

Court File No. CV-12-9545-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF VALLE FOAM INDUSTRIES (1995) INC.,
DOMFOAM INTERNATIONAL INC., AND
A-Z SPONGE & FOAM PRODUCTS LTD.

APPLICANTS

SECOND REPORT OF THE MONITOR
DATED FEBRUARY 7, 2012

TABLE OF CONTENTS

INTRODUCTION.....	1
TERMS OF REFERENCE.....	2
BACKGROUND.....	3
SECURED AND UNSECURED CREDITORS.....	4
CLASS ACTIONS.....	6
ACTIVITIES OF THE MONITOR.....	6
OPERATIONS OF THE COMPANIES.....	7
STATUS OF SALE PROCESS.....	7
INITIAL CASH FLOW FORECAST AND RESULTS COMPARED TO FORECAST.....	8
REVISED CASH FLOW FORECASTS.....	16
PROFESSIONAL FEES.....	18
EXTENSION OF THE STAY PERIOD.....	19
MONITOR'S RECOMMENDATIONS.....	19

EXHIBITS

EXHIBIT A:	Initial Order
EXHIBIT B:	U.S. Recognition Order
EXHIBIT C:	Sale Process Order
EXHIBIT D:	First Revised Cash Flow Forecasts - January 28, 2012, to March 30, 2012
EXHIBIT E:	Affidavit of Robert Bougie of Deloitte & Touche Inc., sworn February 7, 2012
EXHIBIT F:	Affidavit of Grant Moffat of Thornton Grout Finnigan LLP, sworn February 7, 2012

INTRODUCTION

1. By Order of the Court dated January 12, 2012 (the “**Initial Order**”), Valle Foam Industries (1995) Inc. (“**Valle Foam**”), Domfoam International Inc. (“**Domfoam**”) and A-Z Sponge & Foam Products Ltd. (“**A-Z Foam**”) (collectively, the “**Applicants**” or the “**Companies**”), obtained protection from their creditors pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). The CCAA proceeding with respect to the Applicants is referred to herein as the “**CCAA Proceeding**”.
2. Pursuant to the Initial Order, Deloitte & Touche Inc. (“**Deloitte**”) was appointed monitor of the Applicants as part of the CCAA Proceeding (the “**Monitor**”). Pursuant to the Initial Order, all proceedings against the Applicants have been stayed until February 10, 2012 (the “**Stay Period**”), or until such later date as this Court may order. A copy of the Initial Order is attached hereto as Exhibit “**A**”.
3. On January 23, 2012, the Monitor in its capacity as foreign representative of the Companies in the CCAA Proceeding, filed with the United States Bankruptcy Court, Northern District of Ohio (Western Division) (the “**U.S. Bankruptcy Court**”) a petition for recognition of the CCAA Proceeding as a foreign main proceeding pursuant to Chapter 15 of the *U.S. Bankruptcy Code*.
4. By Order of the U.S. Bankruptcy Court dated January 27, 2012 (the “**U.S. Recognition Order**”), all litigation in the United States against the Companies was stayed on a provisional basis (the “**U.S. Litigation Stay**”) until February 10, 2012, provided that the U.S. Litigation Stay will be automatically extended to correspond to any extension of the Stay Period in the CCAA Proceeding. A hearing in the U.S. Bankruptcy Court is scheduled for February 23, 2012 to consider permanent relief with respect to recognition of the CCAA Proceeding as a foreign main proceeding. A copy of the U.S. Recognition Order is attached as hereto as Exhibit “**B**”.

5. By Order of the Court dated January 27, 2012 (the “**Sale Process Order**”), the Court authorized and approved the process (the “**Sales Process**”) pursuant to which the Companies shall invite offers to purchase some or all of the Companies’ assets (the “**Property**”). The deadline for delivering an offer to purchase some or all of the Property is February 22, 2012, although the Sale Process Order authorizes the Companies to return to Court before that date to seek approval of a sale or sales of some or all of the Property should the Companies and the Monitor determine it necessary to do so. A copy of the Sale Process Order is attached hereto as Exhibit “**C**”.
6. The Initial Order together with related Court documents, the Notice to Creditors dated January 19, 2012 and the Monitor’s First Report to the Court dated January 25, 2012 (“**First Report**”) have been posted on the Monitor’s website at www.deloitte.com/ca/vallefoam (the “**Monitor’s Website**”). The Monitor has also established a toll free number at 1-855-601-6415 and a dedicated e-mail address at vallefoam@deloitte.ca for creditors and other interested parties to contact the Monitor with questions or concerns regarding the CCAA Proceeding.
7. The purpose of this report (the “**Second Report**”) is to update the Court with respect to the status of the Sale Process and to provide the Court with the Monitor’s recommendation with respect to the Companies’ motion for an extension of the Stay Period.

TERMS OF REFERENCE

8. In preparing the Second Report, the Monitor has relied upon unaudited financial information, the Companies’s books and records, the financial information prepared by the Companies, and discussions with management (“**Management**”) and legal counsel of the Companies. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in the Second Report.

9. Certain of the information referred to in the Second Report consists of forecasts and/or projections. An examination or review of financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future oriented financial information referred to in the Second Report was prepared by the Companies based on Management's estimates and assumptions. Readers are cautioned that since forecasts and projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the forecasts and projections and, even if the assumptions materialize, the variations could be significant.
10. Unless otherwise stated, all dollar amounts contained in this Second Report are expressed in Canadian dollars.
11. Capitalized terms not otherwise defined in this Second Report are as defined in the Initial Order and the First Report.

BACKGROUND

12. The Companies operate together as one of Canada's leading and largest manufacturers and distributors of flexible polyurethane foam products from facilities located in Ontario, Quebec and British Columbia. The operations of Valle Foam and Domfoam have historically comprised substantially all of the Companies' operations. A-Z Foam and Valle Foam are wholly owned subsidiaries of Domfoam.
13. Mr. Anthony Vallecoccia is the President and Chief Executive Officer of Domfoam, President of Valle Foam, and the sole officer and director of A-Z Foam.
14. As at the date of the Initial Order, the Companies employed more than 500 full and part-time employees in three manufacturing locations in Montreal, Toronto and Delta.
15. As at the date of the Initial Order, Valle Foam employed 278 full time employees plus between 15 and 20 temporary employees at four locations in and around Brampton, Ontario. The Valle Foam employees are not unionized.

16. As at the date of the Initial Order, Domfoam employed 172 full time employees and between 15 and 45 temporary employees at three locations in and around Montreal, Quebec. The 127 factory floor employees of Domfoam are members of Teamsters Local 973 (the “**Domfoam Union**”).
17. As at the date of the Initial Order, A-Z Foam employed 34 employees at Annacis Island, Delta, British Columbia. Certain of the employees of A-Z Foam are members of Pulp and Paper Workers Local #5 (the “**A-Z Union**”).
18. Each of the Applicants operates from leased premises. The businesses of the Applicants involve the use of chemicals in the course of manufacturing their products. Some of these products are hazardous and all of these products must be carefully managed. The premises of each of the Applicants have been specifically designed or modified to allow for the use of these chemical agents. As set out in the Affidavit of Mr. Vallecoccia sworn January 11, 2012 in support of the Companies’ application for the Initial Order (the “**Vallecoccia Affidavit**”), if the Applicants’ businesses were to cease, the Applicants would require a detailed disposal plan to be implemented pursuant to applicable environmental laws in order to properly dispose of the chemicals used in the Applicants’ businesses. The Applicants’ leased premises cannot be safely abandoned or rendered inoperative without such efforts.

SECURED AND UNSECURED CREDITORS

19. Royal Bank of Canada previously supplied a secured operating loan to the Applicants. However, that credit facility has been permanently repaid and no amounts are outstanding thereunder.
20. In addition, certain equipment lessors have registered security interests against certain of the Applicants. The Monitor has not yet reviewed any of those lease agreements.

21. The following is a summary of the Applicants' liabilities as at January 11, 2012.

Liability	Valle Foam	Domfoam	A-Z Foam
Trade Payables, including arrears of rent	\$3,801,000	\$4,248,000	\$220,000
Accrued Payroll (including statutory liabilities) and Accrued Vacation Pay	554,600	464,000	116,700
Accrued Sales Taxes for December 2011	141,900	87,500	4,200
Competition Bureau (Canada)	6,000,000	6,000,000	nil
Other Payables and Accrued Liabilities	720,400	539,000	27,500
Total	\$11,217,900	\$11,338,500	\$368,400

22. Management has informed the Monitor that the Companies do not offer pension plans to their employees.

The Competition Bureau (Canada) Fines and Related Litigation

23. As set out in the First Report, both Domfoam and Valle Foam were recently charged with, and on January 5, 2012, pled guilty to, certain offences under the *Competition Act*, R.S.C. 1985, c C-34 (the "*Competition Act*") arising from collusion with other manufacturers of slab foam and carpet underlay within Canada to lessen competition in the sale or supply of these products and by conspiring with other manufacturers to fix or control the price for these products.

24. Domfoam was fined a total of \$6.0 million and Valle Foam was fined a total of \$6.5 million. No fine was assessed against A-Z Foam as no charges were laid against A-Z Foam. In accordance with the terms of the sentence imposed, on the day of the guilty pleas, Valle Foam paid \$500,000 in partial payment of the fines imposed against it.

25. As a result of the foregoing, each of Valle Foam and Domfoam has an outstanding liability of \$6.0 million in fines payable to the Crown.

26. In accordance with the terms of the sentences imposed, Domfoam and Valle Foam are to each pay \$1.0 million on the 1st of January of each year, commencing 2013 and ending in 2018.

27. As set out in the Vallecoccia Affidavit, the Applicants disclosed their financial difficulties to the Crown prior to the entry of their guilty pleas and advised of the

Applicants' intention to file for protection under the provisions of a Canadian insolvency regime.

CLASS ACTIONS

28. The Monitor has been advised by the Applicants that some or all of the Applicants have been named as defendants in at least five class action lawsuits in Canada, and over two dozen class action lawsuits in the United States (together, the "**Class Actions**"), based upon allegations of price fixing by certain of the Applicants and other manufacturers in the slab foam industry.
29. Settlements have been reached with virtually all of the Plaintiffs in both the Canadian and U.S. Class Actions. Under the settlements, the Class Actions will be discontinued as against the Companies, provided that the Plaintiffs in the Class Actions may still assert their claims as creditors within the CCAA Proceeding in amounts to be determined. The settlement agreements are still subject to separate Court approvals in Ontario, British Columbia, Quebec and the United States.

ACTIVITIES OF THE MONITOR

30. The Monitor has undertaken the following activities since the date of the Monitor's First Report:
 - (a) reviewed the Companies' cash flow statement as to its reasonableness; the results of such review are described in more detail below;
 - (b) assisted the Companies in carrying out the Sale Process, described in more detail below; and
 - (c) monitored the business and financial affairs of the Applicants, and prepared this Second Report to Court.

OPERATIONS OF THE COMPANIES

31. As set out in the Vallecoccia Affidavit and as described in the First Report, it was originally intended that Valle Foam would cease operations immediately following the date of the Initial Order. Management of Valle Foam determined that continuing to operate Valle Foam would preserve the going concern value of this business and that incurring the costs of maintaining such going concern value was worthwhile, provided that the Sale Process as it relates to Valle Foam is conducted on an expedited basis in accordance with the Sale Process.
32. However, in order to reduce costs while still preserving the going concern value of Valle Foam's business, Valle Foam has substantially closed its location at 317 Orenda Road in Brampton and relocated its staff from its 11 Finley Road, Brampton location to its 4 West Drive, Brampton location. It also suspended manufacturing of its underlay products on or about January 19, 2012.
33. Accordingly, Valle Foam has laid off all of its temporary employees and 24 of its full-time employees at the 317 Orenda Road, Brampton location. The remaining 15 employees at the 317 Orenda Road, Brampton location operate one shift each day for Valle Foam's sewing and polyester business.
34. A further 26 employees were laid off from both the 4 West Drive and 170 Glidden Road Brampton locations, which continue to operate two shifts each day.

STATUS OF SALE PROCESS

35. Following approval of the Sale Process pursuant to the Sale Process Order, the following steps were taken by the Companies and/or the Monitor:
 - (a) an advertisement regarding the Sale Process was placed in the national edition of The Globe and Mail newspaper on January 31, 2012;

- (b) a marketing flyer (the “Flyer”) was prepared by the Companies with the assistance of the Monitor identifying the opportunity to purchase the Property;
- (c) the Monitor’s Website has been updated to include links to the Sale Process Order, a description of the Sale Process, the Terms and Conditions of Sale approved pursuant to the Sale Process Order, the template form of offer to be utilized by a prospective purchaser, the Flyer and the form of confidentiality agreement required to be executed to gain access to the data room described below;
- (d) Management and the Monitor developed a list of potential purchasers for the Property and the Monitor has distributed a copy of the Flyer to all such parties. To date 47 Flyers have been distributed to potential purchasers;
- (e) those parties that have signed the Confidentiality Agreement posted on the Monitor’s Website have been provided access to the electronic data room maintained by the Monitor which contains detailed information regarding the Companies’ assets and businesses to permit interested parties to conduct their due diligence via secure web access. To date, 10 potential purchasers have signed the Confidentiality Agreement;
- (f) the Monitor has been responding to questions regarding the Sale Process and to information requests from interested parties and has assisted the Companies in coordinating site visits to the Companies’ business premises; and
- (g) the Monitor has received and reviewed appraisals of the Companies’ equipment.

