

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 3113736 CANADA LTD., 4362063 CANADA LTD., and
A-Z SPONGE & FOAM PRODUCTS LTD.

(the "Applicants")

CASE CONFERENCE BRIEF OF THE APPLICANTS
(Returnable November 3, 2020)

Date: October 30, 2020

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(the "Applicants")

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TAB 1

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(Returnable November 3, 2020)

I. OVERVIEW

1. The Applicants, 4362063 Canada Ltd. (formerly known as Domfoam International Inc.) (“**Domfoam**”), 3113736 Canada Ltd. (formerly known as Valle Foam Industries (1995)) (“**Valle Foam**”), and A-Z Sponge & Foam Products Ltd. (“**A-Z Foam**”), are insolvent companies granted protection under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (“**CCAA**”) in 2012.

2. This Case Conference Brief is submitted pursuant to paragraph 43 of the Reasons for Decision issued by Justice Koehnen in these proceedings (the “**Reasons**”), wherein His Honour directed that if the Applicants and Domfoam Inc. (formerly known as 8032858) (the “**Domfoam Purchaser**”) were unable to reach an agreement as to the mechanism to resolve the dispute between them, the parties should be: “prepared to make full, detailed arguments about why the procedures they advocate are appropriate or required.” The parties have not been able to reach agreement, and this Case Conference Brief constitutes the Applicants’ written argument in support

of its position regarding: (a) the evidence to be submitted in connection with the adjudication process; and (b) the format the adjudication process should follow.

3. While not exhaustive, this Case Conference Brief sets out the Applicants' key positions in a summary fashion for two reasons: (1) an understanding of the Applicants' position is necessary in order to understand the need for the evidence and process that the Applicants propose for the hearing of the dispute; and (2) on the procedural motions heard in early October 2020, the Domfoam Purchaser advanced its argument on the merits of the dispute, while the Applicants refrained from doing so, and therefore to date, the Court has not heard the counter-vailing position of the Applicants. The Applicants seek to assist the Court in understanding the positions of all parties in order that it may fashion a fair adjudication process.

II. BACKGROUND

The Asset Purchase Agreement

4. In March 2012, Domfoam's operational assets were sold to the Domfoam Purchaser pursuant to the terms of an Asset Purchase Agreement (the "**APA**") between Domfoam and the Domfoam Purchaser dated March 8, 2012. The APA expressly provided that "withdrawn" from the transaction was an asset referred to as "BASF Receivables". "BASF Receivables", however, was not defined in the APA. A copy of the APA is attached at **Tab A**.

5. It is Domfoam's position that the BASF Receivables, which were withdrawn and thus not sold, was intended to refer to the right to recover settlement proceeds payable from U.S. and Canadian class actions relating to the polyether polyols industry (the "**US Class Action**" and the

“**Canadian Class Action**” respectively). Domfoam is a claimant in both the US Class Action and the Canadian Class Action. BASF Corp. is one of numerous defendants in both proceedings.

6. The Domfoam Purchaser, however, submits that the BASF Receivables is to be narrowly construed to refer only to amounts that may be owing by the defendant BASF and not by the other defendants in the same class action proceeding as BASF. Thus, the Domfoam Purchaser submits that the approximately USD \$3.7 million (the “**Disputed Funds**”) that was received by the Monitor from Dow Chemicals Company (“**Dow**”), representing US Class Action settlement proceeds paid by Dow, one of the numerous defendants in the US Class Action, was purchased by the Domfoam Purchaser and thus not captured by the undefined term “BASF Receivables”.

7. As the term BASF Receivables is not defined in the APA, both parties – Domfoam and the Domfoam Purchaser – point to extrinsic evidence, outside the four corners of the APA, in support of their respective positions.

The Superseded Draft

8. In support of its position, the Domfoam Purchaser points to a cherry-picked piece of extrinsic evidence from a superseded and unfinalized draft purchase agreement that was discussed between the Domfoam and the Domfoam Purchaser prior to the commencement of the CCAA proceedings (the “**Superseded APA**”). A copy of the Superseded APA is attached at **Tab B**.

9. The Superseded APA described the BASF Receivables as an amount of approximately \$642,000. Therefore, the Domfoam Purchaser asserts all that all that was withdrawn was Domfoam’s right to collect \$642,000 from BASF in connection with the class action litigation. Domfoam disagrees that this is in any way determinative.

10. First, the \$642,000 referenced in the Superseded APA was payable by BASF *and* another defendant known as Huntsman International, LLC, not just by BASF. Thus, the reference to the BASF Receivable was always intended to be more expansive than just amounts payable by BASF. Second, Domfoam was never entitled to recover \$642,000 in connection with the settlement funds paid by BASF and Huntsman. This was the approximate amount payable by BASF and Huntsman to *all three* Applicants. Third, the Superseded APA was drafted by counsel for the Domfoam Purchaser and not by counsel to Domfoam. To suggest that this unilateral, unagreed to proposition by the Domfoam Purchaser's counsel is, in and itself, dispositive of the parties' intention following the CCAA filing, is fundamentally flawed.

Other Extrinsic Evidence

11. The Applicants submit that there is other more reliable extrinsic evidence to assist the Court in resolving this matter. The only remaining director of Domfoam, Tony Vallecoccia, however, lacks capacity and is not able to further assist the Court. Linc Rogers, who was appointed as Chief Restructuring Officer of the Applicants to fill the decision-making void resulting from Mr. Vallecoccia's incapacity, was only recently appointed by the Court and does not have first-hand knowledge of the surrounding circumstances in connection with the APA. David Ullmann, counsel to the Applicants and the lead negotiator in connection with the APA, is best positioned to further assist the Court through the provision of affidavit evidence.

12. Mr. Ullmann was involved in the negotiation of both the Superseded APA and the APA and has remained as restructuring counsel to the Applicants throughout the course of these proceedings. Mr. Ullmann is also familiar with the context in which the term BASF Receivables was used in the Superseded APA, and can give testimony as to the surrounding circumstances

known by the parties at the time. Mr. Ullman can advise on how information regarding the US Class Action was communicated to the Domfoam Purchaser, what assets were and were not offered for sale in the CCAA proceedings, how issues in connection with allocation of purchase price were considered (i.e. if the Domfoam Purchaser's view is correct, the practical effect is that it will have received significantly greater funds than it paid for all of Domfoam's operating assets, which would create a commercial absurdity) and issues in connection with the resolution of the purchase price adjustment, among other relevant facts. Of course, as Mr. Ullmann would be a witness, the Applicants are securing special litigation counsel to argue this matter.

13. Despite the Domfoam Purchaser's prior motion to preclude Domfoam from introducing any further evidence being dismissed at paragraph 24 of the Reasons, the Domfoam Purchaser now objects to Mr. Ullmann filing an affidavit. The Domfoam Purchaser takes the position that Domfoam must rest on the statements made by Mr. Vallecoccia in his prior affidavits and related cross-examination, effectively asking the Court to reconsider a motion the Domfoam Purchaser already lost earlier this month.

14. The Domfoam Purchaser also points to various "concessions" made by Mr. Vallecoccia. Counsel for the Domfoam Purchaser makes much of the fact that Mr. Vallecoccia testified that he could not think of any asset that would not have been sold to the Domfoam Purchaser, and he was not aware at the time that BASF owed Domfoam any money.

15. However, context is important: by the time of his examination in 2018, Mr. Vallecoccia was an elderly man, and more than six years had passed since Mr. Vallecoccia had worked at Domfoam. When one reads the transcript of his cross-examination, it is clear that Mr. Vallecoccia

did not have a clear memory of many of the topics he was being examined on and did not understand certain lines of questioning.

16. For instance, when Mr. Vallecoccia testified that he was not aware of any assets that Domfoam would not have sold, he was clearly mistaken. The list of excluded assets in the APA sets out numerous assets that Domfoam did not sell: tax losses, cash on hand, deposits with banks, shareholders' and employees' loans, equipment leases, and the issued and outstanding shares of Valle Foam and A-Z Foam which were owned by Domfoam.

17. When examined about the BASF Receivable, Mr. Vallecoccia initially did not understand that the payment owing that he was being questioned about was from a class action settlement in which Domfoam was a claimant – for instance, he questioned why BASF would owe Domfoam money, noting that Domfoam did not have a rebate program with BASF, seeing as Domfoam was BASF's customer, not the other way around.¹ Once the context of the questioning was clarified, and when shown the settlement agreement with BASF, Mr. Vallecoccia testified that he could not remember whether he had seen it before. From that point on, his answers to follow up questions were generally that he could not remember, could not “put his finger on it”, and did not know.²

18. The Court is of course free to give whatever weight it considers appropriate to the affidavit evidence provided by Mr. Vallecoccia and his statements under cross-examination. The Court, however, should also be able to consider, weigh and assess additional evidence that can provide the Court with further context with respect to the surrounding circumstances in connection with

¹ Transcript of cross-examination of Tony Vallecoccia, pg. 34, q. 115

² Transcript of cross-examination of Tony Vallecoccia, pgs. 37-41, qs. 128-145

the APA at the relevant time. In addition to surrounding circumstances, the Court is also entitled to consider extrinsic evidence where there is ambiguity in the APA, which therefore does not offend the parol evidence rule. As indicated above, the person best placed to provide concise, clear and reliable evidence on this point is Mr. Ullmann, lead counsel to the Applicants in connection with the negotiation and settlement of the APA.

19. The Domfoam Purchaser is of course free to cross-examine Mr. Ullmann and test the veracity of his sworn evidence. Thus, it is submitted that there is no principled reason to preclude the submission of such evidence for the Court's consideration.

Estoppel

20. The Applicants further submit that the Domfoam Purchaser is now estopped from asserting any right it may have (which is not admitted) to the Disputed Funds. Over a period of approximately three years from June 2012 to October 2015, Domfoam repeatedly noticed the Service List that the US Class Action settlement proceeds were expected, and that the right to recover such funds remained an asset of Domfoam's estate. The Domfoam Purchaser was on the Service List this entire time, and raised no objection through this period, nor did it ever send a single piece of correspondence to Domfoam disagreeing with Domfoam's position or asserting any interest in any of the forthcoming class action settlement proceeds.

21. The following evidence is set out in the various affidavits of Mr. Vallecoccia that were all served on the Service List in the CCAA proceeding at the time when the Domfoam Purchaser was still on the Service List:

Date Affidavit Sworn	Sworn Evidence
June 12, 2012	“There is also a further substantial amount due from a litigation settlement entered into by each of Domfoam and Valle Foam prior to the CCAA process in connection with a class action with BASF where Domfoam and Valle Foam were part of a class of plaintiffs. This receivable was not sold to Domfoam Newco and remains an asset of Domfoam. ” [emphasis added]
February 22, 2013	“...I am advised by David Ullmann that one of the defendants, The Dow Chemical Company in the US Polyol litigation has refused to settle. A trial is proceeding with that defendant. It is anticipated that there could either by a substantial settlement, or a substantial award made in respect of that remaining defendant, which could result in further funds being payable to the Applicants. ” ... “The extension sought herein will provide the Applicants with the time necessary to...attend to the collection of the further instalments of the US Polyol settlement funds... ” [emphasis added]
July 11, 2013	“I am advised by David Ullmann that there has now been a trial in respect of one of the defendants, The Dow Chemical Company (“ Dow ”), in which a judgment has been rendered against Dow in the amount of \$1.2 Billion. This judgment will be appealed. The Applicants could receive a further significant payment from this judgment, or any related settlements. The right to receive the amounts due with respect to the Polyol claims remains an asset of the Applicants’ estates. The first \$200,000.00 of the Polyol claims was assigned to the Class Action Settlement. The Polyol claims were not marketed for sale in the sale process conducted in these proceedings. The Polyol claims were not listed as an asset available for sale in the sale process conducted by the Applicants and the Monitor. The Polyol claims were not included as an asset to be acquired by any purchaser in any of [the] agreements of purchase and sale with the Applicants. ” [emphasis added]
December 12, 2013	“ The right to receive the amounts due with respect to the Polyol claims remains an asset of the Applicants’ estates. ” ... It is anticipated at this time that, net of fees to RRS, the aggregate of the payments to the Applicants should be approximately \$140,000.00 (A-Z - \$8,000, Domfoam - \$58,000, Valle Foam - \$73,000).” [emphasis added]

April 22, 2014	<p>“By order dated November 7, 2013, the US Court authorized a second distribution of settlement funds.”</p> <p>“The right to receive the amounts due with respect to the Polyol claims remains an asset of the Applicants’ estates.” [emphasis added].</p>
October 22, 2014	<p>“The right to receive the amounts due with respect to the Polyol claims remains an asset of the Applicants’ estates.</p> <p>...</p> <p>I am advised by our counsel that, in the event the Dow judgment is upheld and payment is made by Dow in the full amount of the claim, the recovery to the Applicants could be significant.</p> <p>On a rough calculation, the gross amount, before attorney fees, payable in respect of the Applicants’ claim in the Polyol proceedings, in the event of a one billion dollar judgment, could be as high as: Valle Foam \$6,000,000.00. Domfoam \$4,900,000.00 and A-Z Foam \$690,000.00.” [emphasis added]</p>
September 25, 2015	<p>As stated in my Affidavit in these proceedings sworn October 22, 2014, on a rough calculation, before attorney fees, payable in respect of the Applicants’ claim in the Polyol proceedings, in the event of a one billion dollar judgment, could be as high as: Valle Foam \$6,000,000.00. Domfoam \$4,900,000.00 and A-Z Foam \$690,000.00.” [emphasis added]</p> <p>The extension sought herein will provide the Applicants and the Monitor further opportunity to deal with, among other things... to collect funds from the Polyol proceeding ...</p>

22. Copies of Mr. Vallecoccia’s affidavits cited above are attached at **Tabs C, D, E, F, G, H, and I.**

23. It was not until September 14, 2018, six years after the APA was finalized that the Domfoam Purchaser brought a motion asserting its purported entitlement to the Disputed Funds.

24. During the intervening period, while the Domfoam Purchaser was watching and waiting, the Applicants and their stakeholders in the CCAA proceeding advanced matters on the expressly stated understanding that the Disputed Funds were assets of the estate.

25. A Plan of Compromise and Arrangement (the “**Plan**”) was filed with the Court on August 16, 2016, primarily providing for the distribution of the now Disputed Funds to creditors. A meeting of creditors was held in respect of the Plan. The Plan was recommended to creditors by Deloitte Restructuring Inc. in its capacity as Court-appointed monitor (the “**Monitor**”). The Plan was voted on and approved by the requisite majorities of creditors at the creditors’ meeting. With the recommendation of the Monitor, the Plan was sanctioned by the Court. The Plan Implementation Certificate was filed by the Monitor on June 23, 2017.

26. All service procedures followed by the Applicants were approved by the Court. The Plan contains: (a) a release of claims against Domfoam to any claims for sums of money and payments or receipt of proceeds; and (b) a paramountcy provision that provides that in the event of any conflict between the Plan and the terms of any contract between Domfoam and any person, the terms of the Plan and the related Sanction Order shall have precedence and priority.

27. CCAA case law provides that even if a party has a right, the failure of that party to exercise that right in an expeditious manner can lead to the loss of that right, especially in circumstances where third party stakeholders have relied, to their detriment, on the sanctity of the “building blocks” laid down in a CCAA case. A summary of the relevant case law, demonstrating that this view is judicially well founded, is set out at **Tab J**.

28. Accordingly, the evidence of the steps taken by the Applicants and stakeholders in reliance on the expressly stated understanding that the Disputed Funds were available for distribution, on full notice to the Domfoam Purchaser, are relevant material facts at issue.

III. PROPOSED PROCEDURE

29. Consistent with His Honour's directive at paragraph 42 of the Reasons, that the adjudication procedure allow the matter to be adjudicated on a real-time, expedited timetable, the Applicants propose that the dispute be adjudicated by way of a motion supported by affidavit evidence only. The Applicants propose that the following should be considered in connection with adjudication process:

- (a) an affidavit from Mr. Ullmann to give evidence of the surrounding circumstances known by the parties around the time of the sale of Domfoam's operating assets to the Domfoam Purchaser and other relevant extrinsic evidence to resolve the ambiguity in the APA, and outlining the steps taken in the CCAA proceedings by the Applicants. Mr. Ullmann will not make submissions or serve as advocate on the motion;
- (b) an affidavit from counsel or other representative of the proven creditors, the B.C. class action plaintiffs. The B.C. class action plaintiffs, among other things, entered into two separate settlement agreements, both before and after the sale to the Domfoam Purchaser, both known to the Domfoam Purchaser, in reliance on the fact that the Disputed Funds were an asset of Domfoam. The B.C. creditors proven claim is in the amount of \$22 million¹;
- (c) an affidavit or brief from the Federal Department of Justice who is owed significant fines imposed by the Competition Bureau against the Applicants including Domfoam and who supported the Plan on reliance on the fact that the Disputed Funds were an asset of Domfoam. The Government of Canada's proven claim is in the amount of \$6 million²; and

¹ Twenty Third Report of the Monitor, para. 26

² Twenty Third Report of the Monitor, para. 26

- (d) that all prior affidavits exchanged and evidence from cross-examinations and Rule 39.03 examinations including transcripts and answers to undertakings remain part of the record for the hearing of the dispute.

30. Parties submitting these affidavits would be subject to out of court cross examination. Following completion of cross-examinations and the resolution of any undertakings and/or refusals deriving therefrom, the parties will then exchange facta and argue the motion which the Applicants estimate will take a day and a half. It is proposed that facta not exceed 50 pages (plus any supporting compendiums). It is proposed that a hearing date be set for late January or early February 2021, and that once the adjudication process is approved by the Court, the parties agree on a timeline for the exchange of pleadings, or failing agreement, seeking further direction from the Court.

ALL OF WHICH IS RESPECTFULLY SUBMITTED BY,



Varoujan Arman
Blaney McMurtry LLP
Lawyers for the Applicants

TAB A

ASSET PURCHASE AGREEMENT

Made as of the 8th day of March, 2012

Between

4037057 CANADA INC.

- and -

DOMFOAM INTERNATIONAL INC.

ASSET PURCHASE AGREEMENT

This Agreement is made as of the 8th day of March, 2012,

BETWEEN:

4037057 CANADA INC., a corporation existing under the laws of Canada

(hereinafter referred to as the "**Purchaser**")

- and -

DOMFOAM INTERNATIONAL INC., a corporation existing under the laws of Canada

(hereinafter referred to as the "**Vendor**")

RECITALS

- A. The Vendor carries on the Business and is willing to sell the Purchased Assets to the Purchaser;
- B. The Vendor has commenced proceedings in the Ontario Superior Court of Justice of the judicial district of Toronto (the "**CCAA Court**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") pursuant to which, among other things, Deloitte has been appointed as the monitor (the "**Monitor**") ; and
- C. The Vendor has agreed to sell and transfer and assign to the Purchaser and, subject to the issuance of the Approval Vesting Order, the Purchaser has agreed to purchase from the Vendor, subject to the conditions contained herein, all of the Vendor's interest in and to the Purchased Assets;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each party to the other, the parties agree as follows:

Section 1 – INTERPRETATION

1.1 Definitions

In this Agreement:

- (a) "**Agreement**" means this asset purchase agreement;
- (b) "**Allocation of Purchase Price**" has the meaning set out in Section 2.12;
- (c) "**Approval and Vesting Order**" means an Order of the CCAA Court, in form and content satisfactory to both the Purchaser and the Vendor, acting reasonably, which approves the

Vendor entering into this Agreement and the Transactions contemplated hereunder and vesting the Purchased Assets in the Purchaser free and clear of all liens, charges, pledges, security interests and other encumbrances;

- (c.1) "**Assigned Contracts**" has the meaning set out in Section 2.3;
- (d) "**Assumed Employees**" has the meaning set out in Section 2.5;
- (e) "**Assumed Obligations**" has the meaning set out in Section 2.6;
- (e.1) "**BASF Receivables**" has the meaning set out in Section 2.9;
- (f) "**Books and Records**" means all books and records and the data contained therein, whether in paper or electronic form, in the possession of the Vendor relating to the Purchased Assets or the Assumed Obligations (other than accounting records and books and records required by applicable law to be retained by the Vendor, copies of which shall be provided to the Purchaser at the Vendor's cost), including all policies, plans, audit reports, all personnel, employment, payroll and training records relating to the Assumed Employees, customer lists, Customer Contracts, sales records, price lists, and all other related files, records and information in the possession of the Vendor relating to the Purchased Assets or the Assumed Obligations, but, for certainty, not including (i) such books, records and data relating to any of the Excluded Assets or the Excluded Obligations or (ii) the corporate minute books of the Vendor or any of its Subsidiaries;
- (g) "**Business**" means collectively the business, affairs and operations of the Vendor, which for greater certainty, excludes the Subsidiaries businesses; the Vendor is in the business of manufacturing and selling polyurethane foam in Canada and, to a minimum extent, in the United States of America, for the bedding, carpet underlay, furniture and industrial industries;
- (h) "**Business Day**" means a day on which banks are open for business in the City of Toronto but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario;
- (i) "**CCAA**" has the meaning set out in the recitals hereof;
- (j) "**CCAA Court**" has the meaning set out in the recitals hereof;
- (k) "**Closing**" means the successful completion of the Transaction;
- (l) "**Closing Date**" means March 26th, 2012 or such other date as the parties may agree to in writing;
- (m) "**Contracts**" means the agreements as described in Schedule 1.1(m), as the same may be modified by the Purchaser from time to time pursuant to Section 2.8;
- (n) "**Customer Contracts**" means the Vendor's contracts, agreements, instruments and other legally binding commitments or arrangements, written or oral, concerning the provision of services by the Vendor to its customers including but not limited to those contracts listed in Schedule 1.1(n) attached hereto;
- (o) "**Deposit**" has the meaning set out in Section 2.11(a);

- (p) **"DIP Financing"** has the meaning set out in Section 5.1(n);
- (q) **"Email"** has the meaning set out in Section 7.4;
- (r) **"Equipment"** means all of the Vendor's equipment (including the Vendor's computer and computer accessories), office equipment, furniture, fixtures, furnishings and supplies of all kinds in the possession or control of the Vendor on the Closing Date, whether owned by the Vendor or in which the Vendor has an interest pursuant to an equipment operating lease or a security agreement;
- (r.1) **"Equipment Operating Leases"** means all operating leases of equipment or other personal property used by the Vendor as a lessee or under which the Vendor has rights as lessee and listed on Schedule 1.1(r.1) attached hereto;
- (s) **"ETA"** means the *Excise Tax Act* (Canada);
- (t) **"Excluded Assets"** has the meaning set out in Section 2.2;
- (u) **"Excluded Employees"** has the meaning set out in Section 2.5;
- (v) **"Excluded Obligations"** has the meaning set out in Section 2.7;
- (w) **"Initial Order"** means the Order of the CCAA Court obtained on January 12, 2012 in the CCAA Court file no. CV-12-9545-00CL;
- (x) **"Intellectual Property"** means the following intellectual property:
 - (i) all designs, graphics, slogans and other commercial symbols and all registrations and applications therefor;
 - (ii) all patents, patent rights (including divisions, reissues, renewals, re-examinations, continuations, continuations in part and extensions) and all applications therefor;
 - (iii) all copyrights, writings and other copyrightable works of authorship, including computer programs, databases and documentation therefor, integrated circuit topographies, industrial designs and other industrial property rights and all applications and registrations therefor and all renewals or extensions of such applications and registrations;
 - (iv) all proprietary and non-public business information, including know-how, trade secrets, improvements, concepts, ideas, technical data, drawings, specifications therefor, business methodologies and processes, confidential information and any licensed property or technology; and
 - (v) all goodwill and trademarks in whatever format, including without limitation, registered and unregistered trademarks, trade names, brand names, service marks, logos, copyrights, certification marks, drawings, permits, internet and electronic email addresses, URLs, telephone, telex and facsimile numbers, content of websites and domain names related to or connected with the business carried on by the Vendor, all related software and electronic code to the extent assignable and other similar intellectual property or intangibles of the Vendor;

- (y) "**Interim Period**" means the period between the date of acceptance of this Agreement by the Vendor and the Closing Date;
- (z) "**Leased Premises**" means the premises leased and occupied by the Vendor at:
 - (i) 8785 Langelier Blvd., (Saint-Leonard) Montreal, Québec, H1P 2C9;
 - (ii) 5675 Des Grandes-Prairies Blvd., (Saint-Leonard) Montreal, Québec, H1R 1B3;
 - (iii) 7525 Henri Bourassa East, Montreal, Québec, H1E 1N9;
- (aa) deleted;
- (bb) "**Monitor**" has the meaning set out in the Recitals;
- (cc) "**Objection Notice**" has the meaning set out in Section 2.10;
- (dd) "**Offer Date Inventory Value**" has the meaning set out in Section 2.9;
- (ee) "**Offer Date Receivable Value**" has the meaning set out in Section 2.9;
- (ff) "**Order**" means any order, directive, judgment, decree, award or writ of any tribunal;
- (gg) "**Purchase Price**" has the meaning set out in Section 2.9;
- (hh) "**Purchased Assets**" means the right, title and interest of the Vendor in and to the assets described in Schedule 1.1(hh), provided that the Purchased Assets shall not include any Excluded Assets;
- (ii) "**Purchased Inventories**" has the meaning set out in Section 2.9;
- (jj) "**Purchased Receivables**" has the meaning set out in Section 2.9;
- (kk) "**Purchased Working Capital**" has the meaning set out in Section 2.10;
- (ll) "**QSTA**" means an *Act respecting the Quebec Sales Tax*.
- (mm) *Withdrawn*;
- (nn) "**Schedules**" means any and all schedules referred to in this Agreement and attached thereto;
- (oo) "**Subsidiary(ies)**" means each of (i) Valle Foam Industries (1995) Inc. having its registered office at 4 West Drive, Brampton (Ontario) L6T 2H7, and (ii) A-Z Sponge & Foam Products Ltd. having its registered office at 811 Cundy Ave., Annacis Island, Delta (British Columbia) V3M 5P6. Those corporations being referred to individually as a "**Subsidiary**" and collectively as "**Subsidiaries**";
- (pp) "**Taxes**" has the meaning set out in Section 2.13;
- (qq) "**Tax Return**" means a report, return or other information or form required to be supplied to a governmental entity with respect to any Taxes;

- (rr) "**Time of Closing**" means 2:00 p.m. (Toronto Time) on the Closing Date or such other time on the Closing Date as the parties may mutually agree;
- (ss) "**Transaction**" means the transaction of purchase, sale, assignment and assumption contemplated by this Agreement;
- (tt) "**Unionized Employees**" has the meaning set out in Section 2.5; and
- (uu) "**Vendor's Intellectual Property**" means all Intellectual Property used by the Vendor as at the Closing Date, including any Intellectual Property listed in Schedule 1.1(uu) attached hereto.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof.

