or otherwise facilitate any Acquisition Proposal, or (ii) participate in any negotiations concerning, or provide any confidential information or data to or have any

discussions with any person relating to, an Acquisition Proposal, or otherwise facilitate any effort to make or implement an Acquisition Proposal.

Nevertheless, the Merger Agreement does not prevent Baltek, its directors, officers, agents or other representatives from (i) providing information subject to a confidentiality agreement in response to an unsolicited bona fide written Acquisition Proposal and engaging in any negotiations or discussions in connection with such Acquisition Proposal or (ii) recommending such an Acquisition Proposal to Baltek's stockholders if the Board determines in good faith (after consultation with outside legal counsel) that its failure to take such action would be inconsistent with the fiduciary duties of the directors and the Board determines in good faith (after consultation with its financial advisor), such Acquisition Proposal is a Superior Proposal.

TERMINATION

The Merger Agreement may be terminated:

by mutual written consent of both Baltek and Alcan;

by either Baltek or Alcan if (i) the Merger is not consummated by August 30, 2003; provided that the right to terminate shall not be available to any party who breached in any material respect its material obligations under the Merger Agreement that contributed to the failure of the Merger to be consummated; (ii) the Merger and the Merger Agreement are not approved by and adopted by the requisite vote of Baltek's stockholders; or (iii) a court or government entity having jurisdiction over the parties has issued a final order prohibiting the consummation of the Merger;

by Baltek, if Alcan or Alcan Balcorp has materially breached any representation, warranty, covenant or agreement in the Merger Agreement which is not curable or, if curable, is not cured within thirty days after the giving of notice by Baltek; provided that such breach results in (i) the failure of a representation or warranty of Alcan or Alcan Balcorp to be true and correct as of the Closing Date or (ii) the failure of Alcan or Alcan Balcorp to perform in all material respects all material obligations required to be performed by them under the Merger Agreement on or prior to the Closing Date;

by Baltek if its Board authorizes it to enter into a binding written agreement concerning a transaction determined to be a Superior Proposal (as defined on page 11 of this proxy statement); provided, however, Baltek may not terminate the Merger Agreement pursuant to this provision unless (i) it has delivered to Alcan a written notice of its intent to enter into an agreement to effect such a transaction, (ii) Alcan does not make an offer within three business days following receipt of such written notice by Baltek that the Board in good faith determines, after consultation with its financial advisors, is at least as favorable, from a financial point of view, to Baltek's stockholders as the Superior Proposal and (iii) upon termination Baltek pays to Alcan the required termination fee;

by Alcan, if the Board withdraws or adversely modifies its approval or recommendation of the Merger Agreement or after an Acquisition Proposal (as defined on page 11 of this proxy statement) has been made and the Board fails to reconfirm its recommendation of the Merger Agreement within fifteen business days after requested in writing by Alcan to do so; or

by Alcan, if Baltek has materially breached any representation, warranty, covenant or agreement in the Merger Agreement which is not curable or, if curable, is not cured within thirty days after the giving of notice by Alcan; provided that such breach results in (i) the failure of a representation or warranty of Baltek to be true and correct as of the Closing Date or (ii) the failure of Baltek to perform in all material respects all material obligations required to be performed by it under the Merger Agreement on or prior to the Closing Date.

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The Merger Agreement provides that regardless of whether the Merger is consummated, all costs, fees and expenses incurred by the parties in connection with the Merger shall be borne by the party incurring such costs, fees and expenses.

However, under certain circumstances relating to the termination of the Merger Agreement, Baltek may be required to pay Alcan a termination fee equal to \$1.2 million in immediately available funds. If Alcan or Alcan Balcorp commences and prevails in an action against Baltek to obtain payment of such termination fee, Baltek will also be required to pay the reasonable costs and expenses (including reasonable attorneys' fees) incurred by Alcan and Alcan Balcorp in connection with such an action. The circumstances under which this termination fee would be due are if:

Alcan terminates the Merger Agreement due to Baltek's inability to obtain the required approval of the stockholders of Baltek for the consummation of the Merger;

Baltek terminates the Merger Agreement because it has received a Superior Proposal and intends to enter into a binding agreement with the party making the Superior Proposal and Alcan does not make, within three business days of receipt (not counting the day of receipt) of Baltek's written notification of its intention to enter into a binding agreement for a Superior Proposal, an offer that the Board determines, in good faith after consultation with its financial advisors, is at least as favorable, from a financial point of view, to Baltek's stockholders as the Superior Proposal; or

Alcan terminates the Merger Agreement because the Board has withdrawn or adversely modified its approval or recommendation of the Merger Agreement or, after an Acquisition Proposal (as opposed to a Superior Proposal) has been made, the Board has failed to reconfirm its recommendation of the Merger Agreement within fifteen business days after a written request by Alcan to do so.

Furthermore, Baltek, as the surviving corporation, will pay all charges and expenses related to the exchange of, and payment for, shares pursuant to the Merger Agreement, including, without limitation, those charges and expenses of the paying agent, and any transfer taxes, conveyance taxes and sales taxes, if any, payable in connection with the consummation of the Merger.

AMENDMENT AND WAIVER OF THE MERGER AGREEMENT

Subject to the provisions of applicable law, at any time prior to when Baltek has filed a certificate of merger with the Delaware Secretary of State, Alcan, Alcan Balcorp and Baltek may modify or amend the Merger Agreement, by written agreement, executed and delivered by duly authorized officers of Alcan and Baltek.

The conditions to each of the obligations of Alcan, Alcan Balcorp and Baltek to consummate the Merger may be waived by Alcan, Alcan Balcorp and Baltek, in whole or in part, subject to applicable law.

INDEMNIFICATION

The Merger Agreement provides that Alcan and Baltek, as the surviving corporation, will indemnify and hold harmless (and Alcan and Baltek will also advance expenses as incurred to the fullest extent permitted under applicable law provided the person to whom expenses are advanced, provides any undertaking required under applicable law to repay such advances if it is ultimately determined that such person is not entitled to indemnification), each present and former director, officer, and employee of Baltek, Baltek's current subsidiaries and certain former subsidiaries of Baltek, against any reasonable costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the date that Baltek files the certificate of merger with the Secretary of State of the State Delaware, including the Merger and the other transactions contemplated by the Merger Agreement.

VOTING AGREEMENT

Simultaneously with the execution and delivery of the Merger Agreement, Alcan Balcorp and Alcan entered into the Voting Agreement with the Voting Agreement Stockholders. On the Record Date, the Voting Agreement Stockholders were the holders of record of approximately 46%, collectively, of Baltek's outstanding common stock.

VOTING

The Voting Agreement Stockholders agreed, among other things, to vote their shares of Baltek's common stock in favor of the adoption of the Merger Agreement, the approval of the terms thereof and the Merger at the special meeting of stockholders (or at any adjournment thereof) or in any other circumstances upon which a vote, consent or other approval with respect to the Merger and the Merger Agreement is sought. The Voting Agreement Stockholders also agreed to vote against, and not consent to, approval of any Acquisition Proposal or any acquisition agreement or similar agreement related to an Acquisition Proposal, or any change in the persons who constitute the Board that is not approved in advance by at least a majority of the persons who were Baltek directors as of the date of the Merger Agreement. Such Voting Agreement Stockholders further agreed to vote against, and not consent to, any other action or proposal involving Baltek or any of its subsidiaries that would in any manner prevent, impede, interfere with, delay, postpone or adversely affect the Merger, the Merger Agreement or any of the other transactions contemplated by the Merger Agreement. In order to secure these obligations, each of the Voting Agreement Stockholders granted to Alcan and its designees an irrevocable proxy and irrevocably appointed Alcan and its designee such Voting Agreement Stockholder's attorney and proxy to vote or, if applicable, to give consent with regard to all of the respective Voting Agreement Stockholder's shares of Baltek's common stock subject to the Voting Agreement.

RESTRICTIONS ON TRANSFER AND OTHER VOTING ARRANGEMENTS

Each Voting Agreement Stockholder also agreed not to sell, transfer, pledge, assign or otherwise dispose of any of his or its shares of Baltek's common stock subject to the Voting Agreement without the prior written consent of Alcan, except as otherwise permitted by certain limited terms and conditions of the Voting Agreement.

NO SOLICITATION

The Voting Agreement Stockholders also agreed not to directly or indirectly solicit, initiate, encourage, participate in any discussions or negotiations, furnish confidential information to any person or otherwise facilitate any inquiries in connection with the making of any Acquisition Proposal. Such an obligation also extended to a Voting Agreement Stockholder's agents and representatives. Nevertheless, the Voting Agreement does not preclude such Voting Agreement Stockholders or any of their respective agents or representatives from taking any actions permitted under the Merger Agreement.

TERMINATION

The obligations of the Voting Agreement Stockholders will terminate on the earlier to occur of the consummation of the Merger and the termination of the Merger Agreement in accordance with the terms thereof, except that the restrictions on the sale or other transfer of the shares of Baltek's common stock subject to the Voting Agreement will terminate on the termination of the Merger Agreement pursuant to its terms.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of Baltek's common stock as of _____, 2003 by each person known to Baltek to be the beneficial owner, at that date, of more than five percent of the outstanding Baltek's common stock, by each director, and by all directors and officers of Baltek as a group:

BENEFICIAL OWNERSHIP(1)

Name and Address of Beneficial Owner(2)	Number of Shares	Percent of Class
Jacques Kohn(a)	1,072,007	46.1
Jean J. Kohn(a)	1,072,007	46.1
Bernard Kohn(a)	1,072,007	46.1
Bernard Kohn Revocable Living Trust(a)	1,072,007	46.1
Bernard Kohn Irrevocable Descendants Trust(a)	1,072,007	46.1
Alcan Inc.(b)	1,072,007	46.1

Name and Address of Beneficial Owner(2)	Number of Shares	Percent of Class
Henri-Armand Kohn	11,963	*
Reich & Tang Asset Management L.P.(c)	189,800	8.1
Benson J. Zeikowitz	200	*
Bernard J. Wald	-0-	-0-
William F. Nicklin	-0-	-0-
Margot W. Kohn(d)	-0-	-0-
All directors and officers as a group (11 persons)	1,083,970	46.6

*

Less than 1%

(a)

Consists of 469,565 shares of common stock directly held by each of Jacques Kohn and Jean J. Kohn, 85,820 shares of common stock directly held by the Bernard Kohn Revocable Living Trust ("Living Trust") and 47,057 shares of common stock directly held by the Bernard Kohn Irrevocable Descendants Trust ("Descendants Trust," and together with the Living Trust, the "Bernard Kohn Trusts") (all such shares of common stock being collectively referred to as the "Voting Agreement Shares"). Bernard Kohn is the sole trustee of the Living Trust, having sole voting and dispositive powers over the shares held by the Living Trust. Jacques Kohn and Bernard Kohn are co-trustees of the Descendants Trust, having shared dispositive powers over the shares held by the Descendants Trust. The Voting Agreement Shares are subject to an agreement, dated March 5, 2001 (the "March 5, 2001 Agreement"), pursuant to which Jacques, Jean J. and Bernard Kohn agreed to vote their shares on all matters in accordance with a majority vote of the three individuals. In addition, Jacques and Jean J. Kohn have agreed under the March 5, 2001 Agreement that if they propose to sell any of their shares to a third party, Bernard Kohn may elect to participate in such sale on a pro rata basis. The Voting Agreement Stockholders entered into the Voting Agreement with Alcan in connection with the Merger whereby, among other things, each Voting Agreement Stockholder agreed to vote, and granted Alcan an irrevocable proxy to vote, all of his or its shares of common stock to approve the Merger Agreement and the Merger. Other than with respect to its interest in the Voting Agreement, Alcan disclaims beneficial ownership of such shares. Except as to the shares directly held by each of the Voting Agreement Stockholders, each of the Voting Agreement Stockholders disclaim beneficial ownership of the Voting Agreement Shares within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

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(b)

Consists of the Voting Agreement Shares. Pursuant to the proxy contained in the Voting Agreement, Alcan possesses shared power to direct the vote of the Voting Agreement Shares, and Alcan thus may be deemed to beneficially own such Voting Agreement Shares. Alcan does not directly hold any outstanding shares of Baltek's common stock. Alcan disclaims beneficial ownership of the Voting Agreement Shares within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

(c)

Successor to New England Investment Companies L.P. as the owner of the shares listed.

(d)

Margot W. Kohn disclaims any beneficial ownership of the shares directly held by her husband, Jacques Kohn, within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

(1)

This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, Baltek believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 2,323,944 shares outstanding as of the Record Date.

