

## 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.