

Acquisition Opportunity

Background and Transaction Rationale

Valle Foam Industries (1995) Inc., and its affiliates Domfoam International Inc. and A-Z Sponge & Foam Products Ltd. (individually the “Companies”, collectively the “Company”) are manufacturers and distributors of foam products, principally for the furniture, bedding, floor covering and packaging industries throughout Canada and northern United States. The Company fabricates and manufactures foam from locations in Quebec, Ontario and British Columbia, and had had combined revenue of \$77.0 million in its most recent fiscal year. On a combined basis, the Company is one of the largest fabricators and manufacturers of foam products in North America.

Over the past three years, the Company experienced financial and legal challenges which necessitated a requirement for a formal restructuring process. By an Order of the Ontario Superior Court of Justice (Commercial List) on January 12, 2012, the Company obtained protection from their creditors pursuant to the Companies’ Creditors Arrangement Act (“CCAA”). Deloitte & Touche Inc. was appointed monitor of the Company (the “Monitor”). With the Monitor’s assistance, the Company is looking to sell some or all of the Company’s assets.

Key Investment Highlights

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|---|---|
| Diverse product line of speciality foam products | <ul style="list-style-type: none">• The Companies are leaders in their respective markets and supply many trademarked, proprietary and specially formulated / manufactured foam products to customers in a range of industries |
| Long-term and loyal base of quality customers | <ul style="list-style-type: none">• The Company maintains long-term relationships with its customers, many of which depend on the specialized products offered by the company given their proprietary nature and/or quality challenges with other fabricators and manufacturers• The Company’s locations each serve the needs of their respective market as foam products are expensive to ship and there is a requirement for a detailed understand of local customer needs and nuances. As a result, the management team maintains a close relationship with each customer |
| Established turn-key facilities | <ul style="list-style-type: none">• The facilities include modern equipment, that is capable of producing unique and high-quality foam products specific to customers in the Companies’ respective markets• A combined workforce of over 450 highly trained employees• The Companies are managed by teams with extensive knowledge and experience in the industry and local markets, and who are committed to the ongoing success of their plants |
| Patents, trademarks and intellectual property | <ul style="list-style-type: none">• The Companies have many patents and trademarks recognized throughout the foam industry, such as BioPlush and GelFlex• Many foam products involve unique, proprietary formulations and manufacturing methods that are specific to individual customers and difficult to replicate. |

Process

The Monitor invites all interested parties to submit an offer for all or part of the Company. The deadline for submitting offers is 4:00 p.m. (EDT) on February 22, 2012 (the "Offer Date"). Please visit the Monitor's website (link below) to review all related documents to the CCAA proceedings and to download a copy of the following:

- (a) the terms and conditions of sale; and
- (b) a confidentiality agreement ("CA");

The Monitor will facilitate due diligence by prospective purchasers who sign the CA and will assist the Company in maintaining the data room, including co-ordinating site visits to the Company's business premises. The Monitor will be available as required to answer questions regarding the sale process from prospective purchasers.

All prospective purchasers who execute the CA will be provided with the Company template form of asset purchase agreement. Prospective purchasers are encouraged to submit their offers in this form, or as close to this form as possible.

The Monitor's website is located at the following address: www.deloitte.com/ca/vallefoam

Deloitte & Touche Inc.
CCAA Monitor of Valle Foam Industries (1995) Inc. and Other Petitioners
181 Bay Street, Suite 1400
Toronto, Ontario M5J 2V1
Catherine Hristow, 1-855-601-6415; or 416-775-8831
vallefoam@deloitte.ca

Counsel to the CCAA Monitor:
Thornton Grout Finnigan LLP
100 Wellington Street West, Suite 3200,
P.O. Box 329 Toronto, Ontario M5K 1K7
Grant B. Moffat, 416-304-1616

A-Z Sponge & Foam Products Ltd. ("A-Z")

Key facts

Delta, British Columbia

Revenue of \$5.6 million (2011)

Profitable (EBITDA)

• employees

60,000 square foot leased plant

www.a-zfoam.com/index.html#

Business overview

A-Z was formed in 1967, and has grown to become a leading manufacturer and fabricator of slab stock polyurethane foam. The company is also a recycler, manufacturing composite foam blocks from the trimming of the fabricating operation. A-Z also distributes select, premium products of other manufacturers, such as natural latex.