(2)

The addresses for the named beneficial holders are: for Alcan Inc., 1188 Sherbrooke Street West, Montreal, Quebec H3A 3G2 Canada; for the Bernard Kohn Revocable Living Trust and Bernard Kohn Irrevocable Descendants Trust, c/o Herzfeld & Rubin, P.C., 40 Wall Street, New York, NY 10005; for Reich & Tang Asset Management L.P., 600 Fifth Avenue, New York, NY 10020 and for all of the other named individuals, c/o Baltek Corporation, 10 Fairway Court, P.O. Box 195, Northvale, NJ 07647.

STOCKHOLDER PROPOSALS

Baltek will hold a 2003 annual meeting of stockholders only if the Merger is not completed.

The deadline for submitting a stockholder proposal for inclusion in Baltek's proxy statement and form of proxy for Baltek's 2003 annual meeting of stockholders pursuant to Rule 14a-8 of the Securities Exchange Act of 1934 was February 22, 2003, as currently scheduled. Stockholders wishing to submit proposals or director nominations that are not to be included in such proxy statement and proxy must have done so no later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting of stockholders (no earlier than January 23, 2003 and no later than February 22, 2003 as currently scheduled); provided, however, that in the event that the date of the annual meeting of stockholders is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting of stockholders, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting of stockholders and not later than the close of business on the later of the 90th day prior to such annual meeting of stockholders or the 10th day following the day on which public announcement of the date of such meeting is first made. Stockholders wishing to submit any such proposals are also advised to review Baltek's bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominations.

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WHERE YOU CAN FIND MORE INFORMATION

Baltek and Alcan file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that Baltek and Alcan file with the SEC at the SEC's public reference room at the following location:

Public Reference Room
450 Fifth Street, N.W., Room 1024
Washington, D.C. 20549

Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from commercial document retrieval services and at the Internet world wide web site maintained by the SEC at "<http://www.sec.gov>." Reports, proxy statements and other information concerning Baltek may also be inspected at the offices of The Nasdaq Stock Market at 1735 K Street, N.W., Washington, D.C. 20006.

Alcan has supplied all information contained in this proxy statement relating to Alcan and Alcan Balcorp and Baltek has supplied all such information relating to Baltek.

Baltek's stockholders should not send in their Baltek stock certificates until they receive the transmittal materials from the paying agent. Baltek's stockholders of record who have further questions about their share certificates or the exchange of their Baltek's common stock for cash should call the paying agent.

You should rely only on the information contained in this proxy statement including the annexes attached hereto. Baltek has not authorized anyone to provide you with information that is different from what is contained in this proxy statement. This proxy statement is dated . You should not assume that the information contained in this proxy statement is accurate as of any date other than that date. Neither the mailing of this proxy statement to stockholders nor the issuance of cash in the Merger creates any implication to the contrary.

OTHER MATTERS

There is no other business to be brought before the Special Meeting.

By Order of the Board of Directors

JACQUES KOHN
President and Chief Executive Officer

Northvale, New Jersey
_____, 2003

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ANNEX A

AGREEMENT AND PLAN OF MERGER

Among

BALTEK CORPORATION,

ALCAN INC.

and

ALCAN BALCORP, INC.

Dated as of 5 March, 2003

ANNEX A

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (hereinafter called this "Agreement"), dated as of 5 March 2003, among BALTEK CORPORATION, a Delaware corporation (the "Company"), ALCAN INC., a Canadian company ("Parent") and ALCAN BALCORP, INC., a Delaware corporation and a wholly owned subsidiary of Parent ("Merger Sub").

RECITALS

WHEREAS, the Boards of Directors of each of the Company, Parent and Merger Sub have approved this Agreement, and the Boards of Directors of each of the Company, Parent and Merger Sub have approved the merger of the Company with and into the Merger Sub upon the terms and subject to the conditions set forth in this Agreement (the "Merger"); and

WHEREAS, the Company, Parent and Merger Sub desire to make certain representations, warranties, covenants and agreements in connection with the Merger and the other transactions contemplated by this Agreement;

NOW, THEREFORE, in consideration of the premises, and the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

1. Definitions and Exhibits

1.1 Definitions

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As used in this Agreement, the following terms shall have the meanings set forth below:

"Acquisition Proposal" shall have the meaning set forth in Section 6.2;

"Agreement" shall mean this Agreement and Plan of Merger, including any exhibits hereto;

"Audit Date" shall mean December 31, 2001;

"Bankruptcy and Equity Exception" shall have the meaning set forth in Section 5.1(c)(i);

"Closing" shall have the meaning set forth in Section 2.2;

"Closing Date" shall mean the time and date at which the Closing takes place pursuant to Section 2.2;

"Code" shall mean the Internal Revenue Code of 1986, as amended;

"Company" shall mean Baltek Corporation;

"Company Certificates" shall have the meaning set forth in Section 4.1(a);

"Company Closing Documents" shall have the meaning set forth in Section 5.1(c)(i);

"Company Common Share" shall have the meaning set forth in Section 4.1(a);

"Company Contracts" shall have the meaning set forth in Section 5.1(e);

"Company Disclosure Letter" shall have the meaning set forth in Section 5.1;

"Company Intellectual Property Rights" shall have the meaning set forth in Section 5.1(p);

"Company Material Adverse Effect" means an effect, change, development or circumstance that, individually or in the aggregate is or is reasonably likely to be material and adverse with respect to the

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financial condition, results of operations, assets, business or prospects of the Company and its Subsidiaries taken as a whole;

"Company Reports" shall have the meaning set forth in Section 5.1(f);

"Company Requisite Vote" shall have the meaning set forth in Section 5.1(c);

"Company Voting Debt" shall have the meaning set forth in Section 5.1(b);

"Compensation and Benefit Plans" shall have the meaning set forth in Section 5.1(i);

"Consulting Agreements" shall have the meaning set forth in Section 7.2(g)(ii);

"Contract" shall have the meaning set forth in Section 5.1(d);

"Costs" shall have the meaning set forth in Section 6.10(a);

"DGCL" shall mean the Delaware General Corporation Law, as amended;

"Dissenting Stockholders" shall mean stockholders exercising appraisal rights pursuant to Section 262 of the DGCL;

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"Employees" shall have the meaning set forth in Section 5.1(i);

"Encumbrance" shall have the meaning set forth in Section 6.1(a);

"Environmental Law" means any applicable law, regulation, code, license, permit, order, decree or injunction from any Governmental Entity governing (A) the protection of the environment, (including air, water, soil and natural resources) or (B) the use, storage, handling, release or disposal of Hazardous Substances, in each case as presently in effect;

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended;

"ERISA Affiliate" shall have the meaning set forth in Section 5.1(i);

"GAAP" shall mean U.S. generally accepted accounting principles consistently applied;

"Governmental Consents" shall have the meaning set forth in Section 7.1(b);

"Governmental Entity" shall mean any governmental or regulatory authority, agency, commission or other entity, domestic or foreign;

"Government Antitrust Entity" shall have the meaning set forth in Section 6.5(e);

"Hazardous Substance" means any substance presently listed, defined, designated or classified as hazardous, toxic or radioactive under any applicable Environmental Law including petroleum and any derivative or by-products thereof;

"Indemnified Parties" shall have the meaning set forth in Section 6.10(a);

"IRS" shall mean the Internal Revenue Service;

"Knowledge of the Company" shall mean the actual knowledge of (i) an officer of the Company or (ii) any individual party to a Voting Agreement, in each case after reasonable inquiry;

"Laws" shall have the meaning set forth in Section 5.1(j);

"Merger" shall mean the merger of Merger Sub with and into the Company such that the separate existence of Merger Sub shall thereupon cease;

"Merger Certificate" shall have the meaning set forth in Section 2.3;

"Merger Consideration" shall have the meaning set forth in Section 4.1(a);

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"Merger Effective Time" shall have the meaning set forth in Section 2.3;

"Merger Sub" shall have the meaning set forth in the recitals hereto;

"Merger Sub Common Share" shall have the meaning set forth in Section 4.1(b);

"Order" shall have the meaning set forth in Section 7.1(c);

"Parent" shall mean Alcan Inc.;

"Parent Companies" shall mean Parent, Merger Sub and any direct or indirect subsidiaries of Parent;

"Paying Agent" shall have the meaning set forth in Section 4.2(a);

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"Pension Plan" shall mean an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA and that is intended to be qualified under Section 401(a) of the Code;

"Person" shall mean any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Government Entity or other entity of any kind or nature;

"Plans" shall have the meaning set forth in Section 5.1(i);

"Proxy Statement" shall have the meaning set forth in Section 6.4;

"Representatives" shall have the meaning set forth in Section 6.6;

"SEC" shall mean the U.S. Securities and Exchange Commission;

"Shrimp Business" shall mean all aspects of the Company's shrimp business, including but not limited to all the assets, liabilities, obligations, interests, employees and interest in its subsidiaries Marines C.A. and Recorcholis S.A.;

"Shrimp Business Divestiture" shall mean the transfer of all of the shares of Marines C.A. and Recorcholis S.A. pursuant to an and in accordance with the terms of the agreement dated 11 December 2002, as amended thereafter;

"Stockholder Approval" shall have the meaning set forth in Section 6.3;

"Subsidiary" shall mean a "subsidiary" as defined in Rule 1-02 of Regulation S-X of the SEC;

"Superior Proposal" shall have the meaning set forth in Section 6.2;

"Surviving Company" shall have the meaning set forth in Section 2.1;

"Surviving Company Bylaws" shall have the meaning set forth in Section 3.2;

"Surviving Company Charter" shall have the meaning set forth in Section 3.1;

"Takeover Statute" shall have the meaning set forth in Section 5.1(k);

"Tax" (including, with correlative meaning, the terms "Taxes", and Taxable") includes all federal, state, local and foreign income, profits, franchise, gross receipts, environmental, customs duty, capital stock, severances, stamp, payroll, sales, employment, unemployment, disability, use, property, withholding, excise, production, value added, occupancy and other taxes, duties or assessments of any nature whatsoever, together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions;

"Tax Return" includes all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes;

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"Termination and Non-Compete Agreements" shall have the meaning set forth in Section 7.2(g)(i);

"Termination Date" shall have the meaning set forth in Section 8.2;

"Third-Party Intellectual Property Rights" shall have the meaning set forth in Section 5.1(p).

1.2 Exhibits

The following are the exhibits annexed to and incorporated into this Agreement by this reference and deemed to be a part hereof:

Exhibit 5.1:	Company Disclosure Letter
Exhibit 6.10(a)	Indemnified Parties
Exhibit 7.2(g)(i):	Termination of Employment
Exhibit 7.2(g)(ii):	Consulting Agreements
Exhibit 7.2(g)(iii)	Voting Agreements

1.3 Currency

Unless otherwise specified, any reference to dollars or other currency in this Agreement denotes a reference to lawful currency of the United States of America.

2. The Merger

2.1 The Merger

Upon the terms and subject to the conditions set forth in this Agreement, at the Merger Effective Time, Merger Sub shall be merged with and into the Company and the separate corporate existence of Merger Sub shall thereupon cease. The Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Company"), and the separate corporate existence of Merger Sub with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger, except as set forth in Section 3. The Merger shall have the effects specified in the Delaware General Corporation Law, as amended ("DGCL").

2.2 Closing

The closing of the Merger (the "Closing") shall take place (i) at the offices of Sullivan & Cromwell, 125 Broad Street, New York, New York at 9:00 A.M. on the second business day following the day on which the last to be satisfied or waived of the conditions set forth in Section 7 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions) shall be satisfied or waived in accordance with this Agreement or (ii) at such other place and time and/or on such other date as the Company and Parent may agree in writing.

2.3 Merger Effective Time

As soon as practicable following the Closing, the Company will cause a certificate of merger (the "Merger Certificate") to be executed, acknowledged and filed with the Secretary of State of the State of Delaware as provided in Section 251 of the DGCL. The Merger shall become effective at the time when the Merger Certificate has been duly filed with the Secretary of State of the State of Delaware (the "Merger Effective Time") or at such other time (not later than 90 days after the date of filing) as may be set forth in the Merger Certificate.

3. The Surviving Company

3.1 Certificate of Incorporation of the Surviving Company

At the Merger Effective Time the certificate of incorporation of the Surviving Company (the "Surviving Company Charter") shall be amended in its entirety to read as the certificate of

incorporation of Merger Sub as in effect immediately prior to the Merger Effective Time until duly amended as provided therein or by applicable law; provided that the certificate of incorporation shall provide that the Surviving Corporation shall be named "Baltek Corporation".

3.2 Bylaws of the Surviving Company The bylaws of Merger Sub in effect at the Merger Effective Time shall be the bylaws of the Surviving Company (the "Surviving Company Bylaws"), until thereafter amended as provided therein or by applicable law.