INITIAL CASH FLOW FORECAST AND RESULTS COMPARED TO FORECAST

36. The Companies’ respective cash receipts and disbursements for the interim period January 9, 2012 to January 27, 2012 (the “**Variance Period**”), are presented below with a comparison to the Companies’ cash flow forecast filed with this Court on the application for the Initial Order (the “**Initial Cash Flow Forecast**”).

37. These cash flow statements were prepared by Management. For the purposes of reporting cash receipts and disbursements, as well as for future cash flow forecasts, the Companies have since made revisions to various line items.
38. As at January 27, 2012, Valle Foam, Domfoam and A-Z Foam had ending cash balances of \$2.4 million, \$260,000, and \$412,000, respectively.

Valle Foam

39. Overall, there is a \$376,000 favourable variance between the actual and initial forecast net cash inflow during the Variance Period. During the Variance Period, Valle Foam had an overall net cash outflow of \$92,000. As set out earlier in this Second Report, Management did not originally intend on continuing operations at Valle Foam beyond the date of the Initial Order. For the Variance Period, the material components of this overall variance are set out below:

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Valle Foam Industries (1995) Inc.
Schedule of Actual Versus Forecasted Cash Flows
(Unaudited)
(All amounts in \$CAD)

Description	Cumulative amount for the 3-Week Period January 9 to 27, 2012		
	Actual	Forecast	Variance - Favourable (Unfavourable)
Cash Receipts			
Collection of Accounts Receivable - Third Party	2,923,808	1,736,619	1,187,189
Collection of Accounts Receivable - Intercompany	-	-	-
Other Receipts	-	-	-
Total Receipts	2,923,808	1,736,619	1,187,189
Cash Disbursements			
Purchases - Chemicals	428,664	-	(428,664)
Purchases - Other Raw Materials and Supplies	146,850	225,500	78,650
Payment of Pre-Filing Accounts Payable (Nov 30, 2011 Onwards COD)	1,039,550	664,229	(375,321)
Payroll Costs (including agency)	523,832	902,000	378,168
Non-Inventory Purchases and Overhead	225,192	34,500	(190,692)
Sales Taxes	-	165,000	165,000
Rent	40,337	63,000	22,663
Utilities	905	-	(905)
Restructuring Professional Fees	150,000	150,000	-
Legal Fees	430,461	-	(430,461)
Other Disbursements	29,750	-	(29,750)
Total Disbursements	3,015,541	2,204,229	(811,312)
Net Cash Flow	(91,733)	(467,610)	375,877
Opening Cash Balance	2,534,082	2,661,720	(127,638)
Closing Cash Balance	2,442,349	2,194,110	248,239

40. Collections of third party accounts receivable were \$1.2 million higher than forecast during the Variance Period, as Management had assumed a significant delay in collection efforts due to customer uncertainty arising from the previously planned closure of the business following the date of the Initial Order.
41. There was an unfavourable variance of \$429,000 with respect to chemical purchases during the Variance Period as Management continued operations beyond the date of the Initial Order.
42. There was a favourable variance of purchases of other raw materials and supplies due to a drawdown of existing inventories during the Variance Period.

43. In accordance with paragraph 5 (d) of the Initial Order, the Applicants were entitled but not required to pay for amounts owing for goods and services supplied to the Applicants, or to obtain the release of goods contracted for prior to the Initial Order, where such goods were ordered by the Applicants after November 30, 2011 on the express understanding that such goods or services were to be paid for on a cash on delivery basis and in respect of which such payment has not been made by the Applicants. There was an unfavourable variance of \$376,000 with respect to goods and services ordered and received subsequent to November 30, 2011, primarily due to the payment of \$451,000 to Domfoam for goods provided to Valle Foam subsequent to November 30, 2011.
44. Payroll costs were approximately \$378,000 lower than forecast during the Variance Period, primarily due to \$474,000 of vacation pay which was not paid, which was partially offset by additional payroll costs totalling \$96,000 since Valle Foam continued operations beyond the first week subsequent to the date of the Initial Order.
45. Non-inventory purchases and overhead were approximately \$191,000 higher than forecast primarily due to the payment of annual automobile insurance premiums for Valle Foam and Domfoam in the amount of \$78,000 and \$92,000 respectively. There was a temporary favourable variance of \$165,000 with respect to sales taxes for the month of December, 2011 which were subsequently remitted after the Variance Period.
46. Legal Fees were \$430,000 higher than forecast during the Variance Period primarily due to retainers provided in the amount of \$200,000, and invoices paid with respect to the Class Action litigation and the Applicants' counsel for \$72,000 and \$136,000 respectively.
47. Outstanding cheques for goods and services ordered after November 30, 2011 were not reflected in the original forecast. Accordingly, there is a variance of \$128,000 with respect to the opening cash balance.

Domfoam

48. Overall, there is an unfavourable variance of \$31,000 between the actual and forecast net cash flow during the Variance Period. During the Variance Period, Domfoam had an

overall net cash outflow of \$1.1 million. The material components of this overall variance are set out below:

Domfoam International Inc.
Schedule of Actual Versus Forecasted Cash Flows
(Unaudited)
(All amounts in \$CAD)

Description	Cumulative amount for the 3-Week Period January 9 to 27, 2012		
	Actual	Forecast	Variance - Favourable (Unfavourable)
Cash Receipts			
Collection of Accounts Receivable - Third Party	1,095,990	2,123,750	(1,027,760)
Collection of Accounts Receivable - Intercompany	450,515	-	450,515
Other Receipts	126,700	100,000	26,700
Total Receipts	1,673,205	2,223,750	(550,545)
Cash Disbursements			
Purchases - Chemicals	1,065,233	1,232,000	166,767
Purchases - Other Raw Materials and Supplies	123,471	100,715	(22,756)
Payment of Pre-Filing Accounts Payable (Nov 30, 2011 Onwards COD)	795,103	795,103	-
Payroll Costs (including agency)	350,085	849,506	499,421
Non-Inventory Purchases and Overhead	259,659	41,550	(218,109)
Sales Taxes	-	75,000	75,000
Rent	136,718	-	(136,718)
Utilities	14,947	90,000	75,053
Restructuring Professional Fees	-	150,000	150,000
Legal Fees	48,138	-	(48,138)
Other Disbursements	21,190	-	(21,190)
Total Disbursements	2,814,544	3,333,874	519,330
Net Cash Flow	(1,141,339)	(1,110,124)	(31,215)
Opening Cash Balance	1,401,220	1,616,213	(214,993)
Closing Bank Balance	259,881	506,089	(246,208)

49. There was an overall unfavourable variance of cash receipts of \$551,000 during the Variance Period, primarily due to approximately \$1.0 million lower than expected collections of third party accounts receivable resulting from initial customer uncertainty regarding the CCAA Proceeding. However, rebate offsets totalling \$256,000 by certain customers were significantly lower than the amount of \$1.0 million included in the original forecast. This was partially offset by a favourable variance of \$451,000 of intercompany accounts receivable collected from Valle Foam.

50. Purchases of chemicals used in the production of foam products were \$167,000 lower than forecast. This variance was primarily due to certain chemical orders being placed shortly after the Variance Period, but partially offset by the advance payment of certain rail shipments which are paid on loading rather than on delivery.
51. In accordance with paragraph 5 (d) of the Initial Order, the Applicants were entitled but not required to pay for amounts owing for goods and services supplied to the Applicants, or to obtain the release of goods contracted for prior to the Initial Order, where such goods were ordered by the Applicants after November 30, 2011 on the express understanding that such goods or services were to be paid for on a cash on delivery basis and in respect of which such payment has not been made by the Applicants. Domfoam made disbursements totalling \$795,000 with respect to goods and services ordered and received subsequent to November 30, 2011. Significant disbursements included raw materials such as glues and adhesives totalling \$200,000, an order of chemicals for \$178,000 that was received in early January, 2012, shipping costs of approximately \$100,000, employee group insurance benefits of approximately \$75,000 regarding the December, 2011 invoice covering the month of January, 2012, and invoices for repairs and maintenance of approximately \$50,000.
52. Payroll costs were approximately \$499,000 lower than forecast during the Variance Period, primarily due to \$350,000 of vacation pay which was not paid during the Variance Period. Management advised that the remaining difference of \$149,000 was partially due to a conservative estimate as well as from the reduced levels of operations. Management had noted a partial slowdown in sales due to some initial concerns expressed by certain customers regarding the CCAA Proceeding. In addition, the forecast assumed that Valle Foam would be idled shortly after the date of the Initial Order and that certain residual business would be produced by Domfoam.
53. Non-inventory purchases and overhead were approximately \$218,000 higher than forecast primarily due to shipping and delivery costs that were not included in the original forecast, as well as higher other administrative costs and repairs and maintenance costs.

54. Individual receipt and disbursement line items are inclusive of any related sales taxes. Domfoam had forecast a net balance owing of \$75,000 with respect to December, 2011 sales tax returns due at the end of January, 2012. This represents a temporary favourable variance which is expected to reverse in early February, 2012.
55. Domfoam did not forecast rent costs, resulting in an unfavourable variance of \$136,000 with respect to post-filing amounts paid in accordance with paragraph 8 of the Initial Order.
56. There was a favourable variance of \$75,000 with respect to utility costs primarily due to a conservative estimate by Management and lower than expected level of operations.
57. There was a favourable variance of \$150,000 with respect to professional fees which are expected to be paid subsequent to the Variance Period.
58. Domfoam did not originally forecast any legal fees. However, Domfoam paid a retainer of \$48,000 during the Variance Period for services provided by U.S. counsel to Domfoam, Valle Foam and A-Z Foam in connection with the U.S. Litigation Stay. Legal and professional fees will be allocated to each of the Applicants.
59. Outstanding cheques for goods and services ordered after November 30, 2011 were not reflected in the original forecast. Accordingly, there is a variance of \$215,000 with respect to the opening cash balance.

A-Z Foam

60. Overall, there is a \$264,000 favourable variance between the actual and initial forecast net cash inflow during the Variance Period. During the Variance Period, A-Z Foam had an overall net cash outflow of \$22,000. For the Variance Period, the material components of this overall variance are set out below:

A-Z SPONGE AND FOAM PRODUCTS LTD.
Schedule of Actual Versus Forecasted Cash Flows
(Unaudited)
(All amounts in \$CAD)

Description	Cumulative amount for the 3-Week Period January 9 to 27, 2012		
	Actual	Forecast	Difference
Cash Receipts			
Collection of Accounts Receivable - Third Party	321,592	344,676	(23,084)
Collection of Accounts Receivable - Intercompany	-	-	-
Other Receipts	-	-	-
Total Receipts	321,592	344,676	(23,084)
Cash Disbursements			
Purchases - Chemicals	78,053	75,000	(3,053)
Purchases - Other Raw Materials and Supplies	-	79,415	79,415
Payment of Pre-Filing Accounts Payable (Nov 30, 2011 Onwards COD)	15,451	15,451	(0)
Payroll Costs (including agency)	133,875	148,000	14,125
Non-Inventory Purchases and Overhead	15,791	9,300	(6,491)
Sales Taxes	-	40,000	40,000
Rent	-	-	-
Utilities	-	13,000	13,000
Restructuring Professional Fees	-	150,000	150,000
Legal Fees	-	-	-
Other Disbursements	100,000	100,000	-
Total Disbursements	343,170	630,166	286,996
Net Cash Flow	(21,578)	(285,490)	263,912
Opening Cash Balance	433,835	449,285	(15,450)
Closing Cash Balance	412,257	163,795	248,462

61. There is a favourable variance of \$79,000 with respect to purchases of other raw materials and supplies as A-Z Foam relied on a drawdown of related inventory during the Variance Period.
62. No restructuring professional fees were paid by A-Z Foam during the Variance Period, resulting in a \$150,000 favourable variance.
63. Outstanding cheques for goods and services ordered after November 30, 2011 were not reflected in the original forecast. Accordingly, there is a variance of approximately \$15,000 with respect to the opening cash balance.

REVISED CASH FLOW FORECASTS

64. The Companies have provided the Monitor with their respective cash flow forecasts for the fifteen week period from January 28, 2012, to March 30, 2012 (the “**First Revised Cash Flow Forecast**”), which are attached hereto as Exhibit “**D**”
65. In the First Revised Cash Flow Forecast, Valle Foam projects that it will have a positive cash balance of \$1,766,432 as at March 30, 2012. In the Initial Cash Flow Forecast, the ending cash balance as at March 30, 2012 was forecast to be \$5,349,500, which after revisions for outstanding cheques of approximately \$128,000 and a formula error of approximately \$286,000, the ending balance should have been \$4,935,500, a difference of \$3,169,068 to the First Revised Cash Flow Forecast. The significant differences between Valle Foam’s two forecasts are as follows:
- (a) Increased payroll costs of \$777,000;
 - (b) Increased purchases of \$4.2 million;
 - (c) Increased utilities of \$406,000;
 - (d) Increased legal fees of \$680,000;
 - (e) Increased restructuring professional fees of \$266,000;
 - (f) Increased sales taxes of \$100,000;
 - (g) Increased other disbursements of \$166,000;
 - (h) Increased borrowings to Domfoam for operating costs of \$488,000;
 - (i) Increased collection of accounts receivable of \$3.9 million.
66. Based on the First Revised Cash Flow Forecast, it appears that the cost of operating Valle Foam until the February 22, 2012 deadline for receipt of offers pursuant to the Sales Process will be approximately \$2.7 million (excluding legal and restructuring professional fees). In the circumstances, the Monitor does not object to Valle Foam continuing operations on the reduced basis described above, provided that the Monitor will re-evaluate the relative benefit to Valle Foam’s creditors and other stakeholders of its

continued operation following receipt of any offer or offers for Valle Foam's assets in accordance with the Sale Process.

