

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")

MOTION RECORD OF THE APPLICANTS
(returnable March 16, 2012)

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TAB 1

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")

NOTICE OF MOTION
(returnable March 16, 2012)

THE APPLICANTS will make a motion to a judge presiding over the Commercial List on Friday, March 16, 2012 at 10:00 a.m. or as soon after that time as the motion can be heard at 330 University Avenue, Toronto, Ontario.

THIS MOTION IS FOR:

1. Orders, substantially in the forms attached as Schedules:
 - (a) if necessary, abridging the time for service of this Notice of Motion and the Motion Record, declaring that the motion is properly returnable on March 16, 2012, and validating service of this Notice of Motion and Motion Record;

- (b) authorizing and approving the asset purchase agreement (the **“Valle Foam Sale Agreement”**) by and between Valle Foam Industries (1995) Inc. (**“Valle Foam”**) and Fybon Industries Limited (**“Fybon”**), dated February 22, 2012, which provides for a sale of the assets of Valle Foam (the **“Valle Foam Purchased Assets”**) to Fybon as contemplated by the Valle Foam Sale Agreement, substantially in the form attached as Schedule “A” (blacklined against the Commercial List Model);
- (c) authorizing and approving the asset purchase agreement (the **“A-Z Sale Agreement”**) by and between A-Z Sponge & Foam Products Ltd. (**“A-Z”**) and 0932916 BC Ltd. (**“A1”**), dated February 21, 2012, which provides for a sale of the assets of A-Z (the **“A-Z Purchased Assets”**) to A1 as contemplated by the A-Z Sale Agreement, substantially in the form attached as Schedule “B” (blacklined against the Commercial List Model);
- (d) authorizing and approving the asset purchase agreement (the **“Domfoam Sale Agreement”**) by and between Domfoam International Inc. (**“Domfoam”**) and 4037057 Canada Inc. (**“403”**), dated February 22, 2012, which provides for a sale of

the assets of Domfoam (the “**Domfoam Purchased Assets**”) to 403 as contemplated by the Domfoam Sale Agreement, substantially in the form attached as Schedule “C” (blacklined against the Commercial List Model);

- (e) authorizing the Applicants to take any steps as may be necessary or desirable for the completion of each transaction contemplated by the Valle Foam Sale Agreement, A-Z Sale Agreement, and Domfoam Sale Agreement;
- (f) vesting all of the Valle Foam Purchased Assets, A-Z Purchased Assets and Domfoam Purchased Assets as contemplated by each Sale Agreement in each purchaser respectively free and clear of any claims or encumbrances;
- (g) extending the stay of proceedings from the Initial Order of Justice Newbould dated January 12, 2012 (the “**Initial Order**”), to and until June 30, 2012, substantially in the form attached as Schedule “D”;

- (h) approving the Third Report of the Monitor (the “Third Report”), the Confidential Supplement to the Third Report, and the conduct of the Monitor as set out therein;
- (i) sealing the Confidential Supplement and treating it as confidential pending further Order of this Honourable Court; and
- (j) approving the fees and disbursements of the Monitor and its counsel.

2. Such further and other relief as counsel may advise and this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:

1. On January 12, 2012, the Applicants sought and were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) pursuant to the Initial Order.
2. Pursuant to the Order of Justice Newbould dated February 8, 2012, the stay period under the Initial Order was extended to March 30, 2012 (the “Stay Period”).

3. Deloitte & Touche Inc. was appointed as monitor of the Applicants.
4. Pursuant to the Order of Justice Brown dated January 27, 2012, the Applicants were authorized and directed to proceed with a sale process (the “**Sale Process**”) to facilitate the sale of each of the Applicants on a going concern basis.
5. The deadline for delivering an offer to purchase some or all of the assets of each Applicant was February 22, 2012.
6. The Applicants commenced the Sale Process under the supervision of the Monitor and, on February 22, 2012, the Monitor opened formal offers for each of the Applicants.
7. The Applicants in consultation with the Monitor, and subject to court approval, accepted the offers from:
 - a) Fybon for the Valle Foam Purchased Assets;
 - b) A-1 for the A-Z Purchased Assets; and
 - c) 403 for the Domfoam Purchased Assets.

8. The specifics of each sale, a summary of other offers received, and copies of the three proposed Sale Agreements are provided in the Confidential Supplement to the Third Report.

9. It was a condition of each Sale Agreement that each Applicant, as vendor, shall sell and each purchaser shall acquire the Purchased Assets, as defined in each Sale Agreement, and that the Applicants shall seek an Order of this Honourable Court approving the transaction and vesting title to the Purchased Assets in and to the purchaser free and clear of all claims and encumbrances.

10. The Applicants believe that the Valle Foam Sale Agreement, A-Z Sale Agreement and Domfoam Sale Agreement represent the best possible transactions in the circumstances. The sales allow each of the Applicants to dispose of its assets and avoid the continued expense of fixed and operating costs. Each sale realizes some going concern value for the Applicants' business.

11. The sales will preserve the vast majority of the jobs of the employees of the Applicants.

12. The suppliers, customers and unions of the Applicants each support the proposed sales (without being privy to the specific terms thereof).

13. The consideration to be received by each Applicant is reasonable and fair in the circumstances. In each case the purchase price to be paid represents the highest purchase price offered for the assets in the Sale Process.

14. A further extension of the Stay Period is necessary to allow the Applicants and the Monitor to attend to various matters for the closing of each transaction.

15. The Applicants anticipate having sufficient funds to operate during the period of the proposed extension, given that it is anticipated that the sales will be completed and the Applicants' business and all expenses related thereto, will be transferred to the purchasers on or before March 30, 2012.

16. The Confidential Supplement contains copies of the Valle Foam Sale Agreement, A-Z Sale Agreement, and Domfoam Sale Agreement containing the consideration payable by each purchaser. The Applicants

request that the agreements be sealed until the transactions have closed, and/or pending further Order of the Court.

17. It is just and convenient and in the interests of the Applicants and their stakeholders that the requested Orders be granted;

18. The Monitor is supportive of the proposed sale of each of the Applicants, the proposed extension, and the ancillary relief sought herein.

19. The Applicants are operating in good faith and with due diligence.

20. Sections 11 and 36 and other provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court.

21. Rules 1.04, 1.05, 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*.

22. Sections 100 and 137(2) of the Ontario *Courts of Justice Act*, R.S.O. 1990, c. C. 43, as amended; and,

23. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

	DATE	DESCRIPTION
1.	March 13, 2012	Affidavit of Tony Vallecoccia together with exhibits attached thereto
2.	March, 2012	Third Report of the Monitor, filed separately
3.	January 12, 2012	Initial Order of Justice Newbould
4.	January 27, 2012	Order of Justice Brown
5.	February 8, 2012	Order of Justice Newbould
6.	Such other material as counsel may advise and this Honourable Court may permit.	

March 13, 2012

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TO: THE SERVICE LIST ATTACHED

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THIS MOTION, made by ~~[RECEIVER'S NAME]~~ in its capacity as the Court-appointed receiver (the "Receiver") of the undertaking, property and assets of ~~[DEBTOR]~~ (the "Debtor") for an order Applicants for an Order approving the sale transaction (the "Transaction") contemplated by an agreement of asset purchase and sale agreement (the "Sale Agreement") between the Receiver Valle Foam Industries (1995) Inc. (the "Debtor") and ~~[NAME OF PURCHASER]~~ Eybon Industries Limited (the "Purchaser") dated ~~[DATE]~~ and appended February 22, 2012 and Confidential Supplement to the Third Report of the Receiver Deloitte & Touche Inc., in its capacity as Court-appointed monitor (the "Monitor"), dated [DATE] (the "Report"), and vesting in the Purchaser the Debtor's right, title and interest in and to the assets described in the Sale Agreement (the "Purchased Assets"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Report affidavit of Tony Vallecoccia sworn March 13, 2012, and the exhibits thereto, the Report dated [insert], and the Confidential Supplement attached thereto, and on hearing the submissions of counsel for the Receiver, ~~[NAMES OF OTHER PARTIES APPEARING]~~, Applicants, counsel for the Monitor, and no one appearing for any other person on the service list, although properly served as appears from the affidavit of ~~[NAME]~~ Victoria Stewart sworn [DATE] filed¹:

1. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved,² and the execution of the Sale Agreement by the Receiver³ Debtor

¹ ~~This model order assumes that the time for service does not need to be abridged. The motion seeking a vesting order should be served on all persons having an economic interest in the Purchased Assets, unless circumstances warrant a different approach. Counsel should consider attaching the affidavit of service to this Order.~~

² ~~In some cases, notably where this Order may be relied upon for proceedings in the United States, a finding that the Transaction is commercially reasonable and in the best interests of the Debtor and its stakeholders may be necessary. Evidence should be filed to support such a finding, which finding may then be included in the Court's endorsement.~~

is hereby authorized and approved, with such minor amendments as the Receiver~~Debtor~~ may deem necessary. The Receiver ~~is Debtor~~ and the Monitor are hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver~~Debtor~~ Monitor's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "~~Receiver Debtor's~~ Receiver Monitor's Certificate"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreement ~~[and listed on Schedule B hereto]~~⁴ shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims"⁵) including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice ~~[NAME]~~ Newbould dated ~~[DATE]~~ January 12, 2012; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other

³ ~~In some cases, the Debtor will be the vendor under the Sale Agreement, or otherwise actively involved in the Transaction. In those cases, care should be taken to ensure that this Order authorizes either or both of the Debtor and the Receiver to execute and deliver documents, and take other steps.~~

⁴ ~~To allow this Order to be free standing (and not require reference to the Court record and/or the Sale Agreement), it may be preferable that the Purchased Assets be specifically described in a Schedule.~~

⁵ ~~The "Claims" being vested out may, in some cases, include ownership claims, where ownership is disputed and the dispute is brought to the attention of the Court. Such ownership claims would, in that case, still continue as against the net proceeds from the sale of the claimed asset. Similarly, other rights, titles or interests could also be vested out, if the Court is advised what rights are being affected, and the appropriate persons are served. It is the Subcommittee's view that a non-specific vesting out of "rights, titles and interests" is vague and therefore undesirable.~~

personal property registry system; and (iii) ~~these~~the Claims listed on Schedule C hereto (all of which are collectively referred to as the “Encumbrances”, which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule D in the Sale Agreement) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

~~3. — THIS COURT ORDERS that upon the registration in the Land Registry Office for the [Registry Division of {LOCATION}] of a Transfer/Deed of Land in the form prescribed by the Land Registration Reform Act duly executed by the Receiver][Land Titles Division of {LOCATION}] of an Application for Vesting Order in the form prescribed by the Land Titles Act and/or the Land Registration Reform Act]⁶, the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in Schedule B hereto (the “Real Property”) in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule C hereto.~~

3. 4. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds⁷ from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver~~’~~Monitor’s Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale⁸, as if the Purchased Assets had not been sold and remained in the possession

⁶ ~~Elect the language appropriate to the land registry system (Registry vs. Land Titles).~~

⁷ ~~The Report should identify the disposition costs and any other costs which should be paid from the gross sale proceeds, to arrive at “net proceeds”.~~

⁸ ~~This provision crystallizes the date as of which the Claims will be determined. If a sale occurs early in the insolvency process, or potentially secured claimants may not have had the time or the ability to register or perfect proper claims prior to the sale, this provision may not be appropriate, and should be amended to remove this crystallization concept.~~

or control of the person having that possession or control immediately prior to the sale.