1.3 Extended Meanings

Words importing the singular include the plural and vice versa, words importing gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations, corporations and governmental authorities. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings.

[Section 1.4 follows on next page]

1.4 Schedules

The following schedules are incorporated in and form part of this Agreement:

Schedule 1.1(m)	Contracts
Schedule 1.1(o)	Customer Contracts
Schedule 1.1(r.1)	Equipment Operating Leases
Schedule 1.1(hh)	Purchased Assets
Schedule 1.1(uu)	Vendor's Intellectual Property
Schedule 2.2	Excluded Assets
Schedule 2.6	Assumed Obligations
Schedule 2.9(A)	Purchased Receivables
Schedule 2.9(B)	Purchased Inventories
Schedule 2.9(E)	Excess rebates to customers
Schedule 4.1(c)	Confidentiality Agreement
Schedule 5.1(o)	List of assets to be acquired from Valle Foam Industries (1995) Inc.

[Section 2 follows on next page]

Section 2 – SALE AND PURCHASE AND ASSIGNMENT

2.1 Sale and Purchase of Assets

Subject to the terms and conditions hereof, the Vendor shall sell to the Purchaser and the Purchaser shall purchase from the Vendor the Purchased Assets on the Closing Date. The Purchaser acknowledges that it is not purchasing any other property or assets of the Vendor other than the Purchased Assets. The Purchaser acknowledges and agrees that this Agreement contains a condition (not capable of waiver) that, prior to the Closing, the Vendor shall have obtained the Approval and Vesting Order, as provided in this Agreement. If the Vendor shall not have obtained the Approval and Vesting Order after making application for the same, this Agreement shall automatically terminate without any further action on the part of any of the Vendor or the Purchaser and neither party hereto shall be under any further obligation to the others to complete the Transactions and each party hereto shall be released immediately of all of its obligations hereunder, other than as set forth in Sections 6.6(b) (return of the Deposit), 4.1(c) (Confidentiality Agreement) and 7.3 (Cost and Expenses).

2.2 Excluded Assets

The Purchased Assets shall not include (i) any assets of the Vendor other than the Purchased Assets or (ii) those assets of the Vendor that are listed or described in Schedule 2.2 on the date hereof and those assets of the Vendor which are added to such Schedule 2.2 by the Purchaser during the Interim Period (collectively, the "**Excluded Assets**"). If any of the Excluded Assets or any proceeds in respect thereof shall at any time come into the possession of or under the control of the Purchaser or any of its employees, officers or agents, such assets and proceeds shall be held by the Purchaser in trust for the benefit of the Vendor. Within fifteen (15) Business Days from the date on which the Purchaser, or any of its employees, officers or agents, comes into possession of or obtains control over any of such assets or proceeds, as applicable, the Purchaser shall (a) by notice in writing delivered to the Vendor and the Monitor in accordance with the provisions hereof, so advise the Vendor and the Monitor, and (b) forthwith account and deliver over to the Vendor or the Monitor any such assets or proceeds, less any reasonable costs incurred by the Purchaser in executing said obligations.

2.3 Assignment and Assumption of Contracts

Subject to the conditions and terms hereof, the Vendor and the Purchaser agree to work cooperatively and to use their commercial best efforts to obtain the consents or approvals to the assignment of the Customer Contracts and the Contracts or any other contract that the Purchaser may require to be added to Schedule 1.1(m) during the Interim Period (collectively the "**Assigned Contracts**"), as requested by the Purchaser acting reasonably, on terms and conditions satisfactory to the Purchaser. Except for any administration fee required to be paid to the person whose consent or approval has been requested in respect of any such Assigned Contract, the Vendor shall not be required to pay any amount or fee whatsoever in connection with the Vendor's covenant to attempt to obtain such consent or approval for such Assigned Contracts. The Purchaser agrees to supply all such information to the Vendor and the person whose consent or approval has been requested (including, without limitation, credit and financial information) as may be reasonably requested by the Vendor or the person whose consent or approval has been requested and to otherwise cooperate, acting reasonably, with the Vendor and the person whose consent or approval has been requested in connection with the foregoing. Notwithstanding any other provision of this Agreement, the failure of the Vendor or the Purchaser to have obtained any such consents or approvals requested by the Purchaser shall not entitle the Purchaser to terminate this Agreement or reduce the Purchase Price and shall not operate to release the Purchaser from any of its obligations hereunder.

To the extent the assignment of any of the Assigned Contracts assigned to the Purchaser pursuant to the provisions hereof shall require the consent or approval of any person and such consent or approval is not obtained at or prior to the Time of Closing, this Agreement shall not constitute a contract to assign such Assigned Contract if an attempted assignment would constitute a breach thereof. The Vendor shall co-operate with the Purchaser in any reasonable arrangement designed to provide the Purchaser with the benefit of such Assigned Contract including enforcement of any and all rights of the Vendor (if any) against the other party thereto arising out of any breach or cancellation thereof by such party or otherwise. Nothing contained herein shall be construed to negate or diminish, as between the Vendor and the Purchaser, the Vendor's covenants and obligations to transfer and deliver to the Purchaser the Purchased Assets as provided in this Agreement.

2.4 "As is, Where is"

The Purchaser acknowledges that the Vendor is selling and the Purchaser is purchasing the Purchased Assets on an "as is, where is" basis as they shall exist on the Closing Date. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendor does not guarantee title to the Purchased Assets and that the Purchaser has conducted such inspections of the condition of and the title to the Purchased Assets as it has deemed appropriate and has satisfied itself with regard to these matters. Without limiting the generality of the foregoing, the Purchaser acknowledges that there are no representations, warranties, terms, conditions, undertakings or collateral agreements, express or implied, statutory or otherwise, with respect to the Purchased Assets or with respect to any other matter or thing whatsoever except as otherwise expressly stated herein, including as to existence, title, encumbrances, description, fitness for purpose and merchantability concerning the Purchased Assets. The description of the Purchased Assets contained in the Schedule 1.1(hh) is for the purpose of identification only. The Purchased Assets are being purchased as they exist at execution hereof and, except as provided in Section 2.10, no adjustment will be allowed to the Purchaser for any change in condition, value, or quality of the Purchased Assets.

2.5 Employees

The Vendor shall provide to the Purchaser within five (5) Business Days of the acceptance of this Agreement a list of the names of the individuals of the Vendor that are full-time, part-time or casual employees or individuals engaged on contract to provide services to the Vendor together with all recruitment agencies' employees actually working for the Vendor. The Purchaser agrees that it shall offer employment to (i) all the unionized employees employed by the Vendor (the "**Unionized Employees**") and (ii) substantially all other employees of the Vendor other than those employees or individuals that the Purchaser has identified in writing to the Vendor ("the "**Excluded Employees**"), and in any event at least 60% of the non-unionized employees, five (5) Business Days prior to the Closing Date (the **Unionized Employees** and such other employee or individual who accepts the Purchaser's offer, the "**Assumed Employees**"), effective as at the Time of Closing, on terms and conditions of employment as may be agreed between the Purchaser and the Assumed Employees (except in the case of the Unionized Employees whose employment terms shall be governed by the applicable collective bargaining agreement). Until the Closing Date, the Vendor shall be responsible for all wages, outstanding claims for severance prior to the Closing Date, workers compensation contributions, any amount owed under the *Pay Equity Act* (R.S.Q., chapter E-12.001) and any regulation adopted under such Act, and other remuneration and benefits as may be payable, or related, to the employees of the Vendor. It is expressly understood that the Vendor shall not be responsible for any accrued vacation which may be owing to the Assumed Employees at or before the Time of Closing. After the Closing Date, the Vendor shall remain responsible for all such amounts payable, or related to, the Excluded Employees.

2.6 Assumed Obligations

In connection with the acquisition of the Purchased Assets, the following obligations and liabilities ("**Assumed Obligations**") shall be assumed by the Purchaser as of the Time of Closing:

- (a) all obligations related to the Assumed Employees for the period beginning immediately after the Time of Closing;
- (b) all obligations and liabilities of the Vendor as of the Time of Closing under the Customer Contracts and the Contracts;
- (c) all obligations and liabilities in connection with the Purchased Assets and related to the period after the Time of Closing;
- (d) such other liabilities as the Purchaser advises the Vendor prior to the Time of Closing that the Purchaser will assume;
- (e) those obligations listed on Schedule 2.6 hereto;
- (f) all obligation related to the Assumed Employees for any outstanding accrued vacation pay outstanding as at the Time of Closing.

The Purchaser shall indemnify and hold harmless the Vendor with respect to any claim which may, from time to time, be asserted against the Vendor relating to the Assumed Obligations after the Time of Closing and from any and all costs (including all reasonable legal costs on a solicitor and its own client basis), actions, losses, claims, damages and liabilities whatsoever which the Vendor may suffer or incur by virtue of the failure of the Purchaser to pay, perform and discharge the Assumed Obligations.

2.7 Excluded Obligations

Other than the Assumed Obligations, the Purchaser shall not assume and shall not be liable for any other liabilities or obligations of the Vendor (the "**Excluded Obligations**").

2.8 Purchaser's Right to Exclude

Notwithstanding anything to the contrary in this Agreement, the Purchaser may, at its option, exclude any of the Purchased Assets, other than any of the Equipment, from the Transaction prior to the Closing Date, whereupon such Purchased Assets shall be Excluded Assets, provided, however, that there shall be no corresponding reduction in the Purchase Price. For greater certainty, the Purchaser shall be entitled to exclude any of the Contracts described in Schedule 1.1(m) hereto (with the exception of the collective bargaining agreement relating to the Unionized Employees) and any of the Customer Contracts described in Schedule 1.1(n) hereto.

2.9 Purchase Price

The Purchase Price for the Purchased Assets would be, calculated as described hereinafter, the aggregate amount of three million six hundred sixty two thousand nine hundred and seventy five dollars (\$3,662,975) plus the assumption of the Assumed Obligations, said Purchase Price to be established as of the Closing Date (the "**Purchase Price**").

The Purchase Price is divided as follow:

(A)	Purchased Receivables:	\$2,450,976
(B)	Purchased Inventories:	\$946,586
(C)	<i>Withdrawn</i>	
(D)	All other Purchased Assets:	\$300,000
(E)	Excess rebates to customers	(\$34,587)

For more clarity, the Purchase Price has been established on the following method of calculation as for the Purchased Receivables and the Purchased Inventories, and same method of calculation shall be used to establish the final amount of the Purchase Price as of the Closing Date:

(A) Purchased Receivables

As of January 31, 2012, the total amount of all the Vendor's accounts receivable (the "**Purchased Receivables**") is five million nine hundred ninety six thousand six hundred and ninety two dollars (\$ 5,996,692) (the "**Offer Date Receivable Value**"), and is detailed in Schedule 2.9(A) – Section 1.

The portion of the Purchase Price attributed to the Purchased Receivables is two million four hundred fifty thousand nine hundred and seventy six dollars (\$2,450,976) and is calculated as described in Schedule 2.9(A) – Section 2.

(B) Purchased Inventories

As of January 11, 2012 (and for Chemicals (majors) and Small Chemicals, as of January 31, 2012), the total amount of all the Vendor's inventory (raw material, work in progress and finished goods inventory) (the "**Purchased Inventories**") is three million fifty six thousand and eleven dollars (\$3,056,011) (the "**Offer Date Inventory Value**") in Schedule 2.9(B) – Section 1.

The portion of the Purchase Price attributed to the Purchased Inventories is nine hundred forty six thousand five hundred and eighty six dollars (\$946,586) and is calculated as described in Schedule 2.9(B) – Section 2.

(C) BASF Receivables

Withdrawn

(D) Other Purchased Assets

The Purchaser is ready to pay the Vendor the amount of three hundred thousand dollars (\$300,000) for all the other Purchased Assets.

(E) Excess rebates to customers

The Purchase Price shall be reduced by the total amount of rebates earned by the Vendor's customers for the calendar year 2011 and not already applied to the outstanding invoices for each said customer at the Closing Time. As of January 27, 2012, the excess rebates to customers total thirty four

thousand five hundred and eighty seven dollars (\$34,587) as calculated in Schedule 2.9(E) and shall be adjusted as at the Closing Date using the same parameters.

2.10 Settlement of the Purchase Price

The Vendor and the Purchaser agree that the Purchase Price shall be adjusted as for the Purchased Receivables and the Purchased Inventories (collectively, the "**Purchased Working Capital**") as follows:

(A) Re: Accounts receivable:

Subject to the limit established hereinafter in this paragraph, the Purchase Price payable in relation with the Purchased Receivables shall be adjusted downward or upward, as the case may be, as per the formula established in Schedule 2.9(A) – Section 2, in the event and to the extent that, on the Closing Date, the aggregate value of the Purchased Receivables shall be lower or higher, as the case may be, than the Offer Date Receivable Value. Nonetheless, if the total amount of the Purchased Receivables, as the total appears in the first column on page 4 of Schedule 2.9(A) - Section 1, is, as of the Closing Date, over five million nine hundred thousand dollars (\$5,900,000), then the difference between the total amount of the Purchased Receivables as of the Closing Date and the limit herein established shall be deducted from the calculation of the current portion of the Purchased Receivables for the Vendor as of the Closing Date.

(B) Re: Inventory:

The Purchase Price payable in relation with the Purchased Inventories shall be adjusted downward or upward, as the case may be, as per the formula established in Schedule 2.9(B) – Section 2, in the event and to the extent that, on the Closing Date, the aggregate value of the Purchased Inventories shall be lower or higher, as the case may be, than the Offer Date Inventory Value.

On or before the fifth (5) Business Day after the Closing Date, the Vendor shall deliver to the Purchaser a statement setting forth a detailed calculation of the Purchased Working Capital as of the Closing Date, with all the relevant supporting evidence, and prepared by the Vendor with the same parameters as used for the evaluation of the Purchase Price as for the Purchased Receivables and the Purchased Inventories as detailed in Schedules 2.9(A) and 2.9(B).

The value of the Purchased Inventories shall be based on a physical inventory count and valued on a basis consistent with the Vendor's costing methodologies used for the establishment of the Offer Date Inventory Value. The physical inventory count will be jointly supervised by the Vendor, the Purchaser and the Monitor.

The Purchaser may dispute the value of the Purchased Working Capital as presented by the Vendor by notice in writing (the "**Objection Notice**") given to the Vendor within ten (10) Business Days after the delivery of the Vendor's statement as to the amount of the Purchased Working Capital. Such Objection Notice shall specify, in detail, the basis for the dispute and the Vendor's adjustments to the value of the Purchased Working Capital shown by the Vendor in its statement.

If the Purchaser and the Vendor cannot agree on the value of the Purchased Working Capital within five (5) Business Days after the delivery of the Objection Notice, then either the Purchaser or the Vendor may make a motion to the CCAA Court to resolve this dispute.

Forthwith after agreement as to the amount of the Purchased Working Capital or forthwith upon the decision of the CCAA Court as to the amount of the Purchased Working Capital, then, as the case may be, the Vendor shall refund to the Purchaser such portion of the Purchase Price which is equal to the amount by which the respective Purchased Working Capital values are less than the respective Offer Date Receivable Value and Offer Date Inventory Value, or alternatively, the Purchaser shall pay to the Vendor, by way of certified cheque or wire transfer, such additional amount which is equal to the amount by which the respective Purchased Working Capital values are higher than the respective Offer Date Receivable Value and Offer Date Inventory Value.

The Monitor and the Vendor agree that they shall not make a motion to the CCAA Court for distribution of any funds received by either of them under this Agreement, or otherwise distribute any such funds, unless the Purchase Price adjustments contained in this Section have been completed and the covenant contained in Section 4.2(b) has been fulfilled. However, in the event that the Purchase Price adjustments have not been settled by the date that is ninety (90) days following the Closing Date, the Monitor shall be entitled to bring a distribution motion on appropriate notice to the Purchaser and the Vendor and each of the Purchaser, the Vendor and the Monitor shall be entitled to make submissions to the CCAA Court in this regard.

2.11 Method of Payment

The Purchase Price shall be satisfied as follows:

- (a) a deposit in the amount of three hundred and sixty thousand dollars (\$360,000) (the “**Deposit**”) by bank draft or certified cheque payable to the Monitor, in trust, to be held in trust by the Monitor until the Time of Closing and then credited towards the Purchase Price, or in accordance with any other provision herein;
- (b) the amount of three million one hundred and two thousand nine hundred and seventy five dollars (\$3,102,975) by certified cheque or wire transfer payable to the Monitor at the Time of Closing;
- (c) the amount of two hundred thousand dollars (\$200,000) (the “**Holdback**”) to be paid no later than a sixty (60) days following the Closing Date; and
- (d) by the assumption of the Assumed Obligations.

The Purchaser shall have the ability to offset any portion of the Holdback against any downward adjustment of the Purchase Price per Section 2.10 herein. The Purchaser shall also have the ability to offset any portion of the Holdback against any claim made against the Purchaser from any of the Vendor’s employees for any period up to the Closing Time. In such case, the Purchaser shall have the right to retain the Holdback as long as final judgments have not been rendered vis à vis such claim.

2.12 Allocation of Purchase Price

The Purchaser and the Vendor shall, acting reasonably, agree on the allocation of Purchase Price (other than for the Purchased Receivables and the Purchased Inventories) on or before the Closing Date, and they shall execute and file any Tax Returns required on the basis of such allocation.

2.13 Taxes

The Purchaser shall be liable for and shall pay any and all federal, provincial and other sales, goods and services, value added, and other transfer taxes which are properly payable by the Purchaser in connection with the transfer of the Purchased Assets by the Vendor to the Purchaser, together with all duties, registration fees or other charges properly payable by the Purchaser upon or in connection with the conveyance or transfer of the Purchased Assets (collectively, the "Taxes").

2.14 Value Added Tax

- (a) The Purchaser shall be liable for and shall pay any Taxes which may be exigible under Part IX of the ETA;
- (b) The Vendor hereby declares that it is duly registered under Subdivision (d) of Division V of Part IX of the ETA;
- (c) The Vendor hereby declares that it is duly registered under the QSTA;
- (d) Without limiting the Purchaser's indemnity obligations under Section 2.13, the Vendor and the Purchaser will on the Closing Date jointly execute and deliver to each other an election, in the prescribed form and containing the prescribed information, pursuant to subsection 167(1) of the ETA and the corresponding provision of the QSTA so that no tax is payable under any such laws in respect of the sale and purchase of the Purchased Assets hereunder, and the Purchaser shall file any joint election in accordance with the ETA and QSTA.

2.15 Section 22 Election — Accounts Receivable

The Purchaser and the Vendor agree to elect jointly in the prescribed form under Section 22 of the *Income Tax Act* (Canada) as to the sale of the accounts receivable and other applicable Purchased Assets described in Section 22 of the *Income Tax Act* (Canada) and the corresponding provision of the statute that is the provincial equivalent thereof and to designate in such election an amount equal to the portion of the Purchase Price allocated to such assets pursuant to Section 2.12 as the consideration paid by the Purchaser therefor.

2.16 Risk of Loss

During the Interim Period, up to the Time of Closing, the Purchased Assets shall be and remain at the risk of the Vendor. If, prior to the Closing Date, all or substantially all of the Purchased Assets or any plant operated by the Vendor is destroyed or damaged by fire or any other casualty or shall be appropriated, expropriated or seized by any governmental entity or other lawful authority, the Purchaser shall have the option, at its absolute discretion, exercisable by notice in writing given within fifteen (15) Business Days after the Purchaser receives notice in writing from the Vendor of such destruction, damage, appropriation, expropriation or seizure:

- (a) In the event of damage or destruction, to complete the Transaction subject to a reduction of the Purchase Price to be mutually agreed to by the parties;

- (b) In the event of appropriation or expropriation, to complete the Transaction without reduction of the Purchase Price, in which event all proceeds of insurance or compensation for appropriation, expropriation or seizure shall be payable to the Purchaser and all right and claim of the Vendor to any such amounts not paid on the Closing Date shall be assigned to the Purchaser; or
- (c) In either event, to terminate this Agreement, receive a refund of the Deposit and not complete the Transaction, in which case all obligations of the Purchaser shall terminate forthwith upon the Purchaser giving notice as required herein.

[Section 3 follows on next page]

Section 3 – REPRESENTATIONS AND WARRANTIES

3.1 Purchaser's Representations

The Purchaser represents and warrants to the Vendor that:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Canada;
- (b) the Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations and the execution and delivery of this Agreement and the consummation of the transactions contemplated herein and have been duly authorized by all necessary corporate action on the part of the Purchaser;
- (c) the Purchaser is not a party to, bound or affected by or subject to any indenture, agreement, instrument, charter or by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the performance by it of any of the terms contained herein;
- (d) this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party have been or will be, as at the Time of Closing, duly and validly executed and delivered by the Purchaser and constitutes or will, as at the Time of Closing, constitute legal, valid and binding obligations of the Purchaser, as the case may be, enforceable in accordance with the terms hereof or thereof;
- (e) the Purchaser is not a non-Canadian person as defined in the *Investment Canada Act*; and
- (f) the Purchaser is or will be prior to Closing Date registered under Part IX of the ETA and under the QSTA.

3.2 Representations and Warranties of the Vendor

The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying thereon in completing this Agreement:

- (a) the Vendor is a corporation duly incorporated, organized and subsisting under the laws of Canada;
- (b) the Vendor has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations and the execution and delivery of this Agreement and the consummation of the transactions contemplated herein and have been duly authorized by all necessary corporate action on the part of the Vendor;
- (c) the Vendor is not a party to, bound or affected by or subject to any indenture, agreement, instrument, charter, by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the performance by it of any of the terms contained herein;

- (d) this Agreement and all other documents contemplated hereunder to which the Vendor is or will be a party have been or will be, as at the Time of Closing, duly and validly executed and delivered by the Vendor and constitutes or will, as at the Time of Closing, constitute legal, valid and binding obligations of the Vendor, as the case may be, enforceable in accordance with the terms hereof or thereof; and
- (e) the Vendor is a registrant for the purposes of Part IX of the ETA.

3.3 Survival of Representations and Warranties

The representations and warranties of the Vendor shall survive the completion of the Transaction and shall continue in full force and effect for the benefit of the Purchaser (which term for the purposes of this Section 3.3 shall include the Purchaser's directors and officers) for a period of nine (9) months from the Closing Date.

The representations and warranties of the Purchaser shall survive the completion of the Transaction and shall continue in full force and effect for the benefit of the Vendor (which term for the purposes of this Section 3.3 shall include the Vendor's respective directors and officers) for a period of nine (9) months from the Closing Date.

[Section 4 follows on next page]

Section 4 – RESPECTIVE COVENANTS OF THE PARTIES

4.1 Covenants of the Purchaser

- (a) The Purchaser agrees that from and after the Time of Closing, it shall preserve the Books and Records actually received from the Vendor at the Time of Closing, and at the reasonable request of the Vendor, the Monitor or another party acting in a court-appointed capacity (such as a receiver, interim receiver, receiver and manager or bankruptcy trustee, or any of their respective authorized representative) (a "**Requestor**") from time to time, the Purchaser shall co-operate fully with the Requestor and make available to the Requestor in a reasonable timely fashion during normal business hours (i) such Books and Records, (ii) the premises of the Purchaser for the Requestor's review of the Books and Records, and (iii) at the Requestor's expense, the personnel of the Purchaser, in each case to the extent the Requestor reasonably consider necessary (A) to permit the Requestor to prepare and file necessary Tax Returns and any other statutory documents relating to the operation by the Vendor of its business up to the Time of Closing, (B) to properly fulfil the Vendor's obligations in bankruptcy, as the case may be, (C) for the preparation by any Requestor of any Tax Returns or in connection with any assessment, reassessment or other form of document assessing liability of the Vendor for taxes under applicable tax legislation in respect of any taxation year, (D) in connection with the restructuring proceedings, or (E) to ensure compliance by the Vendor with applicable law;
- (b) The Purchaser agrees that from and after the Time of Closing, it shall permit the Requestor to make copies, at the Requestor's expense, of the Books and Records actually received by the Purchaser from the Vendor at the Time of Closing and shall provide reasonable assistance to the Requestor, at the Requestor's expense, to prepare T4 forms and records of employment for the employees of the Vendor who accept offers of employment from the Purchaser. In the case of the Books and Records actually received from the Vendor at the Time of Closing, the Purchaser agrees to preserve same for a minimum of 6 years from the Closing Date;
- (c) Until the Time of Closing, and in the event of the termination of this Agreement without consummation of the Transaction, the Purchaser shall keep confidential any information obtained from the Vendor in accordance with the confidentiality agreement executed between S.P. Holdings or Nominee and the Vendor on November 25, 2011 (the "**Confidentiality Agreement**") and attached hereto as Schedule 4.1(c) as if the Purchaser was a party thereto, and the Purchaser hereby agrees in favour of the Vendor to be bound by the terms of such confidentiality agreement as if it were an original signatory thereto. If this Agreement is terminated without consummation of the Transaction contemplated, promptly after termination, all documents, work papers and other written material obtained in connection with this Agreement and not made public (including all copies), shall be returned to the Vendor.

4.2 Covenants of the Vendor

- (a) The Vendor shall allow the Purchaser to have reasonable access to the Vendor's management team, on a daily basis, and the Vendor's management team shall answer Purchaser's questions about the operation of the Business, the management of the Business and the decisions to be taken by the Vendor's management team during the Interim Period;

- (b) The Vendor shall provide the Purchaser, within fifteen (15) Business Days following the Closing Date, confirmation that all wages, outstanding claims for severance prior to the Closing Date, workers compensation contribution, any amount owed under the *Pay Equity Act* (R.S.Q., chapter E-12.001) and any regulation adopted under such Act, and other remuneration and benefits as may be payable, or related, to the employees of the Vendor, immediately before the Closing Date, have been paid up to and including the Closing Date. The Vendor shall not terminate any employees during the Interim Period without cause. The Vendor shall give 48 hours notice to the Purchaser of any termination with cause of an employee during the Interim Period.
- (c) The Vendor shall use its best efforts to obtain such releases as may be required by the Purchaser, acting reasonably, regarding the termination of management employees, a list of which shall be provided by the Purchaser no later than ten (10) Business Days prior to the Closing Date; and
- (d) The Vendor agrees that during the Interim Period, it shall continue to conduct its Business in the ordinary course and, without limiting the generality of the foregoing, continue to serve its customers on a daily and normal basis without interruption, purchase inventory to satisfy the needs of the Business and deliver the finished goods on the timely manner as done in the past year.