3.3 Directors of the Surviving Company

The directors of Merger Sub at the Merger Effective Time shall, from and after the Merger Effective Time, be the directors of the Surviving Company until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Company Charter and the Surviving Company Bylaws.

3.4 Officers of the Surviving Company

The officers of the Merger Sub at the Merger Effective Time shall, from and after the Merger Effective Time, be the officers of the Surviving Company until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Company Charter and the Surviving Company Bylaws.

4. Effect of the Merger on Capital Stock; Exchange of Certificates

4.1 Effect of the Merger

At the Merger Effective Time, as a result of the Merger and without any action on the part of the holder of any capital stock of the Company:

(a) Merger Consideration

Each share of Common Stock, par value \$1.00 per share, of the Company (each, a "Company Common Share") issued and outstanding immediately prior to the Merger Effective Time (other than Company Shares owned by Dissenting Stockholders) shall be converted into the right to receive, without interest, an amount in cash (the "Merger Consideration") equal to \$15.17 per Company Common Share. All such Company Common Shares, by virtue of the Merger and without any action on the part of the holders thereof, shall no longer be outstanding and shall be canceled and retired and shall cease to exist, and each holder of a certificate representing any such Company Common Shares (the "Company Certificates") shall thereafter cease to have any rights with respect to such Company Common Shares, except the right to receive the Merger Consideration for such Company Common Shares upon the surrender of such Company Certificate in accordance with Section 4.2 or the right, if any, to receive payment from the Surviving Company of the "fair value" of such Company Common Shares as determined in accordance with Section 262 of the DGCL.

(b) Merger Sub
Each share of Common Stock, par value \$0.001 per share, of Merger Sub (each, a "Merger Sub Common Share") issued and outstanding immediately prior to the Merger Effective Time shall, by virtue of the Merger and without any action on the part of Merger Sub or the holders of such shares, be converted into and become one validly issued, fully-paid and outstanding share of common stock of the Surviving Corporation.

4.2 Exchange of, and Payment for, Shares

(a) Paying Agent

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Prior to the Merger Effective Time, Parent shall deposit or cause to be deposited with a paying agent selected prior thereto by Parent (the "Paying Agent"), amounts sufficient in the aggregate to provide all funds necessary for the Paying Agent to make payments pursuant to Section 4.1(a) to holders of Company Common Shares issued and outstanding immediately prior to the Merger Effective Time (it being understood that any and all interest or other income earned on funds held by the Paying Agent shall be for the account of Parent).

(b) Exchange Procedures

(i) As soon as reasonably practicable after the Merger Effective Time, the Surviving Company shall cause to be mailed to each Person who was, at the Merger Effective Time, a holder of record of issued and outstanding Company Common Shares (i) a letter of transmittal specifying that delivery shall be effected, and the risk of loss and title to each Company Certificate shall pass, only upon delivery of such Company Certificate (or affidavits of loss in lieu thereof) to the Paying Agent, such letter of transmittal to be in such form and have such other provisions as Parent and the Company may reasonably agree, and

(ii) instructions for use in effecting the surrender of Company Certificates. Upon surrender to the Paying Agent of any Company Certificate, together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, the Surviving Company shall promptly cause to be paid to the Person(s) entitled thereto a check in the amount to which such Person(s) are entitled pursuant to Section 4.2(a), after giving effect to any required tax withholdings. No interest will be paid or will accrue on the amount payable upon the surrender of any Company Certificate.

(ii)

If payment is to be made to a Person other than the registered holder of the Certificate surrendered, it shall be a condition of such payment that the Certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer and that the Person requesting such payment shall pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of the Certificate surrendered or establish to the satisfaction of the Surviving Company, or to the satisfaction of the Paying Agent, that such tax has been paid or is not applicable.

(c)

Transfers

After the Merger Effective Time, there shall be no transfers on the stock transfer books of the Company of the Company Common Shares that were outstanding immediately prior to the Merger Effective Time.

(d)

Termination of Exchange Fund

(i)

One hundred and eighty days following the Merger Effective Time, the Surviving Company shall be entitled to cause the Paying Agent to deliver to it any funds (including any interest received with respect thereto) made available to the Paying Agent in respect of the payments to be made pursuant to Section 4.2(a) which have not been disbursed to holders of Company Certificates on the Merger Effective Time, and thereafter such holders shall be entitled to look to the Surviving Company or Parent only as general creditors thereof with respect to the cash payable upon due surrender of their Company Certificates.

(ii)

Notwithstanding the foregoing, to the fullest extent permitted by law, neither the Paying Agent nor any party hereto shall be liable to any holder of Certificates for any amount paid to a public official pursuant to any applicable abandoned property,

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escheat or similar law. The Surviving Company shall pay all charges and expenses, including those of the Paying Agent, in connection with the exchange of cash for Company Common Shares and if necessary Parent shall reimburse the Surviving Company for such charges and expenses.

(e)

Lost, Stolen or Destroyed Certificates

In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such Person of a bond in customary amount as indemnity against any claim that may be made against it with respect to such Certificate, the Paying Agent will pay in exchange for such lost, stolen or destroyed Certificate the consideration due such holder pursuant to Section 4.1(a) upon due surrender of the Company Common Shares represented by such Certificate.

4.3 Dissenters' Rights

Any Company Common Shares that have not been voted for adoption of the Merger and this Agreement and with respect to which appraisal rights shall have been properly demanded in accordance with Section 262 of the DGCL shall not be converted into the right to receive the Merger Consideration unless and until the holder of such Company Common Shares withdraws his, her or its demand for such appraisal in

accordance with the DGCL. The Company shall give Parent notice of any written demands for appraisals, and withdrawals for demands for appraisal, of Company Common Shares. Parent shall have the right to participate in all negotiations and proceedings with respect to any such demands. Neither the Company nor the Surviving Company shall, except with the prior written consent of Parent, voluntarily make any payment with respect to, or settle or offer to settle, any such demand for payment. If any Dissenting Stockholder shall fail to perfect or shall have effectively withdrawn or lost the right to dissent, Company Common Shares held by such Dissenting Stockholder shall thereupon be treated as though such Company Common Shares had been converted into the Merger Consideration pursuant to Section 4.1(a).

5. Representations and Warranties

5.1 Representations and Warranties of the Company

Except as set forth in the numbered section of the disclosure letter attached hereto as Exhibit 5.1 (the "Company Disclosure Letter") corresponding to the relevant paragraph below or the Company Reports filed on or prior to the date hereof, the Company hereby represents and warrants to Parent and Merger Sub that:

(a) Organization, Good Standing and Qualification

Each of the Company and each of its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite corporate or similar power and authority to own and operate its properties and assets and to carry on its business as presently conducted and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or operation of its properties or conduct of its business requires such qualification except where the lack of such qualification would not have a Company Material Adverse Effect. The Company has made available to Parent a complete and correct copy of the Company's and each of its Subsidiaries' certificates of incorporation and bylaws, each as amended to date. The Company's and its Subsidiaries' certificates of incorporation and bylaws so delivered are in full force and effect.

(b) Capital Structure

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The authorized capital stock of the Company consists of 10,000,000 Company Common Shares and 5,000,000 preferred shares, of which 2,323,944 Company Common Shares and no preferred shares are outstanding on the date hereof. All of the outstanding Company Common Shares have been duly authorized and are validly issued, fully paid and nonassessable. As of the date of this Agreement, the Company has no Company Common Shares reserved for issuance or subject to issuance. Each of the outstanding shares of capital stock or other equity interests of each of the Company's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable and, except for directors' qualifying and nominee shares, owned by a direct or indirect wholly owned subsidiary of the Company, free and clear of any lien, pledge, security interest, claim or similar encumbrance. Except as set forth above, or in the Company Disclosure Letter or in the certificate of incorporation of the Company, there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments to issue or sell any shares of capital stock or other securities of the Company or any of its Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any securities of the Company or any of its Subsidiaries, and no securities or obligations evidencing such rights are authorized, issued or outstanding. The Company does not have outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the stockholders of the Company on any matter ("Company Voting Debt").

(c) Corporate Authority; Approval and Fairness

(i) The Company has all requisite power and authority and has taken all corporate action necessary in order to execute, deliver and perform its obligations under this Agreement and to consummate, subject only to approval of this Agreement by a majority of the votes entitled to be cast by holders of the Company Common Shares (the "Company Requisite Vote") and the filing of the Merger Certificate with the

Delaware Secretary of State, the Merger. This Agreement is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except that such enforcement may be subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally and (ii) general equitable principles (the "Bankruptcy and Equity Exception"). Upon the execution and delivery by the Company and certain holders of Company Common Shares, as further set out in this Agreement, of the Employment Agreements, Consulting Agreements and Voting Agreements and each other agreement to be executed or delivered by any or all of the Company and certain holders of Company Common Shares at the Closing (collectively, the "Company Closing Documents"), each of the Company Closing Documents will constitute a valid and binding agreement of the Company and the relevant holders of Company Common Shares, enforceable against them in accordance with its terms, and subject only to the Bankruptcy and Equity Exception.

(ii)

The Board of Directors of the Company (A) has approved this Agreement and the Merger and the other transactions contemplated hereby and (B) has received the opinion of its financial advisor, Phoenix Capital Corp., a subsidiary of Laidlaw Global Services, Inc., to the effect that the Merger Consideration to be received by the holders of the Company Common Shares in the Merger is fair to such holders from a financial point of view. It is agreed and understood that such opinion is for the

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benefit of the Company's Board of Directors and may not be relied on by Parent or Merger Sub.

(d)

Governmental Filings; No Violations

(i)

Other than the filings and/or notices (A) pursuant to Section 2.3, (B) pursuant to the Exchange Act or (C) required to be made with any Governmental Entity in any jurisdiction outside the United States, including Ecuador and listed in Section 5.1(d) of the Company Disclosure Letter, no notices, reports or other filings are required to be made by the Company with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the Company from, any Governmental Entity in connection with the execution and delivery of this Agreement by the Company, the consummation by the Company of the Merger and the other transactions contemplated hereby, except those that the failure to make or obtain are not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the Merger or the other transactions contemplated by this Agreement.

(ii)

The execution, delivery and performance of this Agreement and the other Company Closing Documents by the Company and certain holders of Company Common Shares do not, and the consummation by the Company of the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, the certificate of incorporation or bylaws of the Company or the comparable governing instruments of any of its Subsidiaries, or (B) a breach or violation of, a default under, the acceleration or alteration of any obligations of or the creation of a lien, pledge, security interest, claim or similar encumbrance on the assets of the Company or any of its Subsidiaries (with or without notice, lapse of time or both) pursuant to, any agreement, lease, sublease, contract, note, mortgage, indenture, arrangement or other obligation not otherwise terminable by the other party thereto on 90 days' or less notice ("Contract") binding upon the Company or any of its Subsidiaries or any Law or governmental or non-governmental permit or license to which the Company or any of its Subsidiaries is subject, except, in the case of clause (B) above, for any breach, violation, default, acceleration, creation or change that, individually or in the aggregate, is not reasonably likely to have a Company Material Adverse Effect or that would prevent, materially delay or materially impair the ability of the Company to consummate the Merger or the other transactions contemplated by this Agreement.

(e)

Company Contracts

Section 5.1(e) of the Company Disclosure Letter lists any Contracts the performance of which involves consideration in excess of \$100,000, other than distribution, purchase or supply agreements entered into in the ordinary course of business, consistent with past practice (collectively, "Company Contracts"). The Company has made available to Parent a correct and complete copy of each written Contract listed in Section 5.1(e) of the Company Disclosure Letter. To the Knowledge of the Company, each Contract listed in Section 5.1(e) of the Company Disclosure Letter is a valid and binding agreement and is in full force and effect. For greater certainty, Company Contracts with Marubeni Canada Ltd. and Lantor BV (the "Marubeni and Lantor Contracts") are valid and binding agreements and in full force and effect.

(f)

Company Reports; Financial Statements

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(i)

The Company has delivered to Parent each registration statement, report, proxy statement or information statement prepared by it since December 31, 2001, including (A) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (B) the Company's Quarterly Reports on Form 10-Q for the periods ended March 31, June 30 and September 30, 2002, each in the form (including exhibits, annexes and any amendments thereto) filed with the SEC (collectively, including any such reports filed subsequent to the date hereof and as amended, the "Company Reports"). As of their respective dates, (or, if amended, as of the date of such amendment) the Company Reports did not, and any Company Reports filed with the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. Each of the consolidated balance sheets included in or incorporated by reference into the Company Reports (including the related notes and schedules) fairly presents, or will fairly present, in all material respects the consolidated financial position of the Company and its subsidiaries as of its date and each of the consolidated statements of operations and consolidated statements of stockholder's equity and cash flows included in or incorporated by reference into the Company Reports (including any related notes and schedules) fairly presents, or will fairly present, in all material respects the financial position, the results of operations and cash flows, as the case may be, of the Company and its subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to notes and normal year-end audit adjustments that will not be material in amount or effect), in each case in accordance with GAAP consistently applied during the periods involved, except as may be noted therein.