67. In the First Revised Cash Flow Forecast, Domfoam projected a zero cash balance as at March 30, 2012 and that it will owe Valle Foam approximately \$488,000 for advances over the nine week period. In the Initial Cash Flow Forecast, the ending cash balance as at March 30, 2012 was forecast to be \$109,040, which after revisions for outstanding cheques of approximately \$214,993, the ending balance should have been (\$105,953), a difference of \$105,953 to the First Revised Cash Flow Forecast. The significant differences between Domfoam's two forecasts are as follows:
- (a) Decreased payroll costs and vacation pay of \$508,000
 - (b) Decreased purchases of \$631,000
 - (c) Additional restructuring professional fees of \$181,000;
 - (d) Legal fees not previously forecast \$348,000;
 - (e) Rent not previously forecast \$530,000;
 - (f) Increased borrowings from Valle Foam for operating costs of \$488,000;
 - (g) Reduction in collection of accounts receivable and other receipts of \$381,000.
68. In the First Revised Cash Flow Forecast, A-Z Foam projects that it will have a positive cash balance of \$20,947 as at March 30, 2012. In the Initial Cash Flow Forecast, the ending cash balance as at March 30, 2012 was forecast to be \$103,474, which after revisions for outstanding cheques of approximately \$15,450, the ending balance should have been \$88,024, a difference of \$67,077 to the First Revised Cash Flow Forecast.
69. The Monitor is satisfied that, subject to the Monitor's comments above regarding the continued operation of Valle Foam beyond February 22, 2012, the First Revised Cash Flow Forecast is reasonable having regard to the assumptions underlying same as well as the variances experienced by the Company from the Initial Cash Flow Forecast during the Variance Period.

PROFESSIONAL FEES

70. The Monitor and its independent legal counsel, Thornton Grout Finnigan LLP (“TGF”) have maintained detailed records of their professional time and costs since the issuance of the Initial Order. Pursuant to paragraph 29 of the Initial Order, the Monitor and TGF were directed to pass their accounts from time to time before this Court.
71. The total fees of the Monitor during the period from January 12, to January 28, 2012 amount to \$104,393.40, together with expenses and disbursements in the sum of \$8,056.17 and harmonized sales tax (“HST”) in the amount of \$14,618.46, totalling \$127,068.13 (the “**Monitor Fees**”). The time spent by the Monitor is more particularly described in the Affidavit of Robert Bougie of Deloitte & Touche Inc., sworn February 7, 2012 (the “**Bougie Affidavit**”), sworn in support hereof and attached hereto as Exhibit “**E**”.
72. The total legal fees incurred by the Monitor during the period January 11, 2012 to January 27, 2012 for services provided by TGF as the Monitor’s independent legal counsel amount to \$26,305.00, together with disbursements in the sum of \$218.25 and HST in the amount of 3,448.02, totalling \$29,917.27. The time spent by TGF personnel is more particularly described in the Affidavit of Grant Moffat, a partner of TGF, sworn February 7, 2012 (the “**Moffat Affidavit**”) in support hereof and attached hereto as Exhibit “**F**”.

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EXTENSION OF THE STAY PERIOD

73. The Companies have asked the Court to approve an extension of the Stay Period from February 10, 2012 to March 30, 2012. The basis for this request is to allow for the completion of the Sale Process, which contemplates the receipt of offers to purchase the Property by February 22, 2012 and closing of any transaction to purchase some or all of the Property within 45 days of Court approval of any offer or offers accepted by the Companies.
74. The First Revised Cash Flow Forecast includes the Companies' forecast for weekly cash receipts and disbursements to March 30, 2012. These projections indicate that the Companies will have sufficient cash on hand to fund their businesses during the period of the requested extension.
75. The Monitor believes that the Companies are acting in good faith and with due diligence and the Monitor therefore supports the stay extension to March 30, 2012.

MONITOR'S RECOMMENDATIONS

76. For the reasons set out above, the Monitor recommends that:
 - (a) the activities of the Monitor as described in the Second Report be approved;
 - (b) the professional fees and disbursements of the Monitor and TGF be approved and the Companies be authorized to pay all such fees and disbursements; and
 - (c) the Stay Period be extended to March 30, 2012.

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All of which is respectfully submitted at Toronto, Ontario this 7th day of February, 2012.

DELOITTE & TOUCHE INC.
in its capacity as the Monitor
of the Companies (as defined herein)

Per:



Robert J. Bougie, CA-CIRP
Senior Vice-President

EXHIBIT “A”

EXHIBIT "A"



Court File No. CV-12-9545-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) THURSDAY, THE 12th
JUSTICE NEWBOULD)
DAY OF JANUARY, 2012

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

AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF VALLE
FOAM INDUSTRIES (1995) INC., DOMFOAM
INTERNATIONAL INC., and A-Z SPONGE & FOAM
PRODUCTS LTD.

(the "Applicants")

INITIAL ORDER

THIS APPLICATION, made by Valle Foam Industries (1995) Inc., Domfoam International Inc., and A-Z Sponge & Foam Products Ltd. (hereinafter, collectively referred to as the "Applicants"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Tony Vallecoccia sworn January 11, 2012 and the exhibits thereto (the "Vallecoccia Affidavit"), and on hearing the submissions of counsel for the Applicants, no one else appearing although duly served as appears from the affidavit of service of Victoria Stewart sworn January

11, 2012, and on reading the consent of Deloitte & Touche Inc. to act as the Monitor,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that one or more of the Applicants, individually or collectively, shall have the sole authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "Property"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their respective businesses (collectively, the "Business") and

Property. The Applicants shall each be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, appraisers, accountants, counsel and such other persons (collectively, "Assistants") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that, the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the date of this Order:

- (a) all outstanding and future wages, compensation, salaries, employee and pension benefits, vacation pay and expenses (including, but not limited to, employee medical, dental, disability, life insurance and similar benefit plans or arrangements, incentive plans, share compensation plans, and employee assistance programs and employee or employer contributions in respect of pension and other benefits), and similar pension and/or retirement benefit payments, commissions, bonuses and other incentive payments, payments under collective bargaining agreements, and employee and director expenses and reimbursements, payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) compensation to employees in respect of any payments made to employees prior to the date of this Order by way of the issuance of cheques or electronic transfers are subsequently dishonoured due to the commencement of these proceedings; and

- (c) the reasonable fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges, including any payments made to Assistants prior to the date of this Order by way of the issuance of cheques or electronic transfers that are subsequently dishonoured due to the commencement of these proceedings; and
- (d) amounts owing for goods and services actually supplied to the Applicants, or to obtain the release of goods contracted for prior to the date of this Order by other suppliers, solely where such goods were ordered by the Applicants or any of them after November 30, 2011 on the express understanding that such goods or services were to be paid for on a cash on delivery basis and in respect of which such payment has not been made by the Applicants or any of them.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

- (b) payment, including the posting of letters of credit, for goods or services actually supplied or to be supplied to the Applicants following the date of this Order;

7. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

8. **THIS COURT ORDERS** that until a real property lease is disclaimed, terminated, repudiated or resiliated in accordance with the CCAA, the Applicants

shall pay all amounts constituting rent or payable as rent under their respective real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

9. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

10. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their respective businesses or operations, and to dispose of non-profitable, redundant or non-material assets and operations, and to dispose and sell such assets or operations not exceeding \$100,000.00 in any one transaction or \$1 million in the aggregate;

- (b) terminate the employment of such of their employees or lay off or temporarily or indefinitely lay off such of their employees as the relevant Applicant deems appropriate on such terms as may be agreed upon between the relevant Applicant and such employee, or failing such agreement, to deal with the consequences thereof in the Plan
- (c) in accordance with paragraphs 10 (a) and (d), vacate, abandon, resiliate, or quit any leased premises and/or disclaim, cancel, terminate or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than seven (7) days notice in writing to the relevant landlord on such terms as may be agreed upon between the Applicants and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;
- (d) disclaim, terminate, repudiate or resiliate, in whole or in part, with the prior consent of the Monitor or further Order of the Court, such of their arrangements, agreements or contracts of any nature whatsoever with whomsoever, whether oral or written, as the Applicants deem appropriate, in accordance with Section 32 of the CCAA, with such disclaimers, repudiation, termination, or resiliations to be on such terms as may be agreed upon between the relevant Applicants and such counter-parties, or failing such agreements, to deal with the consequences thereof in the Plan; and
- (e) pursue all avenues of refinancing of the Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing;

all of the foregoing to permit the Applicants to proceed with an orderly restructuring or winding down of some or all of the respective Business (the "Restructuring").

11. **THIS COURT ORDERS** that the Applicants shall each provide each of the relevant landlords with notice of the relevant Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the relevant Applicant, or by further Order of this Court upon application by the relevant Applicant on at least two (2) days notice to such landlord and any such secured creditors. If an Applicant disclaims, resiliates, repudiates or terminates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer, termination or resiliation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

12. **THIS COURT ORDERS** that if a lease is repudiated or if a notice of disclaimer or termination or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, termination, repudiation or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant Applicant's and the Monitor 24 hours' prior written notice, and

(b) at the effective time of the disclaimer or termination or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicants of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

13. **THIS COURT ORDERS** that until and including February 10, 2012, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

14. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicants or the Monitor, or affecting the

Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, authorization, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all waste disposal service providers, all computer software, information technology services, communication and other data services, programming supply, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be

entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers (or their estates) of the Applicants with respect to any claim against such directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment, performance or breach of such obligations, acts, or actions until a compromise or arrangement in respect of

the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. **THIS COURT ORDERS** that the Applicants shall jointly indemnify their directors and officers from and against all claims, costs, charges, expenses, obligations and liabilities that they may incur as directors or officers of the Applicants, after the date hereof except to the extent that, with respect to any officer or director, such claim, cost, charge, expense, obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

20. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$1 million as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraph 32 herein.

21. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

APPOINTMENT OF MONITOR

22. **THIS COURT ORDERS** that Deloitte & Touche Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist and advise the Applicants in their development of the Plan or winding down, downsizing and any amendments to the Plan, any restructuring steps taken pursuant to paragraphs 5 and 10 hereof, and the implementation of the Plan;
- (d) advise the Applicants in the preparation of their cash flow statements;

- (e) assist and advise the Applicants, to the extent required by the Applicants, with the negotiations with creditors and the holding and administering of creditors' (or shareholders' meetings) for voting on the Plan;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (h) consider, and if deemed advisable by the Monitor, prepare a report as an assessment of the Plan;
- (i) assist the Applicants with their continuing restructuring activities, including the assessment and analysis of any proposed sale of assets or closure of facilities;
- (j) advise and assist the Applicants, as requested, in their negotiations with suppliers, customers and other stakeholders; and
- (k) perform such other duties as are required by this Order or by this Court from time to time.

24. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder,

be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

25. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

26. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential,

the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

27. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings, including completing and implementation of the settlements with the class action plaintiffs. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on an hourly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicants, retainers in the amounts of \$150,000.00 and \$50,000.00, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

29. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

30. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$500,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings, including completing the settlements with the class action plaintiffs. The Administration Charge shall have the priority set out in paragraph 32 hereof.

31. **THIS COURT ORDERS** that Valle Foam Industries (1995) Inc. ("Valle Foam") shall be authorized to advance funds up to, but not exceeding \$1 million to either of A-Z Sponge & Foam Products Ltd. ("A-Z") or Domfoam International Inc. ("Domfoam") to be used for operating purposes of Domfoam or A-Z, as the case may be, provided that i) no such loan shall be advanced without the prior written consent of the Monitor, ii) that any such loan shall be properly documented and subject to such terms, including rates of interest, if any, which the Monitor deems reasonable in the circumstances, and iii) that any such loan shall be secured by way of a general security agreement which shall provide a first in priority charge on the assets of Domfoam subject only to the priority of the charges granted hereunder. The Applicants may, prior to the advance of any funds, attend to seek a further order of this court to grant a specific charge if the Applicants or the Monitor deem it appropriate or necessary to do so.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

32. **THIS COURT ORDERS** that the priorities of the Directors' Charge and the Administration Charge as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$●); 500,000 ✓

Second – Directors' Charge (to the maximum amount of \$●). \$1,000,000 ✓

mt ✓

33. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge or the Administration Charge, (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

34. **THIS COURT ORDERS** that each of the Directors' Charge or the Administration Charge, (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

35. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge or Administration Charge, unless the Applicants also obtains the prior written consent of the Monitor, and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

36. **THIS COURT ORDERS** that the Directors' Charge and the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s)

for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds any of the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not be deemed to constitute a breach by any of the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of the creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers, settlements at undervalue, oppressive conduct, or other challengeable or void or voidable transactions or reviewable transactions under any applicable law.

37. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

SERVICE AND NOTICE

38. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~ ^{the Star and Mail} a notice containing the information

prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

39. **THIS COURT ORDERS** that the Applicants and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

40. **THIS COURT ORDERS** that the Applicants, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at www.deloitte.com/ca/vallefoam.

GENERAL

41. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

42. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

43. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

44. **THIS COURT ORDERS** that the Monitor is hereby authorized, as the foreign representative of the Applicants, to apply for recognition of these proceedings as "Foreign Main Proceedings" in the United States pursuant to Chapter 15 of the *U.S. Bankruptcy Code*.