4. ~~5.~~ **THIS COURT ORDERS AND DIRECTS** the ~~Receiver~~Monitor to file with the Court a copy of the ~~Receiver~~Monitor's Certificate, forthwith after delivery thereof.

5. ~~6.~~ **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the ~~Receiver~~ is Debtor and the Monitor are authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Company's records pertaining to the Debtor's past and current employees, including personal information of those employees listed ~~on Schedule "A"~~ to in the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.

6. ~~7.~~ **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

7. ~~8.~~ **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

8. **THIS COURT ORDERS** that the Debtor is authorized and directed to change its company name from Valle Foam Industries (1995) Inc. and Industries Valle Foam (1995) Inc. in order to complete the Transaction, if necessary.

9. **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 ~~Receiver~~Debtor and the Monitor and its 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 ~~Receiver~~Debtor and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the ~~Receiver~~Debtor and the Monitor and its agents in carrying out the terms of this Order.

Schedule A – Form of Receiver~~Monitor~~'s Certificate

Court File No. ———CV-12-9545-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

~~BETWEEN:~~

PLAINTIFF

Plaintiff

~~—and—~~

DEFENDANT

Defendant

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")

~~RECEIVER'S~~ MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable ~~{DATE OF JUDGE}~~ Justice Newbould of the Ontario Superior Court of Justice (the "Court") dated ~~{DATE OF ORDER}~~, {NAME OF RECEIVER} January 12, 2012, Deloitte & Touche Inc. (the "Monitor") was appointed as the receiver (the "Receiver") of the undertaking, property and assets of

{DEBTOR} to monitor the business and financial affairs of Valle Foam Industries (1995) Inc. (the "Debtor").

B. Pursuant to an Order of the Court dated {DATE}, March 16, 2012, the Court approved the ~~agreement of asset purchase and sale agreement~~ made as of ~~{DATE OF AGREEMENT}~~ February 22, 2012 (the "Sale Agreement") between the Receiver ~~{Debtor}~~ Debtor and ~~{NAME OF PURCHASER}~~ Fybon Industries Limited (the "Purchaser") and provided for the vesting in the Purchaser of the Debtor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver ~~Debtor or Monitor~~ to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in ~~section • of the~~ Sale Agreement have been satisfied or waived by the Receiver ~~Debtor~~ and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver ~~Debtor and the Monitor~~.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER/MONITOR CERTIFIES the following:

1. The Purchaser has paid and the Receiver Monitor has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing ~~as set out in section • of the~~ Sale Agreement have been satisfied or waived by the Receiver Debtor and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver Monitor.

4. This Certificate was delivered by the Receiver~~Monitor~~ at [TIME] on _____
{DATE}, 2012.

~~{NAME OF RECEIVER}~~ **Deloitte & Touche Inc.**, in its capacity as Receiver
~~of the undertaking, property and assets of~~
~~{DEBTOR}~~ **Court-appointed monitor of the Applicants**, and not in its personal capacity

Per: _____

Name:

Title:

#1863880 | 4079509

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

SALE APPROVAL & VESTING ORDER
(re Valle Foam Industries (1995) Inc.)

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~~Schedule B—Purchased Assets~~

~~Schedule C—Claims to be deleted and expunged from title to Real Property~~

**Schedule D—Permitted Encumbrances, Easements and Restrictive Covenants
related to the Real Property**

(unaffected by the Vesting Order)

—

THIS MOTION, made by ~~[RECEIVER'S NAME]~~ in its capacity as the Court-appointed receiver (the "Receiver") of the undertaking, property and assets of ~~[DEBTOR]~~ (the "Debtor") for an order Applicants for an Order approving the sale transaction (the "Transaction") contemplated by an agreement of asset purchase and sale agreement (the "Sale Agreement") between the Receiver A-Z Sponge & Foam Products Ltd. (the "Debtor") and ~~[NAME OF PURCHASER]~~ 0932916 BC Ltd. (the "Purchaser") dated ~~[DATE]~~ and appended February 21, 2012 and Confidential Supplement to the Third Report of the Receiver Deloitte & Touche Inc., in its capacity as Court-appointed monitor (the "Monitor"), dated [DATE] (the "Report"), and vesting in the Purchaser the Debtor's right, title and interest in and to the assets described in the Sale Agreement (the "Purchased Assets"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Report affidavit of Tony Vallecoccia sworn March 13, 2012, and the exhibits thereto, the Report dated [insert], and the Confidential Supplement attached thereto, and on hearing the submissions of counsel for the Receiver, ~~[NAMES OF OTHER PARTIES APPEARING]~~, Applicants, counsel for the Monitor, and no one appearing for any other person on the service list, although properly served as appears from the affidavit of ~~[NAME]~~ Victoria Stewart sworn [DATE] filed^{1,2},

1. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved,² and the execution of the Sale Agreement by the Receiver³ Debtor

¹ ~~This model order assumes that the time for service does not need to be abridged. The motion seeking a vesting order should be served on all persons having an economic interest in the Purchased Assets, unless circumstances warrant a different approach. Counsel should consider attaching the affidavit of service to this Order.~~

² ~~In some cases, notably where this Order may be relied upon for proceedings in the United States, a finding that the Transaction is commercially reasonable and in the best interests of the Debtor and its stakeholders may be necessary. Evidence should be filed to support such a finding, which finding may then be included in the Court's endorsement.~~

is hereby authorized and approved, with such minor amendments as the Receiver~~Debtor~~ may deem necessary. The Receiver ~~is Debtor and the Monitor are~~ hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver~~Debtor~~Monitor's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "Receiver~~Debtor~~Monitor's Certificate"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreement ~~[and listed on Schedule B hereto]~~⁴ shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims"⁵) including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice ~~[NAME]~~Newbould dated ~~[DATE]~~January 12, 2012; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other

³ ~~In some cases, the Debtor will be the vendor under the Sale Agreement, or otherwise actively involved in the Transaction. In those cases, care should be taken to ensure that this Order authorizes either or both of the Debtor and the Receiver to execute and deliver documents, and take other steps.~~

⁴ ~~To allow this Order to be free standing (and not require reference to the Court record and/or the Sale Agreement), it may be preferable that the Purchased Assets be specifically described in a Schedule.~~

⁵ ~~The "Claims" being vested out may, in some cases, include ownership claims, where ownership is disputed and the dispute is brought to the attention of the Court. Such ownership claims would, in that case, still continue as against the net proceeds from the sale of the claimed asset. Similarly, other rights, titles or interests could also be vested out, if the Court is advised what rights are being affected, and the appropriate persons are served. It is the Subcommittee's view that a non-specific vesting out of "rights, titles and interests" is vague and therefore undesirable.~~

personal property registry system; and (iii) ~~those~~the Claims listed on Schedule C hereto (all of which are collectively referred to as the “Encumbrances”, which term shall not include the permitted encumbrances, easements and restrictive covenants listed ~~on Schedule D in the Sale Agreement~~) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

~~3. **THIS COURT ORDERS** that upon the registration in the Land Registry Office for the [Registry Division of {LOCATION}] of a Transfer/Deed of Land in the form prescribed by the *Land Registration Reform Act* duly executed by the Receiver][Land Titles Division of {LOCATION}] of an Application for Vesting Order in the form prescribed by the *Land Titles Act* and/or the *Land Registration Reform Act*]⁶, the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in Schedule B hereto (the “Real Property”) in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule C hereto.~~

~~3.~~ 4. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds⁷ from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver'Monitor's Certificate all ~~Claims and Encumbrances~~ shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale⁸, as if the Purchased Assets had not been sold and remained in the possession

⁶ ~~Elect the language appropriate to the land registry system (Registry vs. Land Titles).~~

⁷ ~~The Report should identify the disposition costs and any other costs which should be paid from the gross sale proceeds, to arrive at “net proceeds”.~~

⁸ ~~This provision crystallizes the date as of which the Claims will be determined. If a sale occurs early in the insolvency process, or potentially secured claimants may not have had the time or the ability to register or perfect proper claims prior to the sale, this provision may not be appropriate, and should be amended to remove this crystallization concept.~~

or control of the person having that possession or control immediately prior to the sale.

4. ~~5.~~ **THIS COURT ORDERS AND DIRECTS** the ~~Receiver~~Monitor to file with the Court a copy of the ~~Receiver~~Monitor's Certificate, forthwith after delivery thereof.

5. ~~6.~~ **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the ~~Receiver~~ is Debtor and the Monitor are authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Company's records pertaining to the Debtor's past and current employees, including personal information of those employees listed ~~on Schedule "C"~~ to in the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.

6. ~~7.~~ **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

7. **8.—THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

8. **THIS COURT ORDERS** that the Debtor is authorized and directed to change its company name from A-Z Sponge & Foam Products Ltd. in order to complete the Transaction, if necessary.