(ii)

Section 5.1(f) of the Company Disclosure Letter sets forth (i) the outstanding amount of long term indebtedness of the Company as of September 30, 2002, and (ii) a list of the Contracts containing the terms of such indebtedness.

(g)

Absence of Certain Changes

Except as set forth in Section 5.1(g) of the Company Disclosure letter and actions contemplated by this Agreement (including the Shrimp Business Divestiture) and except as reflected, reserved or otherwise disclosed in the financial statements included in or incorporated by reference in the Company Reports, since the Audit Date, the Company and its Subsidiaries have conducted their respective businesses only in, and have not engaged in any material transaction other than according to, the ordinary and usual course of such businesses and there has not been (i) any change in the financial condition, business or results of operations of the Company and its Subsidiaries that, individually or in the aggregate, has had or is reasonably likely to have a Company Material Adverse Effect; (ii) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of the Company's capital stock, (iii) any split, dividend, combination, recapitalization or similar transaction with respect to any of the Company's capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of the Company's capital stock, except for issuances of Company Shares upon the exercise of Options awarded prior to the date hereof in accordance with their terms, (iv) any granting by the Company or any of its Subsidiaries to any Employee of any increase in compensation, bonus or other benefits (including the right to accelerated vesting with respect to any option or restricted share award or any other change in control related benefit or compensation),

except for normal increases in the

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ordinary course of business and in accordance with past practice or as was required under any employment agreements in effect as of December 31, 2001, (v) any granting by the Company or any of its Subsidiaries to any Employee of any increase in severance or termination pay, except in the ordinary course of business and consistent with past practice, (vi) any entry by the Company or any of its Subsidiaries into, or any amendments of, any Company Compensation and Benefit Plan, (vii) any tax election made or changed that would be material to the Company or any of its tax attributes or any settlement or compromise of any material tax audit or (viii) any change by the Company in any of its material accounting principles, practices or methods, other than any such changes made as a result of any change in GAAP.

(h)

Litigation and Liabilities

Except as reflected, reserved or otherwise disclosed in the financial statements included in or incorporated by reference in the Company Reports, there are no (i) claims of any nature by any Person, including any Governmental Entity, pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries or (ii) Obligations relating to the Company and its Subsidiaries which would be required to be reflected, reserved or otherwise disclosed in the consolidated financial statements of the Company under applicable accounting principles if occurring on a date covered by such financial statements, including those relating to matters involving any Environmental Law, of the Company or any of its Subsidiaries, except for such claims or obligations that could have been incurred in accordance with Section 6.1(b) had the provisions of such Section been applicable at such time or as are not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect.

(i)

Employee Benefits

(i)

A copy of each bonus, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, deferred stock, stock option, employment, termination, severance, compensation, medical, health or other plan, agreement, policy or arrangement that covers current or former employees of the Company and its Subsidiaries (the "Employees") and current or former directors of the Company (the "Compensation and Benefit Plans") and any trust agreement or insurance contract forming a part of such material Compensation and Benefit Plans has been made available to Parent prior to the date hereof other than Compensation and Benefit Plans that are not material. The material Compensation and Benefit Plans are listed in Section 5.1(i) of the Company Disclosure Letter.

(ii)

All Compensation and Benefit Plans covering Employees ("Plans") to the extent subject to ERISA, are in substantial compliance with ERISA. Each Plan that is a Pension Plan has received a favorable determination letter from the IRS or the Company has taken other appropriate action to ensure that such Plan will not lose its qualification under Section 401(a) of the Code, and the Company is not aware of any circumstances likely to result in revocation of any such favorable determination letter or the loss of such qualification. As of the date hereof, there is no pending or, to the Knowledge of the Company, threatened material litigation relating to the Compensation and Benefit Plans. Neither the Company nor any of its Subsidiaries has engaged in a transaction with respect to any Compensation and Benefit Plan that, assuming the taxable period of such transaction expired as of the date hereof, would subject the Company or any of its Subsidiaries to a material tax or penalty imposed by either Section 4975 of the Code or Section 502 of ERISA.

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(iii)

As of the date hereof, no liability under Subtitle C or D of Title IV of ERISA has been or is expected to be incurred by the Company or any Subsidiary with respect to any ongoing, frozen or terminated "single-employer plan", within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them, or the single-employer plan of any entity which is considered one employer with the Company under Section 4001 of ERISA or Section 414 of the Code (an "ERISA Affiliate"). The Company and its Subsidiaries have not incurred and do not expect to incur any withdrawal liability with respect to a multiemployer plan under Subtitle E to Title IV of ERISA. No notice of a "reportable event", within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived, has been required to be filed for any Pension Plan or by any ERISA Affiliate within the 12-month period ending on the date hereof.

(iv)

All contributions required to be made under the terms of any Compensation and Benefit Plan as of the date hereof have been timely made or have been reflected on the most recent consolidated balance sheet filed or incorporated by reference in the Company Reports prior to the date hereof. Neither any Pension Plan nor any single-employer plan of an ERISA Affiliate has an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA.

(v)

Neither the Company nor its Subsidiaries have (a) any defined benefit plans or (b) any obligations for retiree health and life benefits under any Compensation and Benefit Plan.

(vi)

The consummation of the Merger and the other transactions contemplated by this Agreement will not (x) entitle any employees of the Company or its Subsidiaries to severance pay, (y) accelerate the time of payment or vesting or trigger any payment of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any of the Compensation and Benefit Plans or (z) result in any breach or violation of, or a default under, any of the Compensation and Benefit Plans.

(vii)

All employee benefit plans maintained outside of the United States comply in all respects with applicable local law except for such failures to comply as would not, individually or in the aggregate, result in a Company Material Adverse Effect.

(j)

Compliance with Laws; Permits

The businesses of each of the Company and its Subsidiaries have not been, and are not being, conducted in violation of any federal, state, local or foreign law, statute, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Entity (collectively, "Laws"), except for violations that, individually or in the aggregate, are not reasonably likely to have a Company Material Adverse Effect.

(k)

Takeover Statutes

No "fair price", "moratorium", "control share acquisition" or other similar antitakeover statute or regulation (including, without limitation, Section 203 of the DGCL) (each, a "Takeover Statute") is, or at the Merger Effective Time will be, applicable to the Company, the Company Common Shares, the Merger or the other transactions contemplated by this Agreement. Assuming the accuracy of Parent's representations and warranties contained in Section 5.2(d) (Ownership of Shares), the Board of Directors of the Company has taken all action so that Parent will not be prohibited from entering into

a "business combination" with the Company as an "interested stockholder" (in each case as such term is used in Section 203 of the DGCL) as a result of the execution of this Agreement or the consummation of the Merger.

(l)

Environmental Matters

Except as disclosed in section 5.1(l) of the Company Disclosure Letter or the Company Reports filed with the SEC prior to the date hereof and except for such matters that, alone or in the aggregate, are not reasonably likely to have a Company Material Adverse Effect, (i) the Company and its subsidiaries have complied with all applicable Environmental Laws; (ii) the properties presently or formerly owned or operated by the Company or its subsidiaries (including, without limitation, soil, groundwater or surface water on, under or adjacent to the properties, and buildings thereon) do not contain any Hazardous Substance other than as permitted under applicable Environmental Law, do not, and have not, contained any underground storage tanks, do not have any asbestos present (and have not had any asbestos removed therefrom) and have not been used as a sanitary landfill or hazardous waste disposal site (provided, however, that with respect to such properties formerly owned or operated by the Company, such representation is limited to the period prior to the disposition of such Properties by the Company or one of its subsidiaries); (iii) neither the Company nor any of its subsidiaries has received any notices, demand letters or request for information from any Governmental Entity or any third party that the Company may be in violation of, or liable under, any Environmental Law and none of the Company, its subsidiaries or the Properties are subject to any court order, administrative order or decree arising under any Environmental Law and (iv) no Hazardous Substance has been disposed of, transferred, released or transported from any of the Properties during the time such Property was owned or operated by the Company or one of its subsidiaries, other than as permitted under applicable Environmental Law.

(m)

Taxes

The Company and each of its Subsidiaries (i) have prepared in good faith and duly and timely filed (taking into account any extension of time within which to file) all Tax Returns required to be filed by any of them; (ii) have paid all Taxes that are shown as due on such filed Tax Returns, except with respect to matters contested in good faith; and (iii) have not waived any statute of limitations with respect to Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. As of the date hereof, there are not pending or, to the Knowledge of the Company, threatened in writing, any audits, examinations, investigations or other proceedings in respect of Taxes or Tax matters.

(n)

Labor Matters

Except as set forth in Section 5.1 (n) of the Company Disclosure Letter, as of the date hereof, neither the Company nor any of its Subsidiaries is the subject of any material proceeding asserting that the Company or any of its Subsidiaries has committed an unfair labor practice or is seeking to compel it to bargain with any labor union or labor organization nor is there pending or, to the knowledge of the Company, threatened, nor has there been for the past five years, any labor strike, dispute, walk-out, work stoppage, slow-down or lockout involving the Company or any of its Subsidiaries.

(o)

Insurance

All material fire and casualty, general liability, business interruption, product liability, and sprinkler and water damage insurance policies maintained by the Company or any of its Subsidiaries are in full force and effect, except for any such failures to maintain insurance

policies that, individually or in the aggregate, are not reasonably likely to have a Company Material Adverse Effect.

(p)

Intellectual Property

(i)

The Company and/or each of its Subsidiaries owns, or is licensed or otherwise possesses rights to use all patents, trademarks, trade names, service marks, copyrights, and any applications therefor, technology, know-how, computer software programs or applications, and tangible or intangible proprietary

information or materials that are used in the business of the Company and its Subsidiaries as currently conducted, except for any such failures to own, be licensed or possess as are not reasonably likely, individually or in the aggregate, to have a Company Material Adverse Effect, and to the Knowledge of the Company, all material patents, trademarks, trade names, service marks and copyrights used in the business of the Company and its Subsidiaries as currently conducted are valid and subsisting.

(ii)

Except for such matters not reasonably likely to have a Company Material Adverse Effect: (A) neither the Company nor any of its Subsidiaries is, nor will it be as a result of the execution and delivery of this Agreement or the performance of its obligations hereunder, in violation of any licenses, sublicenses and other agreements used in the business of the Company and its Subsidiaries as currently conducted as to which it is a party and pursuant to which it is authorized to use any third-party patents, trademarks, service marks, copyrights, trade secrets or computer software (collectively, "Third-Party Intellectual Property Rights"), and particularly, without limiting the generality of the foregoing, in violation of any Third-Party Intellectual Property Rights under the Marubeni and Lantor Contracts; (B) no claims with respect to (I) the patents, registered and material unregistered trademarks and service marks, registered copyrights, trade names, and any applications therefor, trade secrets or computer software owned by the Company or any of its Subsidiaries and used in the business of the Company and its Subsidiaries as currently conducted (collectively, the "Company Intellectual Property Rights"); or (II) Third-Party Intellectual Property Rights used in the business of the Company and its Subsidiaries as currently conducted are currently pending or, to the Knowledge of the Company, are threatened by any Person; and (C) to the Knowledge of the Company, there is no unauthorized use, infringement or misappropriation of any of the Company Intellectual Property Rights used in the business of the Company and its Subsidiaries as currently conducted by any third party.

(q)

Brokers and Finders

Neither the Company nor any of its subsidiaries has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders fees in connection with Merger, or the transactions contemplated by this Agreement, except that the Company has employed Elliot Stein Jr. in relation to this transaction, the arrangements with whom have been disclosed in writing to Parent prior to the date hereof.

(r)

Vote Required

The Company Requisite Vote is the only vote of the holders of any class or series of the Company capital stock necessary to adopt this Agreement and approve the transactions contemplated hereby.

5.2 Representations and Warranties of Parent and Merger Sub Parent and Merger Sub hereby represent and warrant to the Company that:

(a)

Organization, Good Standing and Qualification

(i)

Each of Parent and Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or operation of its properties or conduct of its business requires such qualification, except where the failure to be so qualified or in such good standing, when taken together with all other such failures, is not reasonably likely to prevent or impair the ability of Parent, or Merger Sub to consummate the Merger or affect the validity of the Merger.