[Section 5 follows on next page]

Section 5 – CONDITIONS

5.1 Conditions - Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being fulfilled or performed by the Vendor or prior to the Time of Closing:

- (a) all representations and warranties of the Vendor contained in this Agreement shall be true as of the Closing Date with the same effect as though made on and as of that date;
- (b) deleted;
- (c) *Withdrawn*;
- (d) the Vendor shall not be bankrupt as at the Time of Closing;
- (e) the obtaining of the Approval and Vesting Order to the entire satisfaction of the Purchaser;
- (f) the Vendor shall have performed its obligations under this Agreement to the extent required to be performed on or before the Closing Date;
- (g) no action or proceedings shall be pending or threatened to restrain or prohibit the completion of the Transaction;
- (h) *Withdrawn*;
- (i) the Vendor shall not have transferred any inventory or equipment to any of its Subsidiaries, shall not have assigned any of its Contracts to its Subsidiaries or have sold to its Subsidiaries any of the Purchased Assets without having obtained from the Purchaser a prior written approval of said transaction which the Purchaser may refuse at its complete discretion;
- (j) *Withdrawn*;
- (k) the Vendor shall have paid all rent due under the Lease for the period from January 12, 2012 up to and throughout the Interim Period;
- (l) the Vendor shall have filed, before the Closing Date, articles of amendment to change its corporate name “Domfoam International Inc.” to a numbered corporation, and shall have sought an order of the Court authorizing the change of name required herein if such Order is determined to be necessary by the Purchaser, and shall provide to the Purchaser, at the Time of Closing, (a) with a copy of the certificate of amendment evidencing said change and (b) a written authorization for the Purchaser to use said corporate name and any derivative of it;
- (m) deleted;
- (n) *Withdrawn*;
- (o) In the event that any or all of the assets of Valle Foam Industries (1995) Inc., listed in Schedule 5.1(o) are not, as at the Closing Date, subject to an agreement of purchase and sale and otherwise remain the assets of Valle Foam Industries (1995) Inc., the Vendor

shall have acquired said assets from Valle Foam Industries (1995) Inc., prior to the Closing Date, which assets will therefore form part of the Purchased Assets. The inclusion or exclusion of the assets on Schedule 5.1(o) will not adjust the Purchase Price payable hereunder by the Purchaser; and

- (p) the obtaining on or before the date which is fifteen (15) Business Days from acceptance of this Agreement by the Vendor of a commitment letter from the actual general manager of the Vendor (John C. Howard) on the terms and conditions of a three (3) year employment agreement with the Purchaser.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any such condition (except 5.1(e)) may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing.

5.2 Conditions – Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of the Purchaser contained in this Agreement shall be true as of the Closing Date with the same effect as though made on and as of that date;
- (b) the Purchaser shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date; and
- (c) no action or proceedings shall be pending or threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The foregoing conditions are for the exclusive benefit of the Vendor. Any such condition may be waived by the Vendor in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing.

5.3 Mutual Conditions

The obligations of the Vendor on the one hand, and the Purchaser on the other hand are subject to the conditions that:

- (a) the Approval and Vesting Order shall have been made by the CCAA Court on or before the 28th day of March, 2012 (or such later date as the parties may agree to, acting reasonably); and
- (b) the Approval and Vesting Order shall not have been stayed, varied or vacated, and no order shall have been issued which restrains or prohibits the completion of the Transaction.

The parties hereto acknowledge that the foregoing conditions are for the mutual benefit of the Vendor and the Purchaser.

5.4 Actions to Satisfy Closing conditions

Each of the parties agrees to diligently take all actions as are within its power to control, and to use commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to ensure compliance with the conditions set forth in sections 5.1, 5.2 and 5.3 and, generally, the conditions set forth in this Agreement.

5.5 Non-Satisfaction of Conditions

If any condition set out in this Section 5 is not satisfied or performed on or prior the Closing Date, or at any date provided for herein, then the Vendor or the Purchaser, depending whose benefit the condition is inserted, may:

- (a) waive compliance with the condition in whole or in part in its sole discretion by written notice to the other party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) choose to give the other party an additional delay for said condition to be satisfied or performed; or
- (c) elect on written notice to the other party to terminate this Agreement before Closing.

[Section 6 follows on next page]

Section 6 – CLOSING

6.1 Closing

The completion of the Transaction shall take place on the Closing Date at the Time of Closing at a location to be determined by the mutual agreement of the parties in writing or at such other time as otherwise determined by mutual agreement of the parties in writing.

6.2 Purchaser's Deliveries on Closing

At or before the Time of Closing, the Purchaser shall execute and deliver to the Vendor the following, each of which shall be in form and substance satisfactory to the Vendor, acting reasonably:

- (a) payment of the portion of the Purchase Price payable at the Time of Closing;
- (b) payment or evidence of payment of applicable federal and provincial Taxes or alternatively, appropriate exemption certificates, as required by this Agreement;
- (c) general conveyance and assumption of liabilities agreement pursuant to Subsection 2.6 duly executed by the Purchaser, in form and substance mutually satisfactory to the Vendor and the Purchaser;
- (d) the Allocation of Purchase Price pursuant to Section 2.12;
- (e) an assignment or assignments of Intellectual Property agreements, in form and substance mutually satisfactory to the Vendor and the Purchaser, duly executed by the Purchaser;
- (f) an assignment or assignments of Customer Contracts and Contracts, in form and substance mutually satisfactory to the Purchaser and the Vendor, duly executed by the Purchaser;
- (g) an assignment of leases for the Leased Premises, in form and substance mutually satisfactory to the Vendor and the Purchaser, duly executed by the Purchaser;
- (h) a certificate, dated the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (i) an acknowledgement dated the Closing Date, that each of the conditions precedent in Section 5.1 of this Agreement have been fulfilled, performed or waived as of the Closing Date; and
- (j) such further and other documentation as is referred in this Agreement or as the Vendor may reasonably require to give effect to this Agreement including pursuant to Sections 2.2, 2.6 and 2.8.

6.3 Vendor's Deliveries on Closing

At or before the Time of Closing, the Vendor shall execute and deliver to the Purchaser the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) a bill of sale pursuant to which the Vendor shall assign, sell, transfer and convey all of its right, title and interest in and to its Purchased Assets, in form and substance mutually satisfactory to the Vendor and the Purchaser, duly executed by the Vendor;
- (b) an assignment or assignments of Intellectual Property agreements, in form and substance mutually satisfactory to the Vendor and the Purchaser, duly executed by the Vendor;
- (c) an assignment of leases for the Leased Premises, in form and substance mutually satisfactory to the Vendor and the Purchaser, duly executed by the Vendor;
- (d) an assignment or assignments of Customer Contracts and Contracts, in form and substance mutually satisfactory to the Purchaser and the Vendor, duly executed by the Vendor;
- (e) the Approval and Vesting Order in form and substance satisfactory to the Purchaser, acting reasonably;
- (f) a certificate, dated the Closing Date, confirming that all of the representations and warranties of the Vendor contained in this agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (g) an acknowledgement dated the Closing Date, that each of the conditions precedent in Section 5.2 of this Agreement have been fulfilled, performed or waived as of the Closing Date; and
- (h) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement which shall be prepared by the Purchaser at its sole expense and in form and substance satisfactory to the Vendor, acting reasonably.

6.4 Possession of Assets

The Vendor shall remain in possession of the Purchased Assets until the Time of Closing. On Closing, the Purchaser shall take possession of the Purchased Assets which shall be located in the Leased Premises. In no event shall the Purchased Assets be sold, assigned, transferred or set over to the Purchaser until the conditions set out in the Approval and Vesting Order have been satisfied and the Purchaser has satisfied all delivery requirements outlined in Section 6.2.

6.5 Access to Assets

deleted

6.6 Termination

If either the Vendor on the one hand, or the Purchaser on the other hand, validly terminates this Agreement pursuant to the provisions of Sections 5.5, or 2.16,

- (a) all the obligations of the Vendor and Purchaser pursuant to this Agreement shall terminate;
- (b) the Purchaser shall be entitled to have the Deposit and all the monies paid hereunder returned immediately with any interest earned thereon, as the case may be, but without deduction provided; and
- (c) neither party shall have any right to specific performance or other remedy against, or any right to recover damages or expenses from, the other.

6.7 [Break Fee] *Withdrawn*

[Section 7 follows on next page]

Section 7 – GENERAL

7.1 Further Assurances

Each of the parties shall, from time to time after the Closing Date, at the request and expense of the other, promptly take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such documents and further assurances as may be reasonably necessary to give effect to this Agreement.

7.2 Obligations to Survive

Notwithstanding the completion of the transactions contemplated hereunder or the delivery of documents pursuant to this Agreement, the obligations, covenants, representations and warranties of the parties hereto shall survive such completion and shall remain in full force and effect and shall not merge as a result thereof.

7.3 Costs and Expenses

Each party hereto shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel, bankers, investment bankers, accountants and other advisors) incurred by it in connection with this Agreement and the transactions contemplated herein.

7.4 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered personally or transmitted by fax or electronic mail (“**Email**”), addressed to:

in the case of the Purchaser, as follows:

4037057 CANADA INC.
8600 Decarie Blvd. Suite 200
Mont-Royal, QC
H4P 2N2

Attention: Terry Pomerantz
Telephone No.: (514) 341-8600
Fax No.: (514) 340-1389
Email: tpomerantz@trasmgmt.com

With a copy to:

Lamarre Perron Lambert Vincent g.p.
480 Saint-Laurent Blvd. Suite 200
Montreal, QC
H2Y 3Y7

Attention: Jacques Vincent
Telephone No.: (514) 798-0990
Fax No.: (514) 798-5599
Email: j.vincent@lplv.com

and in the case of the Vendor, as follows:

DOMFOAM INTERNATIONAL INC.

8785, boul. Langelier
Montréal, QC
H1P 2C9

Attention: Tony Vallecoccia
Telephone No.: (514) 325-8120
Fax No.: (514) 325-6477
Email: tvallecoccia@vallefoam.com

with a copy to:

Minden Gross LLP
145 King Street West
Suite 2100
Toronto, ON
M5H 4G2

Attention: Raymond M. Slattery
Telephone No.: (416) 369-4149
Fax No.: (416) 864-9223
Email: rslattery@mindengross.com

and to:

the Monitor

DELOITTE & TOUCHE INC.

181 Bay Street
Suite 1400
Toronto, ON
M5J 2V1

Attention: Robert J. Bougie
Telephone No.: (416) 601-4509
Fax No.: (416) 601-6690
Email: rbougie@deloitte.ca

with a copy to:

Thornton Grout Finnigan LLP
100 Wellington Street West
Suite 3200
Toronto, ON, M5K 1K7

Attention: Grant B. Moffat
Telephone No.: (416) 304-0599
Fax No.: (416) 304-1313
Email: gmoffat@tgf.ca

Any such notice or other communication, if given by personal delivery, will be deemed to have been given on the day of actual delivery thereof and, if transmitted by fax or Email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day, and if transmitted by fax or Email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

7.5 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors.

7.6 Currency

Except where otherwise indicated, all references herein to money amounts are in Canadian currency.

7.7 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

7.8 Third Party Beneficiaries

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the parties hereto and their successors and permitted assigns, and no person, other than the parties hereto and their successors and their permitted assigns shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

7.9 Entire Agreement

This Agreement and the attached Schedules constitute the entire agreement between the parties with respect to the subject matter and supersede all prior negotiations and understandings. This Agreement may not be amended or modified in any respect except by written instrument executed by the parties.

7.10 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

7.11 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein and each of the parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Quebec. Notwithstanding the foregoing, the parties acknowledge that the Approval and Vesting Order will be sought before the Ontario Superior Court in Toronto and that any disputes related thereto as it relates to court approval or the current *Companies' Creditors Arrangement Act* proceedings of the Vendor shall be determined by the said Ontario Court. The parties acknowledge that any disputes related to the interpretation of this Agreement (including but not limited to its interpretation or its execution) shall be sought before the Quebec Superior Court in Montreal.

7.12 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provisions validity or enforceability in any other jurisdiction.

7.13 Commission – No Broker

The Purchaser agrees to indemnify the Vendor against any claim for compensation or commission by any third party or agent retained by the Purchaser in connection with, or in contemplation of, the Transaction. It is understood and agreed that no broker, agent or other intermediary has acted for the Vendor in connection with the sale of the Purchased Assets and the Purchaser shall not be liable for any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for the Vendor.

7.14 Assignment

Except as hereinafter provided, no party may assign this Agreement without the prior written consent of the other parties, which consent may not be unreasonably withheld or delayed. This Agreement enures to the benefit of and binds the parties and their respective heirs, executors, administrators, personal and legal representatives, successors and permitted assigns. Notwithstanding the foregoing, this Agreement shall be assignable by the Purchaser if the assignee is a “related entity” to the Purchaser within the meaning of that expression under the *Income Tax Act* (Canada). In the event of such assignment, the Purchaser shall remain liable to the Vendor in respect of its obligations hereunder.

7.15 Counterparts

This Agreement and any amendment, supplement, restatement or termination of any provision of this Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument. A party's transmission by facsimile or by Email of a copy of this Agreement duly executed by that party shall constitute effective delivery by that party of an executed copy of this Agreement to the party receiving the transmission. A party that has delivered this Agreement by facsimile or by Email shall forthwith deliver an originally executed copy to the other party or parties.

7.16 Language

The parties acknowledge that they have requested and are satisfied that the foregoing be drawn up in English. Les parties reconnaissent qu'elles ont exigé que ce qui précède soit rédigé en anglais et s'en déclarent satisfaites.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

The Vendor shall indicate its acknowledgement of and its agreement with the foregoing by signing both copies of this Agreement in the space provided below and returning one fully executed copy to the Purchaser (which return may be made by fax or Email) to:

LPLV
c/o: Mtre. Jacques Vincent
Fax: (514) 798-5599
Email: j.vincent@lplv.com

by no later than 3:00 pm, on March 9, 2012, after which time this Agreement shall be considered null and void as to the Purchaser.

IN WITNESS WHEREOF the Purchaser has duly executed this Agreement on March 8, 2012 at 5:30 p.m.

4037057 CANADA INC.

By: _____

Name: Terry Pomerantz

Title: President

I have authority to bind the Purchaser.

IN WITNESS WHEREOF the Vendor has duly executed this Agreement on March 7, 2012 at Blainville, QC

DOMFOAM INTERNATIONAL INC.

By: _____

Name: ANTONIO VALESCA


Title: CEO

I have authority to bind the Vendor.

The Vendor shall indicate its acknowledgement of and its agreement with the foregoing by signing both copies of this Agreement in the space provided below and returning one fully executed copy to the Purchaser (which return may be made by fax or Email) to:

LPLV
c/o: Mtre. Jacques Vincent
Fax: (514) 798-5599
Email: j.vincent@lply.com

by no later than 3:00 pm, on March 9, 2012, after which time this Agreement shall be considered null and void as to the Purchaser.

IN WITNESS WHEREOF the Purchaser has duly executed this Agreement on March 8, 2012 at 5:30 p.m.

4037057 CANADA INC.

By: _____

Name: Terry Pomerantz

Title: President

I have authority to bind the Purchaser.

IN WITNESS WHEREOF the Vendor has duly executed this Agreement on March ____, 2012 at ____:____.

DOMFOAM INTERNATIONAL INC.

By: _____

Name:

Title:

I have authority to bind the Vendor.

Schedule 1.1(m)

Contracts

1. Subject to Section 2.3, the following Contracts shall form part of the Purchased Assets:
 - 1.1. All lease agreements in relation with the Leased Premises;
 - 1.2. Collective bargaining agreement with the Unionized Employees for the period of 2009-2014 (Teamsters Québec, Local 1999);
 - 1.3. All Equipment Operating Leases, to the extent that the Purchaser wishes to avail itself thereof and are not part of the Excluded Assets;
 - 1.4. Exclusive agreement for the Canadian use of specific chemical and formula for Gel Visco;
 - 1.5. All contractual arrangements with the suppliers to the extent that the Purchaser wishes to avail itself thereof;
 - 1.6. The annual Microsoft maintenance contract with PYA Solutions Inc.;
 - 1.7. Microsoft (Navision Licence agreement);
 - 1.8. Insurance policy re: Property and Liability;
 - 1.9. Insurance policy re: 2002 Ford;
 - 1.10. Coface (receivables);
 - 1.11. Insurance policy re: Directors and Officers liability;
 - 1.12. CN non freight – leases for tracks; and
 - 1.13. Canadiens hockey tickets.

Schedule 1.1(n)

Customer Contracts

1. Subject to Section 2.3, the following Customer Contracts shall form part of the Purchased Assets:

- 1.1. Customer bearing number #U11771 in the Books and Records;
- 1.2. Customer bearing number #11682 in the Books and Records;
- 1.3. Customer bearing number #10005 in the Books and Records;
- 1.4. Customer bearing number #10072 in the Books and Records;
- 1.5. Customer bearing number #U12129 in the Books and Records;
- 1.6. Customer bearing number #10020 in the Books and Records;
- 1.7. Customer bearing number #10244 in the Books and Records;
- 1.8. Customer bearing number #11665 in the Books and Records;
- 1.9. Customer bearing number #11924 in the Books and Records;
- 1.10. Customer bearing number #11164 in the Books and Records;
- 1.11. Customer bearing number #10413 in the Books and Records;
- 1.12. Customer bearing number #10585 in the Books and Records;
- 1.13. Customer bearing number #U12164 in the Books and Records;
- 1.14. Customer bearing number #11209 in the Books and Records;
- 1.15. Customer bearing number #11982 in the Books and Records;
- 1.16. Customer bearing number #U11429 in the Books and Records;
- 1.17. Customer bearing number #11177 in the Books and Records;
- 1.18. Customer bearing number #11268 in the Books and Records;
- 1.19. Customer bearing number #11848 in the Books and Records;
- 1.20. Customer bearing number #00202 in the Books and Records;

DOMFOAM INTERNATIONAL INC.
 LEASE COMMITMENTS WORKSHEET
 Dec.15.2011 (for fiscal year ended Apr.30th)

Lease No.	Description of Property	Lease Expiry MM/YYYY	2011 Current Yr. Expenses	Minimum Future Lease Commitments					2017 Balance
				2012 1st Year	2013 2nd Year	2014 3rd Year	2015 4th Year	2016 5th Year	
Ryder	332467 1FUJA6CK97LY49529	05/2013	21,204	21,204	21,204	1,767	-	-	-
Ryder	332468 1FUJA6CK57LY49530	05/2013	21,204	21,204	21,204	1,767	-	-	-
Ryder	332469 1FUJA6CK77LY49531	05/2013	21,204	21,204	21,204	1,767	-	-	-
Ryder	329316 1FUJA6CK37LY49526	11/2013	20,964	20,964	20,964	12,239	-	-	-
Ryder	329317 1FUJA6CK57LY49527	11/2013	20,148	20,148	20,148	11,753	-	-	-
Ryder	329318 1FUJA6CK77LY49528	11/2013	20,148	20,148	20,148	11,753	-	-	-
Ryder	336256 1HTSCAAMXXH227668	11/2013	20,148	20,148	20,148	11,753	-	-	-
Ryder	336257 1FUJA6CK97LY61325	11/2013	20,148	20,148	20,148	11,753	-	-	-
Ryder	336258 1FUJA6CK77LY61324	11/2013	20,148	20,148	20,148	11,753	-	-	-
Ryder	325581 1FUJA6CK97LY49523	05/2012	26,952	26,952	2,246	-	-	-	-
Ryder	325582 1FUJA6CKX7LY49524	05/2012	26,952	26,952	2,246	-	-	-	-
Ryder	324854 1FUJA6CK57LY49521	05/2013	24,780	24,780	24,780	2,065	-	-	-
Ryder	324855 1FUJA6CK67LY49522	05/2013	24,780	24,780	24,780	2,065	-	-	-
Hewlett	13423 Rental # A4EC380620	09/2014	14,220	14,220	14,220	5,925	-	-	-
Hewlett	13424 Rental # A3EC380443	09/2014	14,220	14,220	14,220	5,925	-	-	-
Hewlett	13422 Rental # A3EC380225	09/2014	14,220	14,220	14,220	5,925	-	-	-
Tu Source	344371-212772 Rental # A4EC380738	09/2016	12,900	1,176	1,176	1,176	1,176	1,176	490
Toshiba	2550814 Water dispenser Plant.	08/2016	-	1,512	1,512	1,512	1,512	1,512	504
Toshiba	344371-209533 Main Photocopier	11/2016	-	9,086	9,912	9,912	9,912	9,912	5,782
Toshiba	344371-209455 Plant & Sales Photocopier	11/2016	-	8,682	9,144	9,144	9,144	9,144	5,334
	TOTALS		344,340	303,772	144,829	39,519	21,744	12,130	

PREPARED BY: LS DATE: 2011-07-11

REVIEWED BY: DATE:

Schedule 1.1(hh)

Purchased Assets

1. All assets, undertakings and properties of the Vendor of every nature and kind whatsoever, and wherever situated, including without limitation the following:
 - 1.1. The Purchased Receivables;
 - 1.2. The Purchased Inventories;
 - 1.3. All goods other than goods listed in section 1.2 hereinabove that are held for sale, lease or rental (whether such goods are saleable, obsolete or damaged) in relation to the Business carried on by the Vendor including, materials and supplies;
 - 1.4. The Contracts;
 - 1.5. The Customer Contracts;
 - 1.6. The Equipment;
 - 1.7. The Vendor's Intellectual Property;
 - 1.8. All customer lists and lists of prospective customers and marketing and sales materials and databases not already included in the Vendor's Intellectual Property;
 - 1.9. All corporate names used by the Vendor;
 - 1.10. All rights, title and interest in orders on hand and other contractual arrangements with the customers to the extent that they can be assigned and that the Purchaser wishes to avail itself thereof;
 - 1.11. All the benefit of all unfulfilled orders received by and in favour of the Vendor;
 - 1.12. All other tangible and intangible assets and property used in connection with the Business;
 - 1.13. The exclusive right of the Purchaser to represent itself as carrying on such business in continuation of and in succession to the Vendor;
 - 1.14. All Books and Records;
 - 1.15. All plans, sketches and other documents related to (i) the operations of the Business and (ii) the customers of the Vendor;
 - 1.16. all other property, assets and rights, real or personal, tangible or intangible, owned by the Vendor or to which they are entitled to but excluding the Excluded Assets;

- 1.17. All R & D receivables, income tax receivables, tax refunds, deposit and deposit letters;
- 1.18. All the prepaid amounts related to:
 - 1.18.1. Insurance - Property and Liability
 - 1.18.2. Insurance - 2002 Ford
 - 1.18.3. Coface (receivables)
 - 1.18.4. Directors and Officers liability
 - 1.18.5. All the taxes (municipal, business and school) for all the Leased Premises.
 - 1.18.6. CN non freight - tracts
 - 1.18.7. Canadiens hockey tickets
 - 1.18.8. Microsoft (Navision Licence)
- 1.19. The season tickets from Club de Hockey Canadien for the seats 104-J, #13 and #14 together with all the rights attached to said season tickets and any renewal thereof;
- 1.20. All the Equipment Operating Leases that the Purchaser wishes to avail itself thereof and not specifically an Excluded Assets as per Schedule 2.2 attached to this Agreement; and
- 1.21. The assets described in Schedule 5.1(o) of this Agreement.