9. **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 ReceiverDebtor and the Monitor and its 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 ReceiverDebtor and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the ReceiverDebtor and the Monitor and its agents in carrying out the terms of this Order.

Schedule A – Form of ReceiverMonitor's Certificate

Court File No. ———CV-12-9545-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

~~BETWEEN:~~

PLAINTIFF

Plaintiff

~~—and—~~

DEFENDANT

Defendant

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")

RECEIVER'MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable ~~{DATE OF JUDGE}~~Justice Newbould of the Ontario Superior Court of Justice (the "Court") dated ~~{DATE OF ORDER}~~, ~~{NAME OF RECEIVER}~~January 12, 2012, Deloitte & Touche Inc. (the "Monitor") was appointed as the receiver ~~(the "Receiver")~~ of the undertaking, property and assets of

{DEBTOR} to monitor the business and financial affairs of A-Z Sponge & Foam Products Ltd. (the “Debtor”).

B. Pursuant to an Order of the Court dated {DATE}, March 16, 2012, the Court approved the ~~agreement of asset purchase and sale agreement~~ made as of {DATE OF AGREEMENT} February 21, 2012 (the “Sale Agreement”) between the Receiver {Debtor} Debtor and {NAME OF PURCHASER} 0932916 BC Ltd. (the “Purchaser”) and provided for the vesting in the Purchaser of the Debtor’s right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver Debtor or Monitor to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in ~~section • of the~~ Sale Agreement have been satisfied or waived by the Receiver Debtor and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver Debtor and the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER MONITOR CERTIFIES the following:

1. The Purchaser has paid and the Receiver Monitor has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing ~~as set out in section • of the~~ Sale Agreement have been satisfied or waived by the Receiver Debtor and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver Monitor.

4. This Certificate was delivered by the ~~Receiver~~Monitor at [TIME] on _____
~~{DATE}~~, 2012.

~~{NAME OF RECEIVER}~~Deloitte & Touche Inc., in its capacity as ~~Receiver of the undertaking, property and assets of~~
~~{DEBTOR}~~Court-appointed monitor of the Applicants, and not in its personal capacity

Per: _____

Name:

Title:

#186283014079509

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

APPROVAL AND VESTING ORDER
(re A-Z Sponge & Foam Products Ltd.)

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Lawyers for the Applicants

031

~~Schedule B—Purchased Assets~~

~~Schedule C—Claims to be deleted and expunged from title to Real Property~~

**Schedule D—Permitted Encumbrances, Easements and Restrictive Covenants
related to the Real Property**

(unaffected by the Vesting Order)

SCHEDULE "C"

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) ~~DAY~~FRIDAY, THE 16th DAY
JUSTICE) OF MARCH, ~~2011~~2012

BETWEEN:

PLAINTIFF

Plaintiff

-and-

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")

DEFENDANT

Defendant

SALE APPROVAL AND VESTING ORDER
(re Domfoam International Inc.)

~~THIS MOTION, made by [RECEIVER'S NAME] in its capacity as the Court-appointed receiver (the "Receiver") of the undertaking, property and assets of [DEBTOR] (the "Debtor") for an order~~Applicants for an Order approving the sale transaction (the "Transaction") contemplated by an ~~agreement of asset purchase and sale agreement~~ (the "Sale Agreement") between the ~~Receiver~~Domfoam International Inc. (the "Debtor") and ~~[NAME OF PURCHASER]~~4037057 Canada Inc. (the "Purchaser") dated ~~[DATE]~~ and ~~appended~~February 22, 2012 and Confidential Supplement to the ~~Third Report of the Receiver~~Deloitte & Touche Inc., in its capacity as Court-appointed monitor (the "Monitor"), dated [DATE] (the "Report"), and vesting in the Purchaser the Debtor's right, title and interest in and to the assets described in the Sale Agreement (the "Purchased Assets"), was heard this day at 330 University Avenue, Toronto, Ontario.

~~ON READING the Report~~affidavit of Tony Vallecoccia sworn March 13, 2012, and the exhibits thereto, the Report dated [insert], and the Confidential Supplement attached thereto, and on hearing the submissions of counsel for the ~~Receiver, [NAMES OF OTHER PARTIES APPEARING],~~Applicants, counsel for the Monitor, and no one appearing for any other person on the service list, although properly served as appears from the affidavit of ~~[NAME]~~Victoria Stewart sworn [DATE] filed^{1, 2}

1. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved,² and the execution of the Sale Agreement by the ~~Receiver~~³Debtor

¹ ~~This model order assumes that the time for service does not need to be abridged. The motion seeking a vesting order should be served on all persons having an economic interest in the Purchased Assets, unless circumstances warrant a different approach. Counsel should consider attaching the affidavit of service to this Order.~~

² ~~In some cases, notably where this Order may be relied upon for proceedings in the United States, a finding that the Transaction is commercially reasonable and in the best interests of the Debtor and its stakeholders may be necessary. Evidence should be filed to support such a finding, which finding may then be included in the Court's endorsement.~~

is hereby authorized and approved, with such minor amendments as the Receiver~~Debtor~~ may deem necessary. The Receiver ~~is Debtor~~ and the Monitor are hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver~~Debtor~~ Monitor's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "~~Receiver~~Monitor's Certificate"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreement ~~[and listed on Schedule B hereto]~~⁴ shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims"⁵) including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice ~~[NAME]~~Newbould dated ~~[DATE]~~January 12, 2012; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other

³ ~~In some cases, the Debtor will be the vendor under the Sale Agreement, or otherwise actively involved in the Transaction. In those cases, care should be taken to ensure that this Order authorizes either or both of the Debtor and the Receiver to execute and deliver documents, and take other steps.~~

⁴ ~~To allow this Order to be free standing (and not require reference to the Court record and/or the Sale Agreement), it may be preferable that the Purchased Assets be specifically described in a Schedule.~~

⁵ ~~The "Claims" being vested out may, in some cases, include ownership claims, where ownership is disputed and the dispute is brought to the attention of the Court. Such ownership claims would, in that case, still continue as against the net proceeds from the sale of the claimed asset. Similarly, other rights, titles or interests could also be vested out, if the Court is advised what rights are being affected, and the appropriate persons are served. It is the Subcommittee's view that a non-specific vesting out of "rights, titles and interests" is vague and therefore undesirable.~~

personal property registry system; and (iii) ~~those~~the Claims listed on Schedule C hereto (all of which are collectively referred to as the “Encumbrances”, which term shall not include the permitted encumbrances, easements and restrictive covenants listed ~~on Schedule D in the Sale Agreement~~) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

~~3. — THIS COURT ORDERS that upon the registration in the Land Registry Office for the [Registry Division of {LOCATION}] of a Transfer/Deed of Land in the form prescribed by the Land Registration Reform Act duly executed by the Receiver][Land Titles Division of {LOCATION}] of an Application for Vesting Order in the form prescribed by the Land Titles Act and/or the Land Registration Reform Act]⁶, the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in Schedule B hereto (the “Real Property”) in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule C hereto.~~

3. 4. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds⁷ from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver~~’~~Monitor’s Certificate all ~~Claims and Encumbrances~~ shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale⁸, as if the Purchased Assets had not been sold and remained in the possession

⁶ ~~Elect the language appropriate to the land registry system (Registry vs. Land Titles).~~

⁷ ~~The Report should identify the disposition costs and any other costs which should be paid from the gross sale proceeds, to arrive at “net proceeds”.~~

⁸ ~~This provision crystallizes the date as of which the Claims will be determined. If a sale occurs early in the insolvency process, or potentially secured claimants may not have had the time or the ability to register or perfect proper claims prior to the sale, this provision may not be appropriate, and should be amended to remove this crystallization concept.~~

or control of the person having that possession or control immediately prior to the sale.

4. ~~5.~~ **THIS COURT ORDERS AND DIRECTS** the ~~Receiver~~Monitor to file with the Court a copy of the ~~Receiver~~Monitor's Certificate, forthwith after delivery thereof.

5. ~~6.~~ **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the ~~Receiver~~ is Debtor and the Monitor are authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Company's records pertaining to the Debtor's past and current employees, including personal information of those employees listed ~~on Schedule "•"~~ to in the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.

6. ~~7.~~ **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

7. ~~8.~~ **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

8. **THIS COURT ORDERS** that the Debtor is authorized and directed to change its corporation name from Domfoam International Inc. in order to complete the Transaction, if necessary.

9. **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 ~~Receiver~~Debtor and the Monitor and its 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 ~~Receiver~~Debtor and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the ~~Receiver~~Debtor and the Monitor and its agents in carrying out the terms of this Order.

Schedule A – Form of ReceiverMonitor's Certificate

Court File No. ———CV-12-9545-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

~~BETWEEN:~~

PLAINTIFF

Plaintiff

~~—and—~~

DEFENDANT

Defendant

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")

RECEIVER'MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable ~~[DATE OF JUDGE]~~Justice Newbould of the Ontario Superior Court of Justice (the "Court") dated ~~[DATE OF ORDER]~~, ~~[NAME OF RECEIVER]~~January 12, 2012, Deloitte & Touche Inc. (the "Monitor") was appointed as the receiver (the "Receiver") of the undertaking, property and assets of

{DEBTOR} to monitor the business and financial affairs of Domfoam International Inc. (the “Debtor”).

B. Pursuant to an Order of the Court dated {DATE}, March 16, 2012, the Court approved the ~~agreement of asset purchase and sale agreement~~ made as of {DATE OF AGREEMENT} February 22, 2012 (the “Sale Agreement”) between the Receiver ~~{Debtor}~~ Debtor and ~~{NAME OF PURCHASER}~~ 4037057 Canada Inc. (the “Purchaser”) and provided for the vesting in the Purchaser of the Debtor’s right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver Debtor or Monitor to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in ~~section • of the~~ Sale Agreement have been satisfied or waived by the Receiver Debtor and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver Debtor and the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER MONITOR CERTIFIES the following:

1. The Purchaser has paid and the Receiver Monitor has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing ~~as set out in section • of the~~ Sale Agreement have been satisfied or waived by the Receiver Debtor and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver Monitor.