The company's facility of approximately 60,000 square feet contains all equipment necessary for the manufacture of foam. The company produces open cell polyurethane (PU) foam by combining oil derived polyols with isocyanates and various additives.

The finished products are utilized as furniture, bedding, packaging and acoustic foams for the Canadian and USA market. The bulk of the production goes into household and institutional furniture, and requires the assembly of various shapes of foam. Many of A-Z products are innovative, and include unique formulas for specific customer and end use applications.

Valle Foam Industries ("Valle")

Brampton, Ontario

Revenue of \$40.0 million (2011)

Historically profitable

250 employees

Three leased facilities:

- 150,000 square foot plant;
- 90,000 square foot plant;
- 60,000 square foot plant

Website not available

Valle was founded in 1985 in Brampton, Ontario, and is a fabricator and manufacturer of polyurethane (PU) foams. Since inception, the company quickly grew to be the leading provider of PU foams in Ontario and the northern US.

The company actively incorporates the latest equipment and technologies to differentiate its product offerings from its peers. For example, it was the first in Canada to adopt Novaflex technology, which eliminates the need for solvents through utilizing carbon dioxide as blowing agent. This allowed customers to have a 'greener' alternative to products that utilize solvents.

Valle was also the first in Canada to produce foam using renewable resources, thereby reducing the use of petrochemicals. The BioPlush products manufactured by Valle carry broad name recognition in the furniture and bedding industry, and the BioPlush name is advertised by Valle's customers to help brand their products. The BioPlush name is trademarked.

Domfoam International Inc. ("Domfoam")

Montreal, Quebec

Revenue of \$37.0 million (2011)

Historically profitable

175 employees

Two leased facilities:

- 250,000 square foot plant;
- 85,000 square foot plant.

www.domfoam.com

Domfoam is a manufacturer and wholesaler of sponge and polyurethane foam. Since its incorporation in 1963, Domfoam has grown to be one of Canada's largest and most diversified manufacturer of ether, rebonded flexible polyurethane foams and visco elastic foam. From its Montreal plant, the company services the urethane market in Canada and in the US.

With highly-trained personnel and up-to-date equipment, Domfoam offers a complete line of foam products in such categories as:

- Ester and ether flame laminated
- High Resilience (HR)
- Bonded foam (new material)
- Coloured specialty foam
- Visco elastic foam
- Carpet cushion

A-Z Sponge & Foam Products Ltd. ("A-Z")

Product overview

A-Z formulations are largely proprietary, having been developed over the 30 years. Approximately, 90% of its products are made in plant using specialized formulations and pouring equipment. The company is the only PU Foam producer outside of Tempur-pedic to manufacture a finished product. In addition to existing products, A-Z has three research and development projects in various stages.

The company's product line includes:

- Memory Foam Mattresses & Pillows
- Conventional Foam Mattresses
- Latex Mattresses
- Medical Mattresses
- Institutional Mattresses
- Acoustic Foam
- Medical Sponges
- Made to order Mattress Covers
- Conventional Polyurethane Slab Stock
- Furniture Foam
- Boat Mattresses
- Camping Foam
- Gym /Climbing Foam
- Packaging Foam



Valle Foam Industries ("Valle")

Valle provides its largely Ontario and northern US customer base with PU foam products for such applications as:

- Mattresses
- Pillows
- Convolute
- Toppers
- Anti-Static foam
- Anti-microbial foam
- Specialty foam for building and construction
- Specialty packaging foams

The company also manufactures polyester fibre for end uses that are complementary to foam, such as pillows, furniture components, and pet products. The company is also licensed to evaluate 'Green Urethanes' technology to further reduce the use of petrochemicals in its foam products.