Schedule 1.1(uu)

Vendor's Intellectual Property

Canadian Trademarks

*See document attached
Total of three (3) pages*

US Trademarks

*See document attached
Total of one (1) page*

CANADIAN REGISTERED TRADEMARKS: DOMIFOAM

Trademark	Registration or application number	date of application ("A") or registration ("R")	Name of the current owner or applicant	Expiry date	Name of the agent	Status
1. SPRINGFLEX FOAM	1531270	A: 2011-06-10	Domifoam International Inc.		N/A	formalized on 2011-06-15
2. CONTOUR-MATIC	LMC641558	R: 2005-06-07	Domifoam International Inc.	2020-06-07	Jim Sproule, A-Z Sponges & Foam Products Ltd.	registered
3. VIOLA	LMC203073	R: 1974-11-08	Domifoam International Inc.	2019-11-08	Stikeman Elliott LLP	renewed on 2004-11-08
4. CUPPLE FOAM	LMCS70966	R: 2002-11-20	Domifoam International Inc.	2017-11-20	Jim Sproule, A-Z Sponges & Foam Products Ltd.	registered
5. VELVAFOAM	LMC272231	R: 1982-08-27	Domifoam International Inc.	2012-08-27	Stikeman Elliott LLP	renewed on 1997-08-27
6. ComfyCel	LMC623317	R: 2004-10-28	Domifoam International Inc.	2019-10-28	N/A	registered
7. SPECTRUM	LMC288288	R: 1984-02-24	Domifoam International Inc.	2014-02-24	Stikeman Elliott LLP	renewed on 1999-02-24
8. INSULGARD	LMC271131	R: 1982-07-16	Domifoam International Inc.	2012-07-16	Stikeman Elliott LLP	renewed on 1997-07-16
9. GELCOR	LMC292308	R: 1984-06-22	Domifoam International Inc.	2014-06-22	Stikeman Elliott LLP	renewed on 1999-06-22
10. PRO-BOND	LMC205857	R: 1975-03-14	Domifoam International Inc.	2020-03-14	Stikeman Elliott LLP	renewed on 2005-03-14
11. DOMIFOAM	LMC145969	R: 1966-06-30	Domifoam International Inc.	2026-06-30	Stikeman Elliott LLP	renewed on 2011-06-30
12. LODGE	LMC205858	R: 1975-03-14	Domifoam International Inc.	2020-03-14	Stikeman Elliott LLP	renewed on 2005-03-14
13. CHATEAU	LMC202908	R: 1974-11-01	Domifoam International Inc.	2019-11-01	Stikeman Elliott LLP	renewed on 2004-11-01
14. Royalcel	LMC624903	R: 2004-11-08	Domifoam International Inc.	2019-11-08	Jim Sproule, A-Z Sponges & Foam Products Ltd.	registered
15. EXCALIBUR	LMC289023	R: 1984-03-16	Domifoam International Inc.	2014-03-16	Stikeman Elliott LLP	renewed on 1999-03-16
16. RIVIERA	LMC202909	R: 1974-11-01	Domifoam International Inc.	2019-11-01	Stikeman Elliott LLP	renewed on 2004-11-01
17. PERMA-BOND	LMC180813	R: 1971-12-24	Domifoam International Inc.	2016-12-24	Stikeman Elliott LLP	renewed on 2001-12-24
18. Snuggle-Pedic	LMC644665	R: 2005-07-19	Domifoam International Inc.	2020-07-19	Jim Sproule, A-Z Sponges & Foam Products Ltd.	registered
19. VELTEX	LMC275264	R: 1982-12-31	Domifoam International Inc.	2012-12-31	Stikeman Elliott LLP	renewed on 1997-12-31
20. FREEDOM FOAM	LMC729834	R: 2008-12-01	Domifoam International Inc.	2023-12-01	Jim Sproule, A-Z Sponges & Foam Products Ltd.	registered
21. BIOPUSH	LMC729835	R: 2008-12-01	Domifoam International Inc.	2023-12-01	Jim Sproule, A-Z Sponges & Foam Products Ltd.	registered
22. Hug-A-Pedic	LMC665748	R: 2008-06-06	Domifoam International Inc.	2021-06-06	Jim Sproule, A-Z Sponges & Foam Products Ltd.	registered
23. NORTHERN TREASURE	LMC688223	R: 2005-04-25	Domifoam International Inc.	2020-04-25	Stikeman Elliott LLP	registered
24. LA COLLECTION ZODIAC	LMC294245	R: 1984-08-17	Domifoam International Inc.	2014-08-17	Stikeman Elliott LLP	renewed on 1999-08-17
25. W'UNDER-BOND	LMC180310	R: 1973-12-24	Domifoam International Inc.	2016-12-24	Stikeman Elliott LLP	renewed on 2001-12-24
26. BONDEX	LMC298957	R: 1985-01-11	Domifoam International Inc.	2015-01-11	Stikeman Elliott LLP	renewed on 2000-01-11
27. QUANTUM	LMC292311	R: 1984-06-22	Domifoam International Inc.	2014-06-22	Stikeman Elliott LLP	renewed on 1999-06-22
28. MAGNUM	LMC265867	R: 1982-02-26	Domifoam International Inc.	2027-02-26	Stikeman Elliott LLP	renewed on 2012-02-26
29. VISCOMAGIC Memory Fo	LMC688655	R: 2007-05-31	Domifoam International Inc.	2022-05-31	Jim Sproule, A-Z Sponges & Foam Products Ltd.	registered
30. Cuddle-Pedic	LMC644418	R: 2005-07-14	Domifoam International Inc.	2020-07-14	Jim Sproule, A-Z Sponges & Foam Products Ltd.	registered
31. ZODIAC COLLECTION	LMC290846	R: 1984-05-11	Domifoam International Inc.	2014-05-11	Stikeman Elliott LLP	renewed on 1999-05-11

CANADIAN CANCELLED OR ABANDONED TRADEMARKS: DOMFOAM

	Trademark	Registration or application number	date of A or R	Name of the current owner or applicant	date of cancellation or abandonment	Name of the agent
1	DOMFOAM MAPLE LEAF & DESIGN	LMC375564	R: 1990-11-09	Domfoam International Inc.	2006-07-06	Stikeman Elliott LLP
2	VISSOPIUSH	1460194	A: 2009-11-19	Domfoam International Inc.	2010-12-17	Jim Sproule, A-Z Sponge & Foam Products Ltd.
3	SECURIFOAM & DESIGN	832300	A: 1996-12-20	Domfoam International Inc.	2001-01-10	Stikeman Elliott LLP
4	NIMBUS	495427	A: 1982-11-26	Domfoam Inc.	1983-01-28	Seal, Shapiro & Co.
5	PROTECT-A-RUG	LMC177017	R: 1971-07-23	Domfoam Inc.	1986-09-10	Seal, Shapiro & Co.
6	STRATUS	495428	A: 1982-11-26	Domfoam Inc.	1983-12-19	Seal, Shapiro & Co.
7	FLAREX	LMC205782	R: 1975-09-07	Domfoam Inc.	1990-04-27	Seal, Shapiro & Co.
8	CFC & DESIGN	LMC203684	R: 1974-12-06	Domfoam International Inc.	2005-07-21	Stikeman Elliott LLP
9	HABITAT	500121	A: 1983-03-11	Domfoam Inc.	1986-08-22	Seal, Shapiro & Co.
10	UROCELL HR	LMC203776	R: 1974-12-06	Domfoam International Inc.	2006-07-21	Stikeman Elliott LLP
11	Domfoam & design	LMC375563	R: 1990-11-09	Domfoam International Inc.	2006-07-06	Stikeman Elliott LLP
12	SUNRISE	LMC264104	R: 1981-11-06	Domfoam International Inc.	1997-07-08	Stikeman Elliott LLP
13	ALTO-CUMULUS	495426	A: 1982-11-26	Domfoam Inc.	1983-12-19	Seal, Shapiro & Co.
14	CUMULUS	495425	A: 1982-11-26	Domfoam Inc.	1983-12-19	Seal, Shapiro & Co.
15	EVER-BOND	LMC184974	R: 1972-08-18	Domfoam Inc.	1987-10-02	Seal, Shapiro & Co.
16	VISCOAIRE	1204369	A: 2004-03-22	Domfoam International Inc.	2005-02-14	N/A
17	FlexCel	1198594	A: 2003-12-02	Domfoam International Inc.	2005-03-08	Jim Sproule, A-Z Sponge & Foam Products Ltd.
18	PINK PANTHER	LMC236776	R: 1979-10-19	Domfoam Inc.	1990-09-16	Seal, Shapiro & Co.
19	GIRRUS	495429	A: 1982-11-26	Domfoam Inc.	1984-01-06	Seal, Shapiro & Co.

CANADIAN SEARCH OF TRADEMARKS: DOMIFOAM

Trademark	Application number	Date	Name of the applicant	Status
GELFLEX	1518007	2011-03-07	Domifoam International Inc.	Notice of approval sent on 2011-10-31.

US REGISTERED TRADEMARK : DOMFOAM

Trademark	Serial number	Registration date	Name of the current owner of applicant	Expiry date	Name of the agent	Status
1 NORTHERN TREASURE	78508999	2005-12-13	Domfoam International Inc.	2015-12-15	Lawrence H. Meier	registered

US CANCELLED TRADEMARK : DOMFOAM

Trademark	Serial number	date of application	Name of the current owner of applicant	date of cancellation or abandonment	Name of the agent
1 CUDDLE FOAM	78219889	2003-02-27	Domfoam International Inc.	2004-02-11	N/A
2 SECURIFOAM & DESIGN	75311611	1997-06-19	Domfoam International Inc.	2000-10-12	Jess M Collen

Schedule 2.2

Excluded Assets

1. The Purchaser acknowledges and agrees that the following assets shall be considered excluded of the Transaction:
 - 1.1. The accounts payable, except as otherwise provided in this Agreement;
 - 1.2. The tax losses, except as otherwise provided in this Agreement;
 - 1.3. The cash on hand or on deposit with banks or other depositaries;
 - 1.4. The debts due to the Vendor from any shareholder, director, officer or employee of the Vendor or any other person who does not deal at arm's length with the Vendor;
 - 1.5. The following Equipment Operating Leases:
 - 1.5.1. Ryder - Lease No. 332467 - 1FUJA6CK97LY49529
 - 1.5.2. Ryder - Lease No. 332468 - 1FUJA6CK57LY49530
 - 1.5.3. Ryder - Lease No. 332469 - 1FUJA6CK77LY49531
 - 1.5.4. Ryder - Lease No. 329316 - 1FUJA6CK37LY49526
 - 1.5.5. Ryder - Lease No. 329317 - 1FUJA6CK57LY49527
 - 1.5.6. Ryder - Lease No. 329318 - 1FUJA6CK77LY49528
 - 1.5.7. Ryder - Lease No. 336256 - 1HTSCAAMXXH227668
 - 1.5.8. Ryder - Lease No. 336257 - 1FUJA6CK97LY61325
 - 1.5.9. Ryder - Lease No. 336256 - 1FUJA6CK77LY61324
 - 1.5.10. Ryder - Lease No. 325581 - 1FUJA6CK87LY49523
 - 1.5.11. Ryder - Lease No. 325582 - 1FUJA6CKX7LY49524
 - 1.5.12. Ryder - Lease No. 324854 - 1FUJA6CK47LY49521
 - 1.5.13. Ryder - Lease No. 324855 - 1FUJA6CK67LY49522
 - 1.5.14. Toshiba - Lease No. 344371-205533 - Main photocopieur
 - 1.5.15. Toshiba - Lease No. 344371-205455 - Plant & Sales Photocopier
 - 1.6. The shares issued and outstanding of the capital of "VALLE FOAM INDUSTRIES (1995) INC." registered in the name of the Purchaser; and
 - 1.7. The shares issued and outstanding of the capital of "A-Z SPONGE & FOAM PRODUCTS LTD." registered in the name of the Purchaser.

Schedule 2.6

Assumed Obligations

1. The obligation of the Vendor under the Contracts as of the Time of Closing; and
2. The obligation of the Vendor under the Customer Contracts as of the Time of Closing;

Schedule 2.9(A)
Purchased Receivables

Section 1

List of Purchased Receivables as of January 31, 2012.

*See document attached
Total of four (4) pages*

Section 2

Calculation of the Purchase Price attributed to the Purchased Receivables.

*See document attached
Total of fourteen (14) pages.*

SCHEDULE 2.9(A)
SECTION 1

DOMFOAM INTERNATIONAL LIMITED
Aged Accounts Receivable as of 01-31-2012

Customer No.	Balance Due	Current	31-60 Days	61-90 Days	Over 90 Days
00157	704.58	704.58	-	-	-
00202	25,631.17	25,431.85	199.32	-	-
00291	5,362.49	1,032.48	3,320.06	1,009.95	-
00308	4,316.16	4,316.16	-	-	-
00316	1,952.01	1,736.65	215.36	-	-
10005	511,571.37	303,779.87	180,349.98	27,441.52	-
10020	128,444.89	128,444.89	-	-	-
10024	2,028.58	-	2,028.58	-	-
10052	7,668.75	6,949.67	719.08	-	-
10072	528,925.52	258,533.73	155,454.72	114,937.07	-
10080	41,326.70	41,326.70	-	-	-
10120	1,158.95	1,158.95	-	-	-
10136	17,679.48	17,679.48	-	-	-
10145	5,746.68	3,072.41	2,674.27	-	-
10222	1,004.61	1,004.61	-	-	-
10244	101,343.87	101,343.87	-	-	-
10273	16,318.86	13,356.08	2,962.78	-	-
10305	6,438.19	3,402.81	2,141.95	893.43	-
10331	2,254.11	2,254.11	-	-	-
10351	3,754.38	-	3,754.38	-	-
10358	29,970.58	11,533.52	10,024.90	8,412.16	-
10371	32,216.28	19,133.32	1,056.44	11,342.99	683.53
10378	7,105.73	1,598.57	1,859.97	-	3,647.19
10379	3,680.61	3,680.61	-	-	-
10384	45,107.85	27,771.01	16,306.37	1,030.47	-
10385	10,927.29	10,927.29	-	-	-
10387	7,615.54	-	1,173.56	410.29	6,031.69
10413	153,635.36	42,935.08	19,370.39	55,168.67	36,161.22
10426	3,529.98	3,529.98	-	-	-
10465	833.89	833.89	-	-	-
10494	32,749.54	32,749.54	-	-	-
10502	11,893.25	3,266.84	1,087.18	3,549.67	3,989.56
10509	1,729.11	1,729.11	-	-	-
10510	18,715.15	18,715.15	-	-	-
10521	2,826.31	2,826.31	-	-	-
10545	28,034.38	28,034.38	-	-	-
10547	15,568.17	5,498.67	10,069.50	-	-
10551	74,572.24	74,572.24	-	-	-
10570	6,278.42	6,278.42	-	-	-
10585	221,166.00	55,233.52	32,888.35	65,818.84	67,225.29
10595	344.24	344.24	-	-	-
10737	1,249.53	1,249.53	-	-	-

Customer No.	Balance Due	Current	31-60 Days	61-90 Days	Over 90 Days
10785	6,075.15	6,075.15	-	-	-
10848	3,937.95	-	1,580.27	2,357.68	-
10864	284.40	284.40	-	-	-
11049	9,484.48	6,739.35	2,745.13	-	-
11150	3,850.31	-	3,850.31	-	-
11155	2,615.92	2,615.92	-	-	-
11164	48,779.05	51,488.31	(2,709.26)	-	-
11177	89,437.38	30,746.66	25,400.93	24,863.69	8,426.10
11197	626.81	626.81	-	-	-
11209	29,097.79	29,097.79	-	-	-
11210	1,778.75	1,115.72	663.03	-	-
11268	36,681.28	36,681.28	-	-	-
11272	672.18	1,034.89	(362.71)	-	-
11276	15,524.84	-	15,524.84	-	-
11289	16,671.06	5,017.77	5,249.62	4,461.72	1,941.95
11399	80,315.23	6,706.11	9,359.14	7,755.01	56,494.97
11415	11,174.61	9,312.23	1,862.38	-	-
11421	15,293.31	905.43	8,702.70	5,685.18	-
11457	26,525.81	26,525.81	-	-	-
11558	3,646.51	3,121.23	525.28	-	-
11577	5,027.53	4,979.82	-	-	47.71
11580	442.19	442.19	-	-	-
11627	1.80	1.80	-	-	-
11665	387,973.57	138,756.63	112,323.23	117,018.61	19,875.10
11676	42,927.94	19,314.91	17,404.97	6,208.06	-
11682	254,229.37	253,895.10	-	334.27	-
11684	5,358.46	5,758.76	(400.30)	-	-
11714	8,989.08	8,716.63	353.56	-	(81.11)
11760	885.20	-	885.20	-	-
11779	10,301.45	10,301.45	-	-	-
11811	18,946.71	18,946.71	-	-	-
11828	4,191.55	4,191.55	-	-	-
11833	1,682.72	1,098.94	-	583.78	-
11844	5,903.05	5,903.05	-	-	-
11848	93,242.34	24,928.53	30,248.93	22,139.94	15,924.94
11859	6,694.80	6,694.80	-	-	-
11871	1,171.60	1,171.60	-	-	-
11914	36,917.36	23,905.21	9,420.51	3,591.64	-
11924	231,421.59	30,900.74	31,178.08	73,739.94	95,602.83
11927	42,533.30	25,496.59	17,036.71	-	-
11948	3,133.52	3,133.52	-	-	-
11974	(11.50)	(11.50)	-	-	-
11976	23,398.27	11,558.30	11,839.97	-	-
11979	29,254.14	27,397.56	1,856.58	-	-
11982	42,209.54	42,500.44	-	(290.90)	-

Customer No.	Balance Due	Current	31-60 Days	61-90 Days	Over 90 Days
12021	6,359.25	5,618.26	740.99	-	-
12101	965.55	-	965.55	-	-
12102	71,175.61	27,028.49	13,870.53	30,276.59	-
12104	40,670.61	20,573.97	20,181.29	(84.65)	-
12122	(32.80)	(32.80)	-	-	-
12140	17,913.60	17,913.60	-	-	-
12146	20,962.95	4,908.38	5,781.24	5,890.81	4,382.52
12158	17,823.38	17,823.38	-	-	-
12230	6,506.76	4,144.61	2,362.15	-	-
12242	9,119.76	8,420.15	699.61	-	-
12253	5,080.77	1,217.35	3,863.42	-	-
12256	17,887.78	17,887.78	-	-	-
12270	4,819.79	-	4,819.79	-	-
12277	2,346.65	1,225.63	747.35	373.67	-
12282	5,362.13	5,338.88	-	23.25	-
12290	2,002.76	2,002.76	-	-	-
12291	596.03	596.03	-	-	-
12296	29,232.85	384.08	15,929.32	10,493.91	2,425.54
12298	59,795.77	25,619.87	14,419.36	17,458.72	2,297.82
12301	13,668.05	9,923.90	3,744.15	-	-
12303	1,184.25	1,184.25	-	-	-
12308	12,344.90	12,344.90	-	-	-
12314	2,330.86	1,275.30	1,055.56	-	-
12326	916.76	524.35	392.41	-	-
12330	4,543.77	-	-	1,005.11	3,538.66
12331	23,556.06	7,529.09	6,507.75	8,366.47	1,152.75
12334	3,620.86	3,620.86	-	-	-
12341	1,179.80	1,179.80	-	-	-
12343	28,957.45	19,659.45	9,079.05	209.90	9.05
12353	1,131.12	1,131.12	-	-	-
12355	4,681.06	4,681.06	-	-	-
12357	11,881.35	1,573.48	-	2,016.81	8,291.06
12358	1,294.39	1,294.39	-	-	-
12367	9,722.17	9,722.17	-	-	-
12373	5.00	5.00	-	-	-
12380	1,454.04	1,454.04	-	-	-
12390	3,304.57	3,304.57	-	-	-
U11429	15,044.90	15,044.90	-	-	-
U11771	1,079,755.37	556,732.35	358,231.67	164,791.35	-
U12129	544,154.40	168,733.64	160,191.76	178,981.57	36,247.43
U12164	75,413.54	20,979.01	53,559.58	874.95	-
U12171	8,393.63	7,170.44	1,223.19	-	-
U12180	3,884.22	190.10	3,694.12	-	-
U12183	236.00	-	-	236.00	-
U12184	12,578.70	12,578.70	-	-	-

Customer No.	Balance Due	Current	31-60 Days	61-90 Days	Over 90 Days
U12187	12,428.10	12,428.10	-	-	-
U12188	17,757.90	17,757.90	-	-	-
Total	5,996,691.62	3,208,741.60	1,434,256.08	979,378.14	374,315.80

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Jan 31, 2012

SCHEDULE 2.9 (A)
SECTION 2

CDN	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL	Insurance
157 VENI REZ-PRODUITS	60 \$	25 000.00	704.58				704.58	
202 BUGATTI DESIGN INC	60 \$	25 000.00	25 431.85	159.32			25 631.17	
291 DINE ART INC.	60 \$	15 000.00	1 032.48	3 320.05	1 009.95		5 382.49	
308 POSTECH INNOVATION INC.	30 \$	7 000.00	4 316.16				4 316.16	
316 LIND FURNITURE (CANADA) LT.	60 \$	825 000.00	1 736.65	215.36			1 952.01	
10020 LSC CANADA INC.	60 \$	350 000.00	123 444.59				123 444.59	
10024 AIRWAY SURGICAL APPLICAN	60 \$	5 000.00	6 949.57	2 028.58			2 028.58	
10052 ALPHAVIC INC.	60 \$	30 000.00	258 533.73	719.08			2 665.75	
10072 KRAUS CANADA INC (HO)	45 \$	975 000.00	41 326.70	155 454.72	114 537.07		626 925.52	
10080 QUALITY RUGS OF CANADA LI	30 \$	25 000.00	1 158.95				1 158.95	
10120 BEAVER CARPET LTEE	30 \$	50 000.00	17 679.48				17 679.48	
10196 BOBLEN INC.	60 \$	25 000.00	3 072.41	2 674.27			5 746.68	
10145 MATELAS BOURCK ENRG.	60 \$	175 000.00	1 004.51				1 004.51	
10222 MATELAS CONDOR ENRG.	60 \$	175 000.00	101 943.87	2 962.78			104 906.65	
10244 MATELAS DAUPHIN INC.	60 \$	40 000.00	3 402.81	2 141.95	893.43		6 438.19	
10305 BENNETT FLEET (QUEBEC) IN	60 \$	5 000.00	2 254.11				2 254.11	
10331 MATELAS THERAPEDIC	60 \$	30 000.00	11 533.52	3 754.38	8 412.16		23 970.58	
10351 IDEALCHEST INC.	45 \$	10 000.00	1 538.57	1 899.97			3 438.54	
10358 COURT 1 SPORTS INC	60 \$	50 000.00	3 680.51				3 680.51	
10379 MATELAS LAVIOLETTE INC.	45 \$	75 500.00	37 771.01	16 305.87	1 030.47		55 107.35	
10384 TEXTILES LETOURNEAU	30 \$	75 000.00	10 927.29				10 927.29	
10386 MATELAS LION D'OR INC.	20 \$	35 000.00	3 529.98				3 529.98	
10426 CANADEL	60 \$	6 000.00	833.89				833.89	
10465 COUPONS PARENT INC.	60 \$	50 000.00	32 749.54				32 749.54	
10494 REMBOURRAGE A.N.P.	60 \$	50 000.00	3 286.84				3 286.84	
10502 LITERIE PROVINCIALE LTEE	60 \$	15 000.00	1 729.11				1 729.11	
10506 AMEUBLEMENT RENAISSANC	30 \$	50 000.00	18 715.15				18 715.15	
10510 MATELAS RENE INC.	60 \$	15 000.00	2 829.31				2 829.31	
10521 REMI LOUIS ROUSSEAU INC.	60 \$	35 000.00	5 498.67				5 498.67	
10547 SEVY CORR. DU CANADA	30 \$	20 000.00	6 278.42	10 069.50			16 347.92	
10570 SPORT MASKA INC.	90 \$	8 000.00	344.24				344.24	
10595 TRANS-CANADA INDUSTRIES	15 \$	5 000.00	1 248.53				1 248.53	
10737 FUTON 7TH HEAVEN UTOPIA I	60 \$	50 000.00	6 075.15	1 580.27	2 357.68		10 013.10	
10785 GROUPE GIBO INC.	60 \$	45 000.00	284.40				284.40	
10848 PRINCESSE	60 \$	4 000.00	6 739.35	2 745.13			9 484.48	
10864 2 D TEXTILES ENRG.	30 \$	40 000.00	3 850.31				3 850.31	
11049 LITERIE SEDUCTION INC	60 \$	15 000.00	2 615.52				2 615.52	
11150 PROFOM INC.	20 \$	27 000.00	626.81				626.81	
11187 MSCM INC.	45 \$	100 000.00	29 037.79				29 037.79	
11209 REMI CARRIER INC.	60 \$	25 000.00	1 115.72	653.03			1 768.75	
11210 PROQUAI INC.	60 \$	85 000.00	36 681.28	(362.71)			36 318.57	
11268 ROUILLARD INC.	60 \$	25 000.00	15 524.84				15 524.84	
11272 INTER CONFORT	30 \$	60 000.00	5 017.77	15 249.62	4 461.72		24 729.11	
11276 STEERS GROUP LIMITED	75 \$	35 000.00	9 312.23	1 865.39			11 177.62	
11289 MATELAS SIESTA	60 \$	30 000.00	26 525.81				26 525.81	
11415 ROCKLAND TEXTILES INC.	15 \$	75 000.00	3 121.23	525.28			3 646.51	
11457 MATELAS PRESTIGE	45 \$	10 000.00	4 979.82				4 979.82	
11558 QUATRO TECHNOLOGIES INC.	30 \$	35 000.00	442.19				442.19	
11577 ARTOFEX PLUS INC.	60 \$	25 000.00						
11580 FUTON DESIGN	60 \$	25 000.00						

AGED ACCOUNTS RECEIVABLE
DOMIFOAM INTERNATIONAL INC.

Dated Jan. 31, 2012.

10005 ELRAN	15 \$	500,000.00 \$	203,779.87 \$	180,349.96 \$	27,441.92 \$	689.53 \$	511,871.87 \$	850,000.00
10371 SYLCO INC.	75 \$	55,000.00 \$	19,183.32 \$	1,055.44 \$	11,342.89 \$	6,931.69 \$	32,216.28 \$	50,000.00
10387 LITERIE DRUMMOND LTEE	60 \$	30,000.00 \$	74,572.24 \$	1,179.56 \$	410.29 \$		7,815.54 \$	14,000.00
10551 GESCO LTD PARTNERSHIP	30 \$	600,000.00 \$	51,488.31 \$	(2,709.26) \$			74,572.24 \$	20,000.00
11184 D & R FOAM	60 \$	175,000.00 \$	6,706.11 \$	9,359.14 \$	7,755.01 \$	56,494.97 \$	48,779.05 \$	75,000.00
11399 SIEGES DUCHARME INTERNA	75 \$	150,000.00 \$	965.43 \$	8,702.70 \$	5,685.18 \$		30,815.23 \$	75,000.00
11421 LES MEUBLES VANTAGE 1000	60 \$	38,000.00 \$	30,900.74 \$	3,744.15 \$		35,602.83 \$	231,421.59 \$	25,000.00
11824 MATELAS D'OR 8053-8834 OC	75 \$	200,000.00 \$	9,923.50 \$				13,868.05 \$	200,000.00
12301 L. DAVIS TEXTILES (1991) INC	45 \$	25,000.00 \$	487,409.92 \$	232,854.79 \$	126,374.93 \$	158,813.02 \$	1,015,452.66 \$	35,000.00
SUB TOTAL CDN Insured		\$ 1,773,000.00	\$ 487,409.92	\$ 232,854.79	\$ 126,374.93	\$ 158,813.02	\$ 1,015,452.66	\$ 844,000.00
10413 MATELAS MARTIN	90 \$	375,000.00 \$	42,935.09 \$	19,370.39 \$	55,168.67 \$	95,161.22 \$	153,635.36 \$	80,000.00
10585 SUBAR	90 \$	325,000.00 \$	55,233.52 \$	32,888.35 \$	65,818.84 \$	67,225.29 \$	221,166.00 \$	75,000.00
11177 TISSUS MORICO INC.	90 \$	150,000.00 \$	30,746.66 \$	25,400.93 \$	24,863.69 \$	8,426.10 \$	89,437.98 \$	100,000.00
11865 BOZANTO INC.	90 \$	400,000.00 \$	138,755.63 \$	112,323.23 \$	117,018.61 \$	19,875.10 \$	387,973.87 \$	25,000.00
SUB TOTAL CDN Insured Net 90		\$ 1,250,000.00	\$ 267,671.69	\$ 189,982.90	\$ 262,869.81	\$ 131,687.71	\$ 652,212.31	\$ 280,000.00
SUB TOTAL GANNA COUNT								
TOTAL GROSS								
TOTAL OFFER								
SUB TOTAL CDN								
SUB TOTAL CDN Insured								
SUB TOTAL CDN Insured Net 90								
SUB TOTAL GANNA COUNT								
TOTAL OFFER								

11582 VALLE FOAM INDUSTRIES INC
12102 A Z SPONGE & FOAM

45 \$ 1,750,000.00 \$ 253,895.10 \$ 334.27 \$
60 \$ 125,000.00 \$ 27,028.49 \$ 13,870.55 \$ 30,276.59