4. This Certificate was delivered by the ~~Receiver~~Monitor at [TIME] on _____
~~[DATE]~~2012.

~~{NAME OF RECEIVER}~~Deloitte & Touche Inc., in its capacity as Receiver
~~of the undertaking, property and assets of~~
~~{DEBTOR}~~Court-appointed monitor of the Applicants, and not in its personal capacity

Per: _____

Name:

Title:

#1863901 | 4079509

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

APPROVAL & VESTING ORDER
(re Domfoam International Inc.)

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Lawyers for the Applicants

~~Schedule B—Purchased Assets~~

~~Schedule C—Claims to be deleted and expunged from title to Real Property~~

**Schedule D—Permitted Eneumbrances, Easements and Restrictive Covenants
related to the Real Property**

(unaffected by the Vesting Order)

—

SCHEDULE "D"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) FRIDAY, THE 16th DAY
)
 JUSTICE) OF MARCH, 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
(Extension Order)

THIS MOTION made by the Applicants for an Order extending the stay of proceedings and certain ancillary relief was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Tony Vallecoccia sworn March 13, 2012, and the exhibits thereto, the Third Report of Deloitte & Touche Inc., in its capacity as Court-appointed monitor of the Applicants (the "Monitor") dated [insert], 2012, and the appendices attached thereto (the "Third Report"), and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, 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 [insert],

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 the Stay Period of the Initial Order of Justice Newbould dated January 12, 2012 and as subsequently extended is hereby extended from March 30, 2012 to June 30, 2012.
3. **THIS COURT ORDERS** that the Third Report and the actions, decisions and conduct of the Monitor as set out in the Third Report are hereby authorized and approved.
4. **THIS COURT ORDERS** that the Confidential Supplement to the Third Report (the "Confidential Supplement") be sealed, kept confidential and not form part of the public record, but rather shall be placed, separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice which sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of the Court.
5. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and its legal counsel, as set out in the Third Report and the affidavit of [insert] and the exhibits attached thereto, are hereby authorized and approved.
6. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to pay the fees and disbursements of the Monitor and of its legal counsel and agents in the amounts set out in the Third Report.

7. **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.

8. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and are 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.

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
(Extension Order)

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Lawyers for the Applicants

TAB 2

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")

AFFIDAVIT OF TONY VALLECOCCIA
(sworn March 13, 2012)

I, **TONY VALLECOCCIA**, of the City of Brampton, Province of Ontario,

MAKE OATH AND SAY:

1. I am the President and CEO of Valle Foam Industries (1995) Inc. and of Domfoam International Inc. and a director of each of the Applicants, and as such have knowledge of the matters to which I hereinafter depose, except where otherwise stated. Where my evidence is based on information and belief, I have stated the source of that information and believe it to be true.

2. This affidavit is sworn in support of a motion by Valle Foam Industries (1995) Inc. ("**Valle Foam**"), and its affiliated companies, Domfoam International

Inc. (“**Domfoam**”) and A-Z Sponge & Foam Products Ltd. (“**A-Z**”) (collectively, the “**Applicants**”) i) to seek an extension of the stay granted pursuant to the Initial Order from March 30, 2012 to June 30, 2012; ii) to report to the Court on the outcome of the sales process undertaken by the company pursuant to the Order of Justice Brown dated January 27, 2012; and iii) to seek the approval of these sales and the issuance of Vesting Orders in connection therewith.

3. On January 12, 2012, the Applicants sought and were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to the Order of Justice Newbould (the “**Initial Order**”).

4. The Applicants collectively operate as one of Canada’s largest manufacturers and distributors of flexible polyurethane foam products from facilities located in Ontario, Quebec and British Columbia.

5. As a result of declining sales, fines imposed by the Competition Bureau of Canada, and class action lawsuits commenced against the Applicants in Canada and the United States, the Applicants required protection under the CCAA.

Activities Since CCAA Filing

6. All three of the Applicants continue to operate their business in the ordinary course, subject to the restrictions imposed by the Initial Order, and subject to some downsizing by Valle Foam as described in my previous Affidavits in these proceedings.
7. As I understand will be described further in the Report of the Monitor to be filed in the conjunction with this proposed Motion, the Applicants have, in general, operated within the bounds of the cash flows previously filed with this Court.
8. Attached hereto as **Exhibit "A"** to my Affidavit is the cash flow projections, previously filed with the Court, for each of the Applicants which show the Projected Cash Flow of the Companies to March 30, 2012.
9. The Applicants are seeking the approval of three sales, one in respect of each of the Applicants. The Applicants' assets will be converted to cash and the operations of the Applicants will be continued by the various purchasers.

Results of the Sale Process

10. Pursuant to the Order of Justice Brown dated January 27, 2012, the Applicants were authorized and directed to proceed with the sale process. A copy of the outline of the Sale Process approved by Justice Brown is attached here to as **Exhibit "B"** (the "**Sale Process**").

11. The Applicants have placed an ad in The Globe & Mail and made information available on the Monitor's website about the Sale Process. The Applicants, in conjunction with the Monitor, contacted various likely purchasers and entered into Non-Disclosure Agreements with several such prospective purchasers. Those parties who executed the Non-Disclosure Agreement were provided access to an electronic data room maintained by the Monitor. Several prospective purchasers conducted site visits at the Applicants' premises.

12. The date for submitting offers was February 22, 2012. Several offers were received in respect of the various companies. These offers will be detailed in a Confidential Supplement attached to the Monitor's Report.

13. The Confidential Supplement contains copies of the Valle Foam Sale Agreement, A-Z Sale Agreement, and Domfoam Sale Agreement containing the Terms and Conditions of Sale and the consideration payable by each purchaser. If

the unredacted copies are made available to the public and the sale is not approved by this Honourable Court or does not close, the Applicants will be at a competitive disadvantage. Disclosure of the consideration that each Applicant is willing to accept would significantly weaken the Applicants' ability to bargain with other third parties who may later express interest in its assets.

14. The Sale Process has generated a going concern sale in respect of each of the three Applicants. After consultation and review with the Monitor, the Applicants have entered into agreements of purchase and sale with each of the proposed purchasers, subject to the approval of the Court.

15. Each of the proposed transactions are unconditional other than usual conditions which will be satisfied on or before closing.

16. Each of the transactions is without representations and warranties and is an "as is where is" transaction, subject in some cases to normal working capital adjustments.

17. Each of the transactions arise from offers which were made substantially in compliance with the Sale Process and which were submitted in accordance with the deadlines of the Sale Process.

18. It is anticipated that the combined impact of the three sales will result in the preservation of a large percentage of the jobs of the employees of the Applicants.

19. I am advised by Bayer Inc., the single largest supplier to all three of the Applicants that they support the going concern sale represented by each of the proposed transactions. I am advised by several other principal suppliers of each of the Applicants with whom I am in regular contact that they similarly support the continuation of the Applicants business through a going concern sale. The major customers of the Applicants have similarly so advised.

20. A portion of the workforce at each of A-Z and Domfoam are unionized. There is no union at Valle Foam. John Howard, the general manager of Domfoam has been in contact with representatives of the union and has confirmed that the union supports the sale and continuation of the business. The confidential details of the transactions have not been shared with the union. No changes to any of the Collective Agreements between the union and Domfoam and A-Z are required as a condition of any of the proposed transactions.

21. Certain major competitors of the Applicants executed Non-Disclosure Agreements and conducted a review of the businesses in connection with the possible acquisition of same. However, those major competitors ultimately did

not submit binding offers. Our counsel was advised by counsel for each of the Companies that concern over Competition Bureau approval or review of the proposed transaction ultimately precluded those parties from bidding. Therefore, the pool of likely strategic purchasers was less than we had hoped for at the commencement of the Sale Process. Nonetheless, all three companies did receive going concern bids which were ultimately executed by the Applicants subject to Court approval.

A-Z Foam

22. The purchaser that has been selected for A-Z, 0932916 BC Ltd. ("A1"), is a corporation which is affiliated with A1 Sponge & Foam Inc. in Vancouver, B.C. which company is currently involved in the same business as A-Z.

23. The offer from A1 was the highest offer presented for A-Z. Their offer required no changes to the standard terms of the offer submitted in the sale process. A1 is prepared to close their transaction by March 27, 2012.

24. The transaction is all cash and there is no working capital adjustment required. The transaction is an "as is, where is" transaction without conditions. The transaction is to acquire all of the assets of A-Z. On March 6, 2012, the Applicants accepted the A1 offer, subject to Court approval.

Valle Foam

25. The purchaser selected by the sale process of Valle Foam is Fybon Industries Limited (“Fybon”). Fybon is a current supplier to Valle Foam. It is familiar with the industry and its customers. The Fybon bid is a bid solely for the equipment and inventory and other assets of Valle Foam but excludes all accounts receivables.
26. The Fybon bid requires that Fybon be appointed as Valle Foam’s agent for the purpose of collecting the receivables for a period of 90 days after closing. Fybon will charge a collection fee of 20% for the collection of those receivables.
27. The total receivables outstanding for Valle Foam are currently in excess of \$7 million and are anticipated to remain at that level to the time of closing.
28. The transaction is subject to other minor adjustments with respect to an inventory count to be conducted on or around the time of closing.
29. The offer from Fybon was the highest offer received for Valle Foam.
30. Fybon has committed to retain up to 125 of the employees of the company.
31. Fybon is committed to close the transaction on or before March 30, 2012.

32. The Fybon deal excludes the secured debt owing by Domfoam to Valle Foam, which debt is detailed below.

Domfoam

33. The successful purchaser for the assets of Domfoam, 4037057 Canada Inc. (“403”), is a corporation affiliated with the landlord of the principal premises of Domfoam in Montreal.

34. The landlord had previously owned and operated the Domfoam business and has remained aware of the company’s customers and suppliers and is prepared to take over the business.

35. 403 intends to continue to operate the business.

36. 403 has agreed to hire all of the unionized employees, numbering 131 employees, plus 60% of the non-unionized employees for a total of approximately 95% of all of the employees.

37. The transaction is for all of the assets of the company. The transaction is subject to a working capital adjustment.

38. The transaction is subject to a holdback in the amount of \$200,000.00 against post closing adjustments or employee liabilities that may be asserted

against Domfoam or against 403 post-closing which 403 may be legally obliged to pay pursuant to Quebec law. The holdback is to be paid to the Applicants, net of such claims, after 60 days. We do not believe there can or will be any such claims.