Domfoam International Inc. ("Domfoam")

Domfoam is a leader in creating unique foam products for a broad range of end applications. The company has a number of proprietary technologies, and 'Viscoelastic Foam' technology. The primary applications of its foam products are:

- Mattresses
- Sponge foam blocks
- Carpet cushion
- Pillows
- Bolsters
- Convolute
- Furniture foam
- Toppers
- Anti-Static foam
- Anti-microbial foam
- Visco-elastic foam
- Camping Foam
- Sporting goods



A-Z Sponge & Foam Products Ltd. ("A-Z")

Customer profile

The company maintains excellent relationships with its customers and national network of dealers, as demonstrated by the long-term tenure of these relationships. A-Z has a flat management structure, and places particular emphasis on innovation and sales activities, which help create customer loyalty.

Customers come from a range of industries and geographies, and include large well-known names within the furniture and bedding industry. Some customers are only able to source certain foam types, which A-Z offers, resulting in many strong, long-term, and transferrable customer relationships.

Workforce and equipment

A-Z has a unionized skilled work force with the average employee having over 15 years experience. A-Z has a strong relationship with the union and a contract is in place until the end of 2012. The non-union management and clerical staff are also experienced with service averaging over 10 years.

The company utilizes Edgesweet, Baumer and Fecken Kirfel cutting machines and an innovative re-bond moulding and steaming equipment. The foam pouring equipment is a computerized Maxfoam low pressure line.

Valle Foam Industries ("Valle")

Valle serves a variety of end industries, including many furniture and bedding manufacturers, as well as specialty products for use in such industries as packaging, construction and sporting goods.

The company's customer base is loyal and, in many instances, only able to source certain foam products from Valle. This is especially true of the BioPlush brand, which is often advertised by the company's customers as a key benefit.

Valle has a skilled workforce that is comprised of approximately 15% highly skilled employees. These employees are non-unionized, and are trained to use some of the most modern equipment in the industry. The management team is focused on serving the local market given the importance of economical shipping and understanding the product requirements and nuances of each customer. This focus allows the company to provide a high level of dedicated service.

The company utilizes Baumer cutting machinery, and is capable of compression cut fabrication – a process that relatively few in the industry can provide.

Domfoam International Inc. ("Domfoam")

Many of the company's customers are long-term and loyal given the unique nature of the products it manufactures. For example, the Velva Foam and Gel Flex and Gel Visco products are unique and only available from Domfoam.

Several long-term customers have expressed need for company to continue providing products into the future given the unique nature of Domfoam's products.

The company has a very stable, and skilled workforce that is highly trained in formulation and in operating specialized equipment. An excellent relationship exists between staff and unionized employees. The office sales and operations staff are among the most experienced in the Canadian foam industry.

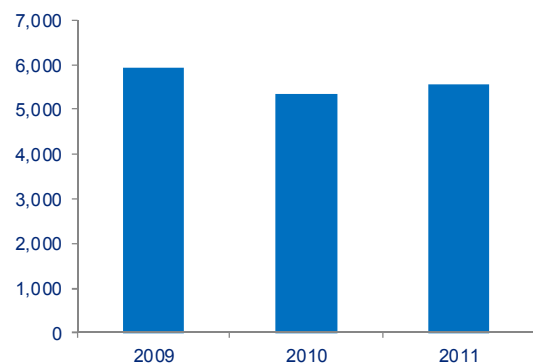
A-Z Sponge & Foam Products Ltd. ("A-Z")

Valle Foam Industries ("Valle")

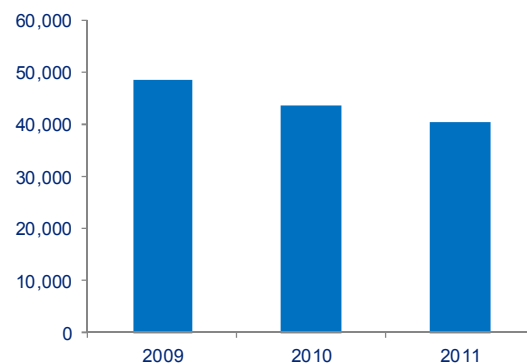
Domfoam International Inc. ("Domfoam")