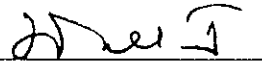
45. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this

Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

46. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

47. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

#1832803 | 4079509



RECEIVED AT THE COURT OF QUEBEC
BY BOOKING
LE CLERK LE REQUISITE NO:

JAN 12 2012

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF VALLE FOAM INDUSTRIES
(1995) INC., DOMFOAM INTERNATIONAL INC., and A-Z SPONGE & FOAM PRODUCTS LTD.

Court File No. CV-12-9545-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at TORONTO

INITIAL ORDER

MINDEN GROSS LLP

145 King Street West, Suite 2200
Toronto ON M5H 4G2

Raymond M. Slattery (LSUC #20479L)
416-369-4149
rslattery@mindengross.com

David T. Ullmann (LSUC #423571)
416-369-4148
dullmann@mindengross.com

Sepideh Nassabi (LSUC #60139B)
416-369-4323
snassabi@mindengross.com
416-864-9223 fax

Lawyers for the Applicants

EXHIBIT “B”

EXHIBIT "B"

The court incorporates by reference in this paragraph and adopts as the findings and orders of this court the document set forth below. This document has been entered electronically in the record of the United States Bankruptcy Court for the Northern District of Ohio.



A handwritten signature in black ink, appearing to read "Mary Ann Whipple".

Mary Ann Whipple
United States Bankruptcy Judge

Dated: January 27 2012

UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF OHIO WESTERN DIVISION

_____)	
In re:)	Case No. 12-30214
)	(Jointly Administered)
VALLE FOAM INDUSTRIES (1995))	
INC., et. al. ¹)	Chapter 15
)	
Foreign Applicants in Foreign)	Judge Mary Ann Whipple
Proceedings.)	
_____)	

ORDER GRANTING PROVISIONAL RELIEF

This matter is before the Court on the *Ex Parte* Motion for Provisional Relief Pursuant to Section 1519, 362 and 105 of the Bankruptcy Code (the "**Motion**")² filed by Deloitte & Touche Inc., the court appointed Monitor (the "**Monitor**") and foreign

¹ The Foreign Applicants include Valle Foam Industries (1995) Inc., Domfoam International, Inc., and A-Z Sponge & Foam Products Ltd.

² Capitalized terms not defined herein shall have the meanings given to them in the Motion.

representative of Valle Foam Industries (1995) Inc. (“**Valle Foam**”), Domfoam International Inc. (“**Domfoam**”), and A-Z Sponge & Foam Products Ltd. (“**A-Z**” and, together with Valle Foam and Domfoam, the “**Valle Foam Group**”) in proceedings (the “**Canadian Proceedings**”) under Canada’s *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), pending before the Ontario Superior Court of Justice (Commercial List) (the “**Ontario Court**”). The Monitor commenced the above-captioned Chapter 15 cases (the “**Chapter 15 Cases**”) ancillary to the Canadian Proceedings.

The Court has considered and reviewed the Motion, the Memorandum in Support of Chapter 15 Petitions for Recognition of Foreign Proceedings and *Ex Parte* Motion for Provisional Relief, the verified Chapter 15 Petitions filed in the Chapter 15 Cases (the “**Verified Petitions**”) including the certified copy of the Initial Order entered by the Ontario Court on January 12, 2012 (the “**Canadian Order for Relief**”), the various exhibits filed by the Monitor, and the affirmations contained therein. A hearing on the Motion was held on Wednesday, January 25, 2012 at 1:30 p.m. at which James W. Ehrman appeared for the Monitor and Andrew R. Vara appeared telephonically for the United States Trustee. Based on the foregoing, and after due deliberation,

THE COURT HEREBY FINDS AND DETERMINES THAT:

A. The findings and conclusions set forth herein constitute the Court’s findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding by Bankruptcy Rule 9014. To the extent that any of

the following findings of fact constitute conclusions of law, they are adopted as such. To the extent that any conclusions of law constitute finds of fact, they are adopted as such.

B. This Court has jurisdiction over this matter pursuant to 11 U.S.C. §§ 1334 and 157(a) of the Bankruptcy Code and General Order 84 entered on July 16, 1984 by the United States District Court for the Northern District of Ohio. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P). Venue is proper before this Court pursuant to 28 U.S.C. § 1410(2).

C. The Monitor has demonstrated that the relief requested in the Motion is urgently needed to protect the assets of the Valle Foam Group and the counterparties to various Settlements described in the Motion.

D. The Monitor has demonstrated a substantial likelihood of success that the Valle Foam Group is subject to a foreign main proceeding—the Canadian Proceedings—and that the Monitor is the foreign representative of the Valle Foam Group.

E. The Monitor has demonstrated that unless there is a stay of all pending litigation in the United States against the Valle Foam Group, there is a material risk that the Valle Foam Group and the counterparties to the Settlements³ will suffer irreparable harm including, but not limited to, unrecoverable litigation costs.

³ Capitalized terms not defined herein shall have the meanings given to them in the Motion for Provisional Relief.

F. The Monitor has demonstrated that the limited relief granted in this Order will result in no injury to any other party that is greater than the harm to the Valle Foam Group and the counterparties to the Settlements in the absence of such relief.

G. The Monitor has demonstrated that the public interest and international comity will be served by granting the relief requested by the Monitor.

H. The Ontario Court has granted to the Valle Foam Group a stay of proceedings in Canada (the “**Canadian Stay**”), which provides for a stay of (i) any proceedings or enforcement process (Canadian Order for Relief ¶ 13); (ii) all rights and remedies against or in respect of the Monitor and [each member of the Valle Foam Group] and their Business or the Property as defined in ¶ 4 (*Id.*, ¶ 14); (iii) any interference with the rights of the [Valle Foam Group] in contracts, agreements, authorizations, licenses or permits (*Id.* ¶ 15); and (iv) the termination of oral or written agreements with the [Valle Foam Group], such as waste disposal services and information technology services (*Id.* ¶ 16). The Canadian Stay is in effect “until and including February 10, 2012, or such later date as this Court may order” (*Id.* ¶ 13).

NOW, THEREFORE, THE COURT HEREBY ORDERS, ADJUDGES, AND DECREES AS FOLLOWS:

1. Pursuant to sections 1519(a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code, the stay only to the extent of section 362(a)(1) of the Bankruptcy Code (the “**U.S. Litigation Stay**”) is made applicable to all entities with respect to the Valle Foam Group; provided, however,

- (a) The U.S. Litigation Stay shall not stay any act pertaining to finalizing the Settlements.
- (b) The U.S. Litigation Stay shall not stay the filing of a new complaint against any member of the Valle Foam Group, but shall stay any act to continue such litigation after the filing of the complaint, including service of process on any member of the Valle Foam Group;
- (c) The U.S. Litigation Stay shall expire on February 10, 2012 unless the Ontario Court extends the Canadian Stay in which event the U.S. Litigation Stay shall be automatically extended to correspond to the extension of the Canadian Stay.
- (d) Notwithstanding any extension of the U.S. Litigation Stay, the U.S. Litigation Stay shall terminate upon the expiration of the Canadian Stay or by a decision by this Court to recognize or to dismiss these Chapter 15 Cases.

2. A copy of this Order, conformed to be true and correct, shall be served, within three business days of its entry by attaching it to and filing a suggestion of stay through the United States District Court electronic noticing system upon counsel or record for all parties in the U.S. Actions, and by facsimile, electronic mail (including electronic service by the Bankruptcy Court) or by overnight express delivery to the Monitor, the Monitor's attorneys, the United States Trustee, and such other entities as the Court may direct. The parties in the U.S. Actions are the

entities against whom provisional relief was granted under section 1519 of the Bankruptcy Code, and therefore, such service as is here provided for shall be good and sufficient service and adequate notice for present purposes.

3. The Chapter 15 Petitions and any supporting papers shall be made available by the Monitor through its website at <http://deloitte.com> or upon request at the offices of Kohrman Jackson & Krantz P.L.L., One Cleveland Center, 20th Floor, 1375 East 9th St., Cleveland, Ohio, 44114, to the attention of Mary K. Whitmer or James W. Ehrman, (216) 686-8700, mkw@kjk.com or jwe@kjk.com.

4. This Court shall have continuing jurisdiction with respect to: (i) the enforcement, amendment or modification of this Order; (ii) any requests for further or additional relief or any adversary proceeding filed by the Monitor or any other party in interest; and (iii) any request by a person or entity for relief from the provisions of this Order, for cause shown.

5. This Order shall be immediately effective and enforceable upon its entry, and upon its entry shall become final and appealable, notwithstanding Bankruptcy Rule 7062 made applicable to chapter 15 cases by Bankruptcy Rule 1018.

###

Prepared and Submitted by:

KOHRMAN JACKSON & KRANTZ P.L.L.

/s/ James W. Ehrman

Mary K. Whitmer (0018213)

James W. Ehrman (0011006)

One Cleveland Center, 20th Floor

1375 East 9th Street

Cleveland, OH 44114-1793

Telephone: (216) 696-8700

Facsimile: (216) 621-6536

Email: mkw@kjk.com

jwe@kjk.com

*Counsel for Deloitte & Touche Inc.,
the Foreign Representative of Valle
Foam Industries (1995) Inc.,
Domfoam International Inc., and A-Z
Sponge & Foam Products Ltd.*

EXHIBIT “C”

EXHIBIT "C"

Court File No. CV-12-9545-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) FRIDAY, THE 27th DAY
MR. JUSTICE BROWN) OF JANUARY, 2012

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF VALLE FOAM INDUSTRIES (1995) INC.,
DOMFOAM INTERNATIONAL INC., and A-Z SPONGE & FOAM
PRODUCTS LTD.

(the "Applicants")

**ORDER
(Approval of Sale Process)**

THIS MOTION made by Valle Foam Industries (1995) Inc., Domfoam International Inc., and A-Z Sponge & Foam Products Ltd. (the "Applicants") for an Order authorizing and approving the Sale Process (as defined below) and certain ancillary relief was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Tony Vallecoccia sworn January 25, 2012, and the exhibits thereto (the "Vallecoccia Affidavit"), the First Report of Deloitte & Touche Inc., in its capacity as Court-appointed monitor of the Applicants (the "Monitor") dated January 25, 2012, and the appendices attached thereto (the "First Report"), and on hearing the submissions of counsel for the Applicants, counsel for

the Monitor, counsel for 631400 Ontario Limited and counsel for Bayer Inc., and no one appearing for anyone else on the Service List, although properly served as appears from the affidavit of service of Victoria Stewart sworn January 25, 2012,

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that capitalized terms not otherwise defined in this Order shall have the meanings ascribed thereto in the First Report.
3. **THIS COURT ORDERS** that the First Report and the actions, decisions and conduct of the Monitor as set out in the First Report are hereby approved.
4. **THIS COURT ORDERS** that the sale process for the Property as described in the Vallecoccia Affidavit, (the "Sale Process") is approved.
5. **THIS COURT ORDERS** that the terms and conditions of sale ("Terms of Sale") attached as an exhibit to the First Report be and the same are hereby approved, together with any amendments thereto deemed necessary and appropriate by the Applicants with the consent of the Monitor.
6. **THIS COURT ORDERS** that notwithstanding paragraph 4 of this Order the Applicants are authorized to return to Court on or before February 22, 2012 to seek the approval of a sale or sales of some or all of the Property should the Applicants and the Monitor determine it necessary to do so.
7. **THIS COURT ORDERS** that the Applicants are authorized and directed to perform their obligations under and take such steps as they consider necessary or desirable in carrying out the Sale Process, and any step taken by the Applicants in

connection with the Sale Process prior to the date hereof is hereby approved and ratified.

8. **THIS COURT ORDERS** that, in accordance with the Terms of Sale, the Applicants are not obligated to accept any offer or offers to purchase some or all of the Property.

9. **THIS COURT ORDERS** that the Monitor shall have no personal or corporate liability in connection with the Sale Process including, without limitation:

- (a) by advertising the Property and/or the Sale Process;
- (b) by exposing the Property to any and all parties, including, but not limited to, those who have made their interests known to the Monitor;
- (c) by responding to any and all requests or inquiries in regards to due diligence conducted in respect of the Property;
- (d) through the disclosure of any and all information regarding the Applicants or the Property arising from, incidental to, or in connection with the Sale Process;
- (e) pursuant to any and all offers received by the Applicants in accordance with the Sale Process; and
- (f) pursuant to any agreements of purchase and sale entered into by any of the Applicants in respect of the sale of any of the Property.

10. **THIS COURT ORDERS** that pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Applicants shall disclose personal information of identifiable individuals to prospective

purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such information is provided shall limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Applicants or the Monitor, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Applicants, and shall return all other personal information to the Applicants or the Monitor, or ensure that all other personal information is destroyed.

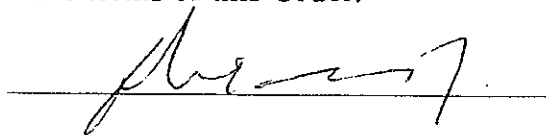
11. **THIS COURT HEREBY** requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

12. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any Court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

#1844631 v3 | 4079509

JAN 27 2012



IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF VALLE FOAM INDUSTRIES
(1995) INC., DOMFOAM INTERNATIONAL INC., and A-Z SPONGE & FOAM PRODUCTS LTD.