(ii)

The Merger Sub was formed solely for the purpose of engaging in the transactions contemplated hereby and has not carried on any activities to date other than those incident to its formation and the consummation of this Agreement.

(b)

Corporate Authority

No vote of the holders of the capital stock of Parent is necessary to approve this Agreement, the Merger or the other transactions contemplated hereby. Parent and Merger Sub each has the requisite corporate power and authority and has taken all corporate action necessary in order to execute and deliver this Agreement and to consummate the Merger and the other transactions contemplated hereby. This Agreement has been duly adopted by the sole stockholder of Merger Sub, in accordance with applicable law and the applicable certificate of incorporation and bylaws of such corporation. This Agreement is a valid and binding agreement of Parent and Merger Sub enforceable against each of them in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(c)

Governmental Filings; No Violations

(i)

Other than the filings and/or notices (A) pursuant to Section 2.3, (B) pursuant to the Exchange Act, (C) pursuant to any Environmental Laws, and (D) required to be made with any Governmental Entity in any jurisdiction outside the United States, no notices, reports or other filings are required to be made by Parent or Merger Sub with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Parent or Merger Sub from, any Governmental Entity, in connection with the execution and delivery of this Agreement by Parent or Merger Sub and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby, except those that the failure to make or obtain are not, individually or in the aggregate, reasonably likely to prevent, materially delay or impair the ability of Parent or Merger Sub to consummate the Merger or the other transactions contemplated by this Agreement.

(ii)

The execution, delivery and performance of this Agreement by Parent and Merger Sub do not, and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, the certificate of incorporation or bylaws of Parent or the comparable governing instruments of any of its Subsidiaries, or (B) a breach or violation of, or a default under, the acceleration of any obligations or the creation of a lien, pledge, security interest or other encumbrance on the assets of

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Parent or any of its Subsidiaries (with or without notice, lapse of time or both) pursuant to, any Contracts binding upon Parent or any of its Subsidiaries or any Law or governmental or non-governmental permit or license to which Parent or any of its Subsidiaries is subject, except, in the case of clause (B) above, for breach, violation, default, acceleration, creation or change that, individually or in the aggregate, is not reasonably likely to prevent, materially delay or impair the ability of Parent or Merger Sub to consummate the Merger or the other transactions contemplated by this Agreement.

(d)

Ownership of Shares

Neither Parent nor any of its Subsidiaries beneficially owns or is the beneficial Owner of any Company Common Shares.

(e)

Funds

Parent has, as of the date of this Agreement, and will have, as of and following the Closing, all funds necessary to consummate the Merger and the other transactions contemplated by this Agreement.

6.1 Interim Operations

- (a) **The Company covenants and agrees as to itself and its Subsidiaries that, after the date hereof and prior to the Merger Effective Time (unless Parent shall otherwise approve in writing, which approval shall not be unreasonably withheld or delayed), and except as otherwise contemplated by this Agreement (including the Shrimp Business Divestiture) or the Company Disclosure Letter:**
- (i) it shall operate the business of it and its Subsidiaries only in the ordinary course of business, consistent with past practice, and, to the extent consistent with such operation, use its best efforts to: (A) preserve the present business organization intact; and (B) preserve all beneficial business relationships with all customers, suppliers, employees and others having business dealings with the business of it and its Subsidiaries;
- (ii) it shall maintain (A) the material assets of the Company in such condition and repair consistent with past practice, and (B) insurance upon all of the material assets of the Company and with respect to the conduct of the business of the Company in full force and effect, comparable in amount, scope, and coverage to that in effect on the date of this Agreement;
- (iii) it shall not (A) issue, sell, pledge, dispose of or encumber any capital stock owned by it in any of its Subsidiaries; (B) amend its certificate of incorporation or bylaws; (C) split, combine or reclassify its outstanding shares of capital stock; (D) declare, set aside or pay any dividend payable in cash, stock or property in respect of any capital stock other than dividends from its direct or indirect wholly owned Subsidiaries; or (E) repurchase, redeem or otherwise acquire, or permit any of its Subsidiaries to purchase or otherwise acquire, any shares of its capital stock or any securities convertible into or exchangeable or exercisable for any shares of its capital stock;
- (iv) neither it nor any of its Subsidiaries shall (A) issue, sell, pledge, dispose of or encumber any shares of, or securities convertible into or exchangeable or exercisable for, or options, warrants, calls, commitments or rights of any kind to acquire, any
-
- shares of its capital stock of any class or any Company Voting Debt; (B) grant or sell any option or right to purchase the assets of the Company, except regarding non-material assets in the ordinary course of business, consistent with past practice; or (C) subject any of the assets of the Company to any further material lien, charge, mortgage, pledge, security interest or similar encumbrance (each, an "Encumbrance"), other than (i) as reflected, reserved or otherwise disclosed in the financial statements included in or incorporated by reference in the Company Reports and (ii) in the ordinary course of business, consistent with past practice;
- (v) neither it nor any of its Subsidiaries shall terminate, establish, adopt, enter into, make any new grants or awards under, amend or otherwise modify, any Compensation and Benefit Plans or pay or promise to pay, any bonus, profit-sharing or special compensation to the Employees or make any increase in the compensation payable or to become payable to any of such employees, except (i) for changes that are required by applicable law, (ii) to satisfy obligations under the terms of any agreement or plan in effect as of the date hereof, (iii) for increases in compensation that are made in the ordinary course of business consistent with past practice (which shall include normal periodic performance reviews and related compensation and benefit increases) and (iv) for employment arrangements for or grants of awards to, newly hired employees in the ordinary course of business consistent with past practice;
- (vi) except in the ordinary course of business consistent with past practice, neither it nor any of its Subsidiaries shall enter into or terminate any Company Contract, or make any change in any of its Company Contracts;

- (vii) neither it nor any of its Subsidiaries shall make any tax election or permit any insurance policy naming it as a beneficiary or loss-payable payee to be canceled or terminated without prior notice to Parent, except in the ordinary and usual course of business;
- (viii) neither it nor any of its Subsidiaries shall settle or compromise any material claims or litigation or, except in the ordinary and usual course of business, waive, release or assign any material rights or claims; and
- (ix) neither it nor any of its Subsidiaries shall authorize or enter into an agreement to do any of the foregoing.

- (b) **The provisions of this Section 6.1 notwithstanding, nothing in this Agreement shall be construed or interpreted to prevent the Company or any Subsidiary from (i) making, accepting or settling intercompany advances to, from or with one another; (ii) causing any Subsidiary to pay or distribute to the Company all cash, money market instruments, bank deposits, certificates of deposit, other cash equivalents, marketable securities and other investment securities then owned or held by such Subsidiary; or (iii) engaging in any other transaction incident to the normal cash management procedures of the Company and its Subsidiaries, including, without limitation, short-term investments in bank deposits, money market instruments, time deposits, certificates of deposit and bankers' acceptances and borrowings for working capital purposes and purposes of providing additional funds to Subsidiaries made, in each case, in the ordinary course of business, consistent with past practice.**

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6.2 Acquisition Proposals The Company agrees that neither it nor any Subsidiary of the Company nor any of their respective officers or directors shall, and that it shall direct and use its best efforts to cause its and such Subsidiaries' employees, agents and representatives (including any investment banker, attorney or accountant retained by them or any of the Company's Subsidiaries) not to, directly or indirectly, (i) initiate, solicit, encourage or otherwise facilitate any inquiries or the making of any proposal or offer with respect to a merger, reorganization, share exchange, consolidation, purchase, or similar transaction involving more than 5% of the consolidated assets or any outstanding equity securities of the Company (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal") or (ii) engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any Person relating to an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal; provided, however, that nothing contained in this Agreement shall prevent the Company, its directors, officers, agents or other representatives from (A) complying with its disclosure obligations under federal or state law; (B) providing information in response to a request therefor by a Person who has made an unsolicited bona fide written Acquisition Proposal if the Board of Directors receives from the Person so requesting such information an executed confidentiality agreement; (C) engaging in any negotiations or discussions with any Person who has made an unsolicited bona fide written Acquisition Proposal; or (D) recommending such an Acquisition Proposal to the stockholders of the Company, if and only to the extent that, (i) in each such case referred to in clause (C) or (D) above, the Board of Directors of the Company determines in good faith (after consultation with outside legal counsel) that failure to take such action would, in the absence of the foregoing proscriptions, be inconsistent with the fiduciary duties of the directors under applicable law and (ii) in the case referred to in clause (D) above, the Board of Directors of the Company determines in good faith (after consultation with its financial advisor) that such Acquisition Proposal, if consummated, would result in a transaction more favorable to the Company's stockholders from a financial point of view than the transaction contemplated by this Agreement (being a cash offer superior to the transaction contemplated by this Agreement by no less than 15% of the aggregate Merger Consideration) (such more favorable Acquisition Proposal being referred to in this Agreement as a "Superior Proposal"). The Company agrees that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any Acquisition Proposals. The Company agrees that it will notify Parent immediately if any such inquiries, proposals or offers are received by, any such information is requested from, or any such discussions or negotiations are sought to be initiated or continued with, any of its representatives.

6.3 Stockholder Approvals Subject to fiduciary obligations under applicable law, the Board of Directors of the Company shall recommend approval of the transactions contemplated by this Agreement to the holders of Company Common Shares and will take, in accordance with applicable law and its certificate of incorporation and bylaws, all actions necessary to obtain the Company Requisite Vote ("Stockholder Approval") as promptly as practicable.

6.4 Stockholder Meeting and Proxy Statement

- (a)

The Company will take, consistent with applicable law and its certificate of incorporation and by-Laws, all action necessary to convene a meeting of holders of Company Common Shares as promptly as practicable to consider and vote upon the approval of this Agreement and the Merger. Subject to fiduciary requirements of applicable law, the Board of Directors of the Company shall recommend such approval and the Company shall take all lawful action to solicit such approval. The Company will cause its proxy or information statement with respect to such meeting of shareholders (the "Proxy Statement") to comply with the applicable requirements of the Exchange Act including, without limitation, Sections 14(a) and 14(d) thereof and the regulations of the Nasdaq Stock Market and, at the date thereof and at the date of such meeting, will not include

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an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing shall not apply to the extent that any such untrue statement of a material fact or omission to state a material fact was made by the Company in reliance upon and in conformity with written information concerning Parent furnished to the Company by Parent specifically for use in the Proxy Statement. The Proxy Statement shall not be filed, and no amendment or supplement to the Proxy Statement will be made by the Company, without prior consultation with Parent and its counsel.

- (b) Any information provided by Parent or Merger Sub in writing expressly for use in any document to be filed with any Governmental Entity in connection with the Merger and the transactions contemplated hereby or supplied in writing by Parent or Merger Sub specifically for inclusion in the Proxy will be true and correct in all material respects.

6.5 Filings; Other Actions; Notification

- (a) The Company and Parent shall cooperate with each other and shall use (and shall cause their respective Subsidiaries to use) their respective best efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable on its part under this Agreement and applicable Laws to consummate and make effective the Merger as promptly as practicable, including preparing and filing as promptly as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any Governmental Entity in order to consummate the Merger. Subject to applicable Laws and the terms of any relevant agreements with third parties relating to the exchange of information, Parent and the Company shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to Parent or the Company, as the case may be, and any of their respective Subsidiaries, that appear in any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the Merger. In exercising the foregoing right, each of the Company and Parent shall act reasonably and as promptly as practicable.
- (b) The Company and Parent each shall, upon request by the other, furnish the other with all information concerning itself, its Subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with the Proxy Statement, or any other statement, filing, notice or application made by or on behalf of Parent, the Company or any of their respective Subsidiaries to any third party and/or any Governmental Entity in connection with the Merger.
- (c) The Company and Parent each shall keep the other apprised of the status of matters relating to completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notice or other communications received by Parent or the Company, as the case may be, or any of its Subsidiaries, from any third party and/or any Governmental Entity with respect to the Merger; provided, however, that in respect of any communication to or from any Governmental Entities relating to the Merger, each Party shall afford the other Party with advance notice of, and a meaningful opportunity to participate in, any such communications, including, without limitation, a right to attend, with advisors present, any meetings (telephonic or in person) with such Governmental Entities.