39. The offer from 403 was the highest offer submitted in the Sale Process for Domfoam.

40. We request authorization from the Court to complete the transactions and to issue Vesting Orders to convey the assets. The sale process was undertaken with the approval of the Court, the Monitor has been involved throughout, the consideration is reasonable and fair taking into account the circumstances in which the Applicants currently operate, and the proposed sale is in the best interests of the creditors and the employees of the Applicants.

41. I understand the Monitor will recommend each of the proposed sales.

Proposed Extension

42. Each of the purchasers has committed to close their proposed transactions on or before March 30, 2012. Accordingly, no cash flow projections beyond March 30, 2012 are provided at this time.

43. The extension sought herein will provide the Applicants with the time necessary to close their transaction, attend to post closing issues, and otherwise attend to the development of a plan of arrangement for the distribution of the sale proceeds.

44. I am not aware of any party who objects to the proposed extension.

45. As is evident from the cash flow variances, Domfoam has had greater difficulty operating since the CCAA filing than have the other two Applicants. In order to address this, as authorized by the Initial Order, Valle Foam has advanced funds to Domfoam. Although these funds were not advanced precisely in accordance with the amounts anticipated by the cash flow attached as Exhibit "A", they are in aggregate still below the \$1 million threshold authorized by the Initial Order.

46. Attached hereto as **Exhibit "C"** is a Loan Agreement between Valle Foam and Domfoam to reflect these advances as well as a financing statement registered in each of Ontario and Quebec to give notice of these advances. It is my understanding that these advances are secured as a charge on the assets pursuant to the terms of the Initial Order.

47. But for the advance of these funds from Valle Foam, Domfoam would not be able to operate.

48. An immediate sale of Domfoam is required so that operating costs can come to an end and can be carried on by the proposed purchaser.

49. I am also advised by John Howard, the General Manager for Domfoam, that the ongoing uncertainty of the Sale Process is endangering some of the customer relationships upon which Domfoam relies. He advises me that any delay of the Sale Process for Domfoam will begin to have effects on the viability of the business.

50. I am of the view that each of Valle Foam and A-Z have sufficient cash to operate for several weeks after March 30, 2012 if necessary although I do not expect them to have to do so given the proposed closing dates.

51. Following the closing of the proposed sales, other than attending to post closing issues, attending to preparing a Plan of Arrangement, the review of claims in connection with said Plan and other similar issues, the activities and therefore the expenses of the Applicants will drop dramatically. By closing the transactions on or before March 30, 2012, we also expect the Applicants to be relieved of their obligation to pay rent for any of their premises taken over by the purchasers. Any

premises which are not to be occupied by any of the purchasers will be vacated by the Applicants as soon as practicable and the leases disclaimed.

52. I have been advised that the Monitor will support the proposed extension of the stay to June 30, 2012.

53. The Applicants are operating with good faith and with due diligence.

54. This affidavit is sworn in support of the Applicants' motion to approve and authorize the sale transaction and for an extension of the stay to June 30, 2012.

SWORN before me at the City)
of Brampton, in the Province of)
Ontario, this 13th day of)
March, 2012.)
Commissioner For Taking Affidavits)

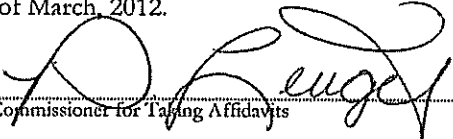

TONY VALLECOCCIA

#1862473 | 4079509

Pauline Erna Leitgeb, a Commissioner, etc.,
Province of Ontario, for Minden Gross LLP,
Barristers and Solicitors.
Expires July 4, 2012.

TAB A

This is Exhibit "A" referred to
in the Affidavit of Tony Vallecoccia
Sworn this 13th
day of March, 2012.


A Commissioner for Taking Affidavits

Pauline Erna Leitgeb, a Commissioner, etc.,
Province of Ontario, for Minden Gross LLP,
Barristers and Solicitors.
Expires July 4, 2012.

**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
	2/28/2012	2/17/2012	2/17/2012	2/24/2012	3/2/2012	3/9/2012	3/16/2012	3/23/2012	3/30/2012	
Cash Receipts										
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	Note 1
Collection of Accounts Receivable - Intercompany	-	-	-	-	-	-	-	-	-	
Other Receipts	-	-	-	-	-	-	-	-	-	
Total Receipts	450,000	600,000	1,000,000	800,000	550,000	550,000	900,000	750,000	550,000	
Cash Disbursements										
Purchases - Chemicals	380,000	250,000	250,000	200,000	250,000	250,000	250,000	250,000	250,000	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	Note 3
Payment of Pre-Paying Accounts Payable (Nov 30, 2011 Onwards COD)	202,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	Note 4
Payroll Costs (including agency)	80,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	Note 5
Non-Inventory Purchases and Overhead	145,000	-	100,000	100,000	-	-	-	-	100,000	
Sales Taxes	45,000	-	20,000	20,000	-	-	45,000	-	45,000	
Rent	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	
Utilities	71,100	-	85,000	85,000	-	-	85,000	85,000	85,000	Note 6
Repairs	75,000	-	75,000	75,000	-	-	75,000	75,000	75,000	Note 5
Other Disbursements	10,000	-	60,000	60,000	-	-	-	60,000	-	
Total Disbursements	922,000	764,100	803,000	783,000	583,000	715,000	800,000	758,000	855,000	
Net Cash Flow	(472,000)	(164,100)	397,000	2,000	(33,000)	(165,000)	300,000	(8,000)	(105,000)	
Opening Cash Balance	2,442,349	1,978,249	1,886,249	2,263,249	2,031,121	1,901,984	1,822,249	1,848,708	1,826,570	
Intercompany Loan to Danform - (Advance) Repayment	-	-	-	(234,127)	(96,139)	(514,139)	25,882	(216,138)	244,882	
Closing Cash Balance	1,970,349	1,814,149	2,252,249	2,031,121	1,961,984	1,822,249	1,848,708	1,826,570	1,769,432	Note 7

Table 1

- 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 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 recorded 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 Danform 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 Vaisocostas sworn February 7, 2012, and the probable assumptions are suitably supported and consistent with the above of the Applicant as disclosed through and under 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 6, 2012) in the CCAA proceedings of the Applicant, 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	0-Year Total
	20/2012	21/02/2012	21/02/2012	21/02/2012	21/02/2012	21/02/2012	21/02/2012	21/02/2012	21/02/2012	30/09/2012
Cash Receipts										
Collection of Accounts Receivable - Third Party	114,862	88,760	88,760	113,750	113,750	113,750	113,750	113,750	113,750	1,262,250
Collection of Accounts Receivable - Intercompany	-	-	-	-	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-	-	-	-	-
Total Receipts	114,862	88,760	88,760	113,750	113,750	113,750	113,750	113,750	113,750	1,262,250
Cash Disbursements										
Purchases - Chemicals	35,597	35,597	35,597	20,278	20,278	20,278	20,278	20,278	20,278	239,000
Purchases - Other Raw Materials and Supplies	55,000	28,520	55,000	17,000	64,500	17,000	55,000	17,000	17,000	284,778
Payment of Pre-Paid Accounts Payables (Nov 30, 2011 Onwards COD)	3,500	3,500	3,500	3,750	3,750	3,750	3,750	3,750	3,750	371,560
Payroll Costs (including agency)	4,114	-	-	-	-	-	-	-	-	327,500
Non-Inventories Purchases and Overhead	33,000	-	-	18,500	18,500	18,500	18,500	18,500	18,500	4,114
Rent	6,500	-	-	6,500	6,500	6,500	6,500	6,500	6,500	68,500
Utilities	150,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	210,000
Researching Professional Fees	1,000	-	-	1,000	1,000	1,000	1,000	1,000	1,000	90,000
Loan Fees	-	-	-	-	-	-	-	-	-	2,000
Other Disbursements	287,311	96,817	94,097	145,548	83,297	103,928	104,528	306,038	139,848	1,353,702
Total Disbursements	1,172,819	(7,867)	(5,347)	(24,552)	(31,788)	(18,278)	(2,222)	(188,278)	(32,789)	(391,310)
Net Cash Flow	(107,957)	96,627	94,107	138,302	145,538	132,028	115,528	105,472	146,569	870,940
Opening Cash Balance	412,257	236,438	231,571	228,224	228,877	228,877	210,401	210,401	210,401	412,257
Intercompany Loan from Valle Foam - Advance (Repayment)	-	-	-	-	-	-	-	-	-	-
Closing Cash Balance	304,300	333,065	325,678	366,526	374,415	366,877	328,929	325,873	326,970	493,197

Note 1
Note 2
Note 3
Note 4
Note 5
Note 6
Note 8

Notes:

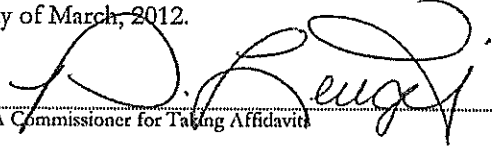
- The collection of accounts receivable are estimated based on average normal payment terms, not of an allowance for potential bad debts.
- Includes purchases of chemicals which are the primary raw materials used in the production of foam products, such as polyol.
- Other raw materials and supplies includes 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-bill 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 set out in paragraph 31 of the Initial Order, and the Valle Foam may advance up to \$1 million to other 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 Valencio sworn February 7, 2012, and the probable assumptions are suitably supported and consistent with the plans of the Applicants as disclosed herein. The above projections are based on assumptions as disclosed in the notes to the projections above. Given that the above projections are based on assumptions regarding future events, actual results may vary from the information presented, and the variations may be material. The projections have been prepared solely for the purpose of the motion pursuant to February 8, 2012 in the CCAA proceeding of the Applicant, using the probable and hypothetical assumptions set out above. Consequently, readers are cautioned that it may not be appropriate for other purposes.

TAB B

This is Exhibit "B" referred to
in the Affidavit of Tony Vallecoccia
Sworn this 13th
day of March, 2012.