Court File No. CV-12-9545-00CL

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

ORDER
(Approval of Sale Process)

MINDEN GROSS LLP

145 King Street West, Suite 2200
Toronto ON M5H 4G2

Raymond M. Slattery (LSUC #20479L)
416-369-4149

rslattery@mindengross.com

David T. Ullmann (LSUC #423571)
416-369-4148

dullmann@mindengross.com

Sepideh Nassabi (LSUC #60139B)
416-369-4323

snassabi@mindengross.com
416-864-9223 fax

Lawyers for the Applicants

EXHIBIT “D”

**VALLE FOAM
CASH FLOW FORECAST
FOR THE 9-WEEK PERIOD JANUARY 28, 2012 TO MARCH 30, 2012**
(Unaudited)
(All amounts in \$CAD)

	1	2	3	4	5	6	7	8	9	9-Week Total	
	2/8/2012	2/10/2012	2/17/2012	2/24/2012	3/2/2012	3/9/2012	3/16/2012	3/23/2012	3/30/2012		
Cash Receipts											Note 1
Collection of Accounts Receivable - Third Party	450,000	600,000	1,000,000	800,000	550,000	550,000	900,000	750,000	550,000	6,150,000	
Collection of Accounts Receivable - Intercompany	-	-	-	-	-	-	-	-	-	-	
Other Receipts	450,000	600,000	1,000,000	800,000	550,000	550,000	900,000	750,000	550,000	6,150,000	
Total Receipts	900,000	1,200,000	2,000,000	1,600,000	1,100,000	1,100,000	1,800,000	1,500,000	1,100,000	12,300,000	
Cash Disbursements											
Purchases - Chemicals	360,000	250,000	250,000	200,000	250,000	250,000	250,000	250,000	250,000	2,330,000	Note 2
Purchases - Other Raw Materials and Supplies	35,000	50,000	50,000	40,000	50,000	50,000	50,000	50,000	50,000	425,000	Note 3
Payment of Pre-Filing Accounts Payable (Nov 30, 2011 Onwards COD)	202,000	143,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	1,325,000	Note 4
Payroll Costs (including agency)	60,000	70,000	50,000	70,000	80,000	80,000	70,000	70,000	70,000	650,000	Note 5
Non-Inventory Purchases and Overhead	145,000	145,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	945,000	
Sales Taxes	45,000	-	-	-	-	-	-	-	-	45,000	
Rent	45,000	45,000	28,000	45,000	45,000	45,000	45,000	45,000	45,000	405,000	
Utilities	45,000	71,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	405,000	
Restructuring Professional Fees	-	75,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	500,000	Note 6
Legal Fees	-	75,000	-	75,000	-	75,000	-	75,000	-	300,000	Note 6
Other Disbursements	10,000	-	-	63,000	-	-	-	-	-	136,000	
Total Disbursements	922,000	704,100	653,000	798,000	583,000	715,000	600,000	758,000	555,000	6,338,100	
Net Cash Flow	(42,000)	(104,100)	347,000	(138,000)	(173,000)	(165,000)	300,000	(8,000)	(105,000)	(188,100)	
Opening Cash Balance	2,442,349	1,970,349	1,856,249	2,253,249	2,031,121	1,901,984	1,522,846	1,848,708	1,626,570	2,442,349	Note 7
Intercompany Loan to Dornfoam - (Advance) Repayment	-	-	-	(234,127)	(96,138)	(214,138)	25,862	(214,138)	244,862	(487,817)	
Closing Cash Balance	1,970,349	1,866,249	2,253,249	2,031,121	1,901,984	1,522,846	1,848,708	1,626,570	1,766,432		

Notes:

- The collection of accounts receivable are estimated based on average normal payment terms, net of an allowance for potential bad debts.
- Includes purchases of chemicals which are the primary raw materials used in the production of foam products, such as methylene diphenyl diisocyanate ("MDI"), toluene diisocyanate ("TDI") and polyol.
- Other raw materials and supplies includes dyes, bonding agents and other small volume chemicals
- Payroll costs include wages, salaries, vacation pay, and benefit costs. Payroll taxes and source deductions are remitted in the week following net payroll funding
- Represents shipping and delivery costs, repairs and maintenance, capital expenditures, insurance costs, and selling and administrative costs.
- Represents the payment of estimated fees of the Monitor, the Monitor's legal counsel, and the Applicant's legal counsel.
- Subject to certain conditions as set out in paragraph 31 of the Initial Order, and the Valle Foam may advance up to \$1 million to either Dornfoam or A-Z Foam for operating purposes.
- This forecast assumes that the Canadian dollar will be at par with the US dollar during the cash flow period.

Representations

Valle Foam hereby represents that the hypothetical assumptions applied herein are reasonable and consistent with the Valle Foam's purpose as described in the Affidavit of Tony Vallecocchia sworn February 7, 2012, and the probable assumptions are suitably supported and consistent with the plans of the Applicants as disclosed herein and provide a reasonable basis for the projections. All such assumptions are disclosed in the notes to the projections above. Given that the above projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. The projections have been prepared solely for the purpose of the motion returnable February 8, 2012 in the COAA proceeding of the Applicants, using the probable and hypothetical assumptions set out above. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DOMIFOAM INTERNATIONAL INC.
CASH FLOW FORECAST
FOR THE 9-WEEK PERIOD JANUARY 28, 2012 TO MARCH 30, 2012
(Unaudited)
(All amounts in \$CAD)

	1	2	3	4	5	6	7	8	9	9-Week Total
	2/3/2012	2/10/2012	2/17/2012	2/24/2012	3/2/2012	3/9/2012	3/15/2012	3/23/2012	3/30/2012	
Cash Receipts										
Collection of Accounts Receivable - Third Party	420,000	750,000	750,000	750,000	750,000	800,000	800,000	800,000	800,000	Note 1
Collection of Accounts Receivable - intercompany	-	-	-	-	-	-	-	-	190,000	
Other Receipts	-	-	-	-	-	-	-	-	-	
Total Receipts	420,000	750,000	750,000	750,000	750,000	800,000	800,000	800,000	990,000	
Cash Disbursements										
Purchases - Chemicals	308,992	75,000	256,000	389,000	291,000	419,000	219,000	419,000	215,000	Note 2
Purchases - Other Raw Materials and Supplies	28,433	135,000	173,996	286,996	261,474	231,474	279,474	261,474	261,474	Note 3
Payment of Pre-Filing Accounts Payable (Nov 30, 2011 Onwards COD)	-	-	-	-	-	-	-	-	-	
Payroll Costs (including agency)	153,732	162,594	162,594	162,594	141,164	141,164	141,164	141,164	141,164	Note 4
Non-Inventories/Purchases and Overhead	61,940	45,000	18,000	30,000	27,500	57,500	9,500	27,500	27,500	Note 5
Sales Taxes	-	85,000	-	-	-	-	-	-	75,000	
Rent	93,037	-	100,000	-	100,000	-	100,000	-	-	
Utilities	-	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	Note 6
Restructuring Professional Fees	-	136,100	-	65,000	-	65,000	-	65,000	-	Note 6
Legal Fees	-	75,000	-	75,000	-	75,000	-	75,000	-	Note 6
Other Disbursements	-	-	-	-	-	-	-	-	-	
Total Disbursements	646,135	738,594	735,590	1,043,590	846,138	1,014,138	774,138	1,014,138	745,138	
Net Cash Flow	(226,135)	11,306	14,410	(293,590)	(96,138)	(214,138)	25,862	(214,138)	244,862	
Opening Cash Balance	259,881	33,746	45,052	59,462	-	-	-	-	-	
Intercompany Loan from Valle Foam - Advance (Repayment)	-	-	-	234,127	96,138	214,138	(26,862)	214,138	(244,862)	Note 7
Closing Cash Balance	33,746	45,052	59,462	-	-	-	-	-	-	

Notes:

- The collection of accounts receivable are estimated based on average normal payment terms, net of an allowance for potential bad debts.
- Includes purchases of chemicals which are the primary raw materials used in the production of foam products, such as methylene diphenyl diisocyanate ("MDI"), toluene diisocyanate ("TDI") and polyol.
- Other raw materials and supplies includes dyes, bonding agents and other small volume chemicals.
- Payroll costs include wages, salaries, vacation pay, and benefit costs. Payroll taxes and source deductions are re-estimated in the week following net payroll funding.
- Represents shipping and delivery costs, repairs and maintenance, capital expenditures, insurance costs, and selling and administrative costs.
- Represents the payment of estimated fees of the Monitor, the Monitor's legal counsel, and the Applicant's legal counsel.
- Subject to certain conditions as set out in paragraph 31 of the Initial Order, and the Valle Foam may advance up to \$1 million to either Domifoam or A-Z Foam for operating purposes.
- This forecast assumes that the Canadian dollar will be at par with the US dollar during the cash flow period.

Representations

Domifoam hereby represents that the hypothetical assumptions applied herein are reasonable and consistent with the Affidavit of Tony Vallecoccia sworn February 7, 2012, and the probable assumptions are suitably supported and consistent with the plans of the Applicants as disclosed therein and provide a reasonable basis for the projections. All such assumptions are disclosed in the notes to the projections above. Given that the above projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. The projections have been prepared solely for the purpose of the motion returnable February 8, 2012 in the CCAA proceeding of the Applicants, using the probable and hypothetical assumptions set out above. Consequently, readers are cautioned that it may not be appropriate for other purposes.

A-Z SPONGE & FOAM PRODUCTS LTD.
CASH FLOW FORECAST
FOR THE 9-WEEK PERIOD JANUARY 28, 2012 TO MARCH 30, 2012
(Unaudited)
(All amounts in \$CAD)

	1	2	3	4	5	6	7	8	9	9-Week Total	
	2/9/2012	2/10/2012	2/17/2012	2/24/2012	3/2/2012	3/9/2012	3/16/2012	3/23/2012	3/30/2012		Note
Cash Receipts											
Collection of Accounts Receivable - Third Party	114,892	88,750	88,750	88,750	113,750	113,750	113,750	113,750	126,250	952,392	Note 1
Collection of Accounts Receivable - Intercompany	-	-	-	-	-	-	-	-	-	-	
Other Receipts	-	-	-	-	-	-	-	-	-	-	
Total Receipts	114,892	88,750	88,750	88,750	113,750	113,750	113,750	113,750	126,250	952,392	
Cash Disbursements											
Purchases - Chemicals	-	-	-	-	-	19,000	-	220,000	-	239,000	Note 2
Purchases - Other Raw Materials and Supplies	35,597	35,597	35,597	35,597	29,278	29,278	29,278	29,278	29,278	288,778	Note 3
Payment of Pre-Filing Accounts Payable (Nov 30, 2011 Onwards COD)	55,000	25,520	55,000	17,000	64,520	17,000	55,000	17,000	64,520	371,560	Note 4
Payroll Costs (including agency)	3,500	3,500	3,500	3,500	3,750	3,750	3,750	3,750	3,750	32,750	Note 5
Non-Inventory Purchases and Overhead	4,114	-	-	-	25,000	-	-	-	35,000	64,114	
Sales Taxes	33,000	-	-	-	16,500	-	16,500	-	6,500	66,000	
Rent	6,500	-	-	-	6,500	-	-	-	-	19,500	
Utilities	150,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	210,000	Note 6
Restructuring Professional Fees	15,000	15,000	15,000	15,000	1,000	-	-	-	-	60,000	Note 6
Legal Fees	1,000	-	-	-	-	-	-	-	-	2,000	
Other Disbursements	-	-	-	-	-	-	-	-	-	-	
Total Disbursements	287,711	95,617	94,097	86,097	145,548	100,028	104,528	300,028	139,048	1,353,702	
Net Cash Flow	(172,819)	(7,867)	(5,347)	2,653	(31,798)	13,722	9,222	(186,278)	(12,798)	(391,310)	
Opening Cash Balance	412,257	239,438	231,571	226,124	228,877	197,079	210,801	220,023	33,745	412,257	
Intercompany Loan from Valle Foam - Advance (Repayment)	-	-	-	-	-	-	-	-	-	-	
Closing Cash Balance	239,438	231,571	226,224	228,877	197,079	210,801	220,023	33,745	20,947	20,947	

Notes:

- The collection of accounts receivable are estimated based on average normal payment terms, net of an allowance for potential bad debts.
- Includes purchases of chemicals which are the primary raw materials used in the production of foam products, such as polyol.
- Other raw materials and supplies includes dyes, bonding agents and other small volume chemicals.
- In accordance with the Initial Order dated January 12, 2012, the Company may remit payment for certain pre-filing amounts incurred between November 30, 2011 and January 11, 2012.
- Payroll costs include wages, salaries, vacation pay, benefit costs, payroll taxes, source deductions and a monthly management fee.
- Represents shipping and delivery costs, repairs and maintenance, capital expenditures, insurance costs, and selling and administrative costs.
- Represents the payment of estimated fees of the Monitor, the Monitor's legal counsel, and the Applicant's legal counsel.
- Subject to certain conditions as set out in paragraph 31 of the Initial Order, and the Valle Foam may advance up to \$1 million to either Dominion or A-Z Foam for operating purposes.
- This forecast assumes that the Canadian dollar will be at par with the US dollar during the cash flow period.

Representations

A-Z hereby represents that the hypothetical assumptions applied herein are reasonable and consistent with the A-Z's purpose as described in the Affidavit of Tony Vallecocca sworn February 7, 2012, and the probable assumptions are suitably supported and consistent with the plans of the Applicants as disclosed therein and provide a reasonable basis for the projections. All such assumptions are disclosed in the notes to the projections above. Given that the above projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. The projections have been prepared solely for the purpose of the motion returnable February 8, 2012 in the CCAA proceeding of the Applicants, using the probable and hypothetical assumptions set out above. Consequently, readers are cautioned that it may not be appropriate for other purposes.