Financial History

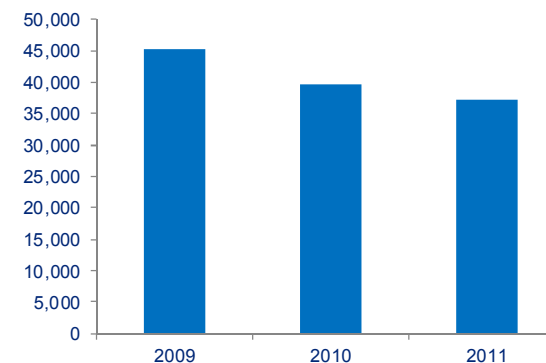
A-Z Sponge & Foam Products Ltd.
Revenue (C\$ 000s)



Valle Foam Industries
Revenue (C\$ 000s)



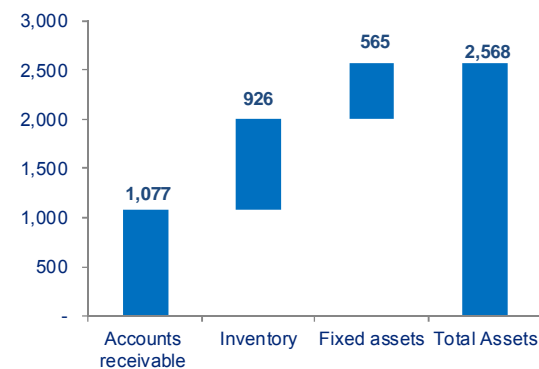
Domfoam International Inc.
Revenue (C\$ 000s)



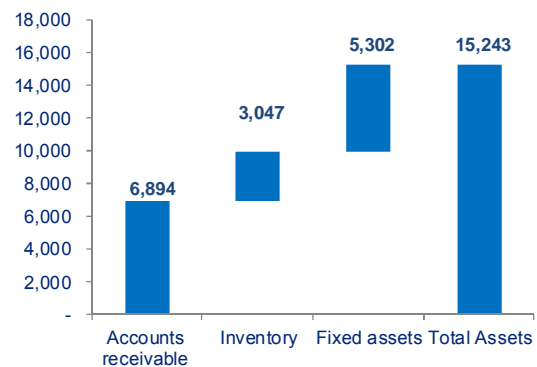
Select tangible assets

As at April 30, 2011

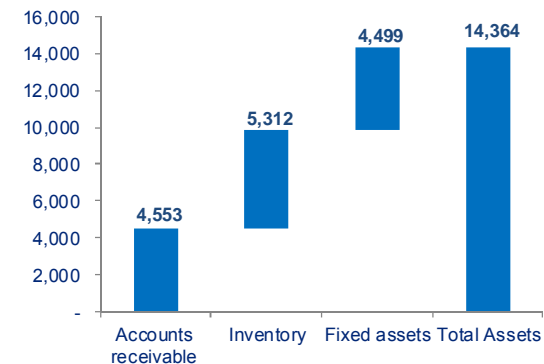
A-Z Sponge & Foam Products Ltd.
Select tangible assets (C\$ 000s)



Valle Foam Industries
Select tangible assets (C\$ 000s)



Domfoam International Inc.
Select tangible assets (C\$ 000s)



Patents, trademarks and other intellectual property

- Frat-Mat
- The Rest Comes Easy

Registered Trademarks:

- Cuddle-Pedic
- Snuggle-Pedic
- Buy it for Comfort. Buy it for Life.
- Cool Composite
- Serenity Mattress

Trademarks with Permission to Use:

- Contour-matic
- CUDDLE FOAM

- BioPlush foams
- Green Urethanes

Registered Trademarks:

- Velva Foam
- Ultracell
- Gelflex
- Springflex Foam
- Contour-matic
- Pro-Bond
- Perma-Bond
- VILLA
- CUDDLE FOAM
- ComfyCel
- SPECTRUM
- INSULGARD
- CELCOR
- DOMFOAM
- LODGE
- CHATEAU
- RoyalCel
- EXCALIBUR
- RIVIERA
- VELTEX
- FREEDOM FOAM
- Hug-A-Pedic
- NORTHERN TREASURE
- LA COLLECTION ZODIAC
- W'UNDER BOND
- BONDEX
- QUANTUM
- MAGNUM
- VISCOMAGIC Memory Foam
- ZODIAC COLLECTION