- (d) The Company shall give prompt notice to Parent of: (i) any notice of, or other communication relating to, any environmental matter, a default or event that, with notice or lapse of time or both, would become a default, received by the Company or any of its subsidiaries subsequent to the date of this Agreement and prior to the Merger Effective Time, under any Company Contract; and (ii) any Company Material Adverse Effect or the occurrence of any event which, so far as reasonably can be foreseen at the time of its occurrence, is reasonably likely to result in any such change.
- (e) Without limiting the generality of the undertakings pursuant to this Section 6.5, the Company and Parent agree to take or cause to be taken the following actions: (i) provide promptly to any and all federal, state, local or foreign courts or Governmental Entities with jurisdiction over enforcement of any applicable antitrust laws (each, a "Government Antitrust Entity") information and documents requested by any Government Antitrust Entity or necessary, proper or advisable to permit consummation of the Merger; and (ii) take promptly, in the event that any permanent or preliminary injunction or other order is entered or becomes reasonably foreseeable to be entered in any proceeding that would make consummation of the Merger in accordance with the terms of this Agreement unlawful or that would prevent or delay consummation of the Merger, any and all commercially reasonable steps (including the appeal thereof or the posting of a bond) necessary to vacate, modify or suspend such injunction or order so as to permit such consummation on a schedule as close as possible to that contemplated by this Agreement.

6.6 Access Upon reasonable notice, and except as may otherwise be required by applicable Law or the terms of any relevant agreements with third parties, the Company shall (and the Company shall cause its Subsidiaries to) afford Parent's officers, employees, counsel, accountants and other authorized representatives ("Representatives") reasonable access, during normal business hours throughout the period prior to the Merger Effective Time, to its properties, books, Contracts and records and, during such period, the Company shall (and shall cause its Subsidiaries to) provide promptly to Parent all information concerning its business, properties and personnel as Parent or its Representatives may reasonably request, provided that no investigation pursuant to this Section shall affect or be deemed to modify any representation or warranty made by the Company. All requests for information made pursuant to this Section shall be directed to an executive officer of the Company or such Person as may be designated by any such officer.

6.7 Stock Exchange De-listing The Surviving Company shall use its best efforts to cause the Company Common Shares to be de-listed from the NASDAQ Stock Market and de-registered under the Exchange Act as soon as practicable following the Merger Effective Time.

6.8 Publicity The initial press releases concerning this Agreement and the Merger shall be simultaneous press releases, approved in advance by the Company and Parent, and thereafter the Company and Parent each shall consult with each other prior to issuing any press releases or otherwise making public announcements with respect to the Merger and the other transactions contemplated by this Agreement and prior to making any filings with any third party and/or any Governmental Entity (including any national securities exchange or interdealer quotation service) with respect thereto, except as may be required by Laws or by obligations pursuant to any listing agreement with or rules of any national securities exchange or interdealer quotation service on which the securities of the Company or Parent are listed or quoted.

6.9 Expenses The Surviving Company shall pay all charges and expenses, including those of the Paying Agent in connection with the transactions contemplated in Section 4 and any transfer taxes, conveyance taxes and sales taxes, if any, payable in connection with the consummation of the Merger. Except as provided in Section 8.5(b), all costs, fees and expenses incurred in connection with the

Merger, this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such expense.

6.10 Indemnification

- (a) Parent and Surviving Company shall indemnify and hold harmless, to the fullest extent permitted under applicable law (and Parent and Surviving Company shall also advance expenses as incurred to the fullest extent permitted

under applicable law provided the Person to whom expenses are advanced provides any undertaking required under applicable law to repay such advances if it is ultimately determined that such Person is not entitled to indemnification), each present and former director, officer, and employee of the Company, the Company's current Subsidiaries and those former Subsidiaries of the Company identified in Exhibit 6.10(a) (subject, in the case of such former Subsidiaries, to the limitations set forth in such Exhibit) (collectively, the "Indemnified Parties") against any reasonable costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities (collectively, "Costs") incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the Merger Effective Time, including the Merger and the other transactions contemplated by this Agreement.

- (b) The provisions of this Section are intended to be for the benefit of, and shall be enforceable by, each of the Indemnified Parties, their heirs and their representatives.

6.11 Takeover Statute If any Takeover Statute is or may become applicable to the Merger or the other transactions contemplated by this Agreement, the Company and its Board of Directors shall grant such approvals and take such actions as are necessary so that such transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement or by the Merger and otherwise act to eliminate or minimize the effects of such statute or regulation on such transactions.

7. Conditions

7.1 Conditions to Each Party's Obligation to Effect the Merger

The respective obligation of each party to effect the Merger is subject to the satisfaction or waiver at or prior to the Merger Effective Time of each of the following conditions:

- (a) **Stockholder Approvals**
This Agreement shall have been duly adopted by holders of Company Common Shares constituting the Company Requisite Vote in accordance with applicable law and the certificate of incorporation and by-laws of the Company.
- (b) **Regulatory Consents**
Other than the filing of the Merger Certificate, all notices, reports and other filings required to be made prior to the Merger Effective Time by the Company or Parent or any of their respective Subsidiaries with, and all consents, registrations, approvals, permits and authorizations required to be obtained prior to the Merger Effective Time by the Company or Parent or any of their respective Subsidiaries from, any Governmental Entity (collectively, "Governmental Consents") in connection with the execution and delivery of this Agreement and the consummation of the Merger and the other transactions contemplated hereby by the Company, Parent and Merger Sub shall have been made or obtained (as the case may be), except those that the failure to make or to obtain are not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect.

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- (c) **No Orders**
No court or Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, law, ordinance, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the Merger (collectively, an "Order").

7.2 Conditions to Obligations of Parent and Merger Sub The obligations of Parent and Merger Sub to effect the Merger are also subject to the satisfaction or waiver by Parent at or prior to the Merger Effective Time of the following conditions:

(a)

Representations and Warranties

The representations and warranties of the Company set forth in this Agreement shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of such date and time (except to the extent any such representation and warranty expressly speaks as of an earlier date), and Parent shall have received a certificate signed on behalf of the Company by the Chairman of the Board and Chief Executive Officer of the Company to such effect.

(b)

Confirmatory Due Diligence

Parent shall have been afforded sufficient access to the business, personnel, assets, properties and documents of Company and its Subsidiaries to enable it to undertake a due diligence investigation of sufficient scope and duration to confirm the representations and warranties of the Company herein contained, and shall be satisfied with the results of such investigation.

(c)

Dissents

Dissenting Stockholders shall not have perfected their rights under Section 262 of the DGCL with respect to 5% or more of the aggregate outstanding shares of the Company Common Shares.

(d)

Resignations

Each director of the Company shall have submitted his or her unconditional and irrevocable resignation therefrom in a form satisfactory to Parent.

(e)

Performance of Obligations of the Company

The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date.

(f)

Divestiture of Shrimp Business

The Company shall complete the Shrimp Business Divestiture on the terms set forth in the Agreement therefor or otherwise on terms fully satisfactory to Parent.

(g)

Additional Agreements

(i)

Termination and non-compete agreements between the Company and those employees set out in Exhibit 7.2(g)(i) hereto (the "Termination and Non-Compete Agreements") shall have been executed on terms satisfactory to Parent.

(ii)

Consulting agreements between the Company and those Persons set out in Exhibit 7.2(g)(ii) (the "Consulting Agreements") shall have been executed on terms satisfactory to Parent.

(iii)

Voting agreements between Parent and those persons listed on Exhibit 7.2(g)(iii) shall remain in full force and effect.

(iv)

Written consent of the other parties to change in control under the contracts listed in section 7.2(g) (iv) of the Company Disclosure Letter shall have been obtained on terms satisfactory to Parent.

7.3 Conditions to Obligation of the Company The obligations of the Company to effect the Merger are also subject to the satisfaction or waiver by the Company at or prior to the Merger Effective Time of the following conditions:

(a) Representations and Warranties

The representations and warranties of Parent and Merger Sub set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the date and time of delivery of the Closing Date as though made on and as of such date and time (except to the extent any such representation and warranty expressly speaks as of an earlier date), and the Company shall have received certificates signed on behalf of Parent by an officer of Parent, and by Merger Sub by Chief Executive Officer of Merger Sub to such effect.

(b) Performance of Obligations of Parent and Merger Sub

Each of Parent and Merger Sub shall have performed in all material respects all material obligations required to be performed by them under this Agreement at or prior to the date and time of delivery of the Closing Date.

8. Termination

8.1 Termination by Mutual Consent This Agreement may be terminated and the Merger may be abandoned at any time prior to the Merger Effective Time, whether before or after the adoption of this Agreement by holders of Company Common Shares referred to in Section 7.1(b), by mutual written consent of the Company and Parent.

8.2 Termination by Either Parent or the Company This Agreement may be terminated and the Merger may be abandoned at any time prior to the Merger Effective Time by action of the Board of Directors of either Parent or the Company if (i) the Merger shall not have been consummated by August 30, 2003 (the "Termination Date"), whether such date is before or after the adoption of this Agreement by holders of Company Common Shares, (ii) the Company shall not have obtained the Company Requisite Vote, or (iii) any Order permanently restraining, enjoining or otherwise prohibiting consummation of the Merger shall become final and non-appealable (whether before or after the adoption of this Agreement by holders of Company Common Shares); provided, however, that the right to terminate this Agreement pursuant to clause (i) above shall not be available to any party that has breached in any material respect its material obligations under this Agreement in any manner that shall have contributed to the occurrence of the failure of the Merger to be consummated.

8.3 Termination by the Company This Agreement may be terminated and the Merger may be abandoned at any time prior to the Merger Effective Time, whether before or after the adoption of this Agreement by holders of Company Common Shares referred to in Section 7.1(b), by action of the Board of Directors of the Company:

- (a) if (i) the Board of Directors of the Company authorizes the Company, subject to complying with the terms of this Agreement, to enter into a binding written agreement concerning a transaction that constitutes a Superior Proposal and the Company notifies Parent in writing that it intends to enter into such an agreement, (ii) Parent does not make, within three business days of receipt (not counting the day of receipt) of the

Company's written notification of its intention to enter into a binding agreement for a Superior Proposal, an offer that the Board of Directors of the Company determines, in good faith after consultation with its financial advisors, is at least as favorable, from a financial point of view, to the stockholders of the Company as the Superior Proposal and (iii) the Company upon such termination pays to Parent in immediately available funds any fees required to be paid pursuant to Section 8.5; or

- (b) if there has been a material breach by Parent or Merger Sub of any representation, warranty, covenant or agreement contained in this Agreement that is not curable or, if curable, is not cured within 30 days after written notice of such breach is given by the Company to the party committing such breach, and as a result of any such

breach or breaches either of the conditions set forth in Section 7.3(a) or (b) would not be satisfied at the Closing.

8.4 Termination by Parent This Agreement may be terminated and the Merger may be abandoned at any time prior to the Merger Effective Time by Parent:

- (a) if the Board of Directors of the Company shall have withdrawn or adversely modified its approval or recommendation of this Agreement or after an Acquisition Proposal has been made failed to reconfirm its recommendation of this Agreement within fifteen business days after a written request by Parent to do so.
- (b) if there has been a breach by the Company of any representation, warranty, covenant or agreement contained in this Agreement that is not curable or, if curable, is not cured within 30 days after written notice of such breach is given by Parent to the party committing such breach, and as a result of any such breach or breaches either of the conditions set forth in Section 7.2(a) or (e) would not be satisfied at the Closing.

8.5 Effect of Termination and Abandonment

- (a) In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Section 8, this Agreement (other than as set forth in Section 9.1) shall become void and of no effect with no liability on the part of any party hereto (or of any of its directors, officers, employees, agents, legal and financial advisors or other representatives).
- (b) In the event that this Agreement is terminated (i) by the Company pursuant to Section 8.3(a) or (ii) by Parent pursuant to Section 8.4(a) or (iii) by either party pursuant to Section 8.2(ii), then the Company shall promptly, but in no event later than two business days after the date of such termination or, if applicable, the event set forth in the proviso below, pay Parent a termination fee of \$1.2 million by wire transfer of same day funds. The Company acknowledges that the agreements contained in this Section 8.5(b) are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Parent and Merger Sub would not enter into this Agreement; accordingly, if the Company fails to promptly pay the amount due pursuant to this Section 8.5(b), and, in order to obtain such payment, Parent or Merger Sub commences a suit which results in a judgment against the Company for the fee set forth in this paragraph (b), the Company shall pay to Parent or Merger Sub its reasonable costs and expenses (including reasonable attorneys' fees) in connection with such suit, together with interest on the amount of the fee at the prime lending rate of Citibank, N.A. in effect on the date such payment was required to be made.

9. Miscellaneous and General

9.1 Survival This Section 9 and the agreements of the Company, Parent and Merger Sub contained in Sections 6.7 (Stock Exchange De-listing), 6.9 (Expenses) and 6.10 (Indemnification) shall survive the consummation of the Merger. This Section 9 and the agreements of the Company, Parent and Merger Sub contained in Section 6.9 (Expenses) and Section 8.5 (Effect of Termination and Abandonment) shall survive the termination of this Agreement. All other representations, warranties, covenants and agreements in this Agreement shall not survive the consummation of the Merger or the termination of this Agreement.