EXHIBIT “E”

EXHIBIT " E "

Court File No. CV-12-9545-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF VALLE FOAM INDUSTRIES (1995) INC.,
DOMFOAM INTERNATIONAL INC., AND
A-Z SPONGE & FOAM PRODUCTS LTD.

APPLICANTS

AFFIDAVIT OF ROBERT BOUGIE
(Sworn February 7, 2012)

I, **ROBERT J. BOUGIE**, of the City of Brampton, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am a Chartered Accountant and Chartered Insolvency and Restructuring Professional qualified to practice in the Province of Ontario and am a Senior Vice President of Deloitte & Touche Inc. ("Deloitte"), the Court-Appointed monitor (the "Monitor") of Valle Foam Industries (1995) Inc. ("**Valle Foam**"), Domfoam International Inc. ("**Domfoam**") and A-Z Sponge & Foam Products Ltd. ("**A-Z Foam**") (collectively, the "**Applicants**" or the "**Companies**") and, as such, I have knowledge of the matters to which I hereinafter depose. Unless I indicate to the contrary, the facts herein are within my personal knowledge and are true. Where I have indicated that I have obtained facts from other sources, I believe those facts to be true.

2. Attached hereto as Exhibit "A" is a true copy of the invoice for fees and disbursements incurred by Deloitte in the course of the CCAA administration of the Company between January 12, 2012 and January 28, 2012.

3. To the best of my knowledge, the rates charged by Deloitte throughout the course of these proceedings are comparable to the rates charged by other accounting firms in the Toronto market for the provision of similar services.


4. The hourly billing rates outlined in Exhibit "A" to this affidavit are comparable to the hourly rates charged by Deloitte for services rendered in relation to similar proceedings.

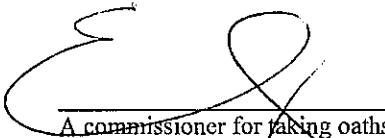
5. Attached as Exhibit "A" to the Affidavit of Grant Moffat sworn and filed in support of the within motion are the full particulars of the fees and disbursements of ThorntonGroutFinnigan, counsel to the Monitor, which have been incurred during the period January 11, 2012 to January 27, 2012.

6. ThorntonGroutFinnigan LLP rendered services throughout these proceedings in a manner consistent with instructions from the Monitor. The Monitor has approved all such accounts and I verily believe that the fees and disbursements of ThorntonGroutFinnigan LLP are fair and reasonable in the circumstances.

7. I make this affidavit in support of a motion by the Monitor for, *inter alia*, approval of the fees and disbursements of the Monitor.

SWORN BEFORE ME
at the City of Toronto, in the
Province of Ontario this
day of February 7, 2012.

)
)
) 
) Robert J. Bougie)



A commissioner for taking oaths, etc.

ELAINE MARGARET MCKAY
A Commissioner, etc., City of Toronto,
for Deloitte & Touche Inc., Trustee in
Bankruptcy and Deloitte & Touche LLP,
Chartered Accountants,
Expires March 19, 2012.

EXHIBIT "A"

REFERRED TO IN THE AFFIDAVIT OF ROBERT BOUGIE
(Sworn February 7, 2012)



Commissioner

ELAINE MARGARET MCKAY
A Commissioner, etc., City of Toronto,
for Deloitte & Touche Inc., Trustee in
Bankruptcy and Deloitte & Touche LLP,
Chartered Accountants.
Expires March 19, 2012.



Deloitte & Touche Inc.
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-601-6077
Fax: 416-601-6610
www.deloitte.ca

Valle Foam Industries (1995) Inc.
4 West Drive
Brampton, ON L6T 2H7

Attention: Mr. Tony Vallecoccia

Date: January 31, 2012
Invoice No: 2997390
Client/Mandate No: 921001/1000000
Partner: Robert Bougie

HST Registration No: 122893605

Invoice for professional services rendered in connection with Deloitte & Touche Inc. acting as Court-Appointed *Companies' Creditors Arrangement Act (R.S.C., 1985, c. C-36)* ("CCAA") Monitor of Valle Foam Industries (1995) Inc, ("Valle Foam") Domfoam International Inc. ("Domfoam") and A-Z Sponge & Foam Ltd. ("A-Z") (collectively the "Companies") for the period ended January 28, 2012.

Date	Professional	Description
1/12/2012	Zailer, Anna	CAEA/Background Check/Conflict Check; set up website; prepare website introduction content.
1/12/2012	Margulis, Ilya	Attendance at A-Z offices to meet with management, gather information and prepare memorandum to file; discussion with C. Hristow regarding status.
1/12/2012	McKie, Melinda	Review of affidavit of T. Vallecoccia; attendance at A-Z on Annacis Island and meeting with A. Lin and J. Sproule of A-Z; update discussion with C. Hristow; review and revise memorandum to file.
1/12/2012	Bougie, Robert J	Telephone discussion with Minden Gross LLP ("Minden Gross") and Thornton Grout Finnigan LLP ("TGF") regarding last minute changes to the Initial Court Order; numerous planning discussions with C. Hristow and staff; attendance at court; telephone discussion with C. Hristow regarding Brampton operations; telephone discussion with J. Howard regarding Montreal; ongoing telephone discussion and emails regarding operational issues; review and approve materials to be posted on the Monitor's website; telephone discussion with D. Ullmann of Minden Gross.
1/12/2012	Damiani, Stefano	Review and amend the general notice to creditors for the Monitor's website and correspondence with A. Zailer regarding same; review of the Initial Order; email correspondence with C. Hristow.
1/12/2012	Hristow, Catherine	Review correspondence regarding changes to the Initial Court Order; attendance at Valle Foam; discussions with B. Robb regarding reporting requirements; telephone attendance with M. McKie regarding A-Z; meeting with T. Vallecoccia, D. McNeill, and D. Ullman; attendance at various employee meetings; review Final Initial Order; correspondence with G. Ross; meeting with

Date	Professional	Description
		T. Vallecoccia regarding production; discussion with B. Bougie regarding production; review report from M. McKie regarding attendance at A-Z.
1/13/2012	Zailer, Anna	Update website; correspondence to set-up toll free number; correspondence to set up dedicated email.
1/13/2012	Brown, Rose	Correspondence to issue newspaper notice in the Globe and Mail; registration of CCAA - Form 1; establish three banking estates in Ascend.
1/13/2012	Damiani, Stefano	Various emails and telephone discussion with C. Hristow regarding notices, banking and other matters; review and amend the required notice pursuant to CCAA s. 23(1)(a); planning items regarding onsite visit at Domfoam; prepare Form 1 pursuant to CCAA s. 23(1)(f), and made arrangements with R. Brown to submit to the Office of the Superintendent of Bankruptcy ("OSB"); commence drafting of Form 2 (i.e. Debtor Company Information Summary - Commencement of Proceedings) pursuant to CCAA s. 23(1)(f); review email correspondence with A. Lin of A-Z Foam and C. Hristow regarding daily cash deposits, accounting system and production schedules.
1/13/2012	Hristow, Catherine	Attendance at Valle Foam; reviewing and revising draft notice to be placed in the Globe and Mail and various correspondence with R. Brown regarding same; discussions with B. Bougie; correspondences with A. Zailer regarding the Monitor's website; discussions with D. McNeill and T. Vallecoccia regarding proposed production; review deposits and other information received from A. Lin; correspondence with G. Ross; review information to be sent into the OSB; correspondence with D. McNeill regarding rebates to customers; review transactions proposed by A-Z.
1/16/2012	Brown, Rose	Prepare creditor list for importing into Ascend; email Initial Application documents to the OSB;
1/16/2012	Damiani, Stefano	Onsite attendance at the Domfoam; review of updated newspaper notice and provide instructions to R. Brown; logistics with A. Zailer regarding dedicated voicemail; meeting with the G. Ross; discussions with C. Hristow regarding various CCAA matters; email to the Controllers for each entity regarding creditor information requests; email to G. Ross regarding required corporate information for statutory form; review and format the accounts payable listing for Domfoam, and email correspondence with R. Brown and C. Hristow on same; discussion with J. Howard and C. Hristow; review and analyze the Valle Foam creditor listing as at January 11, 2012, email to R. Brown regarding same; review deposit amounts for Valle Foam and A-Z Foam; review emails by C. Hristow and Minden Gross LLP, the Company's legal counsel.
1/16/2012	Hristow, Catherine	Attendance at Domfoam; meeting with G. Ross and J. Howard; correspondence with J. Jazwinski; correspondence with R. Brown, S. Damiani and A. Zailer regarding newspaper advertisements, dedicated voicemail and email address;

Date	Professional	Description
		correspondence with D. Ullmann regarding statutory information required for the OSB; discussions with S. Damiani; review draft advertisement and Notice to Creditors; correspondence with R. Bougie; request payable and rebate information from all three entities and review information received; various correspondence/discussions with G. Ross; review information received; telephone attendance with D. McNeill.
1/17/2012	Zailer, Anna	Setup French website version including linking related sites and posting of documents.
1/17/2012	Brown, Rose	Prepare excel creditor list for importing into Ascend for A-Z and Valle Foam; prepare mailing of Notice to Creditors; various correspondence with S. Damiani.
1/17/2012	McKie, Melinda	Update discussion with I. Margulis; telephone call to C. Hristow regarding status; directions to company regarding disbursements; email from/to C. Hristow regarding appraisers.
1/17/2012	Margulis, Ilya	Follow up call with A-Z.
1/17/2012	Bougie, Robert J	Ongoing correspondence to/from G. Moffat of TGF, D. Ullmann and C. Hristow regarding operational matters.
1/17/2012	Bourke, Patrick	Introductory meeting with C. Hristow and background on Valle Foam.
1/17/2012	Jazwinski, John	Attendance on a conference call with C. Hristow and P. Bourke
1/17/2012	Damiani, Stefano	Onsite attendance at Domfoam; discussions with R. Brown and P. Casey regarding creditor listings; review customer rebate listings; review and analyze creditor listing for A-Z and email to R. Brown regarding same; meeting with G. Ross regarding cash reporting, variance analysis, immediate cash requirements and other CCAA matters; email to A. Zailer regarding Monitor's website; review email correspondence with C. Hristow and D. Ullman; discussion with C. Hristow regarding the Company's cash flow forecast and related email to the Domfoam General Manager; review of email from Nassabi of Minden Gross and the enclosed corporate profile reports; email to B. Robb of Valle Foam regarding creditor information; review email from C. Hristow regarding class action participants; emails with Controllers of Valle Foam, Domfoam and A-Z, and C. Hristow regarding operating names; update Form 2 (i.e. Debtor Company Information Summary - Commencement of Proceedings) pursuant to CCAA s. 23(1)(f); prepare balance sheet summary as at November 30, 2011 and email to C. Hristow and A. Zailer on same; discussions with C. Hristow regarding cash reporting matters; update the First Report of the Monitor; meeting with the Domfoam General Manager and C. Hristow; summary email to C. Hristow regarding various items.
1/17/2012	Hristow, Catherine	Attendance at Domfoam; correspondence to D. Ullmann regarding statutory information required for the OSB and review Corporate Profile Information received; email correspondence to J. Howard regarding pre-payments; review correspondence from D. Ullmann regarding appraisal for Domfoam; correspondence with G. Ross regarding purchasing of U.S. dollars; conference

Date	Professional	Description
		call with J. Jazwinski and P. Bourke regarding sales process for Valle Foam et al and forward information for review; various discussions with S. Damiani; email correspondence to the controllers enclosing Notice of Creditors; correspondence with A. Lin regarding sales process; correspondences with B. Robb ; review final draft notices; update correspondence with B. Bougie; meeting with J. Howard; telephone attendance with D. McNeill.
1/18/2012	Gerstein, Ira	Telephone attendance with C. Hristow regarding Valle et al; receipt and review premises leases and equipment leases and prepare summary schedule, discussions with C. Hristow regarding same.
1/18/2012	Jazwinski, John	Telephone attendance with C. Hristow regarding sales process, and dataroom.
1/18/2012	Zailer, Anna	Update Monitor's websites; set up Monitor voicemail and email.
1/18/2012	Brown, Rose	Update excel spreadsheet and import data into Ascend; confirm ad placement in Globe and Mail; prepare excel full creditor list for posting to Monitor's website.
1/18/2012	Bougie, Robert	Telephone discussion with G. Shoniker regarding Valle Foam asset valuation; ongoing emails and calls with C. Hristow regarding operational matters; telephone discussion with potential purchaser of Valle Foam assets; attendance on a conference call with Minden Gross and TGF regarding sales process.
1/18/2012	Bourke, Patrick	Preparation of information request list for data room to support potential sale process.
1/18/2012	Damiani, Stefano	Onsite attendance at the Domfoam; emails with A. Zailer regarding Monitor's website and dedicated contact information; review various emails from C. Hristow to B. Robb regarding rebates; review emails from C. Hristow to J. Howard; review Valle Foam rebate listing and emails with B. Robb on same; various discussions with C. Hristow; prepare daily reporting template and submit to C. Hristow for review and discussion; email correspondence with G. Ross; meeting with G. Ross regarding cash reporting and forecasting matters; email to R. Brown regarding Valle Foam rebates; discussion with G. Ross and C. Hristow regarding delivery issues; update the First Report of the Monitor and email to TGF on same; review emails from C. Hristow regarding leases, information gathering, cash reporting, etc.; meeting with J. Howard, G. Ross and C. Hristow; review emails with A-Z Controller and C. Hristow.
1/18/2012	Hristow, Catherine	Attendance at Domfoam; review cash reporting analysis and discuss same with S. Damiani; review information from J. Jazwinski and telephone attendance regarding same; reviewed proposed payments from A-Z; attendance on a conference call with D. Ullmann, R. Slattery, G. Moffat and R. Bougie regarding proposed sales process; further discussions with G. Moffat; correspondence with A. Lin regarding payments; discussions with G. Ross; review draft lease summary; correspondences with B. Bougie regarding operational matters and draft data room