A Commissioner for Taking Affidavits

Pauline Erna Leitgeb, a Commissioner, etc.,
Province of Ontario, for Minden Gross LLP,
Barristers and Solicitors.
Expires July 4, 2012.

SALE PROCESS

Valle Foam Industries (1995) Inc. ("**Valle Foam**"), Domfoam International Inc. ("**Domfoam**") and A-Z Sponge & Foam Products Ltd. ("**A-Z**") (each a "**Vendor**" and collectively, the "**Vendors**") propose to invite offers to purchase all of their assets, properties and undertakings (collectively, the "**Property**"), utilizing the following process (the "**Sale Process**"):

1. Immediately following Court approval of the Sale Process, the Vendors will distribute a flyer identifying the opportunity (the "**Flyer**") to prospective purchasers identified by the Vendors, in consultation with the Monitor. The Flyer will contain the following:
 - (a) an overview of the Property and the business conducted by each of the Vendors;
 - (b) a description of the transaction opportunity;
 - (c) an invitation for offers to purchase all or any part of the Property by the Offer Date (as defined below);
 - (d) a link to the terms and conditions of sale ("**Terms of Sale**") posted on the Monitor's website;
 - (e) a link to a confidentiality agreement ("**CA**") posted on the Monitor's website; and
 - (f) confirmation that interested parties who sign the CA will be provided access to a data room to be assembled and maintained by the Vendors in consultation with the Monitor which will include, among other things, information regarding the Property and the Vendors' businesses.
2. The Monitor will place on its website a notice setting out the terms of the Sale Process including copies of the Flyer, the CA and the Terms of Sale.
3. The Vendors will place an advertisement in the national edition of The Globe and Mail within one week following Court approval of the Sale Process outlining the opportunity to purchase the Property.
4. The Monitor will facilitate due diligence by prospective purchasers who sign the CA and will assist the Vendors in maintaining the data room and coordinate site visits to the Vendors' business premises. The Monitor will be available as required to answer questions regarding the Sale Process from prospective purchasers.
5. All prospective purchasers who execute the CA will be provided with the Vendors' template form of asset purchase agreement ("**Template Sale Agreement**"). Prospective purchasers will be encouraged to submit their offers in this form, or as close to this form as possible.
6. The deadline for submitting offers will be 4:00 p.m. (EDT) on February 22, 2012 (the "**Offer Date**").

7. The Terms of Sale will stipulate, among other things, that:
- (a) the transaction will be on an “as is, where is” basis with no representations or warranties. Each offeror will be solely responsible for inspecting the Property subject to its offer and satisfying itself as to title to any of the Property it is offering to purchase;
 - (b) the Vendors may not necessarily accept the highest offer or any offer and reserve the right to terminate their invitation to submit offers to purchase any of the Property at any time or to accept an offer or offers for some or all of the Property at any time, including prior to the Offer Date;
 - (c) the Vendors shall consider all offers but, if deemed appropriate, the Vendors may deal with one or more offers to purchase some or all of the Property to the exclusion of others, both prior to or after the Offer Date;
 - (d) the Vendors may extend the Offer Date without further order of the Court but subject to approval of the Monitor;
 - (e) a Vendor’s acceptance of any offer will be subject to the Court issuing an order (the “**Approval and Vesting Order**”) approving the offer and vesting in the offeror (hereafter, the “**Purchaser**”) title to that part of the Property subject to such offer free and clear of all claims and encumbrances upon closing of that transaction;
 - (f) each offeror shall, with its offer, deliver to the Monitor the following:
 - (i) an amount equal to 10% of the purchase price specified in the offer which shall be held in a non-interest bearing account by the Monitor. If the offer is accepted by the applicable Vendor, said cheque shall be deemed to be a cash deposit (the “**Deposit**”) against the aggregate offered purchase price (the “**Purchase Price**”) and, subject to the Approval and Vesting Order being issued by the Court, the Purchaser shall pay the balance of the Purchase Price to the Monitor, by wire transfer or by certified cheque, on the closing date of the subject transaction;
 - (ii) an executed copy of the Template Sale Agreement, amended to reflect that part of the Property subject to the offer (the Template Sale Agreement as amended, the “**Offeror Sale Agreement**”) and any other matters specific to the offer, which shall be binding and irrevocable until March 6, 2012;
 - (iii) a comparison of the Template Sale Agreement to the executed and amended Offeror Sale Agreement;
 - (iv) a representation of the offeror and written evidence of available cash and/or a commitment for financing to evidence the offeror’s ability to close the proposed transaction as the applicable Vendor may reasonably request;

- (v) a copy of a board resolution or similar document demonstrating authority to make an irrevocable offer and to execute the transaction contemplated by the Offeror Sale Agreement; and
- (vi) disclosure of the identity of each entity (including its ultimate shareholders) that has submitted the offer.

CONDITIONS OF SALE

1. The vendors are Valle Foam Industries (1995) Inc. ("**Valle Foam**"), Domfoam International Inc. ("**Domfoam**") and A-Z Sponge & Foam Products Ltd. ("**A-Z**") (each a "**Vendor**" and collectively, the "**Vendors**"). In connection with the sale process (the "**Sale Process**") undertaken by the Vendors with respect to the Property (as defined below) and with any and all matters arising under or in connection with these Conditions of Sale, Deloitte & Touche Inc. acts solely in its capacity as the Court-appointed Monitor (the "**Monitor**") in the *Companies' Creditors Arrangement Act* (Canada) proceeding involving the Vendors bearing Court File No. CV-12-9545-00CL.
2. Pursuant to these Conditions of Sale, the Vendors are inviting offers to purchase all of the assets, properties and undertakings of each of Valle Foam (the "**Valle Foam Property**"), Domfoam (the "**Domfoam Property**") and A-Z (the "**A-Z Property**"). Each of the Valle Foam Property, Domfoam Property and A-Z Property (collectively, the "**Property**") comprises a separate parcel (each, a "**Parcel**") of the Property.
3. The Vendors with the assistance of the Monitor have prepared a flyer identifying the opportunity to purchase the Property (the "**Flyer**"). All information contained in the Flyer, including without limitation, any description of the Property, has been prepared solely for the convenience of the party submitting an offer (each, an "**Offer**") to purchase some or all of the Property (each, an "**Offeror**") and is not warranted to be complete or accurate and does not form part of these Conditions of Sale.
4. Each of the Vendors may carry on its business prior to closing and the quantity of inventory included in each Parcel may be reduced during such period. The inventory

included in each Parcel will be that on hand and available on the Closing Date (as defined below) of any Approved Sale Agreement (as defined below).

5. Offers may be submitted for individual Parcels or en bloc, provided that en bloc Offers must stipulate a separate price for each Parcel. Offers submitted for more than one Parcel will be considered as a separate Offer for each Parcel unless the Offeror specifically states that the acceptance of one Parcel is conditional upon the acceptance of one or more other Parcels.
6. Sealed Offer marked "Offer – [name of Vendor as applicable: **Valle Foam Industries (1995) Inc./Domfoam International Inc./A-Z Sponge & Foam Products Ltd.**]" shall be delivered or mailed postage prepaid to Deloitte & Touche Inc., 181 Bay Street, Brookfield Place, Suite 1400, Toronto, Ontario, M5J 2V1, to the attention of Catherine Hristow. All Offers must be received by Deloitte & Touche Inc. by 12:00 p.m. Eastern Standard Time on February 22, 2012 (the "**Offer Date**"). The Vendors reserve the right to extend the Offer Date with respect to same or all of the Property at any time for any reason.
7. Every Offer submitted should be in the Form of Offer attached hereto. Offers received by the Vendors which are not in such form may be rejected. Offers shall be opened by the Vendors in the presence of, and reviewed with, representatives of the Monitor. No Offeror or creditor of the Vendors shall be entitled to be present for the opening of Offers.
8. The Vendors shall have no obligation, at law or in equity or otherwise, to any Offeror or any other person or party, to:

- (a) consider any Offer which:
 - (i) specifies a purchase price as an amount or percentage in excess of any other Offer or otherwise as a function of the purchase price offered by any other Offeror;
 - (ii) has not been fully completed and duly executed;
 - (iii) is not accompanied by the Deposit (as defined below) required hereunder;
 - (iv) has not been delivered to and received at the offices of the Monitor as required hereunder; or
- (b) negotiate with any Offeror after the Offer Date with respect to any provision of the Offer or request or agree to any changes therein,

but nothing in these Conditions of Sale shall preclude any of the Vendors from taking any of the foregoing steps if, in its sole and unfettered discretion but with the consent of the Monitor, the applicable Vendor believes that it is in its best interests to do so; however the taking of any such step shall not constitute a waiver by that Vendor of the provisions of this paragraph or an obligation on the part of that Vendor or any of the other Vendors to take any further or other steps referred to above with the same or any other Offeror. The Vendors will be under no obligation to negotiate identical terms with, or extend identical terms to, each Offeror.