TOTAL OFFER \$ 1,269,721.72 \$ 506,091.14 \$ 362,330.05 \$ 183,813.97 \$ 2,321,955.87

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Date: Jan 31, 2012

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
USD							
U11771 JEFFCO FIBRES INC	45 \$	2,030,325.00 \$	556,732.35 \$	358,231.67 \$	164,791.35 \$	- \$	1,079,755.37 \$
U12164 OTIS BED MANUFACTURING C	60 \$	408,055.00 \$	20,979.01 \$	59,559.58 \$	874.85 \$	- \$	75,413.54 \$
U12171 FRANKLIN AUGUST TRADING	30 \$	7,089.00 \$	7,170.44 \$	1,223.79 \$	- \$	- \$	8,393.63 \$
U12183 FOAM FACTORY INC.	60 \$	9,862.00 \$	- \$	- \$	236.00 \$	- \$	236.00 \$
U12184 GREAT NORTHERN ASSOCIAT	60 \$	59,172.00 \$	12,578.70 \$	- \$	- \$	- \$	12,578.70 \$
U12187 QUINN DISTRIBUTORS	30 \$	49,810.00 \$	12,428.10 \$	- \$	- \$	- \$	12,428.10 \$
U12188 KRAUS USA INC.	45 \$	73,864.00 \$	17,757.90 \$	- \$	- \$	- \$	17,757.90 \$
U12189 LATEX INTERNATIONAL	30 \$	10,000.00 \$	190.10 \$	3,694.12 \$	- \$	- \$	3,884.22 \$
SUB-TOTAL USD	\$	2,845,787.00 \$	627,835.60 \$	418,708.56 \$	165,902.30 \$	- \$	1,210,447.46 \$
U11429 NRF-DISTRIBUTORS INC.	30 \$	259,410.00 \$	15,044.90 \$	- \$	- \$	- \$	15,044.90 \$
SUB-TOTAL USD Insured	\$	259,410.00 \$	15,044.90 \$	- \$	- \$	- \$	15,044.90 \$
U12129 WCV INC.	90 \$	1,380,671.00 \$	188,735.84 \$	160,191.76 \$	178,981.57 \$	36,247.43 \$	544,154.40 \$
SUB-TOTAL USD Insured Net 90	\$	1,380,671.00 \$	188,735.84 \$	160,191.76 \$	178,981.57 \$	36,247.43 \$	544,154.40 \$
SUB-TOTAL GANNA COUNT							
TOTAL GROSS	\$	811,615.14 \$	576,900.32 \$	344,883.87 \$	36,247.43 \$	- \$	1,769,646.76 \$
TOTAL OFFER	\$	219,742.81 \$	145,848.00 \$	58,065.81 \$	- \$	- \$	423,656.61 \$
SUB-TOTAL USD	\$	219,742.81 \$	145,848.00 \$	58,065.81 \$	- \$	- \$	423,656.61 \$
SUB-TOTAL USD Insured	\$	5,265.72 \$	- \$	- \$	- \$	- \$	5,265.72 \$
SUB-TOTAL USD Insured	\$	59,056.77 \$	56,067.12 \$	62,643.55 \$	12,686.60 \$	- \$	150,454.04 \$
SUB-TOTAL GANNA COUNT	\$	- \$	- \$	- \$	- \$	- \$	- \$
TOTAL OFFER	\$	1284,055.30 \$	201,915.11 \$	120,709.35 \$	12,686.60 \$	- \$	619,376.37 \$

USD CONVERTED TO CDN.
EXCHANGE RATE Jan 31, 2012
TOTAL CDN GROSS
TOTAL CDN OFFER

1
\$ 811,615.14 \$ 576,900.32 \$ 344,883.87 \$ 36,247.43 \$ 1,769,646.76
\$ 219,742.81 \$ 145,848.00 \$ 58,065.81 \$ - \$ 423,656.61
\$ 5,265.72 \$ - \$ - \$ - \$ 5,265.72
\$ 59,056.77 \$ 56,067.12 \$ 62,643.55 \$ 12,686.60 \$ 150,454.04
\$ - \$ - \$ - \$ - \$ -
\$ 1,284,055.30 \$ 201,915.11 \$ 120,709.35 \$ 12,686.60 \$ 619,376.37

10005 ELRAIN	15 \$	500,000.00	\$	(143,702.06)	\$	(27,441.52)	\$	(171,143.58)	\$	350,000.00
10371 SYLCO INC.	75 \$	55,000.00								50,000.00
10387 LITERIE DRUMMOND LTEE	60 \$	30,000.00								14,000.00
10551 GESCO LTD PARTNERSHIP	30 \$	600,000.00	\$	(18,833.96)				(18,833.96)		20,000.00
11164 D & R FOAM	60 \$	175,000.00	\$	(48,892.73)				(48,892.73)		75,000.00
11399 SIEGES DUCHARME INTERNA	75 \$	150,000.00								75,000.00
11421 LES MEUBLES VANTAGE 1000	60 \$	58,000.00								25,000.00
11924 MAJELAS D'OR 9083-9834 CC	75 \$	200,000.00								200,000.00
12301 L. DAVIS TEXTILES (1991) INC	45 \$	25,000.00								35,000.00
SUB TOTAL CDN Insured		\$ 1,773,000.00	\$	(143,702.06)	\$	(27,441.52)	\$	(17,760.30)	\$	843,000.00
10413 MAJELAS MARTIN	90 \$	375,000.00								80,000.00
10585 SUBAR	90 \$	325,000.00								75,000.00
11177 TISSUS MORICO INC.	90 \$	150,000.00								100,000.00
11665 BOZANTO INC.	90 \$	400,000.00								25,000.00
SUB TOTAL CDN Insured Net 90		\$ 1,250,000.00	\$	-	\$	-	\$	(10,577.75)	\$	280,000.00
SUB TOTAL GANNA COUNT			\$							
TOTAL GROSS			\$	(182,956.21)	\$	(149,799.79)	\$	(30,280.00)	\$	(556,969.05)
TOTAL OFFER										
SUB TOTAL CDN										
SUB TOTAL CDN Insured										
SUB TOTAL CDN Insured Net 90										
SUB TOTAL GANNA COUNT										
TOTAL OFFER										

SUB TOTAL GANNA COUNT

TOTAL GROSS

TOTAL OFFER

SUB TOTAL CDN

SUB TOTAL CDN Insured

SUB TOTAL CDN Insured Net 90

SUB TOTAL GANNA COUNT

TOTAL OFFER

11682 VALLE FOAM INDUSTRIES INC
12102 A Z SPONGE & FOAM

45 \$ 1,750,000.00
60 \$ 125,000.00

\$ -
\$ -

\$ (109,773.73) \$ (116,359.83) \$ (89,879.87) \$ (17,991.22) \$ (833,404.55)

AGED ACCOUNTS RECEIVABLE
DOMIFOAM INTERNATIONAL INC.

Dated, Jan 31, 2012

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
USD							
U11771 JEFFCO FIBRES INC	45	\$ 2,030,325.00	\$ -	(280,018.00)	\$ (164,791.35)	-	(444,809.35)
U12164 OTIS BED MANUFACTURING C	60	\$ 406,065.00	\$ -	-	-	-	-
U12171 FRANKLIN AUGUST TRADING	30	\$ 7,089.00	\$ -	-	-	-	-
U12183 FOAM FACTORY INC.	60	\$ 9,882.00	\$ -	-	-	-	-
U12184 GREAT NORTHERN ASSOCIAT	60	\$ 59,172.00	\$ -	-	-	-	-
U12187 QUINN DISTRIBUTORS	30	\$ 49,310.00	\$ -	-	-	-	-
U12188 KRAUS USA INC.	45	\$ 73,964.00	\$ -	-	-	-	-
U12180 LATEX INTERNATIONAL	30	\$ 10,000.00	\$ -	-	-	-	-
SUB TOTAL USD		\$ 2,645,787.00	\$ -	(280,018.00)	(164,791.35)	\$ -	(444,809.35)
U11429 NRF DISTRIBUTORS INC.	30	\$ 256,410.00	\$ (3,626.04)	-	-	-	(3,626.04)
SUB TOTAL USD Insured		\$ 256,410.00	\$ (3,626.04)	\$ -	\$ -	\$ -	(3,626.04)
U12129 WCVW INC.	90	\$ 1,380,671.00	\$ -	-	-	-	\$ 1,380,671.00
SUB TOTAL USD Insured Net 90		\$ 1,380,671.00	\$ -	\$ -	\$ -	\$ -	\$ 1,380,671.00

SUB TOTAL GANNA COUNT

TOTAL GROSS	\$ (3,626.04)	\$ (280,018.00)	\$ (164,791.35)	\$ -	\$ -	\$ -	(448,435.39)
TOTAL OFFER							
SUB TOTAL USD	35%	35%	35%	10%	-	-	(155,683.27)
SUB-TOTAL USD Insured	35%	35%	35%	35%	-	-	(1,269.11)
SUB-TOTAL USD Insured	35%	35%	35%	35%	-	-	-
SUB TOTAL GANNA COUNT							0%
TOTAL OFFER	(1,269.11)	(98,006.30)	(57,676.97)	-	-	-	(156,952.39)

USD CONVERTED TO CDN
EXCHANGE RATE JAN 31, 2012
TOTAL CDN GROSS
TOTAL CDN OFFER

\$ (3,626.04)	\$ (280,018.00)	\$ (164,791.35)	\$ -	\$ -	\$ -	(448,435.39)
\$ (1,269.11)	\$ (98,006.30)	\$ (57,676.97)	\$ -	\$ -	\$ -	(156,952.39)

AGED ACCOUNTS RECEIVABLE
DOMIFOAM INTERNATIONAL INC.

Dated: Jan 31, 2012

NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL	Insurance
60	25,000.00	704.58				704.58	
60	25,000.00	10,823.17				10,823.17	
60	15,000.00	1,002.48	3,320.06	1,008.95		5,322.49	
60	7,000.00	4,316.16				4,316.16	
60	825,000.00	1,796.65	215.36			1,992.01	
60	350,000.00	103,576.81				103,576.81	
60	5,000.00	6,949.67	2,028.58			8,978.25	
60	975,000.00	258,533.73	719.08			259,252.81	
45	725,000.00	-41,326.70	142,651.80			101,325.10	
30	50,000.00	17,679.48				17,679.48	
30	25,000.00	3,072.41	2,674.27			5,746.68	
60	25,000.00	3,072.41				3,072.41	
30	175,000.00	1,004.61				1,004.61	
60	175,000.00	101,343.87				101,343.87	
60	40,000.00	13,366.08	2,968.78			16,334.86	
60	5,000.00	3,402.81	2,141.95			5,544.76	
60	5,000.00	2,254.11				2,254.11	
60	5,000.00	11,533.52	3,754.38			15,287.90	
45	10,000.00	1,598.57	10,024.80	6,857.72		28,481.09	
60	50,000.00	2,277.47	1,858.97			4,136.44	
45	75,500.00	27,771.01	10,197.36			37,968.37	
30	35,000.00	3,529.98				3,529.98	
60	6,000.00	833.89				833.89	
60	50,000.00	32,749.54				32,749.54	
60	50,000.00	3,265.84	1,087.18	3,549.67		7,902.69	
60	15,000.00	1,729.11				1,729.11	
60	15,000.00	14,114.15				14,114.15	
60	50,000.00	2,826.31				2,826.31	
60	60,000.00	21,840.31				21,840.31	
60	35,000.00	5,498.67	10,069.50			15,568.17	
60	20,000.00	6,278.42				6,278.42	
60	6,000.00	344.24				344.24	
60	5,000.00	1,249.53				1,249.53	
60	50,000.00	6,075.15				6,075.15	
60	45,000.00	284.40	1,580.27	1,843.67		3,708.34	
60	4,000.00	6,739.35				6,739.35	
60	15,000.00		2,745.13			2,745.13	
60	27,000.00		9,850.31			9,850.31	
20	2,000.00						
45	100,000.00	826.81				826.81	
60	25,000.00	12,628.03				12,628.03	
60	65,000.00	1,115.72	663.03			1,778.75	
60	65,000.00	31,497.06				31,497.06	
60	25,000.00	1,034.89				1,034.89	
30	60,000.00						
75	35,000.00	5,017.77	5,123.93			10,141.70	
60	30,000.00	9,312.23	1,656.38			10,968.61	
60	75,000.00	13,145.75				13,145.75	
45	10,000.00	9,121.23	525.28			9,646.51	
30	35,000.00	4,979.82				4,979.82	
60	20,000.00	442.19			47.71	489.90	

9

AGED ACCOUNTS RECEIVABLE
DOMEFOAM INTERNATIONAL INC.

Dated Jan. 31, 2012.

11627 PRO TAC INDUSTRIES INC.	60	\$	3 000,00	\$	1,80	\$	17 404,97	\$	6 208,06	\$	1,80	\$	42 927,94
11876 LITERIE DORMATEX INC.	60	\$	50 000,00	\$	19 314,91	\$	(400,30)	\$	-	\$	-	\$	5 388,46
11684 FUJISTAR CANADA INC	60	\$	10 000,00	\$	5 756,76	\$	353,56	\$	-	\$	(81,11)	\$	8 989,08
11714 TRICA	60	\$	75 000,00	\$	8 716,63	\$	895,20	\$	-	\$	-	\$	885,20
11760 VERANDA JARDIN INC.	60	\$	2 000,00	\$	10 907,45	\$	-	\$	-	\$	-	\$	10 301,45
11779 MANUFACTURE DE MATELAS	31	\$	125 000,00	\$	18 946,71	\$	-	\$	-	\$	-	\$	18 946,71
11811 BRCLAIN DISTRIBUTORS LTD.	31	\$	50 000,00	\$	4 191,55	\$	-	\$	-	\$	-	\$	4 191,55
11828 COMFORT FOAM & FIBRE	45	\$	50 000,00	\$	1 088,94	\$	-	\$	589,78	\$	-	\$	1 662,72
11833 MATELAS SELECT	60	\$	25 000,00	\$	45 000,00	\$	-	\$	-	\$	-	\$	93 242,34
11844 PEL INTERNATIONAL LITEE	30	\$	100 000,00	\$	24 828,53	\$	30 248,93	\$	22 159,94	\$	15 924,94	\$	6 664,80
11848 INDUSPAC INC.	75	\$	35 000,00	\$	6 894,89	\$	-	\$	-	\$	-	\$	1 171,60
11859 WESTBORO FLOORING INC	31	\$	30 000,00	\$	1 171,60	\$	-	\$	-	\$	-	\$	36 917,36
11871 MILLENAIRE WILLIAM INC.	30	\$	60 000,00	\$	23 905,21	\$	9 420,51	\$	3 591,64	\$	-	\$	31 405,26
11914 EXCEL REV'C MOUSSE FOAM I	60	\$	95 000,00	\$	25 488,59	\$	5 908,67	\$	-	\$	-	\$	3 133,52
11927 MEUBLES BELISLE INC.	30	\$	10 000,00	\$	3 133,52	\$	-	\$	-	\$	-	\$	(11,50)
11948 MEUBLES TOMALI INC.	30	\$	7 000,00	\$	(11,50)	\$	-	\$	-	\$	-	\$	23 998,27
11974 STYLTEC INC.	60	\$	50 000,00	\$	11 558,90	\$	11 889,97	\$	-	\$	-	\$	28 254,14
11978 MATELAS ORTHOPEDIQUE	60	\$	50 000,00	\$	27 397,56	\$	1 856,68	\$	-	\$	-	\$	42 209,54
11979 BELPRO MEDICAL INC	30	\$	35 000,00	\$	42 500,44	\$	-	\$	(290,90)	\$	-	\$	965,55
11982 DIAMOND DIVERSIFIED IND. L.	30	\$	75 000,00	\$	20 181,29	\$	-	\$	-	\$	-	\$	-40 670,61
12021 SEARS CANADA INC.	60	\$	45 000,00	\$	20 573,97	\$	965,55	\$	-	\$	-	\$	(32,80)
12101 CREO PACK INTERNATIONAL	60	\$	65 000,00	\$	40 000,00	\$	20 181,29	\$	(84,65)	\$	-	\$	17 913,60
12104 AD MATS CORPORATION	75	\$	40 000,00	\$	17 813,60	\$	-	\$	-	\$	-	\$	20 862,95
12122 ATLANTIC FABRICS LIMITED	60	\$	20 000,00	\$	4 808,38	\$	5 781,24	\$	5 890,81	\$	4 382,62	\$	9 001,12
12140 DOWNEAST PLASTICS LTD.	60	\$	20 000,00	\$	9 001,13	\$	-	\$	-	\$	-	\$	6 505,78
12146 MATELAS BEAU REVE INC	60	\$	50 000,00	\$	8 420,15	\$	2 382,15	\$	-	\$	-	\$	9 119,76
12150 REMBOURRAGE J A MARTINE	60	\$	175 000,00	\$	1 217,35	\$	699,61	\$	-	\$	-	\$	1 474,39
12156 BARRY SUPPLIES & FABRIC I	75	\$	175 000,00	\$	17 887,78	\$	287,04	\$	-	\$	-	\$	17 887,78
12280 WESCO NA INC.	60	\$	40 000,00	\$	1 225,63	\$	4 819,79	\$	373,67	\$	-	\$	2 346,65
12282 SPORT SYSTEMS CANADA IN	60	\$	15 000,00	\$	576,20	\$	747,35	\$	-	\$	-	\$	576,20
12253 BEAULIEU CANADA	75	\$	50 000,00	\$	2 002,76	\$	-	\$	-	\$	-	\$	2 002,76
12256 TECHNOLOGATIONS	30	\$	5 000,00	\$	596,03	\$	-	\$	-	\$	-	\$	596,03
12270 COUTURE CARLYLE INC. CW	30	\$	20 000,00	\$	384,08	\$	-	\$	-	\$	-	\$	29 232,63
12277 DOMINION CUTTING SERVICE	75	\$	25 000,00	\$	25 619,87	\$	15 928,82	\$	10 483,91	\$	2 425,54	\$	39 795,77
12282 VIGLINE 2006 INC.	75	\$	7 500,00	\$	1 184,25	\$	14 419,36	\$	17 458,72	\$	2 297,82	\$	1 184,25
12290 LOGIFLEX MOB DE BUREAU	30	\$	60 000,00	\$	12 344,90	\$	-	\$	-	\$	-	\$	12 344,90
12291 PAKTEK INC.	30	\$	5 000,00	\$	1 275,90	\$	-	\$	-	\$	-	\$	2 330,86
12296 PAVAR FURNITURE INC.	60	\$	20 000,00	\$	524,85	\$	1 055,66	\$	-	\$	-	\$	2 330,86
12298 G. ROMANO INC.	75	\$	10 000,00	\$	7 629,09	\$	392,41	\$	1 005,11	\$	5 538,66	\$	4 543,77
12303 WES INDUSTRIES INC.	60	\$	25 000,00	\$	3 820,86	\$	5 507,75	\$	8 366,47	\$	1 152,75	\$	23 556,06
12308 PYRA MEDIC INC. (W)	60	\$	15 000,00	\$	1 179,80	\$	-	\$	-	\$	-	\$	3 820,86
12314 GROUPE SIM PELLETIER	60	\$	75 000,00	\$	19 659,45	\$	9 079,05	\$	209,90	\$	9,05	\$	1 179,80
12326 HARWELL EMBALLAGE W NL	60	\$	10 000,00	\$	1 131,12	\$	-	\$	-	\$	-	\$	28 957,45
12330 CREATECH INC 5080744 QUE	60	\$	30 000,00	\$	4 661,06	\$	-	\$	-	\$	-	\$	4 661,06
12331 ORTHEX CANADA ENR W	60	\$	20 000,00	\$	1 294,39	\$	-	\$	2 016,81	\$	8 291,06	\$	11 881,35
12334 SHOLA INC.	60	\$	10 000,00	\$	9 722,17	\$	-	\$	-	\$	-	\$	1 284,39
12341 REVOLUTION SANTE 8196445	30	\$	10 000,00	\$	5,00	\$	-	\$	-	\$	-	\$	9 722,17
12343 JAYMAR INC.	45	\$	15 000,00	\$	1 454,04	\$	-	\$	-	\$	-	\$	5,00
12353 EQUIPMENT SANITAIRE CHER	30	\$	10 000,00	\$	3 304,57	\$	-	\$	-	\$	-	\$	3 304,57
12355 ADI ART DESIGN INTERNATIO	60	\$	10 000,00	\$	-	\$	-	\$	-	\$	-	\$	1 454,04
12357 VALENTINO INC W	60	\$	20 000,00	\$	-	\$	-	\$	-	\$	-	\$	3 304,57
12358 LINEA P. INTERNATIONAL INC	60	\$	10 000,00	\$	-	\$	-	\$	-	\$	-	\$	1 454,04
12367 CONFORT EXGELFLEX INC	30	\$	10 000,00	\$	-	\$	-	\$	-	\$	-	\$	3 304,57
12373 PPD FOAM SOLUTION INC.	45	\$	15 000,00	\$	-	\$	-	\$	-	\$	-	\$	3 304,57
12380 DISTRIBUTION SECURI - SPOR	45	\$	15 000,00	\$	-	\$	-	\$	-	\$	-	\$	3 304,57
12390 CONQUEST CARPET CORP.	45	\$	15 000,00	\$	-	\$	-	\$	-	\$	-	\$	3 304,57

SUB TOTAL CDN

\$ 6 790 500,00 \$ 1 235 631,54 \$ 370 416,55 \$ 92 280,40 \$ 45 825,69 \$ 1 744 154,18

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Jan 31, 2012

10005 ELRAN	15 \$	500,000.00 \$	303,779.87 \$	36,647.92 \$	1,056.44 \$	11,342.99 \$	689.58 \$	340,427.79 \$	350,000.00 \$
10371 SYLCO INC.	75 \$	55,000.00 \$	19,139.82 \$	1,056.44 \$	1,179.56 \$	410.29 \$	6,031.69 \$	32,216.28 \$	50,000.00 \$
10387 LITERIE DRUMMOND LTTEE	60 \$	30,000.00 \$	55,738.28 \$	(2,709.26) \$	9,359.14 \$	7,755.01 \$	56,494.97 \$	7,815.54 \$	14,000.00 \$
10551 GESCO LTD PARTNERSHIP	30 \$	600,000.00 \$	2,655.86 \$	6,706.11 \$	8,702.70 \$	5,885.18 \$	15,293.31 \$	55,738.28 \$	20,000.00 \$
11164 D & R FOAM	60 \$	175,000.00 \$	6,706.11 \$	31,178.06 \$	3,744.15 \$	77,842.53 \$	213,661.29 \$	(59,666) \$	75,000.00 \$
11399 SIEGES DUCHARME INTERNA	75 \$	150,000.00 \$	9,923.90 \$	89,152.73 \$	98,933.41 \$	141,052.72 \$	758,852.09 \$	80,515.23 \$	75,000.00 \$
11421 LES MELIEUX-VANTAGE 1000	60 \$	38,000.00 \$	428,743.23 \$	89,152.73 \$	89,933.41 \$	141,052.72 \$	758,852.09 \$	15,293.31 \$	200,000.00 \$
11924 MATELAS D'OR 8053-9834-QC	75 \$	200,000.00 \$	428,743.23 \$	89,152.73 \$	98,933.41 \$	141,052.72 \$	758,852.09 \$	13,668.05 \$	35,000.00 \$
12307 L. DAVIS TEXTILES (1991) INC	45 \$	25,000.00 \$	428,743.23 \$	89,152.73 \$	98,933.41 \$	141,052.72 \$	758,852.09 \$	13,668.05 \$	35,000.00 \$
SUB-TOTAL CDN Insured		\$ 1,778,000.00	\$ 428,743.23	\$ 89,152.73	\$ 98,933.41	\$ 141,052.72	\$ 758,852.09	\$ 844,000.00	\$ 844,000.00
10413 MATELAS MARTIN	90 \$	375,000.00 \$	42,935.08 \$	19,370.39 \$	55,168.67 \$	36,161.22 \$	153,635.35 \$	153,635.35 \$	80,000.00 \$
10585 SUBAR	90 \$	325,000.00 \$	55,233.52 \$	32,888.35 \$	65,818.64 \$	67,225.28 \$	221,165.00 \$	221,165.00 \$	75,000.00 \$
11177 TISSUS MORICQ INC.	90 \$	150,000.00 \$	30,749.66 \$	25,409.93 \$	24,863.69 \$	8,426.10 \$	89,497.38 \$	89,497.38 \$	100,000.00 \$
11665 BOZANTO INC.	90 \$	400,000.00 \$	138,756.63 \$	112,323.23 \$	117,018.61 \$	9,297.95 \$	977,895.82 \$	977,895.82 \$	25,000.00 \$
SUB-TOTAL CDN Insured Net 90		\$ 1,250,000.00	\$ 267,671.89	\$ 139,982.90	\$ 262,663.81	\$ 121,109.96	\$ 841,634.56	\$ 280,903.00	\$ 280,903.00
SUB-TOTAL GANNA COUNT									
TOTAL GROSS									
TOTAL OFFER									
SUB-TOTAL CDN									
SUB-TOTAL CDN Insured									
SUB-TOTAL CDN Insured Net 90									
SUB-TOTAL GANNA COUNT									
TOTAL OFFER									

11682 VALLE FOAM INDUSTRIES INC	45 \$	1,750,000.00 \$	253,895.10 \$	13,870.53 \$	334.27 \$	254,229.97 \$	71,175.61 \$	254,229.97 \$	254,229.97 \$
12102 A-Z SPONGE & FOAM	80 \$	125,000.00 \$	27,028.48 \$	30,276.59 \$	30,276.59 \$	30,276.59 \$	30,276.59 \$	30,276.59 \$	30,276.59 \$
SUB-TOTAL GANNA COUNT									
TOTAL OFFER									

AGED ACCOUNTS RECEIVABLE
DOMIFOAM INTERNATIONAL INC.

Dated Jan 31, 2012

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
USD							
U11771 JEFECO FIBRES INC	45 \$	2 030 325.00	\$ 558 732.38	\$ 78 213.67	\$ -	\$ -	\$ 634 946.02
U12184 OTIS BED MANUFACTURING C	60 \$	406 085.00	\$ 20 979.01	\$ 53 559.58	\$ 874.95	\$ -	\$ 75 413.54
U12171 FRANKLIN AUGUST TRADING	30 \$	7 089.00	\$ 7 170.44	\$ 1 228.19	\$ -	\$ -	\$ 8 398.63
U12183 FOAM FACTORY INC.	50 \$	9 882.00	\$ -	\$ -	\$ 235.00	\$ -	\$ 235.00
U12184 GREAT NORTHERN ASSOCIAT	60 \$	59 172.00	\$ 12 578.70	\$ -	\$ -	\$ -	\$ 12 578.70
U12187 QUINN DISTRIBUTORS	30 \$	49 310.00	\$ 12 428.70	\$ -	\$ -	\$ -	\$ 12 428.70
U12188 KRAUS USA INC.	45 \$	73 954.00	\$ 17 757.90	\$ -	\$ -	\$ -	\$ 17 757.90
U12189 LATEX INTERNATIONAL	30 \$	10 000.00	\$ 190.10	\$ 3 694.12	\$ -	\$ -	\$ 3 884.22
SUB-TOTAL USD		\$ 2 645 787.00	\$ 627 836.60	\$ 136 590.56	\$ 1 110.95	\$ -	\$ 765 538.11
U11429 NRF DISTRIBUTORS INC.	30 \$	256 410.00	\$ 11 418.86	\$ -	\$ -	\$ -	\$ 11 418.86
SUB-TOTAL USD Insured		\$ 256 410.00	\$ 11 418.86	\$ -	\$ -	\$ -	\$ 11 418.86
U12129 WCM INC.	90 \$	1 380 671.00	\$ 168 753.64	\$ 160 191.76	\$ 178 981.87	\$ 38 247.43	\$ 544 154.40
SUB-TOTAL USD Insured Net 90		\$ 1 380 671.00	\$ 168 753.64	\$ 160 191.76	\$ 178 981.87	\$ 38 247.43	\$ 544 154.40
SUB-TOTAL GANNA COUNT							
TOTAL GROSS			\$ 807 989.10	\$ 296 882.32	\$ 180 092.52	\$ 36 247.43	\$ 1 321 211.37
TOTAL OFFER			\$ 219 742.81	\$ 47 841.70	\$ 988.88	\$ -	\$ 267 973.34
SUB-TOTAL USD			\$ 3 996.60	\$ -	\$ -	\$ -	\$ 3 996.60
SUB-TOTAL USD Insured			\$ 59 056.77	\$ 56 057.12	\$ 62 643.55	\$ 12 686.60	\$ 190 454.04
SUB-TOTAL GANNA COUNT							
TOTAL OFFER			\$ 282 796.19	\$ 103 908.81	\$ 63 032.38	\$ 12 686.60	\$ 462 423.98
USD CONVERTED TO CDN							
EXCHANGE RATE JAN 31, 2012							
TOTAL CDN GROSS							
TOTAL CDN OFFER							
	1		\$ 807 989.10	\$ 296 882.32	\$ 180 092.52	\$ 36 247.43	\$ 1 321 211.37
							\$ 462 423.98

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Jan 31, 2012.