9.2 Modification or Amendment Subject to the provisions of the applicable law, at any time prior to the Merger Effective Time, the parties hereto may modify or amend this Agreement, by written agreement executed and delivered by duly authorized officers of Parent and the Company.

9.3 Waiver of Conditions The conditions to each of the parties' obligations to consummate the Merger are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable law.

9.4 Counterparts This Agreement may be executed in any number of counterparts, each such counter-part being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

9.5 **Governing Law and Venue; Waiver of Jury Trial**

- (a) **EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF THE DGCL, THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF EXCEPT TO THE EXTENT THAT DELAWARE LAW IS REQUIRED TO BE APPLICABLE UNDER APPLICABLE CHOICE OF LAW PRINCIPLES.** The parties hereby irrevocably submit to the jurisdiction of the courts of the State of New York and the Federal courts of the United States of America, in either case located in the County of New York, New York solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a New York State or Federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 9.6 or in such other manner as may be permitted by law shall be valid and sufficient service thereof.
- (b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO

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THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.5.

9.6 **Notices** Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing and delivered personally or sent by registered or certified mail return receipt requested, postage prepaid, by overnight courier, or by facsimile:

if to Parent, or Merger Sub:

Alcan Balcorp, Inc.
c/o Alcan Aluminum Corporation
6060 Parkland Blvd.
Cleveland, Ohio 44124-4185 U.S.A.

Attention: Charles R. Aley
Fax: (440) 423-6663

with a copy to:

Alcan Inc.
1188 Sherbrooke St. West
Montreal, Quebec
Canada H3A 3G2

Attention: Corporate Secretary
Fax: (514) 848-8331

if to the Company:

Baltek Corporation
10 Fairway Court
P.O. Box 195
Northvale, New Jersey 07647
U.S.A.

Attention: Jacques Kohn
fax: (201) 387-6631

or to such other persons or addresses as may be designated in writing by the party to receive such notice as provided above.

9.7 Entire Agreement This Agreement (including any exhibits hereto), the Company Disclosure Letter and the Additional Agreements set out in Section 7.2(g) constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the parties, with respect to the subject matter hereof.

9.8 No Third Party Beneficiaries Except as provided in Section 6.10 (Indemnification), this Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

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9.9 Obligations of Parent and of the Company Whenever this Agreement requires a Subsidiary of Parent to take any action, such requirement shall be deemed to include an undertaking on the part of Parent to cause such Subsidiary to take such action. Whenever this Agreement requires a Subsidiary of the Company to take any action, such requirement shall be deemed to include an undertaking on the part of the Company to cause such Subsidiary to take such action and, after the Merger Effective Time, on the part of the Surviving Company to cause such Subsidiary to take such action.

9.10 Severability It is the intention of the parties that the provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability or the other provisions hereof. It is the intention of the parties that if any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

9.11 Interpretation The words "hereof," "herein," and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Terms defined in the singular shall have correlative meanings when used in the plural, and vice versa. The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to a Section or Exhibit, such reference shall be to a Section of or Exhibit to this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

9.12 Assignment This Agreement shall not be assignable by operation of law or otherwise; provided, however, that Parent may designate, by written notice to the Company, another wholly owned direct or indirect subsidiary in lieu of Merger Sub, in which event all references herein to Merger Sub, as the case may be, shall be deemed references to such other subsidiary, except that all representations and warranties made herein with respect to Merger Sub as of the date of this Agreement shall be deemed representations and warranties made with respect to such other subsidiary as of the date of such designation. Any purported assignment made in contravention of this Section 9.12 shall be null and void.

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IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date of this Agreement.

BALTEK CORPORATION

By: /s/ JACQUES KOHN

Name: Jacques Kohn
Title: President and Chief Executive Officer

ALCAN INC.

By: /s/ DAVID MCAUSLAND

Name: David McAusland
Title: Senior Vice President, Mergers and Acquisitions and Chief Legal Officer

ALCAN BALCORP, INC.

By: /s/ PIERRE CHENARD

Name: Pierre Chenard
Title: Vice President

VOTING AGREEMENT

This Voting Agreement (this "*Agreement*"), dated as of 5 March, 2003, among the stockholders listed on the signature page hereto (each, a "*Stockholder*" and, collectively, the "*Stockholders*") and Alcan Inc., a Canadian corporation ("*Parent*").

WHEREAS, simultaneously with the execution of this Agreement, Baltek Corporation, a Delaware corporation (the "*Company*"), and Parent are entering into an Agreement and Plan of Merger (the "*Merger Agreement*"), dated as of the date hereof, providing, among other things, for the merger of a subsidiary of Parent with and into the Company and the exchange of shares of Company Common Shares (as defined below) for the right to receive the Merger Consideration (as defined in the Merger Agreement);

WHEREAS, the respective Boards of Directors of the Company, Parent and Merger Sub have approved and adopted the Merger Agreement and the transactions contemplated thereby;

WHEREAS, as a condition to, and in consideration for Parent's willingness to enter into the Merger Agreement and to consummate the transactions contemplated thereby, Parent has required that the Stockholders enter into this Agreement;

NOW THEREFORE, in consideration of the foregoing and the mutual premises, representations, warranties, covenants and agreements contained herein and in the Merger Agreement, the parties hereto, intending to be legally bound, hereby agree as follows:

1. *Certain Definitions.*

(a) For purposes of this Agreement, all capitalized terms used but not otherwise defined herein shall have the respective meanings given to such terms in the Merger Agreement.

(b) For purposes of this Agreement, "*beneficially own*" or "*beneficial ownership*" with respect to any securities shall mean having "*beneficial ownership*" of such securities (as determined pursuant to Rule 13d-3 under the Exchange Act).

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(c) For purposes of this Agreement, the following terms shall have the following meanings:

"*Company Common Shares*" means the Company's shares of common stock, par value \$1.00 per share.

"*Stockholder's Subject Shares*" shall mean, with respect to a particular Stockholder, the number of shares of Subject Shares set forth opposite such Stockholder's name on the schedule attached hereto as Exhibit A.

"*Transfer*" means, with respect to any security, the sale, transfer, pledge, hypothecation, assignment or constructive sale or other disposition of such security or the record or beneficial ownership thereof, the offer to make such a sale, transfer, pledge, hypothecation, assignment, constructive sale or other disposition, and each agreement, arrangement or understanding, whether or not in writing, to effect any of the foregoing. The term "*constructive sale*" means a short sale with respect to such security, entering into or acquiring an offsetting derivative contract with respect to such security, entering into or acquiring a futures or forward contract to deliver such security or entering into any hedging, swap or other transaction that is designed to or which reasonably could be expected to lead to or result in a sale or disposition of, or reduction of economic risk with respect to, such security; *provided, however*, that the term "constructive sale" shall not include transactions involving the purchase and sale of securities tracking a broad based stock index.

2. *Representations, Warranties and Covenants of Stockholder.* Each Stockholder, individually and not jointly or severally, hereby represents and warrants as follows:

(a) *Title.* As of the date hereof, such Stockholder is the sole record or beneficial owner of such Stockholder's Subject Shares. Such Stockholder is the lawful owner of such Stockholder's Subject Shares, free and clear of all liens, claims, charges, security interests or other encumbrances.

(b) *Right to Vote.* Except as set forth in the agreement between the Company, Jacques Kohn, Jean Kohn and Bernard Kohn, dated March 5, 2001 (the "March 5 Agreement"), such Stockholder has, with respect to all such Stockholder's Subject Shares, and will have at the Stockholders Meeting, sole voting power, sole power of disposition, sole power to issue instructions with respect to the matters set forth in Section 4 hereof and to fulfill such Stockholder's obligations under such Section and sole power to agree to all matters set forth in this Agreement, in each case with no limitations, qualifications or restrictions on such rights. Such Stockholder shall not take any action or grant any person any proxy (revocable or irrevocable) or power-of-attorney with respect to such Stockholder's Subject Shares inconsistent with such Stockholder's obligations as provided by Sections 4 and 5 hereof. Such Stockholder hereby revokes any and all proxies with respect to such Stockholder's Subject Shares.

(c) *Authority.* Except as set forth in the March 5 Agreement, such Stockholder has the legal power, authority, legal capacity and right to execute and deliver, and to perform such Stockholder's obligations under, this Agreement. No other proceedings or actions on the part of such Stockholder are necessary to authorize the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by such Stockholder and constitutes a valid and binding agreement of such Stockholder enforceable against such Stockholder in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity and fiduciary principles.

(d) *Conflicting Instruments.* As of the date hereof, neither the execution and delivery of this Agreement nor the performance by such Stockholder of such Stockholder's agreements and obligations hereunder will result in any breach or violation of, or be in conflict with or constitute a default under, any term of any agreement, judgment, injunction, order, decree, law or regulation to which such Stockholder is a party or by which such Stockholder (or any of such Stockholder's assets) is bound or subject.

(e) *Parent's Reliance.* Such Stockholder understands and acknowledges that Parent is entering into the Merger Agreement in reliance upon such Stockholder's execution, delivery and performance of this Agreement.

3. *Restriction on Transfer; Other Restrictions.* Each Stockholder hereby agrees that, without the prior written consent of Parent, it will not, from the date hereof, Transfer or agree to Transfer (i) any of such Stockholder's Subject Shares, except (A) as otherwise permitted by the Merger Agreement, (B) Transfers by operation of law if the transferee remains, or agrees in writing to remain, bound by the terms of this Agreement, (C) Transfers as a *bona fide* gift or gifts if the donee or donees thereof agrees in writing to be bound by the terms of this Agreement, (D) Transfers to any sibling or any other member of such Stockholder's immediate family, any of such Stockholder's lineal descendants or any trust for the benefit of any of them, if the recipient agrees in writing to be bound by the terms of this Agreement and (E) to the extent such Stockholder is a corporate entity, Transfers (x) not involving a change in beneficial ownership, (y) involving the distribution without consideration of such securities by such Stockholder to any of its partners, members or retired partners or members or, to the estate of any of its partners, members or retired partners or members, or any of its stockholders (z) to any individual or entity controlled by, controlling or under

common control with such Stockholder or any individual or entity with respect to which such Stockholder (or any person controlled by, controlling or

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under common control with such Stockholder) has the power to direct investment decisions, in each case if the recipient agrees in writing to be bound by the terms of this Agreement.

4. *Agreement to Vote.* Each Stockholder hereby irrevocably and unconditionally agrees to vote or to cause to be voted, or provide a consent with respect to, all of such Stockholder's Subject Shares at the Stockholders Meeting and at any other annual or special meeting of stockholders of the Company or action by written consent where such matters arise (a) in favor of the Merger and the Merger Agreement and approval of the terms thereof and (b) against, and such Stockholder will not consent to, (i) approval of any Acquisition Proposal or any acquisition agreement or similar agreement related to an Acquisition Proposal, (ii) any change in the persons who constitute the Board of Directors of the Company that is not approved in advance by at least a majority of the persons who were directors of the Company as of the date hereof (or their successors who were so approved) or (iii) any other action or proposal involving the Company or any of its Subsidiaries that is intended, or could reasonably be expected, to prevent, impede, interfere with, delay, postpone or adversely affect the transactions contemplated by the Merger Agreement. Any such vote shall be cast or consent shall be given in accordance with such procedures relating thereto as shall ensure that it is duly counted for purposes of determining that a quorum is present and for purposes of recording the results of such vote or consent. Notwithstanding anything to the contrary in this Agreement or in the Merger Agreement, the obligations of the Stockholders specified in this Section 4 shall not be limited or otherwise affected by the commencement, disclosure, announcement or submission to the Company of any Acquisition Proposal, or by any change of recommendation of the Company's Board of Directors.

5. *Irrevocable Proxy.* In furtherance of the transactions contemplated hereby and by the Merger Agreement, and in order to secure the performance of each Stockholder's duties under this Agreement, each Stockholder hereby grants to Parent and its designees, an irrevocable proxy, or, if applicable, a power of attorney, and irrevocably appoints Parent or its designees, with full power of substitution, such Stockholder's attorney and proxy to vote or, if applicable, to give consent with respect to, all of such Stockholder's Subject Shares, with regard to any of the matters referred to in Section 4 above at the Stockholders Meeting, however called, or in connection with any action by written consent by the stockholders of the Company. Each Stockholder acknowledges and agrees that such proxy is coupled with an interest, constitutes, among other things, an inducement for Parent to enter into the Merger Agreement, is irrevocable and shall not be terminated by operation of law or otherwise upon the occurrence of any event and that no subsequent proxies with respect to such Stockholder's Subject Shares shall be given (and if given shall not be effective). The power of attorney granted by each Stockholder is a durable power of attorney and shall survive the dissolution, bankruptcy, death or incapacity of such Stockholder.