9. Each Offeror shall, with its Offer, deliver to the Vendor of that part of the Property subject to the Offer the following:

- (a) an amount equal to 10% of the purchase price specified in the Offer which shall be held in a non-interest bearing account by the Monitor. If the Offer is accepted by the Vendor said cheque shall be deemed to be a cash deposit (the "**Deposit**") against the aggregate offered purchase price (the "**Purchase Price**") and, subject to Court approval of the Offer, the Offeror (hereinafter called the "**Purchaser**") under an Approved Sale Agreement (as defined below) shall pay the balance of the Purchase Price to the Monitor, in cash, wire transfer or by bank draft issued by a schedule 1 Canadian chartered bank on the closing date of the transaction under the Approved Sale Agreement;
- (b) an executed copy of the template agreement of purchase and sale prepared by the Vendor ("**Template Sale Agreement**"), amended to reflect that part of the Property subject to the Offer (the Template Sale Agreement as amended, the "**Offeror Sale Agreement**") and any other matters specific to the Offer, which shall be binding and irrevocable until March 6, 2012. The Vendors require each Offeror to include in its Offeror Sale Agreement transitional provisions regarding the proposed transfer of the Purchased Assets (defined below) to the Offeror including, without limitation, any employees of the Vendors to be hired by the Offeror, assumption of existing contracts and prepaid expenses;
- (c) a comparison of the Template Sale Agreement to the executed and amended Offeror Sale Agreement;
- (d) a representation of the Offeror and written evidence of available cash and/or a commitment for financing to evidence the Offeror's ability to close the proposed transaction as the Vendor may reasonably request;

- (e) a copy of a board resolution or similar document demonstrating authority to make an irrevocable Offer and to execute the transaction contemplated by the Offeror Sale Agreement; and
 - (f) disclosure of the identity of each entity (including its ultimate shareholders) that has submitted the Offer.
10. Following the Offer Date, each of the Vendors specifically reserves its right to negotiate with any Offeror with respect to any provision of its Offer or to request or agree to any changes in any such Offer. The Vendors may choose to take such steps with respect to one or more Offers but the Vendors shall have no obligation to negotiate identical terms with, or extend identical terms to, each Offeror. Each of the Vendors reserves its right to request some, but not all, Offerors to submit a revised Offer reflecting improved terms or other amendments requested by the Vendor. Each of the Vendors will be under no obligation to provide to each Offeror the opportunity to improve the terms of any Offer submitted to the Vendor following the Offer Date.
11. If a Vendor accepts an Offer and the subject Offeror Sale Agreement, the Vendor shall seek an order of the Court (the “**Approval and Vesting Order**”) approving such Offeror Sale Agreement and vesting title to the Purchased Assets (as defined below) in and to the Purchaser upon closing of the transaction under the Offeror Sale Agreement free and clear of all claims, liabilities and encumbrances. Any Offeror Sale Agreement accepted by the Vendor and approved by the Court is referred to hereafter as an “**Approved Sale Agreement**”.

12. If a Vendor accepts an Offer but the terms of that Offer or the Offeror Sale Agreement are not approved by the Court or if the Court declines to issue the Approval and Vesting Order, then the Vendor may, in its sole and unfettered discretion, terminate the proposed transaction and any Offeror Sale Agreement accepted by the Vendor, whereupon the Deposit shall forthwith be returned to the Offeror without credit for any accrued interest thereon and the Vendor may then accept any other Offer to purchase that part of the Property subject to the terminated Offeror Sale Agreement.
13. Notwithstanding any other provision contained in these Conditions of Sale, nothing herein shall constitute an assignment or attempted assignment of any of the Property subject to an Approved Sale Agreement (“**Purchased Assets**”) which is not assignable without the consent of any person if such consent is not obtained by the Purchaser. It shall be the Purchaser’s sole responsibility to obtain, at its own expense, any consents, approvals or any further documentation or assurances which may be required to carry out the terms of the sale of the Purchased Assets, including, without limitation, any approvals with respect to the assignment of any of the Purchased Assets not assignable without the consent or action of a third party or parties. Specifically, and without limiting the generality of the foregoing, by submitting an Offer, an Offeror acknowledges that it has conducted its own investigations with respect to any licences, approvals or third party consents which are necessary to purchase any of the Property or to carry on any business or any other activity utilizing or in connection with any of the Property.
14. Bank drafts accompanying Offers that are not accepted will be returned to the Offeror by registered mail addressed to the Offeror at the address set out in its Offer or made

available for pick up not later than fourteen days following the opening of Offers unless otherwise arranged with the Offeror.

15. The closing of each Approved Sale Agreement shall take place at the office of the Vendors' solicitors Minden Gross LLP, 145 King Street West, Suite 2200, Toronto, Ontario, M5H 4G2, at 11:00 a.m. on or before the 45th day after approval by the Court of the Approved Sale Agreement accepted by the Vendor (the "Closing Date") or such other date as the Vendor and the Purchaser may agree.
16. Upon closing of the sale of the Purchased Assets contemplated by the Approved Sale Agreement, (the "Closing"), the Purchaser shall be entitled, upon receipt by the Monitor of the Purchase Price, to possession of the Purchased Assets and to such bills of sale or assignments as may be considered necessary by the Vendor to convey the Purchased Assets to the Purchaser provided that the Purchaser shall remain liable under the Approved Sale Agreement. Any such deeds, bills of sale or assignments shall contain only a release of the Vendor's interest in the Purchased Assets and shall not contain any covenants.
17. The Purchaser shall pay on closing in addition to the Purchase Price:
 - (a) all applicable federal and provincial taxes;
 - (b) costs, if any, of dismantling or removing the Purchased Assets from their present location and restoring such location to a neat and clean condition;
 - (c) the cost of repairing any damage caused by dismantling or removal of the Purchased Assets from their present location; and

- (d) the costs of obtaining mechanical fitness certificates, if necessary, for any motor vehicle(s).
18. The Purchaser shall assume at the Purchaser's cost complete responsibility for compliance with all laws, municipal, provincial or federal in so far as same apply to the Purchased Assets and the use thereof by the Purchaser.
19. The Vendors shall not be required to produce any abstract of title, title deed, or documents or copies thereof or any evidence as to title, other than those in their possession.
20. Prior to the Closing, the Purchased Assets shall be and remain in the possession of and at the risk of the applicable Vendor and each Vendor will hold all policies of insurance effected thereon and the proceeds thereof in trust for the Vendor and the Purchaser as their respective interests may appear. After Closing, the Purchased Assets shall be at the risk of the Purchaser. In the event of "substantial damage" to the Purchased Assets occurring on or before Closing, the Purchaser may either have the proceeds of the insurance and complete the Approved Sale Agreement or may cancel such Approved Sale Agreement and have all monies paid thereunder, returned without interest, costs or compensation of any kind whatsoever. Where any damage is not substantial, the Purchaser shall be obliged to complete the purchase and shall be entitled to the proceeds of insurance referable to such damage, but not to any other costs or compensation whatsoever. For the purpose of this paragraph, "substantial damage" to the Purchased Assets means damage which renders unusable at least 50% by value of the Purchased Assets.

21. All adjustments of such taxes and other items as are specified herein will be made as of Closing under the Approved Sale Agreement. The Purchaser shall arrange its own insurance and there shall be no adjustment of insurance.
22. No adjustments will be allowed by either the applicable Vendor or the Purchaser for changes in the condition or quantity of any of the Property comprising the Purchased Assets. The applicable Vendor shall remain in possession of the Purchased Assets until the Purchase Price therefor has been paid in full. The Purchaser will take possession of the Purchased Assets at Closing.
23. If the Purchaser fails to comply with the Approved Sale Agreement, the Purchaser's Deposit shall be forfeited to the applicable Vendor and the Purchased Assets may be resold by the Vendor and the Purchaser shall pay to the Vendor (i) an amount equal to the amount, if any, by which the Purchase Price under the Approved Sale Agreement exceeds the net purchase price received by the Vendor pursuant to such resale, and (ii) an amount equal to all costs and expenses incurred by the Vendor in respect of or occasioned by the Purchaser's failure to comply with the Approved Sale Agreement.
24. By submitting an Offer, a Purchaser acknowledges that it has inspected the Purchased Assets and that the Purchased Assets are sold on an "as is, where is" basis at the time of Closing and that no representation, warranty or condition is expressed or implied as to existence, title, description, fitness for purpose, merchantability, quantity, conditions or quality thereof or in respect of any other matter or thing whatsoever. Each Purchaser acknowledges that the Vendor is not required to inspect or count, or provide any inspection or counting, of the Purchased Assets or any part thereof and each Purchaser

- shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation. It shall be the Purchaser's sole responsibility to obtain, at its own expense, any consents to such transfer and any further documents or assurances which are necessary or desirable in the circumstances. Without limiting the generality of the foregoing, any and all conditions, warranties and representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) do not apply to the sale of the Purchased Assets and have been waived by the Purchaser.
25. Deloitte & Touche Inc. acts solely in its capacity as the Court-appointed Monitor of the Vendors in the proceeding bearing Court file no. CV-12-9545-00CL and shall have no personal or corporate liability hereunder, under the Sale Process or under any Offer, Offeror Sale Agreement or Approved Sale Agreement.
 26. The highest or any Offer will not necessarily be accepted.
 27. The acceptance of any Offer and any Offeror Sale Agreement entered into by the applicable Vendor shall be subject to the condition that the sale and the terms thereof be approved by the Court.
 28. No Offeror shall be at liberty to withdraw, vary or countermand an Offer once received by the Vendor. Each Offer shall be irrevocable until March 6, 2012
 29. Each of the Vendors, at its sole discretion, may waive or vary any or all of the terms and conditions hereof as such relates to its Property. The terms and conditions contained herein shall not merge on the Closing of the transaction contemplated by any Approved

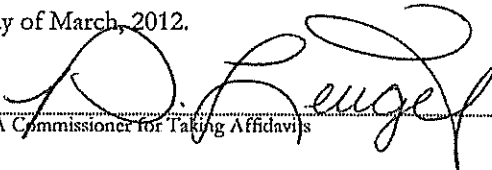
- Sale Agreement but shall survive such closing and remain in full force and effect and be binding on the Purchaser thereafter.
30. These Conditions of Sale and the validity and interpretation of any Offer, Offeror Sale Agreement or Approved Sale Agreement shall be governed by the laws of Ontario, and such agreement shall enure to the benefit of and be binding upon the parties thereto, and their respective heirs, executors, administrators, successors or assigns as the case may be.
 31. The submission of an Offer by a resident of the province of Quebec shall be deemed to constitute the declaration and acknowledgement by the Offeror that it has requested the Conditions of Sale, the form of the Offer referred to herein, any Offeror Sale Agreement and all other documentation relating to its Offer and to the acceptance thereof to be drawn up in the English language only.
 32. All stipulations as to time are strictly of the essence.
 33. Any offer of documents or money hereunder may be made upon the Vendor, the Monitor or the Purchaser, or their respective solicitors. Money may be paid by wire transfer or bank draft issued by a schedule 1 Canadian chartered bank or trust company.
 34. The obligations of the applicable Vendor to complete an Approved Sale Agreement shall be relieved if, on or before the Closing of such sale, the Order of the Court approving the subject Approved Sale Agreement is subject to appeal or if any of the Purchased Assets subject to the sale have been removed from the control of the Vendor by any means or process, whereupon the only obligation of the Vendor shall be to return the applicable Deposit, without interest, costs or compensation.