GROSS

Amount Before Rebates (AR)	CDN	USD	USD to CDN	Total
SUB TOTAL	\$ 2 033 974,91	\$ 1 210 447,46	\$ -	\$ 3 244 422,37
SUB TOTAL Insured	\$ 1 015 452,66	\$ 15 044,90	\$ -	\$ 1 030 497,56
SUB TOTAL Insured Net 90	\$ 852 212,31	\$ 544 154,40	\$ -	\$ 1 396 366,71
SUB TOTAL GANNA COUNT	\$ -	\$ -	\$ -	\$ -
TOTAL GROSS	\$ 3 901 639,88	\$ 1 769 646,76	\$ -	\$ 5 671 286,64

VALLEFOAM INDUSTRIES INC.
A-Z SPONGE & FOAM

\$ 254 229,37
71 175,61

MISC. EXCHANGE RATE

\$ -

TOTAL GROSS

\$ 5 996 691,62

Rebate Amount (Rebates)

Rebate Amount (Rebates)	CDN	USD	USD to CDN	Total
SUB TOTAL	\$ (289 820,73)	\$ (444 808,35)	\$ -	\$ (734 630,08)
SUB TOTAL Insured	\$ (256 570,57)	\$ (3 626,04)	\$ -	\$ (260 196,61)
SUB TOTAL Insured Net 90	\$ (10 577,75)	\$ -	\$ -	\$ (10 577,75)
SUB TOTAL GANNA COUNT	\$ -	\$ -	\$ -	\$ -
TOTAL GROSS	\$ (556 969,05)	\$ (448 435,39)	\$ -	\$ (1 005 404,44)

Combined Amount (Combined)

Combined Amount (Combined)	CDN	USD	USD to CDN	Total
SUB TOTAL	\$ 1 744 154,18	\$ 765 638,11	\$ -	\$ 2 509 792,29
SUB TOTAL Insured	\$ 758 882,09	\$ 11 418,86	\$ -	\$ 770 300,95
SUB TOTAL Insured Net 90	\$ 841 634,56	\$ 544 154,40	\$ -	\$ 1 385 788,96
SUB TOTAL GANNA COUNT	\$ -	\$ -	\$ -	\$ -
TOTAL GROSS	\$ 3 344 670,83	\$ 1 321 211,37	\$ -	\$ 4 665 882,20

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Jan 31, 2012

OFFER

Amount Before Rebates (AR)	CDN	USD	USD to CDN	Total
SUB TOTAL	1 201 357,89	423 656,61	-	1 625 014,50
SUB TOTAL Insured	609 271,60	5 265,72	-	614 537,31
SUB TOTAL Insured Net 90	511 327,39	190 454,04	-	701 781,43
SUB TOTAL GANNA COUNT	-	-	-	-
TOTAL OFFER	2 321 956,87	619 376,37	-	2 941 333,24

Rebate Amount (Rebates)

	CDN	USD	USD to CDN	Total
SUB TOTAL	(173 115,66)	(155 683,27)	-	(328 798,93)
SUB TOTAL Insured	(153 942,84)	(1 269,11)	-	(155 211,46)
SUB TOTAL Insured Net 90	(6 346,65)	-	-	(6 346,65)
SUB TOTAL GANNA COUNT	-	-	-	-
TOTAL OFFER	(333 404,65)	(156 952,39)	-	(490 357,04)

Combined Amount (Combined)

	CDN	USD	USD to CDN	Total
SUB TOTAL	1 028 242,23	267 973,34	-	1 296 215,57
SUB TOTAL Insured	455 329,25	3 996,60	-	459 325,86
SUB TOTAL Insured Net 90	504 980,74	190 454,04	-	695 434,78
SUB TOTAL GANNA COUNT	-	-	-	-
TOTAL OFFER	1 988 552,22	462 423,98	-	2 450 976,20

Schedule 2.9(B)

Purchased Inventories

Section 1

List of Purchased Inventories as of January 11, 2012

(and for some items as of January 31, 2012)

See document attached
Total of one (1) page

Section 2

Calculation of the Purchase Price attributed to the Purchased Inventories

See document attached
Total of two (2) page

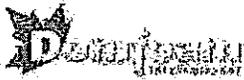
Schedule 2.9(B) - Section 1			
		SEC.	January 11, 2012
		RAW MATERIAL	
SCRAP		1	155 026
FILM		2	52 547
UNDERLAY TUBING		3	36 551
NON CHEMICALS		5	26 656
BONDED CHEMICAL		6	7 354
CHEMICALS (MAJORS)		7	810 266 (1)
OTHERS		8	86 756
SMALL CHEMICALS		9	505 644 (1)
POLYESTER FIBRE			0
		sub total:	1 680 800
			1 680 800
WORK IN PROCESS			
BONDED BLOCKS square		11	10 372
BONDED BUNS round		12	0
SQUARE BLOCK / ETHER BLOCKS		13	1 010 428
ROUND ESTER BUNS		14	25 374
ROUND ETHER UNDERLAY BUNS		15	0
POLY ETHER BUNS		16	143 382
		sub total:	1 189 556
			1 189 556
TOTAL R.M & W. IN P.		total:	2 870 356
			2 870 356
FINISHED GOODS			
BONDED UNDERLAY		17	0
SHIPPING INVENTORY (GOODS)		18,23	113 574 (2)
		sub total:	113 574
			113 574
TOTAL INVENTORY		TOTAL:	2 983 930
			2 983 930
SECTION 1	SUPPLIES	1	33 407
SECTION 2	FIBER	2	3 763
SECTION 3	BLOCKS	3	13 286
SECTION 4	BUN ENDS	4	1 827
SECTION 5	COMMANDES/stoc	5	19 798
TOTAL INVENTORY		TOTAL:	72 081
OVERALL VALUE			3 056 011
(1) As per the document added in the Data Room on Feb. 14, 2012.			
(2) There is no count for the latex inventory on page 107 of the "Equipment and Inventory" document in the Data Room.			

Schedule 2.9(B) - Section 2

	SEC.	January 11, 2012	Purchase Price offered	
RAW MATERIAL				
SCRAP	1	155 026	109 190	727,930 lbs @ .15/lb.
FILM	2	52 547		
UNDERLAY TUBING	3	36 551		
NON CHEMICALS	5	26 656	10% 2 666	See note 2 below
BONDED CHEMICAL	6	7 954		
CHEMICALS (MAJORS)	7	810 266	30% 204 168	See notes 1 & 2 below
OTHERS	8	86 756	0%	
SMALL CHEMICALS	9	505 644	50% 252 822	See note 2 below
POLYESTER FIBRE		0		
sub total:		1 680 800		
		1 680 800		
WORK IN PROCESS				
BONDED BLOCKS square	11	10 372		
BONDED BUNS round	12	0		
SQUARE BLOCK / ETHER BLOCKS	13	1 010 428	30% 303 128	
ROUND ESTER BUNS	14	25 374	30% 7 612	
ROUND ETHER UNDERLAY BUNS	15	0		
POLY ETHER BUNS	16	143 382	30% 43 015	
sub total:		1 189 556		
		1 189 556		
TOTAL R.M. & W. IN P.	total:	2 870 356		
		2 870 356		
FINISHED GOODS				
BONDED UNDERLAY	17	0	30%	
SHIPPING INVENTORY (GOODS)	18,23	113 574		See note 3 below
sub total:		113 574		
		113 574		
TOTAL INVENTORY	TOTAL:	2 983 930		
		2 983 930		
SECTION 1 SUPPLIES 1 33 407				
SECTION 2 FIBER 2 3 763				
SECTION 3 BLOCS 3 13 286				
SECTION 4 BUN ENDS 4 1 827				
SECTION 5 COMMANDES/stoci 5 19 798				
TOTAL INVENTORY	TOTAL:	72 081		
		72 081		
Add purchase of uncounted items with no specific price above.			20 000	
OVERALL VALUE		3 056 011	946 586	

** Designates counted inventory

Note 1	
Total Chemical in inventory	810 266
less TDI in Inv (value \$0.00) 93 313 lbs @ 1.39/lb	129 705
Remaining inventory	680 561
Value at 30%	204 168
Note 2	
The inventory regarding those items have been evaluated as of January 31, 2012.	
Note 3	
The Purchaser shall pay 100% of the latex based on the cost presented on page 107 of the document "Equipment and Inventory" posted on February 14, 2012 in the Data Room. (see attachment) and the final count of Latex as of the Closing Date.	



Sauf sur indication contraire, tout le matériel compté est bon et disponible immédiatement.

SIGNATURE:

21 (LAST SHEET)

LATEX INVENTORY

TYPE	QUANTITY	COST	TOTAL
Single Soft (TXL 65)		\$ 115.30	\$ -
Single Medium (TXL 75)		\$ 135.30	\$ -
Single Firm (TXL 85)		\$ 204.95	\$ -
Single XTRA FIRM (TXL 95)		\$ 185.00	\$ -
Twin Soft (T 65)		\$ 115.30	\$ -
Twin Medium (T 75)		\$ 135.30	\$ -
Twin Firm (T 85)		\$ 204.95	\$ -
Twin XTRA FIRM (T 95)		\$ 185.00	\$ -
Double Soft (F 65)		\$ 216.21	\$ -
Double Medium (F 75)		\$ 230.40	\$ -
Double Firm (F85)		\$ 236.40	\$ -
Double XTRA FIRM (F 95)		\$ 256.00	\$ -
Queen Soft (Q 65)		\$ 185.85	\$ -
Queen Medium (Q 75)		\$ 198.45	\$ -
Queen Firm (Q 85)		\$ 315.31	\$ -
Queen XTRA FIRM (Q95)		\$ 352.40	\$ -
King Soft (K 65)		\$ 235.20	\$ -
King Medium (K 75)		\$ 250.95	\$ -
King Firm (K 85)		\$ 284.55	\$ -
King XTRA Firm (K95)		\$ 330.75	\$ -
CK SOFT (CK 65)		\$ 325.00	\$ -
CK MED (CK 75)		\$ 325.00	\$ -
CK FIRM (CK 85)		\$ 360.00	\$ -
CK XTRA FIRM (CK 95)		\$ 390.00	\$ -
5 ZONE		\$ 390.00	\$ -
7 ZONE		\$ 400.00	\$ -
PILLOW		\$ 20.00	\$ -

Schedule 2.9(E)

Excess rebates to customers

*See document attached
Total of two (2) pages*

Dated: Jan. 31, 2012

GROSS REBATES AVAILABLE

CDN Rebates Available	\$	591,556.45
U.S. Rebates Available in (CDN)	1 \$	448,435.39
TOTAL REBATES AVAILABLE	\$	1,039,991.84

GROSS REBATES APPLIED

	CDN	USD	USD to CDN	Total
SUB TOTAL	\$ (289,820.73)	\$ (444,809.35)	\$ -	\$ (734,630.08)
SUB TOTAL Insured	\$ (256,570.57)	\$ (3,626.04)	\$ -	\$ (260,196.61)
SUB TOTAL Insured Net 90	\$ (10,577.75)	\$ -	\$ -	\$ (10,577.75)
SUB TOTAL GANNA COUNT	\$ -	\$ -	\$ -	\$ -
TOTAL GROSS	\$ (556,969.05)	\$ (448,435.39)	\$ -	\$ (1,005,404.44)

EXCESS UNAPPLIED REBATES

	\$	34,587.40
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Domfoam International
 Rebates
 As of Jan 27 2012

CUST #	REBATE AMOUNT OUTSTANDING; OFFSET AGAINST ACCOUNTS RECEIVABLE
10072	\$127,739.99
10120	\$1,769.76
10192	\$591.27
10485	\$22,390.75
10551	\$18,833.96
11207	\$2,249.62
U11429	\$3,626.04
12000	\$7,267.85
12253	\$3,606.38
00202	\$14,808.00
10005	\$171,143.58
1020	\$24,868.08
10305	-\$162.69
10358	\$1,554.44
10379	\$4,939.56
10384	\$7,139.28
10510	\$4,601.00
10545	\$6,193.47
10848	\$514.01
11155	\$4,186.45
11164	\$66,036.80
11209	\$16,269.76
11268	\$5,184.22
11289	\$6,523.36
11457	\$13,380.06
11666	\$10,577.75
11771	\$444,809.35
11844	\$5,922.65
11924	\$17,760.30
11927	\$11,128.04
12158	\$8,822.25
12282	\$5,716.50
	\$1,039,991.84

Schedule 4.1(c)
Confidentiality Agreement

*See document attached
nine (9) pages*

CONFIDENTIAL

Domfoam International Inc.
8785 Langelier Blvd
St Leonard, QC
H1P 2C9

Attention: John Howard

Re: Domfoam International Inc., Valle Foam Industries (1995) Inc. and A-Z Sponge & Foam Products Ltd. (collectively, the "Corporation") – Proposed Sale of Assets ("Proposed Transactions")

We have requested that the Corporation provide us (the "Interested Party") with the Confidential Information (defined below) to assist in determining for ourselves the desirability and feasibility of proceeding with the Proposed Transactions pursuant and subject to the terms and conditions set by the Corporation (the "Permitted Purpose") and contained herein.

It is acknowledged that but for delivery of this letter the Corporation would not provide the Interested Party such Confidential Information.

Upon acceptance of this letter by the Corporation and subject to the provisions thereof, the Corporation shall provide or cause to be provided to the Interested Party such Confidential Information as the Corporation in the exercise of its unfettered discretion may determine.

"Confidential Information" means all financial statements and information and all data, compilations, analysis, documentation, and other information and every part thereof, whether in electronic form or otherwise, which now or hereafter comes into the possession or under the control of the Interested Party or its Representatives (defined below) including, without limitation, that relating to the Corporation's business organization, business operations and systems, Know-how, business plans, Research Information, Customer Information, suppliers, financial structure, Financial Information, Supplied Information, Marketing Information, assets, employees, employee relationships, Software and other information of any kind relating to any of the foregoing and includes all data, compilations, analysis and other documents and information prepared by or on behalf of the Interested Party or by any of the Representatives based, in whole or in part, on any of the foregoing, but expressly excluding any reports or analysis of the Corporation conducted by any professionals retained by or with respect to the Corporation, including, without limitation, Deloitte LLP, in connection with the current financial state of the Corporation, any restructuring scenarios available to the Corporation, and any analysis of the value of the Corporation or its assets.

For the purposes of this letter:

- (a) "Corporation" shall include and extend to each subsidiary of the Corporation, each partnership controlled by the Corporation or their

respective subsidiaries, each of whom shall be entitled to directly enforce the provisions of this letter against the Interested Party notwithstanding that this letter is not directly addressed to or required to be accepted by any one or more of such subsidiaries and partnerships;

- (b) "Customer Information" includes any information pertaining to the Corporation's customers, prospective customers, customer base and markets, prospective customer base and markets, including customer or prospective customer names and addresses and the names of employees of customers or prospective customers with whom the Corporation is in contact in its business, or proposes to contact, customer or prospective customer requirements and the Corporation's contracts with its customers or prospective customers, including details as to pricing, supply of services, and royalty and/or commission rates;
- (c) "Financial Information" includes any and all information pertaining to the Corporation's actual or anticipated sales, income, projections, profit, profitability, pricing, salaries and wages;
- (d) "Know-how" includes the accumulated skills, experience, knowledge, patents, intellectual property, information, data, patterns, designs, engineering specifications, schematics and other information with respect to the design, production and provision of the products and/or services offered by the Corporation's business or proposed business and of the Software related thereto;
- (e) "Marketing Information" includes information including but not limited to the Corporation's marketing programs, plans, strategies and proposed future products, services, advertising and promotions;
- (f) "person" shall be broadly interpreted to include, without limitation, any individual, corporation, limited liability corporation, company, group, partnership, limited liability partnership or other entity;
- (g) "Representatives" means, collectively, each of the directors, officers, employees, agents and other representatives of the Interested Party or the Corporation (as the case may be) including, without limitation, their respective lawyers, accountants, consultants and financial advisors;
- (h) "Research Information" includes information pertaining to any research, development, investigation, study, analysis, experiment or test carried on or proposed to be carried on by the Corporation;
- (i) "Software" includes all methods, programs, techniques and other information and materials relating to the handling or treatment of data by computers and all other necessary information utilized in order to provide the services offered by the Corporation's business or proposed business and all documentation thereto, and includes all computer programs, including

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HTML, JAVA, UNIX, LINUX, GNU, C++, and other internet-oriented computer programs, systems software and application programs, and all related manuals, documentation and materials relating to the systems software and application programs;

- (j) "Supplied Information" includes all business information, computer software and technology which is proprietary to any other person doing business with the Corporation and which is made available to the Corporation under conditions of confidentiality.

At the request of the Corporation and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) the Interested Party covenants and agrees with the Corporation as follows:

1. **Deemed Confidential Property:** As between the Corporation and the Interested Party, the Confidential Information, and every part thereof, is and shall at all times be deemed to be the confidential property and constitute valuable trade secrets of the Corporation, whether or not, but for this paragraph, the same would otherwise be considered confidential and/or trade secrets and whether or not it is marked or otherwise expressed on its face to be confidential.
2. **Ownership:** The Confidential Information is and shall be deemed to be owned solely by the Corporation and the right to maintain confidential the Confidential Information constitutes an exclusive proprietary right of the Corporation which it is entitled to protect. The Interested Party does not and shall be deemed not to have any right to or proprietary interest in the Confidential Information. All of the Confidential Information which is disclosed to or otherwise comes into the possession or under the control of the Interested Party shall, subject to paragraph 5 below, be received and held by the Interested Party in trust solely for the Corporation notwithstanding the Interested Party's right to use it for the Permitted Purpose.
3. **Permitted Use:** The Confidential Information shall only be used directly by the Interested Party and its Representatives for the Permitted Purpose. Except as otherwise provided for herein, the Confidential Information will be kept strictly confidential by the Interested Party, whether or not such Confidential Information is marked or otherwise expressed on its face to be confidential. Other than as permitted herein, the Interested Party will not, directly or indirectly, without the prior written consent of the Corporation (which consent may be arbitrarily withheld) disclose, publish, reproduce or otherwise disseminate or communicate the Confidential Information, nor will it permit, cause or acquiesce in such disclosure or other dissemination or communication of the Confidential Information by the Representatives of the Interested Party or by any other person, all in any manner whatsoever, in whole or in part.

The Interested Party agrees to restrict the disclosure, dissemination or other communication of the Confidential Information solely to such of the Interested Party's Representatives who need to know the Confidential Information for the Permitted Purpose and the Interested Party shall inform its Representatives of the ownership and strict confidential nature of the Confidential Information.

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4. Disclosure List & Responsibility for Representatives: The Interested Party shall maintain a current listing of each of its Representatives to whom any of the Confidential Information has been disclosed or otherwise disseminated or communicated and on each and every request of the Corporation, the Interested Party shall without delay deliver to the Corporation a complete and accurate copy of such list. The Interested Party shall similarly deliver on request, the following information:

- (a) name of the any law firms, accounting firms, and consulting firms (the "Firms") involved with the Interested Party as its Representatives;
- (b) name of the person in charge for each Firm;
- (c) business address and telephone number to reach the person in charge for each Firm;

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The Interested Party shall be responsible and liable to the Corporation for any and all acts or omissions of each of its Representatives which if done or omitted directly by the Interested Party would be a breach of the provisions of this letter.

The Interested Party shall safeguard the Confidential Information from disclosure or other dissemination or communication to any person other than as expressly permitted herein.

5. Exceptions to Prohibited Use: The obligations and limitations imposed on the Interested Party and its Representatives hereunder shall not apply to any Confidential Information:

- (a) which is or becomes generally available to the public other than as a result of its disclosure or other dissemination or communication by the Interested Party or its Representatives; or
- (b) which becomes available to the Interested Party or its Representatives on a non-confidential basis from a source other than the Corporation or its Representatives, provided that such source is not then bound by a confidentiality agreement with the Corporation or otherwise prohibited from transmitting the Confidential Information to the Interested Party or its Representatives by contractual, legal or fiduciary obligation; or
- (c) which is already in possession of the Interested Party, provided that such Confidential Information is not subject to another confidentiality agreement or non disclosure agreement with the Corporation.

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In addition, the obligations and restrictions imposed on the Interested Party and its Representatives hereunder shall not extend to prohibit the Interested Party from discussing the Proposed Transactions with and disclosing any of the Confidential Information to:

- (i) any other person who has signed a confidentiality agreement with the Corporation in substantially the form of the agreement constituted by this letter regarding any of the Proposed Transactions; and

- (ii) any governmental or regulatory body in Canada having jurisdiction over the operations of the Corporation or any part thereof or over the Interested Party in connection with its participation in any of the Proposed Transactions, provided that the disclosure, dissemination or other communication of any of the Confidential Information to such governmental or regulatory body is made on a confidential basis and such confidential basis is either provided for by applicable law or recognized in writing by the relevant body.

Notwithstanding the foregoing provisions of this paragraph 5, in the event that the Interested Party or its Representatives are required by law or governmental action to disclose any of the Confidential Information, the Interested Party and/or its Representatives will, on a best effort basis, deliver to the Corporation prompt prior notification of such requirement(s) so that the Corporation may seek an appropriate protective order and/or waive compliance by the Interested Party or its Representatives with the provisions of this letter. If, failing the obtaining of a protective order or the delivery of such a waiver, the Interested Party is, in the opinion of its legal counsel, compelled to disclose, disseminate or otherwise communicate the Confidential Information, the Interested Party may disclose, disseminate, or otherwise communicate the Confidential Information, but only to the extent so compelled, without liability hereunder.

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6. **Return of Information:** The Interested Party shall, on receipt of the written request of the Corporation, promptly deliver to the Corporation all of the Confidential Information which is in recorded form (whether such form be in writing or in electronically retrievable form or electronically stored data or otherwise) and each of the Interested Party and its Representatives shall not retain any copies thereof.
7. **No Liability for Information:** At the time(s) any of the Confidential Information is delivered to the Interested Party, the Corporation will attempt to include in such Confidential Information such materials which the Corporation considers to be reliable and relevant for the Permitted Purpose; however, the Corporation shall not have or incur any, and the Interested Party hereby waives any right to claim any, liability to the Interested Party or its Representatives in connection with or arising from the Confidential Information and the use thereof by the Interested Party or its Representatives.

The Interested Party acknowledges and agrees for itself and its Representatives that neither the Corporation nor any of its Representatives in providing the Confidential Information has or will be taken to have made either expressly or impliedly any representations or warranties as to the accuracy or completeness of the Confidential Information and the Interested Party confirms that it is not relying on any representations or warranties of the Corporation or its Representatives in making use of the Confidential Information.

8. **Indemnity:** The Interested Party hereby unconditionally indemnifies and shall forever save harmless the Corporation from and against any and all losses, damages, liabilities (whether actual, contingent or otherwise), proceedings, costs and expenses including, without limitation, legal fees (on a scale as between a solicitor and his own client), which the Corporation or its Representatives may suffer, incur or sustain in

connection with or as a result of a breach by the Interested Party or any of its Representatives of any of the provisions contained in this letter.

All of the provisions contained herein are reasonable in the circumstances and valid and the Interested Party hereby waives all defences, equities and rights to and against the strict enforcement thereof by the Corporation and its Representatives.

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9. **Continuity of Agreement:** The prohibitions, limitations and obligations of the Interested Party herein contained shall continue in full force and effect notwithstanding the Interested Party ceasing to proceed with any of the Proposed Transactions and will survive any termination or cancellation of its involvement, if any, in the Proposed Transactions.
10. **Use of Information Post Involvement:** The Interested Party shall not, at any time after it ceases to proceed with or be involved in the Proposed Transactions and except as otherwise expressly provided for herein: (i) use any of the Confidential Information in furtherance of the business of the Interested Party or the business of any other person; (ii) interfere in any way with any contractual or other business relationship of the Corporation; (iii) disclose, disseminate or otherwise communicate the Confidential Information or any part thereof to any person or utilize the Confidential Information in any way which is adverse to the Corporation; or (iv) directly or indirectly solicit for employment any person who is now employed by the Corporation, unless the Corporation otherwise agrees, in writing, prior to such solicitation for employment.
11. **Right to Enjoin:** It is acknowledged that the provisions of this letter are essential for the protection of the Corporation and, in the event of the non-performance of any provisions hereof in strict accordance with their specific terms or any breach of any provisions of this letter, the same would cause immediate and irreparable harm and damage to the Corporation for which monetary relief would be inadequate or impossible to ascertain. The Interested Party agrees that upon any breach or threatened breach of the provisions hereof, the Corporation shall be entitled to obtain from any court of competent jurisdiction, interim and permanent injunctive relief or other appropriate form of equitable relief to effectively enforce the provisions hereof, and an accounting of all profits and benefits which may have been or which may be derived both directly or indirectly, as a direct or indirect result of such breach by the Interested Party or any of its Representatives who have committed or who have threatened to commit such breach, which rights and remedies shall be cumulative and, in addition to any other rights or remedies to which the Corporation may be entitled.

No failure or delay by the Corporation in exercising or taking steps to enforce any of its rights or entitlements under the provisions of this letter shall operate as a waiver thereof, unless such waiver is in writing and signed by the Corporation, nor shall any single or partial exercise thereof preclude any other or future exercise of any other right or entitlement of the Corporation hereunder.