Date	Professional	Description
		information requirements; correspondence to G. Ross regarding rent payments; correspondence to A. Lin, G. Ross and B. Robb regarding providing the Monitor of a list of cheques in advance and whether for COD or current in advance of release; various discussions with S. Damiani; meeting with J. Howard and G. Ross.
1/19/2012	Jazwinski, John	Revisions to preliminary information request for dataroom; correspondence with C. Hristow.
1/19/2012	Zailer, Anna	Update Monitor's Websites, including posting of documents and modifying content in line with the activation of the toll-free number.
1/19/2012	Brown, Rose	Update Ascend database and prepare revised creditor list and send to S. Damiani; submit amended Form 2 to the OSB.
1/19/2012	Bougie, Robert	Review and comment on draft notice for paper; ongoing communication with C. Hristow regarding operational issues; letter to TGF; review and comment on data room information requirements; review and respond to numerous email messages.
1/19/2012	Damiani, Stefano	Onsite attendance at the Domfoam; email correspondences with R. Brown regarding newspaper advertisement in the Globe & Mail; review of detailed email by G. Ross to other members of Management at Valle Foam, Domfoam and A-Z; email to C. Hristow regarding sales process matter; review summary of leases and email by I. Gerstein; discussion with J. Howard and C. Hristow regarding various matters; review of the daily reporting analysis for the Companies; discussions with G. Ross regarding disbursements, bank balances, and customer matter; emails with A. Zailer regarding creditor listings; review email from C. Hristow and the attached data room template; review deposit information from G. Ross; review of the Companies' cash flow statement; review email from C. Hristow to G. Ross regarding pre-filing debt and cash reporting; review email from A. Lin regarding daily sales.
1/19/2012	Hristow, Catherine	Correspondence with R. Temple regarding stay of proceedings; review and revise information required for data room and correspond with R. Bougie regarding same; correspondence with each entity regarding preliminary information required for the data room at each entity; send copy of Globe & Mail advertisement to G. Ross, B. Robb, and A. Lin.; discussion with J. Howard regarding Simalfa; further discussion with J. Howard regarding SIS Services request for payment; email correspondence to SIS Services confirming payment upon release of appraisal; review correspondence from G. Ross to A. Lin and B. Robb regarding daily reporting; various discussions with S. Damiani regarding list of creditors; correspondence with A. Lin regarding payment request for Saba; correspondence with J. Jazwinski; review information received.
1/20/2012	Zailer, Anna	Update the Monitor's websites including uploading additional documents.
1/20/2012	Jazwinski, John	Correspondence with C Hristow regarding preparation of a flyer;

Date	Professional	Description
		review information in T. Vallecoccia's affidavit.
1/20/2012	Bougie, Robert	Review and comment on draft affidavit of T. Vallecoccia; review and execute Chapter 15 Petition; discussion with US legal counsel.
1/20/2012	Damiani, Stefano	Onsite attendance at the Domfoam; review correspondence from creditors of the Companies; review of the cash flow forecast and correspondence with C. Hristow on same; email to G. Ross regarding the cash flow forecast; meeting with G. Ross, J. Howard and C. Hristow; meeting with Domfoam Controller on cash reporting matters; meeting with representative of Domfoam's appraiser (SIS Services Inc.), J. Howard and C. Hristow; review emails from A. Lin; review TGF's comments on the draft of the Monitor's First Report; review email by C. Hristow regarding appraisals; email to C. Hristow regarding the Monitor's First Report.
1/20/2012	Hristow, Catherine	Respond to inquiries from the Valle Foam website; correspondence with R. Brown regarding notices in the Globe and Mail for the notification of the CCAA, and sales process; discussions with S. Damiani regarding cashflow; correspondence with D. McNeill regarding appraisal for Valle Foam; correspondence with T. Vallecoccia and D. McNeill regarding process for potential interested parties; meeting with G. Ross and J. Howard regarding cash flow reporting, and variance analysis; meeting with J. Howard and A. Zbinden of SIS Services regarding the appraisal on the assets of Domfoam; discussion with J. Howard regarding the appraisal on Valle Foam; correspondences with J. Jazwinski regarding preparation of teaser for the sale process and names of potential purchasers; telephone attendances with G. Moffat regarding correspondence from Minden Gross and the proposed sale process; email correspondence to Minden Gross regarding appraised value of the assets of Domfoam; telephone call to reach A. Shah, former owner of A to Z; correspondence with R. Bougie; discussion with J. Howard regarding banking arrangements.
1/21/2012	Damiani, Stefano	Review email from G. Moffat and further comments to the Monitor's First Report; email correspondence with C. Hristow regarding upcoming motion; review of comments by G. Moffat regarding the draft affidavit of Management of the Companies.
1/21/2012	Hristow, Catherine	Review draft affidavit materials and draft Monitor's First Report; correspondence and telephone attendance with G. Moffat; telephone attendance with R. Bougie regarding sales timeline and Monitor's First Report; further discussion with G. Moffat regarding same.
1/21/2012	Bougie, Robert	Telephone discussion with C. Hristow regarding sales process.
1/22/2012	Bougie, Robert	Attendance on a conference call with D. Ullman, G. Moffat and C. Hristow regarding sales process.
1/22/2012	Hristow, Catherine	Attendance on a conference call with D. Ullman, G. Moffat and B. Bougie regarding sales process

Date	Professional	Description
1/23/2012	Bougie, Robert	Review and comment of draft form of offer, conditions of sale, sales process; ongoing discussions with C. Hristow; letter to US counsel regarding Chapter 15 filing; review and responding to email messages; telephone discussion with G. Moffat.
1/23/2012	Hristow, Catherine	Review and provide comments on draft form on offer, terms and conditions of sale and sales process; correspondence to T. Vallecoccia, J. Howard and J. Sproule regarding interest of A. Shah of Ivadar Canada Corporation; correspondence with A. Lin regarding payment requests; review correspondence from J. Jazwinski regarding questions for management and discuss same; discussions with B. Bougie; review correspondence from G. Ross to Livingston International; review correspondence from G. Ross to A. Lin and B. Robb regarding changes in banking arrangements; review correspondence from G. Ross regarding response to a creditor; correspondence and telephone attendance with D. McNeill regarding customs broker; review daily deposits; review correspondence with Praxair; review correspondence from D. Marshall from the office of the Superintendent of Bankruptcy; discussion with G. Ross regarding Bayer payments from December 1st onwards; review Bayer correspondence received and forward same to legal counsel; review revised terms and conditions and provide further commentary.
1/23/2012	Jazwinski, John	Correspondence with C. Hristow and provide preliminary draft of flyer and questions for management; telephone attendance with C. Hristow.
1/24/2012	Zailer, Anna	Meeting with C. Hristow to review U.S. Court Documents for posting to the website; renaming to match website protocol, updating English and French sites to reflect the US Court documents; upload all documents.
1/24/2012	Bougie, Robert	Telephone discussion with R. Slattery; review and edit draft report to court; review revised cash flows; discussions with C. Hristow; review and comment on information circular; review and respond to e-mail correspondence.
1/24/2012	Damiani, Stefano	Review e-mails from A. Lin; review of e-mail by G. Moffat; review of the draft sales process, terms and conditions, and form of offer; initial review of the Companies' revised cash flow forecasts.
1/24/2012	Hristow, Catherine	Correspondence with M. Vaughan of Canadian Home Furnishings Alliance; discussions with A. Zailer regarding call log; send letter to D. Ullmann enclosing appraisal; telephone attendance with Silvio at Linden Landscaping; review letter from D. Ullmann regarding IFS; correspondence with G. Ross regarding dollar value of product being held by IFS; review and respond to email from D. McNeill regarding materials owned by customers and suppliers; telephone attendance with J. Sproule regarding rebates and information required for flyer; correspondence with G. Ross regarding shareholder information; discussions with B. Bougie regarding First Report of the

Date	Professional	Description
		Monitor; provide comments to G. Moffat on the First Report of the Monitor; review the revised cash flows and compare same to cash flows filed with the application materials; correspondence with D. Ullmann regarding comments on variances for Domfoam and Valle; correspondence with D. McNeill regarding update on operations; correspondence with T. Vallecoccia; J. Howard and J. Sproule regarding information for the flyer; review preliminary variance analysis and email G. Ross for additional information; correspondence with J. Masotti of Perry Videx; correspondence with A. Lin regarding purchases; review draft flyer and discuss same with J. Jazwinski; review correspondence from J. Sproule regarding Bayer; correspondence with G. Moffat regarding Minden Gross' comments on same.
1/24/2012	Jazwinski, John	Review correspondence sent to the Companies from C. Hristow; review correspondence received from J. Sproule; revise draft flyer and send to C. Hristow for review and comment; various correspondence with C. Hristow.
1/25/2012	Casey, Paul	Review the Monitors First Report to Court and background materials; meetings with C. Hristow on same.
1/25/2012	McKie, Melinda	Emails with C. Hristow regarding landlord and call to same.
1/25/2012	Hristow, Catherine	Correspondence with S. Damiani regarding Bayer; correspondences with D. Ullmann regarding draft notice regarding sales process; revise draft notice and send to D. Ullmann; review correspondence from J. Jazwinski regarding draft flyer; review Affidavit of T. Vallecoccia and forward same to A. Zailer for posting on the Monitor's website; review email from M. McKie regarding D. Freeman, sub-landlord of A-Z; telephone attendance with L. Brasil and forward contact information to D. Ullmann; continue with revisions to the First Report of the Monitor; discussions with G. Moffat regarding same; forward exhibits to G. Moffat; review correspondence from A. Lin regarding cheque requests and respond to same; correspondence with J. Sproule regarding audited statements for 2009 and 2010; correspondence with U.S. counsel regarding status of Chapter 15 proceedings; preparation of quality review package for the First Report of the Monitor and provide same to P. Casey for review; discussion with P. Casey regarding First Report of the Monitor, make further revisions and send final report to G. Moffat for service.
1/25/2012	Jazwinski, John	Email correspondence to the companies requesting additional information; discussion with D. McNeill; update draft flyer; correspondence with G. Ross.
1/26/2012	McKie, Melinda	Call from/to landlord and email to C. Hristow regarding amending rent payments for A-Z.
1/26/2012	Bourke, Patrick	Completion and review of prospective buyers list. Includes research into 5 primary categories (NA Strategic, International, PE, Adjacent Industry, Customers).
1/26/2012	Damiani, Stefano	Discussions with C. Hristow; review of email from C. Hristow to Management of the Companies; email correspondence with Lin

Date	Professional	Description
		with respect to A-Z Foam accounts payable; email to G. Ross with respect to Domfoam accounts payable; email to B. Robb with respect to Valle Foam accounts payable; telephone discussions with the Domfoam Controller; review of the revised A-Z Foam accounts payable listing, and emails with A. Lin and C. Hristow; review the outstanding rent schedules for Valle Foam prepared by B. Robb, and correspondence with C. Hristow and B. Robb on same; emails with R. Brown; review of the revised Domfoam accounts payable listing and email to G. Ross with respect to certain revisions; prepare amended listing for Valle Foam and A-Z Foam, and submit for posting on the Monitor's website; review emails from Lin regarding A-Z Foam accounts receivable and deposits.
1/26/2012	Hristow, Catherine	Email correspondence and discussions with R. Slattery; review nondisclosure agreement and forward to A. Zailer and P. Ryan for posting on the Monitor's website; review correspondence from M. Whitner regarding Chapter 15 proceedings and voice mail from J. Ehrman regarding same; review Motion Record from 634100 Ontario Limited and forward for posting to the Monitor's website; various discussions with G. Moffat regarding 634100 Ontario Limited; correspondence with D. Waite of Advance Shipping Supplies; discussion with R. Slattery regarding 631400 Ontario Limited; correspondence with D. Ullmann regarding notice in the Globe and Mail regarding sales process; review correspondence from G. Ross regarding shareholders; correspondences/discussions with J. Jawinski regarding draft flyer; correspondence with B. Robb, G. Ross and A. Lin regarding review of creditors listing; review landlord information received from B. Robb regarding amounts owed to landlords and requested further information on same; review potential purchaser listing; discussions with S. Damiani regarding updating creditors listing and posting to Monitor's website; review information from controllers; telephone attendance with S. Knapp of Fybon.
1/26/2012	Jazwinski, John	Email correspondence with D. McNeill; Correspondence with G. Ross and J. Howard; revise draft flyer; correspondence with C. Hristow; work on a list of potential buyers and provide same to C. Hristow.
1/27/2012	Zailer, Anna	Website update.
1/27/2012	Damiani, Stefano	Update the creditor listing for Domfoam and prepare bridge schedule; email correspondence with G. Ross regarding creditor listing, invoice listing, etc.; email correspondence with R. Brown with respect to Ascend and reconciling items; email and telephone correspondence with A. Lin regarding supplier and customer matters; emails and discussions correspondence with C. Hristow; review of the Companies' motion record; review of the draft of the First Report of the Monitor; voicemail message to G. Ross in connection with upcoming site visit, variance analysis, bank reconciliations, daily cash reporting and cash flow forecast;

Date	Professional	Description
		review of the Sales Process Order; review of the endorsement of Justice Brown; draft detailed email with respect to cash reporting matters and send to C. Hristow.
1/27/2012	Hristow, Catherine	Discussion with S. Damiani regarding Domfoam creditors list; attendance in the Ontario Superior Court of Justice (Commercial List) regarding application for sales process; correspondence with Minden Gross regarding notice to be placed in the Globe and Mail regarding the sales process; correspondences with A. Lin regarding sales process and disruption of business; review daily deposits; forward documents to A. Zailer for posting on the Monitor's website; correspondence with B. Robb regarding legal fees; correspondences and discussions with J. Jazwinski regarding draft flyer; correspondence with T. Vallecoccia, J. Sproule and J. Howard regarding draft flyer; voicemail message for R. Slattery; correspondence with S. Wolpert regarding meeting with Bayer; discussions with S. Damiani regarding analysis required for Second Report of the Monitor; telephone attendance with R. Colbourne of Distinctive Designs.
1/27/2012	Jazwinski, John	Email correspondence to the Companies requesting additional information for the flyer and comments on same; correspondence with C. Hristow; review comments from D. Sproule sent to C. Hristow and revise flyer.
1/27/2012	Bourke, Patrick	Completion and consolidation of client feedback on the draft flyer and incorporation of additional information items received on the companies, including registered trademarks.
1/28/2012	Hristow, Catherine	Correspondence with G. Ross regarding IFS; correspondence with R. Slattery regarding potential purchasers; correspondence with T. Vallecoccia, J. Howard and J. Sproule regarding revised flyer.