6. *No Solicitation.* From and after the date hereof, each Stockholder agrees that neither such Stockholder nor any of such Stockholder's agents or representatives shall, and that such Stockholder shall direct and use such Stockholder's best efforts to cause such Stockholder's agents and representatives (including any investment banker, attorney or accountant retained by Stockholder) not to, directly or indirectly, initiate, solicit, encourage or otherwise facilitate any inquiries or the making of any Acquisition Proposal. Such Stockholder further agrees that neither such Stockholder nor any of such Stockholder's agents or representatives shall, and that such Stockholder shall direct and use such Stockholder's best efforts to cause such Stockholder's agents and representatives (including any investment banker, attorney or accountant retained by Stockholder) not to, directly or indirectly, engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any Person relating to an Acquisition Proposal, or otherwise entertain or facilitate any effort or attempt to make or implement an Acquisition Proposal. Nothing in this Section 6 shall affect the ability of such Stockholder or any of such Stockholder's agents or representatives to take any action which is permissible for such Person to take under the Merger Agreement.

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7. *Fiduciary Duties of Directors.* Notwithstanding anything herein to the contrary, nothing herein shall affect the ability of Stockholders who are directors of the Company ("*Stockholder Directors*") to take any action as directors of the Company as such director may determine after consultation with appropriate counsel to be necessary to comply with the fiduciary duties as directors of the Company. Such Stockholder Directors are entering into this Agreement solely in their capacity as stockholders of the Company, and not as directors of the Company.

8. *Miscellaneous.*

(a) *Entire Agreement.* This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

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(b) *Costs and Expenses.* All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

(c) *Invalid Provisions.* If any provision of this Agreement shall be invalid or unenforceable under applicable law, such provision shall be ineffective to the extent of such invalidity or unenforceability only, without it affecting the remaining provisions of this Agreement.

(d) *Execution in Counterparts.* This Agreement may be executed in counterparts transmitted and delivered by facsimile each of which shall be an original with the same effect as if the signatures hereto and thereto were upon the same instrument.

(e) *Specific Performance.* Each Stockholder agrees with Parent that if for any reason such Stockholder fails to perform any of such Stockholder's agreements or obligations under this Agreement, irreparable harm or injury to Parent would be caused as to which money damages would not be an adequate remedy. Accordingly, such Stockholder agrees that, in seeking to enforce this Agreement against such Stockholder, Parent shall be entitled, in addition to any other remedy available at law, equity or otherwise, to specific performance and injunctive and other equitable relief. The provisions of this Section 8(e) are without prejudice to any other rights or remedies, whether at law or in equity, that Parent may have against such Stockholder for any failure to perform any of such Stockholder's agreements or obligations under this Agreement.

(f) *Amendments; Termination.*

(i) This Agreement, including this Section 8(f), may not be modified, amended, altered or supplemented, except that this Agreement may be modified, amended, altered or supplemented, as between Parent and any particular Stockholder, upon the execution and delivery of a written agreement executed by Parent and such Stockholder.

(ii) The provisions of this Agreement (other than Sections 3 and 8) shall terminate upon the earliest to occur of (A) the consummation of the Merger and (B) the termination of the Merger Agreement. The provisions of Section 3 and 8 of this Agreement shall terminate upon the termination of the Merger Agreement.

(g) *Governing Law and Venue.* EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF THE DELAWARE GENERAL CORPORATION LAW, AS AMENDED, THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF. The parties hereby irrevocably submit to the jurisdiction of the courts of the State of New York, New York County, and the Federal courts of the United States of America located in the State of New York, New York County, solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby,

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and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a New York State or Federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 8(k) or in such other manner as may be permitted by law shall be valid and sufficient service thereof.

(h) *Waiver of Jury Trial.* EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE

MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8(h).

(i) *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal successors (including, in the case of each Stockholder, any executors, administrators, estates, legal representatives and heirs of such Stockholder) and permitted assigns; provided that, except as otherwise provided in this Agreement, no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement.

(j) *Further Assurances.* From time to time, at the other party's request, and without further consideration, each party hereto shall execute and deliver, or cause to be executed and delivered, such additional or further documents and take lawful actions of a ministerial nature as may be necessary and appropriate for the purpose of effectively carrying out the transactions contemplated by this Agreement.

(k) *Notices.* All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date of receipt and shall be delivered personally or sent by overnight courier or sent by telecopy, to the Parties at the following addresses or telecopy numbers (or at such other address or telecopy number for a party as shall be specified by like notice):

(i) if to a Stockholder, at the address of such Stockholder set forth on Exhibit A attached hereto or at such other address that such Stockholder may have provided in writing to Parent; and

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(ii) if to Parent:

Alcan Aluminum Corporation
6060 Parkland Blvd.
Cleveland, Ohio 44124-4185
U.S.A.

with a copy to:

Sullivan & Cromwell
1870 Embarcadero Road
Palo Alto, California 94303
Attention: Scott D. Miller
Facsimile: (650) 461-5700

(l) *Effectiveness.* Notwithstanding anything herein to the contrary, this Agreement shall only become effective upon the execution by the Company of the Merger Agreement.

(m) *Individual Obligations.* Each Stockholder's obligations under this Agreement are individual and not joint or several obligations and no Stockholder shall have any liability to Parent for the performance or non-performance by any other Stockholder under this Agreement.

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IN WITNESS WHEREOF, the parties hereto have executed this Stockholders Agreement as of the date first written above.

ALCAN INC.

By: /s/ PIERRE CHENARD

Name: Pierre Chenard
Title: Deputy Chief Legal Officer

STOCKHOLDERS:

/s/ JACQUES KOHN

Jacques Kohn

/s/ JEAN KOHN

Jean Kohn

BERNARD KOHN REVOCABLE LIVING TRUST

By: /s/ BERNARD KOHN

Name: Bernard Kohn

Title: Trustee

BERNARD KOHN IRREVOCABLE DESCENDANTS TRUST

By: /s/ BERNARD KOHN

Name: Bernard Kohn

Title: Trustee

By: /s/ JACQUES KOHN

Name: Jacques Kohn

Title: Trustee

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EXHIBIT A

Stockholder Name and Address	Number of Stockholder's Subject Shares
Jacques Kohn	469,565
Jean Kohn	469,565
Bernard Kohn Revocable Living Trust	85,820
Bernard Kohn Irrevocable Descendants Trust	47,057

All Stockholders' addresses are

C/o

Baltek Corporation

10 Fairway Court

Northvale, N.J. 07647

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ANNEX C

Phoenix Securities Corp.

A Subsidiary of Laidlaw Global Corp.

575 Madison Avenue, 10th Floor

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New York, NY 10022
Tel: (212) 937-8465
Fax: (212) 937-8470

March 4, 2003

Board of Directors

Baltek Corporation

10 Fairway Court

P.O. Box 195

Northvale, NJ 07647

We have been told by Baltek Corporation ("Baltek" or the "Company") that Baltek, Alcan, Inc. ("Alcan") and Alcan Balcorp., Inc. have entered into an Agreement and Plan of Merger (the "Agreement") dated as of and supplied to us by Baltek, as a result of which, subject to certain terms and conditions, Alcan will acquire all of the outstanding shares of Common Stock of Baltek for a cash consideration of \$15.17 per share. The "bid" price for Baltek common stock at the close of market yesterday was \$8.07 per share. The terms and conditions of the Merger are more fully set forth in the Agreement.

You have asked for our opinion as to whether the Agreement is fair to the shareholders of Baltek from a financial point of view. For purposes of the opinion set forth herein, we have:

- (i) reviewed certain publicly available financial statements and other information of Baltek;
- (ii) reviewed the reported prices and trading activity for shares of the Common Stock of Baltek;
- (iii) discussed with senior executives of Baltek the past and current operations and financial condition and the prospects of Baltek;
- (iv) reviewed the financial terms, to the extent publicly available, of certain comparable financing transactions;
- (v) discussed the rationale for the Merger and the strategic, financial and operational benefits anticipated from the Merger with the senior management of Baltek;
- (vi) reviewed the Merger Agreement dated March 4, 2003; and
- (vii) performed such other analyses and considered such other factors as we deemed appropriate.

Our opinion evaluates the Merger from a financial perspective only. We have not performed any independent evaluation of the intellectual property or other assets of the Company. We have assumed and relied upon, without independent verification, the accuracy and completeness of the information reviewed by us and provided to us by Baltek for the purposes of this opinion. With respect to the internal financial statements and other financial and operating data and discussions relating to strategic, financial and operational benefits anticipated from the Merger provided by Baltek, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the prospects of Baltek. We have relied upon, without independent verification, the assessment by the management of Baltek of the benefits expected to result from the Merger. We have also relied upon, without independent verification, the assessment by the management of Baltek of the

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Company's technologies and products, and the validity of, and risks associated with, the Company's existing and future products and technologies.

We have not made any independent valuation or appraisal of the assets or liabilities or technology of the Company, nor have we been furnished with any such appraisals.

We have not participated in the negotiation of the Merger, provided any legal or other advice with respect to the Merger or proposed any possible alternatives to the Merger. Our opinion is based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof.

This letter is for the benefit of the Board of Directors of Baltek and may not be used for any other purpose or disseminated to any other person without our prior written consent; provided that the terms of this opinion may be included in Baltek's proxy statement mailed to the stockholders in connection with the merger. In addition, this opinion does not in any manner address the prices at which the Baltek Common Stock will actually trade at any time, and we express no recommendation or opinion as to how the Directors or stockholders of Baltek should vote at their Board of Directors or stockholders' meeting held in connection with the Merger.

Based upon and subject to the foregoing, we are of the opinion on the date hereof that the Agreement is fair from a financial point of view to the stockholders of Baltek Corporation.

Very truly yours,

/s/ HARIT JOLLY

Harit Jolly
President
Phoenix Securities Corp.

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ANNEX D

GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

Section 262. Appraisal Rights.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 257, §258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of § 251 of this title.

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(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

- a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;
- b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;
- c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

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d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228 or § 253 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the

effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such

constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for

notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take

into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

**REVOCABLE PROXY
BALTEK CORPORATION**

☿ PLEASE MARK VOTES
AS IN THIS EXAMPLE

SOLICITED BY THE BOARD OF DIRECTORS

PROXY for Special Meeting of Shareholders to be held on _____, 2003 at 10:00 A.M. Eastern Daylight Time at the offices of Baltek Corporation, 108 Fairway Court, Northvale, New Jersey.

1.	Proposal to adopt the Agreement and Plan of Merger, dated March 5, 2003, by and among Alcan Inc., Alcan Balcorp, Inc., a wholly-owned subsidiary of Alcan Inc., and Baltek Corporation, and the transactions contemplated thereby, at a price to Baltek's stockholders of \$15.17 per share.	For o	Against o	Abstain o
----	---	------------------------	----------------------------	----------------------------

The undersigned hereby appoints Jacques Kohn, Benson J. Zeikowitz and Bernard J. Wald, or any one of them, with full power of substitution, as proxies to vote at the Special Meeting of Shareholders (including any adjournment, postponements and continuations thereof) of Baltek Corporation to be convened _____, 2003.

The Board of Directors recommends a vote FOR the Proposal.

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED UPON THE RESOLUTION LISTED ABOVE IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN BY THE STOCKHOLDER, BUT IF NO INSTRUCTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE PROPOSAL. A VOTE OF ABSTENTION WILL COUNT AS A VOTE AGAINST THE PROPOSAL.

This proxy is to be voted for each proposition unless a contrary vote is specified. It may be revoked at any time prior to its exercise in person or by a writing delivered to the Secretary of the Company.

When signing as attorney, executor, administrator, trustee, guardian or corporate officer, please give your full title as such.

Please be sure to sign and date
this Proxy in the box below.

Date

Shareholder sign above _____ Co-holder (if any) sign above

Detach above card, sign, date and mail in postage paid envelope provided.

BALTEK CORPORATION
NORTHVALE, NJ 07647

**PLEASE DATE AND SIGN THIS PROXY AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE
WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING.**

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.

QuickLinks

[BALTEK CORPORATION 10 FAIRWAY COURT P.O. BOX 195 NORTHVALE, NEW JERSEY 07647](#)

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GENERAL CORPORATION LAW OF THE STATE OF DELAWARE