35. The Vendors shall not be bound to sell any of the Property until the applicable Vendor is authorized by the Court to accept and enter into an Approved Sale Agreement. The Vendors reserve the right to enter into one or more agreements to sell any or all of the Property at any time prior to the Offer Date or an arrangement to the contrary and to withdraw any or all of the Property from the invitation for offers to purchase such Property. If a Vendor enters into an agreement to sell any of the Property prior to the Offer Date, then the Monitor shall promptly advise any party which has received a Flyer with respect to the Property subject to such agreement that such Property is no longer available to be purchased.

TAB C

This is Exhibit "C" referred to
in the Affidavit of Tony Vallecoccia

Sworn this 13th
day of March, 2012.


A Commissioner for Taking Affidavits

Pauline Erna Lettgeb, a Commissioner, etc.,
Province of Ontario, for Minden Gross LLP,
Barristers and Solicitors.
Expires July 4, 2012.

DEBT ACKNOWLEDGEMENT AND AGREEMENT

B E T W E E N:

DOMFOAM INTERNATIONAL INC., a corporation
incorporated under the laws of the Province of Ontario

(the "Debtor")

-and-

VALLE FOAM INDUSTRIES (1995) INC., a corporation
incorporated under the laws of the Province of Ontario

(the "Creditor")

WHEREAS:

(a) pursuant to the Order of Justice Newbould dated January 12, 2012 pursuant to the *Companies' Creditors Arrangement Act* (the "Order"), the Creditor has advanced or is advancing funds to the Debtor by way of loan payable on demand, and the Creditor, in its discretion and without any obligation to do so, may make further loan advances to the Debtor at such time or times after the date hereof as the Creditor and the Debtor may agree upon;

(b) the parties are entering into this Debt Acknowledgement and Agreement for the purpose of setting out and confirming in writing certain agreements between them relating to the said loan advances;

NOW THEREFORE THIS ACKNOWLEDGEMENT AND AGREEMENT WITNESSES that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby acknowledge and agree as follows:

1. **Acknowledgement and Repayment:** The Debtor hereby promises to pay on demand to or to the order of the Creditor, at 4 West Drive, Brampton, Ontario or at such other place as the Creditor may direct in writing, all loan advances currently outstanding and owing by the Debtor to the Creditor including, without limitation as evidenced by the Promissory Note dated February 6th, 2012, and any and all further amounts as the Creditor may, in its discretion, advance by way of loan to the Debtor after the date hereof, such currently outstanding loan advances and future loan advances together with all interest accruing thereon as provided below being herein collectively referred to as the "Loan Advances". When not in default hereunder, the Debtor shall have the right to prepay, at any time or times, the whole or any part of the balance of the amount of the Loan outstanding to the date of such prepayment, without notice, penalty or bonus.

2. **Interest:** The Debtor shall pay interest to or to the order of the Creditor (at the place stated in paragraph 1 above) interest on the principal amounts of the Loan Advances outstanding from time to time computed and accruing from the dates of the respective advances thereof, and on any overdue interest, at the rate of 10% per annum, after as well as before demand, default and judgment, to and until the date of payment in full, such interest to be calculated and payable annually, not in advance, on December 31 in each year.
3. **Evidence of Debt:** The indebtedness of the Debtor to the Creditor will be evidenced by such promissory notes as may be made by the Debtor to and in favour of the Creditor from time to time or by the records evidencing the loans in the books and records of the Creditor. The Creditor shall record the principal amount of such Borrowings, the payment of principal and interest on account of the Loan Advances, and all other amounts becoming due to the Bank under this agreement. The Creditor shall provide said record of advances to Deloitte and Touche Inc., in its capacity as Court appointed Monitor of the Debtor, copies of such records at the end of each week upon which any Loan Advances are made. The Creditor's records constitute, in the absence of manifest error, *prima facie* evidence of the indebtedness of the Debtor to the Creditor pursuant to this agreement.
4. **Purpose of Loan:** The proceeds of the loan advances shall be used by the Debtor for the purpose of financing general operating requirements, including, without limitation, the legal or other fees associated with the Debtor's CCAA proceedings.
5. **Security:** In addition to and not in substitution for the security provided to the Creditor pursuant to the Order, the Debtor will, at its expense, provide to the Creditor such security as the Creditor may request from time to time to secure and maintain secured the Loan Advances in favour of the Creditor including, without limitation, a general security agreement granting security interests in the undertaking, property and assets of the Debtor.
6. **Events of Default:** Without limiting the right of the Creditor to make demand as set out herein, upon the occurrence of any of the following events, at the option of the Creditor, the entire amount of the Loan Advances outstanding will immediately become due and payable in full, and all security held by the Creditor therefor will become enforceable in accordance with and subject to the terms thereof and applicable law:
 - (a) the failure of the Debtor to pay the principal amount of the Loan Advances when due;
 - (b) the failure of the Debtor to pay when due any payment of interest on the Loan Advances, and such failure continuing for 10 days after written notice thereof is given by the Creditor to the Debtor;
 - (c) the Debtor completing a sale of its assets in bulk;
 - (d) the Debtor ceasing to carry on its business;

- (e) the appointment of a receiver, receiver and manager, agent, liquidator or other similar administrator of, or the taking by a secured party or any other encumbrancer of possession of, all of the property and assets of the Debtor or any material part thereof;
 - (f) the Debtor being declared bankrupt by a court of competent jurisdiction, filing a voluntary assignment in bankruptcy, making a proposal under the *Bankruptcy and Insolvency Act* or otherwise, or taking any action in respect of the settlement of any claims of its creditors whether under the provisions of the *Bankruptcy and Insolvency Act* or otherwise, or any person(s) taking any proceedings which may result in the Debtor being declared bankrupt except where the same are being diligently contested by appropriate proceedings.
7. **Further Assurances:** The parties hereto agree that they will do all acts and things and execute and deliver such further and other agreements, instruments and documents as may be necessary or desirable to carry out the intent and purpose of and give full effect to this Debt Acknowledgement and Agreement and every part thereof.
 8. **Governing Law:** This Debt Acknowledgement and Agreement shall in all respect be construed in accordance with and governed exclusively by the laws of the Province of Ontario and the laws of Canada applicable therein.
 9. **Assignment:** All rights of the Creditor under this Debt Acknowledgement and Agreement shall be freely assignable in whole or in part without the consent of the Debtor, and all rights and obligations of the Debtor under this Debt Acknowledgement and Agreement shall be assignable only with the prior written consent of the Creditor.
 10. **Binding Effect:** This Debt Acknowledgement and Agreement shall extend to, include, enure to the benefit of and be binding upon the Debtor and the Creditor and their respective successors and permitted assigns.

IN WITNESS WHEREOF the parties hereto have duly executed this Debt Acknowledgement and Agreement under seal on the ____ day of February, 2012.

DOMFOAM INTERNATIONAL INC.

Per: John C Howard
Name: JOHN C. HOWARD
Title: GENERAL MANAGER

VALLE FOAM INDUSTRIES (1995) INC.

Per: A. Waller
Name:
Title:

#1855959

Amendment Agreement

088

February 22, 2012

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

Dear Sirs:

Reference is hereby made to the General Security Agreement (Business Debtor) entered between us dated January 12, 2012, as same may be amended from time to time (the "GSA").

We hereby confirm our agreement to amend section 1 of the GSA by inserting the following paragraph immediately after the first paragraph thereof:

"Without prejudice to the foregoing, for the purposes of creating a valid security interest in the Collateral pursuant to the laws of the Province of Quebec, the Debtor hereby hypothecates the Collateral in favour of the Secured Party up to the amount of CAD1,200,000.00 with interest thereon at the rate of 25% per annum, the whole as security for the performance and payment of the Obligations (as hereinafter defined). For greater certainty, (i) the Collateral shall include all of the Debtor's movable property, corporeal and incorporeal, present and future, wherever situated, and (ii) all references in this Agreement to "security interest" shall also include the hypothec created in this paragraph. For the purposes of the Obligations secured by the aforesaid hypothec, the promissory note referred to in section 3(a) hereof shall be merely an evidence of indebtedness and not be deemed a "title of indebtedness" as such term is understood under Article 2692 of the *Civil Code of Quebec*."

Unless otherwise specifically modified hereby, the provisions of the GSA shall remain unamended and in full force and effect and they are hereby reiterated. For greater certain, novation of any kind is hereby expressly disclaimed.

If you are in agreement with the foregoing, please so confirm by signing and returning a duplicate copy hereof to the undersigned.

Yours truly,

DOMFOAM INTERNATIONAL INC.

Per: John C Howard

AGREED AND ACCEPTED

VALLE FOAM INDUSTRIES (1995) INC.

Per: Valle

TAB 3



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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	THURSDAY, THE 12 th
)	
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 ^{the Globe and Mail} in ~~[newspapers specified by the Court]~~ 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*.

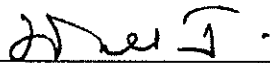
45. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this

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.

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FILED AT THE COURT OF QUEBEC
BY BOOK NO.
LE JOUR DANS LE PERIODE NO:

JAN 12 2012

REC/REG:



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

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Lawyers for the Applicants

TAB 4

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

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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

ORDER
(Approval of Sale Process)

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Lawyers for the Applicants

TAB 5

thereto (the "Second Report"), and on hearing the submissions of counsel for the Applicants, counsel for the Monitor,

, 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 February 7, 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 Second Report.
3. **THIS COURT ORDERS** that the Stay Period (as defined in paragraph 13 of the Order of Justice Newbould in these proceedings dated January 12, 2012) is hereby extended from February 10, 2012 to March 30, 2012.
4. **THIS COURT ORDERS** that the Second Report and the actions, decisions and conduct of the Monitor as set out in the Second Report are hereby approved.
5. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and its legal counsel, as set out in the Second Report and the Bougie Affidavit and the Moffat Affidavit attached as exhibits thereto, are hereby authorized and approved.
6. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to pay the fees and disbursements of the Monitor and of its legal counsel and agents in the amounts set out in the Second Report.

7. **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.

8. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and are 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.



#1844631 v3 | 4079509

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ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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**MOTION RECORD OF THE APPLICANTS
(returnable March 16, 2012)**

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