Summary of Fees

Professional	Position	Hours	Rate	Fees
Bougie, Robert	Partner	15.6	\$ 650.00	\$ 10,140.00
Casey, Paul	Partner	1.5	650.00	975.00
McKie, Melinda	Associate Partner	2.9	650.00	1,885.00
Hristow, Catherine	Senior Manager	90.4	500.00	45,200.00
Jazwinski, John	Senior Manager	10.3	500.00	5,150.00
Gerstein, Ira	Senior Manager	2.0	500.00	1,000.00
Bourke, Patrick B	Manager	9.3	425.00	3,952.50
Damiani, Stefano	Manager	73.6	425.00	31,280.00
Margulis, Ilya	Senior Associate	7.0	275.00	1,925.00
Nia, Sharare	Senior Associate	2.0	275.00	550.00
Brown, Rose	Trust Administration	14.6	160.00	2,336.00
Zailer, Anna	Administration	<u>8.3</u>	100.00	<u>830.00</u>
Total hours and professional fees		<u>237.5</u>		\$ 104,393.50
Blended hourly rate			\$ 443.05	
Disbursements				
Newspaper advertisement in the Globe & Mail				2,996.80
Airfare				1,723.88
Car Rental, Mileage & Taxi				899.97
Hotel				1,720.96
Meals				<u>714.56</u>
Total Disbursements				\$ 8,056.17
Total Professional fees and disbursements				\$ 112,449.67
HST @ 13%				14,618.46
Total Amount Due				\$ 127,068.13

Payable upon receipt to: Deloitte & Touche Inc.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF VALLE FOAM INDUSTRIES (1995)
INC., DOMFOAM INTERNATIONAL INC., and A-Z SPONGE & FOAM PRODUCTS LTD.

Court File No.: CV-12-9545-00CL

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

Proceedings commenced at **Toronto**

AFFIDAVIT OF ROBERT BOUGIE

Thornton Grout Finnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

Grant B. Moffat (LSUC# 32380L)
Tel: 416-304-0599
Fax: 416-304-1313

Lawyers for the Monitor, Deloitte & Touche Inc.

EXHIBIT “F”

EXHIBIT " F "

Court File No. CV-12-9545-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF VALLE FOAM INDUSTRIES (1995) INC.,
DOMFOAM INTERNATIONAL INC., AND
A-Z SPONGE & FOAM PRODUCTS LTD.

APPLICANTS

AFFIDAVIT OF GRANT MOFFAT
(Sworn February 7, 2012)

I, **GRANT MOFFAT**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am a barrister and solicitor qualified to practice law in the Province of Ontario and am a partner with Thornton Grout Finnigan LLP ("TGF"), lawyers for Deloitte & Touche Inc., in its capacity as the Court-Appointed monitor (the "**Monitor**") of Valle Foam Industries (1995) Inc., Domfoam International Inc. and A-Z Sponge & Foam Products Ltd. (together, the "**Companies**") and, as such, I have knowledge of the matters to which I hereinafter depose. Unless I indicate to the contrary, the facts herein are within my personal knowledge and are true. Where I have indicated that I have obtained facts from other sources, I believe those facts to be true.
2. Attached hereto as Exhibit "A" are true copies of the invoices forwarded to the Monitor by TGF for fees and disbursements incurred by TGF in the course of the within proceeding for the period January 11, 2012 to January 27, 2012.
3. Attached hereto as Exhibit "B" is a schedule summarizing each invoice in Exhibit "A", the total billable hours charged per invoice, the total fees charged per invoice and the average hourly rate charged per invoice.

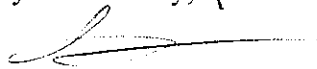
4. Attached hereto as Exhibit "C" is a schedule summarizing the respective years of call and billing rates of each of the solicitors at TGF who acted for the Monitor.

5. To the best of my knowledge, the rates charged by TGF throughout the course of these proceedings are comparable to the rates charged by other law firms in the Toronto market for the provision of similar services.

6. The hourly billing rates outlined in Exhibit "C" to this affidavit are comparable to the hourly rates charged by TGF for services rendered in relation to similar proceedings.

7. I make this affidavit in support of a motion by the Monitor for, *inter alia*, approval of the fees and disbursements of the Monitor's counsel.

SWORN BEFORE ME
at the City of Toronto, in the
Province of Ontario this 7th
day of February, 2012.



A commissioner for taking oaths, etc.

Annette Melinda Fournier, a Commissioner, O.S.S.,
City of Toronto, for ThorntonGroutFinnigan LLP,
Barristers and Solicitors.
Expires November 8, 2013.

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Grant B. Moffat

EXHIBIT "A"

Court File No. CV-12-9545-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
VALLE FOAM INDUSTRIES (1995) INC., DOMFOAM INTERNATIONAL INC., and
A-Z SPONGE & FOAM PRODUCTS LTD.

(the "Applicants")

FIRST BILL OF COSTS OF THE MONITOR

For the period ending January 27, 2012

Jan-11-12	Review draft affidavit; review and revise initial order; correspondence with B. Bougie regarding same; telephone call with D. Ullman (2x) regarding report on cash flow forecast;	2.30	GBM
	Conference call with Company counsel and B. Bougie regarding application for initial order; review CCAA regarding Crown claims on secured creditors;	0.90	GBM
Jan-12-12	Review correspondence regarding endorsement regarding intercompany loan; telephone call with B. Bougie regarding same; telephone call with D. Ullman regarding same; review revised order; attend application for initial order;	1.60	GBM
Jan-16-12	Review correspondence from landlord; review order regarding same;	0.20	GBM
Jan-17-12	Review correspondence regarding landlord claim; review affidavit regarding sale process;	0.20	GBM
Jan-18-12	Conference call with Company and Deloitte regarding proposed sale process; telephone call with B. Bougie regarding same;	0.80	GBM
	Telephone call with Catherine Hristow regarding First Report;	0.20	GBM
	Draft First Report to Court;	0.80	GBM

Jan-19-12	Review Vallecoccia affidavit; draft Monitor's First Report to Court;	3.70	GBM
	Conduct corporate, PPSA, bankruptcy, Bank Act and execution searches in Ontario, British Columbia and Quebec;	0.50	AF
Jan-20-12	Revise First Report; telephone call with C. Hristow; review correspondence from D. Ullman regarding sale process; correspondence with D. Ullman regarding same;	3.40	GBM
	Review draft Vallecoccia affidavit in support of sale process; telephone call with C. Hristow regarding same;	0.70	GBM
Jan-21-12	Revise First Report; correspondence with B. Bougie and C. Hristow regarding issues with affidavit and abridged sale process; telephone call with C. Hristow regarding same;	2.80	GBM
Jan-22-12	Conference call with Monitor and company counsel regarding marketing process; review draft terms of sale;	0.80	GBM
Jan-23-12	Telephone call with D. Ullman and T. Dunn regarding sale process; telephone call with B. Bougie regarding same; draft terms of sale and sale process summary;	4.10	GBM
	Telephone call with B. Bougie; revise terms of sale, offer and description of sale process;	0.80	GBM
Jan-24-12	Revise First Report; review cash flow forecast regarding same; review correspondence regarding refusal of carrier to deliver goods;	1.60	GBM
	Review Chapter 15 materials;	0.50	GBM
	Telephone call with T. Dunn regarding terms of sale; revise same and description of sale process; correspondence with B. Bougie regarding same;	1.00	GBM
	Telephone call with C. Hristow; further revisions to terms of sale; correspondence with T. Dunn regarding same; revise report;	0.80	GBM
Jan-25-12	Review Vallecoccia Affidavit and draft order; revise draft order; revise First Report; correspondence with D. Ullman regarding same;	2.60	GBM
	Telephone call with C. Hristow regarding First Report; revise same; telephone call with D. Ullman regarding same; correspondence with C. Hristow regarding same; review s. 36 of CCAA;	0.80	GBM

	Telephone call with C. Hristow; review Applicants' motion record;	0.20	GBM
	Telephone call with C. Hristow (2x) regarding First Report; review exhibits; correspondence to service list;	0.60	GBM
	Review First Report of the Monitor and compile exhibits thereto, prepare Index to First Report, prepare Service List, receive and review Notice of Appearance and update Service List, e-mail to Service List;	1.50	AF
Jan-26-12	Review landlord's motion record; telephone call with C. Hristow regarding same; meeting with R. Lewis regarding same; review lease agreement;	1.00	GBM
	Telephone call with solicitor for Bayer; review correspondence regarding list of creditors;	0.30	GBM
	Review caselaw regarding scope of occupation rent;	0.70	GBM
	Meeting with G. Moffat regarding research; reviewing Motion Record; review memo regarding rent; meeting with G. Moffat regarding research;	1.70	RL
	Prepare Affidavit of Service, e-mail and memo to court agent;	0.30	AF
Jan-27-12	Prepare submissions regarding landlord motion; review caselaw regarding assignment of lease and s. 11.3 of CCAA; attend sale process approval motion;	3.50	GBM
	Telephone call with two liquidators (2x) regarding sale process;	0.20	GBM
	Telephone call with solicitor for terminated employees;	0.20	GBM


<u>Lawyer</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Grant B. Moffat	37.30	\$675.00	25,177.50
Rebecca Lewis	1.70	\$325.00	552.50
Annette Fournier(LawClerk)	2.30	\$250.00	575.00

TOTAL FEE HEREIN **\$26,305.00**
HST on Fees **\$3,419.65**

Total Fees and HST **\$29,724.65**

<u>Disbursements:</u>	
Photocopies	\$218.25
Total Taxable Disbursements	\$218.25
HST on Disbursements	\$28.37
Total Non-Taxable Disbursements	<u>\$0.00</u>
Total Disbursements and HST	<u>\$246.62</u>
Total Fees, Disbursements & HST	\$29,971.27
OUR ACCOUNT HEREIN	<u>\$29,971.27</u>

ThorntonGroutFinnigan LLP

Per:  _____

Grant B. Moffat

HST No. 87042 1039RT

Matter No. 533-029
 Invoice No. 25082
 Date: Jan 31/12

Terms: Payment due upon receipt. Any disbursements not posted to your account on the date of this statement will be billed later. In accordance with Section 35 of The Solicitor's Act, interest will be charged at the rate of 6.00 % per annum on unpaid fees, charges or disbursements calculated from a date that is one month after this Statement is delivered.

EXHIBIT "B"

Calculation of Average Hourly Billing Rates of
Thornton Grout Finnigan LLP
for the period January 11, 2012 to January 27, 2012

Invoice No.	Fees	Disbursements	GST	Hours	Average Rate	Total
25082	\$ 26,305.00	\$ 218.25	\$ 3,448.02	41.3	\$636.92	\$ 29,971.27
Totals:	\$26,305.00	\$ 218.25	\$3,448.02			<u>\$29,971.27</u>

EXHIBIT "C"

Billing Rates of Thornton Grout Finnigan LLP

For the period January 11, 2012 to January 27, 2012

	<u>Rate</u>	<u>Year of Call</u>
Grant B. Moffat	\$675	1991
Rebecca Lewis	\$325	2011
Annette Fournier	\$250	Law Clerk

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
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Court File No.: CV-12-9545-00CL

ONTARIO
**SUPERIOR COURT OF JUSTICE
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Proceedings commenced at **Toronto**

AFFIDAVIT OF GRANT B. MOFFAT

Thornton Grout Finnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

Grant B. Moffat (LSUC# 32380L)
Tel: 416-304-0599
Fax: 416-304-1313

Lawyers for the Monitor, Deloitte & Touche Inc.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
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Court File No.: CV-12-9545-00CL

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

Proceedings commenced at **Toronto**

**SECOND REPORT OF THE MONITOR
DATED FEBRUARY 7, 2012**

Thornton Grout Finnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

Grant B. Moffat (LSUC# 32380L)
Tel: 416-304-0599
Fax: 416-304-1313

Lawyers for the Monitor, Deloitte & Touche Inc.