12. **Notices:** Any notice desired, contemplated or required by this letter to be given shall be delivered by hand or facsimile to:

(a) the Corporation at:

8785 Langelier Blvd.
St. Leonard, QC H1P 2C9

Attention: John Howard
Telephone No. 514-325-8120
Facsimile No. 514-325-6477

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(b) the Interested Party at:

8600 Decarie Blvd.
Suite 200
Town of Mount Royal, QC H4P 2N2

Attention: Frank J. Gatlinger
Telephone No. 514-341-8600
Facsimile No. 514-340-1389

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With copy to:

Lamarre Perron Lambert Vincent
480 Saint-Laurent Blvd.
Suite 200
Montreal, QC H2Y 3Y7

Attention: Jacques Vincent
Telephone No. 514-798-0990
Facsimile No. 514-798-5599

13. Applicable Law: The provisions of this letter shall be governed by and construed and enforced exclusively in accordance with the laws of Quebec and the federal laws of Canada applicable therein.

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The Corporation is requested to evidence its agreement and acceptance of the provisions of the letter by signing and returning the enclosed copy thereof which has been signed by the Interested Party, whereupon this letter will constitute the binding agreement between the Interested Party and the Corporation with respect to the subject matter thereof.

Yours very truly,

S.P. Holdings Canada Inc. or Nominee

Per:

Supprimé:
Per: []

TO: S.P. Holdings Canada Inc, or Nominee

Accepted and agreed to with effect as of the date set out above.

DOMFOAM INTERNATIONAL INC.

Per:

John C Howard

Per:

JOHN C. HOWARD

NDV 326

Per: _____

Schedule 5.1(o)

List of assets to be acquired by the Vendor

From Valle Foam Industries (1995) Inc.

Prior to the Closing Date

*See document attached
one (1) page*

Equipment to be Acquired From Vallé Foam

Bonded foam peeler and boring machine
Foam shredding line c/w blower
2 shredded foam storage bins c/w fluffer arms, gearboxes and drives (2 units @ \$5,000 each)
Baumer contour saw c/w infeed and outfeed conveyors.
Wyntec contour saw c/w infeed and outfeed conveyors
Convoluter - Edge Saw 88" capacity
Carrousel (of Chinese manufacture)
Automatic wrapping machine (built at Domfoam in 1996)
Automatic vertical saw
Zwick foam tester

Dismantle, transport and reassemble at Domfoam.

Additional Items

Foam shredding line c/w blower
floor scale
Laminator unwind set-up
Laminator heating system
Underlay sealer
Web align unit
Air compressor
H.P. boiler 50 HP

Dismantle, transport and reassemble at Domfoam

TAB B

ASSET PURCHASE AGREEMENT

Made as of the 22nd day of December, 2011

Between

4037057 CANADA INC.

- and -

DOMFOAM INTERNATIONAL INC.

ASSET PURCHASE AGREEMENT

This Agreement is made as of the 22nd day of December, 2011,

BETWEEN:

4037057 CANADA INC., a corporation existing under the laws of Canada

(hereinafter referred to as the "**Purchaser**")

- and -

DOMFOAM INTERNATIONAL INC., a corporation existing under the laws of Canada

(hereinafter referred to as the "**Vendor**")

RECITALS

- A. The Vendor carries on the Business and is willing to sell the Purchased Assets to the Purchaser;
- B. The Purchaser has been informed by the Vendor of the following situations:
 - i. that the Vendor and its Subsidiaries are being sued in Canada and in the United States of America, both through class actions or governmental entity (the Competition Bureau in Canada and the Department of Justice, Anti-Trust Division, in the United States of America);
 - ii. the Vendor's financial institution has recently withdrawn its credit facilities previously granted to the Vendor;
 - iii. the cash flow situation of the Vendor should not allow the Vendor to operate in the ordinary course of business for lack of cash flow sometime during the month of January 2012;
- C. It is the intention of the Vendor to commence proceedings in the Quebec Superior Court of Justice of the judicial district of Montreal (the "**CCA Court**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCA**") pursuant to which, among other things, Deloitte would be appointed as the monitor for monitories and reporting, among other responsibilities, to the CCA Court on the cash flow forecasts, business and financial affairs of the Vendor (the "**Monitor**") ; and
- D. The Vendor has agreed to sell and transfer and assign to the Purchaser and, subject to the issuance of both the Approval Order and the Vesting Order, the Purchaser has agreed to purchase from the Vendor, subject to the conditions contained herein, all of the Vendor's interest in and to the Purchased Assets;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each party to the other, the parties agree as follows:

Section 1 – INTERPRETATION

1.1 Definitions

In this Agreement:

- (a) **"Agreement"** means this asset purchase agreement;
- (b) **"Allocation of Purchase Price"** has the meaning set out in Section 2.12;
- (c) **"Approval Order"** means an Order of the CCAA Court approving the Vendor entering into this Agreement and the transactions contemplated hereunder and providing for the issuance of the Vesting Order in form and content satisfactory to both the Vendor and the Purchaser, as confirmed in writing;
 - (c.1) **"Assigned Contracts"** has the meaning set out in Section 2.3;
- (d) **"Assumed Employees"** has the meaning set out in Section 2.5;
- (e) **"Assumed Obligations"** has the meaning set out in Section 2.6;
 - (e.1) **"BASF Receivables"** has the meaning set out in Section 2.9;
- (f) **"Books and Records"** means all books and records and the data contained therein, whether in paper or electronic form, in the possession of the Vendor relating to the Purchased Assets or the Assumed Obligations (other than accounting records and books and records required by applicable law to be retained by the Vendor, copies of which shall be provided to the Purchaser at the Vendor's cost), including all policies, plans, audit reports, all personnel, employment, payroll and training records relating to the Assumed Employees, customer lists, Customer Contracts, sales records, price lists, and all other related files, records and information in the possession of the Vendor relating to the Purchased Assets or the Assumed Obligations, but, for certainty, not including (i) such books, records and data relating to any of the Excluded Assets or the Excluded Obligations or (ii) the corporate minute books of the Vendor or any of its Subsidiaries;
- (g) **"Business"** means collectively the business, affairs and operations of the Vendor, which for greater certainty, excludes the Subsidiaries businesses; the Vendor is in the business of manufacturing and selling polyurethane foam in Canada and, to a minimum extent, in the United States of America, for the bedding, carpet underlay, furniture and industrial industries;
- (h) **"Business Day"** means a day on which banks are open for business in the City of Montréal but does not include a Saturday, Sunday or statutory holiday in the Province of Quebec;
- (i) **"CCAA"** has the meaning set out in the recitals hereof;
- (j) **"CCAA Court"** has the meaning set out in the recitals hereof;

- (k) "**Closing**" means the successful completion of the Transaction;
- (l) "**Closing Date**" means the Business Day following the date on which the Vesting Order is granted;
- (m) "**Contracts**" means the agreements as described in Schedule 1.1(m), as the same may be modified by the Purchaser from time to time pursuant to Section 2.8;
- (n) "**Customer Contracts**" means the Vendor's contracts, agreements, instruments and other legally binding commitments or arrangements, written or oral, concerning the provision of services by the Vendor to its customers including but not limited to those contracts listed in Schedule 1.1(n) attached hereto;
- (o) "**Deposit**" has the meaning set out in Section 2.11(a);
- (p) "**DIP Financing**" has the meaning set out in Section 5.1(n);
- (q) "**Email**" has the meaning set out in Section 7.4;
- (r) "**Equipment**" means all of the Vendor's equipment (including the Vendor's computer and computer accessories), office equipment, furniture, fixtures, furnishings and supplies of all kinds in the possession or control of the Vendor on the Closing Date, whether owned by the Vendor or in which the Vendor has an interest pursuant to an equipment operating lease or a security agreement;
- (r.1) "**Equipment Operating Leases**" means all operating leases of equipment or other personal property used by the Vendor as a lessee or under which the Vendor has rights as lessee and listed on Schedule 1.1(r.1) attached hereto
- (s) "**ETA**" means the *Excise Tax Act* (Canada);
- (t) "**Excluded Assets**" has the meaning set out in Section 2.2;
- (u) "**Excluded Employees**" has the meaning set out in Section 2.5;
- (v) "**Excluded Obligations**" has the meaning set out in Section 2.7;
- (w) "**Initial Order**" means an Order of the CCAA Court to be obtained no later than January 13, 2012 at 5:00 p.m. in respect of pursuing the obtention of the Vesting Order;
- (x) "**Intellectual Property**" means the following intellectual property:
 - (i) all designs, graphics, slogans and other commercial symbols and all registrations and applications therefor;
 - (ii) all patents, patent rights (including divisions, reissues, renewals, re-examinations, continuations, continuations in part and extensions) and all applications therefor;
 - (iii) all copyrights, writings and other copyrightable works of authorship, including computer programs, databases and documentation therefor, integrated circuit topographies, industrial designs and other industrial property rights and all

applications and registrations therefor and all renewals or extensions of such applications and registrations;

- (iv) all proprietary and non-public business information, including know-how, trade secrets, improvements, concepts, ideas, technical data, drawings, specifications therefor, business methodologies and processes, confidential information and any licensed property or technology; and
- (v) all goodwill and trademarks in whatever format, including without limitation, registered and unregistered trademarks, trade names, brand names, service marks, logos, copyrights, certification marks, drawings, permits, internet and electronic email addresses, URLs, telephone, telex and facsimile numbers, content of websites and domain names related to or connected with the business carried on by the Vendor, all related software and electronic code to the extent assignable and other similar intellectual property or intangibles of the Vendor;
- (y) "**Interim Period**" means the period between the date of acceptance of this Agreement by the Vendor and the Closing Date;
- (z) "**Leased Premises**" means the premises leased and occupied by the Vendor at:
 - (i) 8785 Langelier Blvd., (Saint-Leonard) Montreal, Québec, H1P 2C9;
 - (ii) 5675 Des Grandes-Prairies Blvd., (Saint-Leonard) Montreal, Québec, H1R 1B3;
 - (iii) 7525 Henri Bourassa East, Montreal, Québec, H1E 1N9;
- (aa) "**Material Adverse Change**" means the loss by the Vendor, during the Interim Period, of customers representing, in the aggregate in the past twelve (12) months, revenues of \$2,5M or more;
- (bb) "**Monitor**" has the meaning set out in the Recitals;
- (cc) "**Objection Notice**" has the meaning set out in Section 2.10;
- (dd) "**Offer Date Inventory Value**" has the meaning set out in Section 2.9;
- (ee) "**Offer Date Receivable Value**" has the meaning set out in Section 2.9;
- (ff) "**Order**" means any order, directive, judgment, decree, award or writ of any tribunal;
- (gg) "**Purchase Price**" has the meaning set out in Section 2.9;
- (hh) "**Purchased Assets**" means the right, title and interest of the Vendor in and to the assets described in Schedule 1.1(hh), provided that the Purchased Assets shall not include any Excluded Assets;
- (ii) "**Purchased Inventories**" has the meaning set out in Section 2.9;
- (jj) "**Purchased Receivables**" has the meaning set out in Section 2.9;
- (kk) "**Purchased Working Capital**" has the meaning set out in Section 2.10;

- (ll) "QSTA" means an *Act respecting the Quebec Sales Tax*.
- (mm) "Required Consents" means the consents listed in Schedule 1.1(mm);
- (nn) "Schedules" means any and all schedules referred to in this Agreement and attached thereto;
- (oo) "Subsidiary(ies)" means each of (i) Valle Foam Industries (1995) Inc. having its registered office at 4 West Drive, Brampton (Ontario) L6T 2H7, and (ii) A-Z Sponge & Foam Products Ltd. having its registered office at 811 Cundy Ave., Annacis Island, Delta (British Columbia) V3M 5P6. Those corporations being referred to individually as a "Subsidiary" and collectively as "Subsidiaries";
- (pp) "Taxes" has the meaning set out in Section 2.13;
- (qq) "Tax Return" means a report, return or other information or form required to be supplied to a governmental entity with respect to any Taxes;
- (rr) "Time of Closing" means 2:00 p.m. (Montréal Time) on the Closing Date or such other time on the Closing Date as the parties may mutually agree;
- (ss) "Transaction" means the transaction of purchase, sale, assignment and assumption contemplated by this Agreement;
- (tt) "Unionized Employees" has the meaning set out in Section 2.5;
- (uu) "Vendor's Intellectual Property" means all Intellectual Property used by the Vendor as at the Closing Date, including any Intellectual Property listed in Schedule 1.1(uu) attached hereto; and
- (vv) "Vesting Order" means an Order of the CCAA Court vesting in the Purchaser all the right, title and interest of the Vendor in the Purchased Assets, free and clear of all liens, charges and encumbrances, security interests and other encumbrances, in form and content satisfactory to both the Vendor and the Purchaser, as confirmed in writing.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof.

1.3 Extended Meanings

Words importing the singular include the plural and vice versa, words importing gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations, corporations and governmental authorities. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings.

1.4 Schedules

The following schedules are incorporated in and form part of this Agreement:

Schedule 1.1(m)	Contracts
Schedule 1.1(o)	Customer Contracts
Schedule 1.1(r.1)	Equipment Operating Leases
Schedule 1.1(hh)	Purchased Assets
Schedule 1.1(mm)	Required Consents
Schedule 1.1(uu)	Vendor's Intellectual Property
Schedule 2.2	Excluded Assets
Schedule 2.6	Assumed Obligations
Schedule 2.9(A)	Purchased Receivables
Schedule 2.9(B)	Purchased Inventories
Schedule 2.9(E)	Excess rebates to customers
Schedule 4.1(c)	Confidentiality Agreement
Schedule 5.1(o)	List of assets to be acquired from Valle Foam Industries (1995) Inc.

[Section 2 follows on next page]

Section 2 – SALE AND PURCHASE AND ASSIGNMENT

2.1 Sale and Purchase of Assets

Subject to the terms and conditions hereof, the Vendor shall sell to the Purchaser and the Purchaser shall purchase the Purchased Assets on the Closing Date. The Purchaser acknowledges that it is not purchasing any other property or assets of the Vendor other than the Purchased Assets. The Purchaser acknowledges and agrees that this Agreement contains a condition (not capable of waiver) that, prior to the Closing, the Vendor shall have obtained the Approval Order and the Vesting Order, all as provided in this Agreement. If the Vendor shall not have obtained both the Approval Order and the Vesting Order after making application for them, this Agreement shall automatically terminate without any further action on the part of any of the Vendor or the Purchaser and neither party hereto shall be under any further obligation to the others to complete the transactions of purchase and sale contemplated by this Agreement and each party hereto shall be released immediately of all of its obligations hereunder, other than as set forth in Sections 6.6(b) (return of the Deposit), 4.1(c) (Confidentiality Agreement) and 7.3 (Cost and Expenses).

2.2 Excluded Assets

The Purchased Assets shall not include (i) any assets of the Vendor other than the Purchased Assets or (ii) those assets of the Vendor that are listed or described in Schedule 2.2 on the date hereof and those assets of the Vendor which are added to such Schedule 2.2 by the Purchaser during the Interim Period (collectively, the "**Excluded Assets**"). If any of the Excluded Assets or any proceeds in respect thereof shall at any time come into the possession of or under the control of the Purchaser or any of its employees, officers or agents, such assets and proceeds shall be held by the Purchaser in trust for the benefit of the Vendor. Within twenty (20) Business days from the date on which the Purchaser, or any of its employees, officers or agents, comes into possession of or obtains control over any of such assets or proceeds, as applicable, the Purchaser shall (a) by notice in writing delivered to the Vendor and the Monitor in accordance with the provisions hereof, so advise the Vendor and the Monitor, and (b) forthwith account and deliver over to the Vendor or the Monitor any such assets or proceeds, less any cost incurred by the Purchaser in executing said obligations.

2.3 Assignment and Assumption of Contracts

Subject to the conditions and terms hereof, the Vendor agrees to use its commercial best efforts to obtain the consents or approvals to the assignment of the Customer Contracts and the Contracts or any other contract that the Purchaser may require to be added to Schedule 1.1(m) during the Interim Period (collectively the "**Assigned Contracts**"), as requested by the Purchaser acting reasonably, on terms and conditions satisfactory to the Purchaser. Except for any administration fee required to be paid to the person whose consent or approval has been requested in respect of any such Assigned Contract, the Vendor shall not be required to pay any amount or fee whatsoever in connection with the Vendor's covenant to attempt to obtain such consent or approval. The Purchaser agrees to supply all such information to the Vendor and the person whose consent or approval has been requested (including, without limitation, credit and financial information) as may be reasonably requested by the Vendor or the person whose consent or approval has been requested and to otherwise cooperate, acting reasonably, with the Vendor and the person whose consent or approval has been requested in connection with the foregoing. Notwithstanding any other provision of this Agreement, the failure of the Vendor or the Purchaser to have obtained any such consents or approvals requested by the Purchaser, except in respect of any Required Consents, shall not entitle the Purchaser to terminate this Agreement or reduce the Purchase Price and shall not operate to release the Purchaser from any of its obligations hereunder.

To the extent the assignment of any of the Assigned Contracts assigned to the Purchaser pursuant to the provisions hereof shall require the consent or approval of any person and such consent or approval is not obtained at or prior to the Time of Closing, this Agreement shall not constitute a contract to assign such Assigned Contract if an attempted assignment would constitute a breach thereof. The Vendor shall co-operate with the Purchaser in any reasonable arrangement designed to provide the Purchaser with the benefit of such Assigned Contract including enforcement of any and all rights of the Vendor (if any) against the other party thereto arising out of any breach or cancellation thereof by such party or otherwise. Nothing contained herein shall be construed to negate or diminish, as between the Vendor and the Purchaser, the Vendor's covenants and obligations to transfer and deliver to the Purchaser the Purchased Assets as provided in this Agreement.

2.4 "As is, Where is"

The Purchaser acknowledges that the Vendor is selling the Purchased Assets on an "as is, where is" basis as they shall exist on the Closing Date. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendor does not guarantee title to the Purchased Assets and that the Purchaser has conducted such inspections of the condition of and the title to the Purchased Assets as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability concerning the Purchased Assets. The description of the Purchased Assets contained in the Schedule 1.1(hh) is for the purpose of identification only. The Purchased Assets are being purchased as they exist at execution hereof and, except as provided in Section 2.10, no adjustment will be allowed to the Purchaser for any change in condition, value, or quality of the Purchased Assets.

2.5 Employees

The Vendor shall provide to the Purchaser within five (5) Business Days of the acceptance of this Agreement a list of the names of the individuals of the Vendor that are full-time, part-time or casual employees or individuals engaged on contract to provide services to the Vendor together with all recruitment agencies' employees actually working for the Vendor. The Purchaser agrees that it shall offer employment to (i) all the unionized employees employed by the Vendor (the "**Unionized Employees**") and (ii) substantially all other employees of the Vendor other than those employees or individuals that the Purchaser has identified in writing to the Vendor ("the "**Excluded Employees**") five (5) Business Days prior to the Closing Date (the Unionized Employees and such other employee or individual who accepts the Purchaser's offer, the "**Assumed Employees**"), effective as at the Time of Closing, on terms and conditions of employment as may be agreed between the Purchaser and the Assumed Employees (except in the case of the Unionized Employees whose employment terms shall be governed by the applicable collective bargaining agreement). Until the Closing Date, the Vendor shall be responsible for all wages, workers compensation contributions, accrued vacations, severance of any nature, any amount owed under the *Pay Equity Act* (R.S.Q., chapter E-12.001) and any regulation adopted under such Act, and other remuneration and benefits as may be payable, or related, to the employees of the Vendor. After the Closing Date, the Vendor shall remain responsible for all such amounts payable, or related to, the Excluded Employees.

2.6 Assumed Obligations

In connection with the acquisition of the Purchased Assets, the following obligations and liabilities ("**Assumed Obligations**") shall be assumed by the Purchaser as of the Time of Closing:

- (a) all obligations related to the Assumed Employees for the period beginning immediately after the Time of Closing;

- (b) all obligations and liabilities of the Vendor as of the Time of Closing under the Customer Contracts and the Contracts;
- (c) all obligations and liabilities in connection with the Purchased Assets and related to the period after the Time of Closing;
- (d) such other liabilities as the Purchaser advises the Vendor prior to the Time of Closing that the Purchaser will assume;
- (e) those obligations listed on Schedule 2.6 hereto.

The Purchaser shall indemnify and hold harmless the Vendor with respect to any claim which may, from time to time, be asserted against the Vendor relating to the Assumed Obligations after the Time of Closing and from any and all costs (including all reasonable legal costs on a solicitor and its own client basis), actions, losses, claims, damages and liabilities whatsoever which the Vendor may suffer or incur by virtue of the failure of the Purchaser to pay, perform and discharge the Assumed Obligations.

2.7 Excluded Obligations

Other than the Assumed Obligations, the Purchaser shall not assume and shall not be liable for any other liabilities or obligations of the Vendor (the "**Excluded Obligations**").

2.8 Purchaser's Right to Exclude

Notwithstanding anything to the contrary in this Agreement, the Purchaser may, at its option, exclude any of the Purchased Assets from the Transaction prior to the Closing Date, whereupon such Purchased Assets shall be Excluded Assets, provided, however, that there shall be no corresponding reduction in the Purchase Price. For greater certainty, the Purchaser shall be entitled to exclude any of the Contracts described in Schedule 1.1(m) hereto (with the exception of the collective bargaining agreement relating to the Unionized Employees) and any of the Customer Contracts described in Schedule 1.1(o) hereto, provided, that, if such an exclusion occurs, the related Required Consent shall also become automatically excluded from Schedule 1.1 (mm).

2.9 Purchase Price

The purchase price for the Purchased Assets would be, calculated as of December 16, 2011, the aggregate amount of three million five hundred fifty four thousand eight hundred and eighty dollars (\$3,554,880) plus the assumption of the Assumed Obligations, said purchase price to be established as of the Closing Date (the "**Purchase Price**").

The Purchase Price is divided as follow:

(A)	Purchased Receivables:	\$1,919,385
(B)	Purchased Inventories:	\$1,068,928
(C)	BASF Receivables:	\$385,200
(D)	All other Purchased Assets:	\$250,000
(E)	Excess rebates to customers	(\$68,633)

For more clarity, the Purchase Price has been established on the following method of calculation as for the Purchased Receivables and the Purchased Inventories, and same method of calculation shall be used to establish the final amount of the Purchase Price as of the Closing Date:

(A) Purchased Receivables

As of December 16, 2011, the total amount of all the Vendor's accounts receivable (the "**Purchased Receivables**") is five million one hundred ten thousand and forty eight dollars (\$ 5,110,048) (the "**Offer Date Receivable Value**"), and is detailed in Schedule 2.9(A) – Section 1.

The portion of the Purchase Price attributed to the Purchased Receivables is one million nine hundred nineteen thousand three hundred and eighty five dollars (\$1,919,385) and is calculated as described in Schedule 2.9(A) – Section 2.

(B) Purchased Inventories

As of December 17, 2011, the total amount of all the Vendor's inventory (raw material, work in progress and finished goods inventory) (the "**Purchased Inventories**") is three million five hundred seventy thousand eight hundred and ninety one dollars (\$3,570,891) (the "**Offer Date Inventory Value**") in Schedule 2.9(B) – Section 1.

The portion of the Purchase Price attributed to the Purchased Inventories is one million sixty eight thousand nine hundred and twenty eight dollars (\$1,068,928) and is calculated as described in Schedule 2.9(B) – Section 2.

(C) BASF Receivables

As of December 16, 2011, the Purchaser has been informed that the Vendor was entitled to payments from BASF in lieu of a settlement out of court by BASF of class actions in the amount of approximately six hundred forty two thousand dollars (\$642,000).

The portion of the Purchase Price attributed to the BASF Receivables is three hundred eighty five thousand and two hundred dollars (\$385,200) calculated at a discount rate of 60%.

The purchase of the BASF Receivables is conditional upon production by the Vendor of all the supporting documents related to said BASF Receivables and the completion of its assignment from the Vendor to the Purchaser as of the Closing Date.

If the Vendor does not want to sell the BASF Receivables because it would be used by the Vendor in the negotiation of the settlement out of court of the Canadian class actions instituted against the Vendor, the Purchaser would then agree to withdraw its offer to purchase said BASF Receivables and the Purchase Price would be reduced by the amount attributed to the BASF Receivables.

(D) Other Purchased Assets

The Purchaser is ready to pay the Vendor the amount of two hundred and fifty thousand dollars (\$250,000) for all the other Purchased Assets.

(E) Excess rebates to customers

The Purchase Price shall be reduced by the total amount of rebates earned by the Vendor's customers for the calendar year 2011 and not already applied to the outstanding invoices for each said customer at the Closing Time. As of December 16, 2011, the excess rebates to customers totalize sixty eight thousand six hundred and thirty three dollars (\$68,633) as calculated in Schedule 2.9(E) and shall be adjusted as at the Closing Date using the same parameters.

2.10 Settlement of the Purchase Price

The Vendor and the Purchaser agree that the Purchase Price shall be adjusted as for the Purchased Receivables and the Purchased Inventories (collectively, the "**Purchased Working Capital**") as follows:

(A) Re: Accounts receivable:

Subject to the limit established hereinafter in this paragraph, the Purchase Price payable in relation with the Purchased Receivables shall be adjusted downward or upward, as the case may be, as per the formula established in Schedule 2.9(A) – Section 2, in the event and to the extent that, on the Closing Date, the aggregate value of the Purchased Receivables shall be lower or higher, as the case may be, than the Offer Date Receivable Value. Nonetheless, if the total amount of the Purchased Receivables as of the Closing Date is over five million two hundred thousand dollars (\$5,200,000), then the difference between the total amount of the Purchased Receivables as of the Closing Date and the limit herein established shall be deducted from the calculation of the current portion of the Purchased Receivables for the Vendor as of the Closing Date.

(B) Re: Inventory:

The Purchase Price payable in relation with the Purchased Inventories shall be adjusted downward or upward, as the case may be, as per the formula established in Schedule 2.9(B) – Section 2, in the event and to the extent that, on the Closing Date, the aggregate value of the Purchased Inventories shall be lower or higher, as the case may be, than the Offer Date Inventory Value.

On or before the fifth (5) Business Day after the Closing Date, the Vendor shall deliver to the Purchaser a statement setting forth a detailed calculation of the Purchased Working Capital as of the Closing Date, with all the relevant supporting evidence, and prepared by the Vendor with the same parameters as used for the evaluation of the Purchase Price as for the Purchased Receivables and the Purchased Inventories as detailed in Schedules 2.9(A) and 2.9(B).

The value of the Purchased Inventories shall be based on a physical inventory count and valued on a basis consistent with the Vendor's costing methodologies used for the establishment of the Offer Date Inventory Value. The physical inventory count will be jointly supervised by the Vendor, the Purchaser and the Monitor.

The Purchaser may dispute the value of the Purchased Working Capital as presented by the Vendor by notice in writing (the "**Objection Notice**") given to the Vendor within ten (10) Business Days after the delivery of the Vendor's statement as to the amount of the Purchased Working Capital. Such Objection Notice shall specify, in detail, the basis for the dispute and the Vendor's adjustments to the value of the Purchased Working Capital shown by the Vendor in its statement.

If the Purchaser and the Vendor cannot agree on the value of the Purchased Working Capital within five (5) Business Days after the delivery of the Objection Notice, then either the Purchaser or the Vendor may make a motion to the CCAA Court to resolve this dispute.

Forthwith after agreement as to the amount of the Purchased Working Capital or forthwith upon the decision of the CCAA Court as to the amount of the Purchased Working Capital, then, as the case may be, the Vendor shall refund to the Purchaser such portion of the Purchase Price which is equal to the amount by which the respective Purchased Working Capital values are less than the respective Offer Date Receivable Value and Offer Date Inventory Value, or alternatively, the Purchaser shall pay to the Vendor, by way of certified cheque or wire transfer, such additional amount which is equal to the amount by which the respective Purchased Working Capital values are higher than the respective Offer Date Receivable Value and Offer Date Inventory Value.

The Monitor and the Vendor agree that they shall not make a motion to the CCAA Court for distribution of any funds received by either of them under this Agreement, or otherwise distribute any such funds, unless the Purchase Price adjustments contained in this Section have been completed and the covenant contained in Section 4.2(b) has been fulfilled. However, in the event that the Purchase Price adjustments have not been settled by the date that is ninety (90) days following the Closing Date, the Monitor shall be entitled to bring a distribution motion on appropriate notice to the Purchaser and the Vendor and each of the Purchaser, the Vendor and the Monitor shall be entitled to make submissions to the CCAA Court in this regard.

2.11 Method of Payment

The Purchase Price shall be satisfied as follows:

- (a) a deposit in the sum of one hundred thousand dollars (\$100,000) (the “**Deposit**”) by wire transfer payable to LAMARRE PERRON LAMBERT VINCENT (“**LPLV**”), in trust, upon acceptance of this Agreement by the Vendor, to be held in trust by LPLV until the Monitor has been appointed by the CCAA Court and, within five (5) Business Days of said appointment, LPLV shall wire to the Monitor the Deposit, such Monitor to hold in trust such Deposit until the Time of Closing and then credited towards the Purchase Price, or in accordance with any other provision herein;
- (b) the amount of three million fifty four thousand eight hundred and eighty dollars (\$3,054,880) by certified cheque or wire transfer payable to the Monitor at the Time of Closing;
- (c) the amount of four hundred thousand dollars (\$400,000) (the “**Holdback**”) to be paid no later than a hundred and twenty (120) days following the Closing Date; and
- (d) by the assumption of the Assumed Obligations.

The Monitor agrees to cause the Deposit to be placed into an interest bearing account or certificate of deposit, with all interest earned or accrued thereon and subject to Section 6.6 to be paid or credited to the Purchaser at the Time of Closing.

The Purchaser shall have the ability to offset any portion of the Holdback against any downward adjustment of the Purchase Price per Section 2.10 herein. The Purchaser shall also have the ability to offset any portion of the Holdback against any claim made against the Purchaser from any of the Vendor’s employees for any period up to the Closing Time. In such case, the Purchaser shall have the right to retain the Holdback as long as final judgments have not been rendered via à vis such claim.

2.12 Allocation of Purchase Price

The Purchaser and the Vendor shall, acting reasonably, agree on the allocation of Purchase Price (other than for the Purchased Receivables and the Purchased Inventories) on or before the Closing Date, and they shall execute and file any Tax Returns required on the basis of such allocation.

2.13 Taxes

The Purchaser shall be liable for and shall pay any and all federal, provincial and other sales, goods and services, value added, and other transfer taxes which are properly payable by the Purchaser in connection with the transfer of the Purchased Assets by the Vendor to the Purchaser, together with all duties, registration fees or other charges properly payable by the Purchaser upon or in connection with the conveyance or transfer of the Purchased Assets (collectively, the "Taxes").

2.14 Value Added Tax

- (a) The Purchaser shall be liable for and shall pay any Taxes which may be exigible under Part IX of the ETA;
- (b) The Vendor hereby declare that it is duly registered under Subdivision (d) of Division V of Part IX of the ETA;
- (c) The Vendor hereby declare that it is duly registered under the QSTA;
- (d) Without limiting the Purchaser's indemnity obligations under Section 2.13, the Vendor and the Purchaser will on the Closing Date jointly execute and deliver to each other an election, in the prescribed form and containing the prescribed information, to have subsection 167(1) of the ETA and section 75 of the QSTA so that no tax is payable under any such laws in respect of the sale and purchase of the Purchased Assets hereunder, and the Purchaser shall file any joint election in accordance with the ETA and QSTA.

2.15 Section 22 Election — Accounts Receivable

The Purchaser and the Vendor agree to elect jointly in the prescribed form under Section 22 of the *Income Tax Act* (Canada) as to the sale of the accounts receivable and other applicable Purchased Assets described in Section 22 of the *Income Tax Act* (Canada) and the corresponding provision of the statute that is the provincial equivalent thereof and to designate in such election an amount equal to the portion of the Purchase Price allocated to such assets pursuant to Section 2.12 as the consideration paid by the Purchaser therefor.

2.16 Risk of Loss

During the Interim Period, up to the Time of Closing, the Purchased Assets shall be and remain at the risk of the Vendor. If, prior to the Closing Date, all or substantially all of the Purchased Assets or any plant operated by the Vendor is destroyed or damaged by fire or any other casualty or shall be appropriated, expropriated or seized by any governmental entity or other lawful authority, the Purchaser shall have the option, at its absolute discretion, exercisable by notice in writing given within fifteen (15) Business Days after the Purchaser receives notice in writing from the Vendor of such destruction, damage, appropriation, expropriation or seizure:

- (a) In the event of damage or destruction, to complete the purchase subject to a reduction of the Purchase Price to be mutually agreed to by the parties;

- (b) In the event of appropriation or expropriation, to complete the purchase without reduction of the Purchase Price, in which event all proceeds of insurance or compensation for appropriation, expropriation or seizure shall be payable to the Purchaser and all right and claim of the Vendor to any such amounts not paid on the Closing Date shall be assigned to the Purchaser; or
- (c) In either event, to terminate this Agreement, receive a refund of the Deposit and not complete the purchase, in which case all obligations of the Purchaser shall terminate forthwith upon the Purchaser giving notice as required herein.

[Section 3 follows on next page]

Section 3 – REPRESENTATIONS AND WARRANTIES

3.1 Purchaser's Representations

The Purchaser represents and warrants to the Vendor that:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Canada;
- (b) the Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations and the execution and delivery of this Agreement and the consummation of the transactions contemplated herein and have been duly authorized by all necessary corporate action on the part of the Purchaser;
- (c) the Purchaser is not a party to, bound or affected by or subject to any indenture, agreement, instrument, charter or by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the performance by it of any of the terms contained herein;
- (d) this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party have been or will be, as at the Time of Closing, duly and validly executed and delivered by the Purchaser and constitutes or will, as at the Time of Closing, constitute legal, valid and binding obligations of the Purchaser, as the case may be, enforceable in accordance with the terms hereof or thereof;
- (e) the Purchaser is not a non-Canadian person as defined in the *Investment Canada Act*; and
- (f) the Purchaser is or will be prior to Closing Date registered under Part IX of the ETA and under the QSTA.

3.2 Representations and Warranties of the Vendor

The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying thereon in completing this Agreement:

- (a) the Vendor is a corporation duly incorporated, organized and subsisting under the laws of Canada;
- (b) the Vendor has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations and the execution and delivery of this Agreement and the consummation of the transactions contemplated herein and have been duly authorized by all necessary corporate action on the part of the Vendor;
- (c) the Vendor is not a party to, bound or affected by or subject to any indenture, agreement, instrument, charter, by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the performance by it of any of the terms contained herein;

- (d) this Agreement and all other documents contemplated hereunder to which the Vendor is or will be a party have been or will be, as at the Time of Closing, duly and validly executed and delivered by the Vendor and constitutes or will, as at the Time of Closing, constitute legal, valid and binding obligations of the Vendor, as the case may be, enforceable in accordance with the terms hereof or thereof; and
- (e) the Vendor is a registrant for the purposes of Part IX of the ETA.

3.3 Survival of Representations and Warranties

The representations and warranties of the Vendor shall survive the completion of the Transaction and shall continue in full force and effect for the benefit of the Purchaser (which term for the purposes of this Section 3.3 shall include the Purchaser's directors and officers) for a period of nine (9) months from the Closing Date.

The representations and warranties of the Purchaser shall survive the completion of the Transaction and shall continue in full force and effect for the benefit of the Vendor (which term for the purposes of this Section 3.3 shall include the Vendor's respective directors and officers) for a period of nine (9) months from the Closing Date.

[Section 4 follows on next page]

Section 4 – RESPECTIVES COVENANTS OF THE PARTIES

4.1 Covenants of the Purchaser

- (a) The Purchaser agrees that from and after the Time of Closing, it shall preserve the Books and Records actually received from the Vendor at the Time of Closing, and at the reasonable request of the Vendor, the Monitor or another party acting in a court-appointed capacity (such as a receiver, interim receiver, receiver and manager or bankruptcy trustee, or any of their respective authorized representative) (a "**Requestor**") from time to time, the Purchaser shall co-operate fully with the Requestor and make available to the Requestor in a reasonable timely fashion during normal business hours (i) such Books and Records, (ii) the premises of the Purchaser for the Requestor's review of the Books and Records, and (iii) at the Requestor's expense, the personnel of the Purchaser, in each case to the extent the Requestor reasonably consider necessary (A) to permit the Requestor to prepare and file necessary Tax Returns and any other statutory documents relating to the operation by the Vendor of its business up to the Time of Closing, (B) to properly fulfil the Vendor's obligations in bankruptcy, as the case may be, (C) for the preparation by any Requestor of any Tax Returns or in connection with any assessment, reassessment or other form of document assessing liability of the Vendor for taxes under applicable tax legislation in respect of any taxation year, (D) in connection with the restructuring proceedings, or (E) to ensure compliance by the Vendor with applicable law;
- (b) The Purchaser agrees that from and after the Time of Closing, it shall permit the Requestor to make copies, at the Requestor's expense, of the Books and Records actually received by the Purchaser from the Vendor at the Time of Closing and shall provide reasonable assistance to the Requestor, at the Requestor's expense, to prepare T4 forms and records of employment for the employees of the Vendor who accept offers of employment from the Purchaser. In the case of the Books and Records actually received from the Vendor at the Time of Closing, the Purchaser agrees to preserve same for a minimum of 6 years from the Closing Date;
- (c) Until the Time of Closing, and in the event of the termination of this Agreement without consummation of the Transaction contemplated, the Purchaser shall keep confidential any information obtained from the Vendor in accordance with the confidentiality agreement executed between S.P. Holdings or Nominee and the Vendor on November 25, 2011 (the "**Confidentiality Agreement**") and attached hereto as Schedule 4.1(c) as if the Purchaser was a party thereto, and the Purchaser hereby agrees in favour of the Vendor to be bound by the terms of such confidentiality agreement as if it were an original signatory thereto. If this Agreement is terminated without consummation of the Transaction contemplated, promptly after termination, all documents, work papers and other written material obtained in connection with this Agreement and not made public (including all copies), shall be returned to the Vendor.

4.2 Covenants of the Vendor

- (a) The Vendor shall allow the Purchaser to have observers to the Vendor's management team, on a daily basis, and the Vendor's management team shall answer observers' questions about the operation of the Business, the management of the Business and the decisions to be taken by the Vendor's management team during the Interim Period;

- (b) The Vendor shall provide the Purchaser, within fifteen (15) Business Days following the Closing Date, confirmation that all wages, workers compensation contribution, accrued vacations, severance of any nature, any amount owed under the *Pay Equity Act* (R.S.Q., chapter E-12.001) and any regulation adopted under such Act, and other remuneration and benefits as may be payable, or related, to the employees of the Vendor, immediately before the Closing Date, have been paid up to and including the Closing Date;
- (c) The Vendor shall use its best efforts to obtain such releases as may be required by the Purchaser, acting reasonably, regarding the termination of management employees, a list of which shall be provided by the Purchaser no later than ten (10) Business Days prior to the Closing Date, it being specifically acknowledged by the Purchaser that in complying with this covenant; and
- (d) The Vendor agrees that during the Interim Period, it shall continue to conduct its Business in the ordinary course and, without limiting the generality of the foregoing, continue to deserve its customers on a daily and normal basis without interruption, purchase inventory to satisfy the needs of the Business and deliver the finished goods on the timely manner as done in the past year.

[Section 5 follows on next page]

Section 5 – CONDITIONS

5.1 Conditions - Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being fulfilled or performed at by the Vendor or prior to the Time of Closing:

- (a) all representations and warranties of the Vendor contained in this Agreement shall be true as of the Closing Date with the same effect as though made on and as of that date;
- (b) no Material Adverse Change shall have occurred, as reasonably determined by the Purchaser;
- (c) the obtaining on or before the date which is fifteen (15) Business Days from acceptance of this Agreement by the Vendor of all Required Consents;
- (d) the Vendor shall not be bankrupt as at the Time of Closing;
- (e) the obtaining of the Approval Order and the Vesting Order to the entire satisfaction of the Purchaser;
- (f) the Vendor shall have performed its obligations under this Agreement to the extent required to be performed on or before the Closing Date;
- (g) no action or proceedings shall be pending or threatened to restrain or prohibit the completion of the Transaction;
- (h) the Vendor shall have commenced proceedings before the CCAA Court under the CCAA on or before January 13, 2012;
- (i) the Vendor shall not have transferred any inventory or equipment to any of its Subsidiaries, shall not have assigned any of its Contracts to its Subsidiaries or have sold to its Subsidiaries any one of the Purchased Assets without having obtained from the Purchaser a prior written approval of said transaction which the Purchaser may refuse at its complete discretion;
- (j) the Vendor shall have provided to the Purchaser a draft of the application to obtain the Initial Order at least six (6) Business Days prior to its filing with the CCAA Court to allow the Purchaser to amend said proceeding to its entire satisfaction, acting reasonably with cooperation of its legal counsels;
- (k) the Vendor shall have respected all the terms and conditions of the Leases for the Leased Premises during the Interim Period;
- (l) the Vendor shall have filed, within five (5) Business Days from the Closing Date, articles of amendment to change its corporate name "Domfoam International Inc." to a numbered corporation and shall provide to the Purchaser with a copy of the certificate of amendment evidencing said change and shall provide to the Purchaser with a written authorization for it to use said corporate name and any derivative of it;

- (m) there shall be no reduction of the revenues of the Vendor for the twelve (12) month period ending as of December 31, 2011 compared to the same period last year for more than six percent (6%);
- (n) if, for any reason, the Vendor shall obtain financing during the CCAA proceedings, then, said financing (“**DIP Financing**”) shall be agreed upon with the Purchaser or any related entity to the Purchaser on commercially reasonable terms under the circumstances; if the Vendor obtains a better DIP Financing offer during the CCAA proceedings, then the Purchaser shall be allowed an additional five (5) day period to match said better offer;
- (o) the Vendor shall have acquired from its Subsidiary Valle Foam Industries (1995) Inc., prior to commence its proceedings before the CCAA Court, all the assets listed in Schedule 5.1(o); and
- (p) the obtaining on or before the date which is fifteen (15) Business Days from acceptance of this Agreement by the Vendor of a commitment letter from the actual general manager of the Vendor (John C. Howard) on the terms and conditions of a three (3) year employment agreement with the Purchaser.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any such condition (except 5.1(e)) may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing.

5.2 Conditions – Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of the Purchaser contained in this Agreement shall be true as of the Closing Date with the same effect as though made on and as of that date;
- (b) the Purchaser shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date; and
- (c) no action or proceedings shall be pending or threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The foregoing conditions are for the exclusive benefit of the Vendor. Any such condition may be waived by the Vendor in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing.

5.3 Mutual Conditions

The obligations of the Vendor on the one hand, and the Purchaser on the other hand are subject to the conditions that:

- (a) the Approval Order and the Vesting Order shall have been made by the CCAA Court on or before the 24th day of February 2012 by the Vendor (or such later date as the parties may agree to acting reasonably) approving this Agreement and the Transaction, authorizing the transfer of the Purchased Assets; and

- (b) the Vesting Order shall not have been stayed, varied or vacated, and no order shall have been issued which restrains or prohibits the completion of the Transaction.

The parties hereto acknowledge that the foregoing conditions are for the mutual benefit of the Vendor and the Purchaser.

5.4 Actions to Satisfy Closing conditions

Each of the parties agrees to diligently take all actions as are within its power to control, and to use commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to ensure compliance with the conditions set forth in sections 5.1, 5.2 and 5.3 and, generally, the conditions set forth in this Agreement.

5.5 Non-Satisfaction of Conditions

If any condition set out in this Section 5 is not satisfied or performed on or prior the Closing Date, or at any date provided for herein, then the Vendor or the Purchaser, depending whose benefit the condition is inserted, may:

- (a) waive compliance with the condition in whole or in part in its sole discretion by written notice to the other party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) choose to give the other party an additional delay for said condition to be satisfied or performed; or
- (c) elect on written notice to the other party to terminate this Agreement before Closing.

[Section 6 follows on next page]

Section 6 – CLOSING

6.1 Closing

The completion of the Transaction shall take place at the offices of Lamarre Perron Lambert Vincent, g.p., 480 Saint-Laurent Blvd., suite 200, Montreal, Quebec, H2Y 3Y7, on the Closing Date at the Time of Closing or as otherwise determined by mutual agreement of the parties in writing.

6.2 Purchaser's Deliveries on Closing

At or before the Time of Closing, the Purchaser shall execute and deliver to the Vendor the following, each of which shall be in form and substance satisfactory to the Vendor, acting reasonably:

- (a) payment of the portion of the Purchase Price payable at the Time of Closing;
- (b) payment or evidence of payment of applicable federal and provincial Taxes or alternatively, appropriate exemption certificates, as required by this Agreement;
- (c) general conveyance and assumption of liabilities agreement pursuant to Subsection 2.6 duly executed by the Purchaser, in form and substance mutually satisfactory to the Vendor and the Purchaser;
- (d) the Allocation of Purchase Price pursuant to Section 2.12;
- (e) an assignment or assignments of Intellectual Property agreements, in form and substance mutually satisfactory to the Vendor and the Purchaser, duly executed by the Purchaser;
- (f) an assignment or assignments of Customer Contracts and Contracts, in form and substance mutually satisfactory to the Purchaser and the Vendor, duly executed by the Purchaser;
- (g) an assignment of leases for the Leased Premises, in form and substance mutually satisfactory to the Vendor and the Purchaser, duly executed by the Purchaser;
- (h) a certificate, dated the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (i) an acknowledgement dated the Closing Date, that each of the conditions precedent in Section 5.1 of this Agreement have been fulfilled, performed or waived as of the Closing Date; and
- (j) such further and other documentation as is referred in this Agreement or as the Vendor may reasonably require to give effect to this Agreement including pursuant to Sections 2.2, 2.6 and 2.8.

6.3 Vendor's Deliveries on Closing

At or before the Time of Closing, the Vendor shall execute and deliver to the Purchaser the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) a bill of sale pursuant to which the Vendor shall assign, sell, transfer and convey all of its right, title and interest in and to its Purchased Assets, in form and substance mutually satisfactory to the Vendor and the Purchaser, duly executed by the Vendor;
- (b) an assignment or assignments of Intellectual Property agreements, in form and substance mutually satisfactory to the Vendor and the Purchaser, duly executed by the Vendor;
- (c) an assignment of leases for the Leased Premises, in form and substance mutually satisfactory to the Vendor and the Purchaser, duly executed by the Vendor;
- (d) an assignment or assignments of Customer Contracts and Contracts, in form and substance mutually satisfactory to the Purchaser and the Vendor, duly executed by the Vendor;
- (e) the Approval Order and the Vesting Order in form and substance satisfactory to the Purchaser;
- (f) a certificate, dated the Closing Date, confirming that all of the representations and warranties of the Vendor contained in this agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (g) an acknowledgement dated the Closing Date, that each of the conditions precedent in Section 5.2 of this Agreement have been fulfilled, performed or waived as of the Closing Date; and
- (h) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement which shall be prepared by the Purchaser at its sole expense and in form and substance satisfactory to the Vendor, acting reasonably.

6.4 Possession of Assets

The Vendor shall remain in possession of the Purchased Assets until the Time of Closing. On Closing, the Purchaser shall take possession of the Purchased Assets which shall be located in the Leased Premises. In no event shall the Purchased Assets be sold, assigned, transferred or set over to the Purchaser until the conditions set out in the Approval Order and the Vesting Order have been satisfied and the Purchaser has satisfied all delivery requirements outlined in Section 6.2.

6.5 Access to Assets

The Purchaser shall have reasonable access to the Purchased Assets located at the Leased Premises or at any other leased premises presently occupied by the Vendor or any of its Subsidiaries during normal business hours prior to the Time of Closing for the purpose of enabling the Purchaser to conduct such inspections of the Purchased Assets as it deems appropriate. Such inspection shall only be conducted in the presence of a representative of the Vendor, if so required at the discretion of the Vendor.

6.6 Termination

If either the Vendor on the one hand, or the Purchaser on the other hand, validly terminates this Agreement pursuant to the provisions of Sections 5.5, or 2.16,

- (a) all the obligations of the Vendor and Purchaser pursuant to this Agreement shall terminate;
- (b) the Purchaser shall be entitled to have the Deposit and all the monies paid hereunder returned immediately with any interest earned thereon but without deduction provided; and
- (c) neither party shall have any right to specific performance or other remedy against, or any right to recover damages or expenses from, the other.

6.7 Breach by the Vendor

In the event that (i) the Vendor receives an offer on or before commencing the proceedings to obtain from the CCAA Court protection under CCAA or (ii) the Vendor or the Monitor receives an offer from a third party to purchase portion or all the Purchased Assets and said offer is approved by the CCAA Court and only in these circumstances, then the Vendor may elect not to proceed with this Transaction and, by sending a written notice to the Purchaser, terminate this Agreement to accept the other offer. In that event, the Vendor covenant and agree that the Purchaser will be entitled to a break-up fee equal to all the cost incurred by the Purchaser and related to the filing of this Agreement (including but not limited to the professional fees attached to the due diligence performed by the Purchaser, the drafting and negotiation of this Agreement and, generally, all costs incurred by the Purchaser in relation to purchasing the Purchased Assets) plus a liquidated amount of one hundred and fifty thousand dollars (\$150,000), such aggregate amount (the cost and the liquidated amount) being payable with the termination notice. If the break-up fee is not paid with the termination notice, such termination notice shall be deemed null and void.

[Section 7 follows on next page]

Section 7 – GENERAL

7.1 Further Assurances

Each of the parties shall, from time to time after the Closing Date, at the request and expense of the other, promptly take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such documents and further assurances as may be reasonably necessary to give effect to this Agreement.

7.2 Obligations to Survive

Notwithstanding the completion of the transactions contemplated hereunder or the delivery of documents pursuant to this Agreement, the obligations, covenants, representations and warranties of the parties hereto shall survive such completion and shall remain in full force and effect and shall not merge as a result thereof.

7.3 Costs and Expenses

Each party hereto shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel, bankers, investment bankers, accountants and other advisors) incurred by it in connection with this Agreement and the transactions contemplated herein.

In case of termination of this Agreement and payment of the break-up fee, then said break-up fee shall cover the Purchaser's costs and expenses incurred by him related to this Agreement.

7.4 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered personally or transmitted by fax or electronic mail ("**Email**"), addressed in the case of the Purchaser, as follows:

4037057 CANADA INC.
8600 Decarie Blvd. Suite 200
Mont-Royal, Qc
H4P 2N2

Attention: Terry Pomerantz
Telephone No.: (514) 341-8600
Fax No.: (514) 340-1389
Email: tpomerantz@tramsngmt.com

and a copy to:

Lamarre Perron Lambert Vincent g.p.
480 Saint-Laurent Blvd. Suite 200
Montreal, Qc
H2Y 3Y7

Attention: Jacques Vincent
 Telephone No.: (514) 798-0990
 Fax No.: (514) 798-5599
 Email: j.vincent@lplv.com

and in the case of the Vendor, as follows:

DOMFOAM INTERNATIONAL INC.
 8785, boul. Langelier
 Montréal, Qc
 H1P 2C9

Attention: Tony Vallecoccia
 Telephone No.: (514) 325-8120
 Fax No.: (514) 325-6477
 Email: tvallecoccia@vallefoam.com

and a copy to:

Minden Gross LLP
 145 King Street West
 Suite 2100
 Toronto, On
 M5H 4G2

Attention: Raymond M. Slattery
 Telephone No.: (416) 369-4149
 Fax No.: (416) 864-9223
 Email: rslattery@mindengross.com

and to:

the Monitor
 to the coordinate to be provided by it upon its appointment

and a copy to its legal counsel:
 to the coordinate to be provided by the Monitor upon its appointment

Any such notice or other communication, if given by personal delivery, will be deemed to have been given on the day of actual delivery thereof and, if transmitted by fax or Email before 5:00 p.m. (Montreal time) on a Business Day, will be deemed to have been given on the Business Day, and if transmitted by fax or Email after 5:00 p.m. (Montreal time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

7.5 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors.

7.6 Currency

Except where otherwise indicated, all references herein to money amounts are in Canadian currency.

7.7 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

7.8 Third Party Beneficiaries

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the parties hereto and their successors and permitted assigns, and no person, other than the parties hereto and their successors and their permitted assigns shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

7.9 Entire Agreement

This Agreement and the attached Schedules constitute the entire agreement between the parties with respect to the subject matter and supersede all prior negotiations and understandings. This Agreement may not be amended or modified in any respect except by written instrument executed by the parties.

7.10 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

7.11 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provisions validity or enforceability in any other jurisdiction.

7.12 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein and each of the parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Quebec.

7.13 Commission – No Broker

The Purchaser agrees to indemnify the Vendor against any claim for compensation or commission by any third party or agent retained by the Purchaser in connection with, or in contemplation of, the Transaction. It is understood and agreed that no broker, agent or other intermediary has acted for the Vendor in connection with the sale of the Purchased Assets and the Purchaser shall not be liable for any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for the Vendor.

7.14 Assignment

Except as hereinafter provided, no party may assign this Agreement without the prior written consent of the other parties, which consent may not be unreasonably withheld or delayed. This Agreement enures to the benefit of and binds the parties and their respective heirs, executors, administrators, personal and legal representatives, successors and permitted assigns. Notwithstanding the foregoing, this Agreement shall be assignable by the Purchaser if the assignee is a “related entity” to the Purchaser within the meaning of that expression under the *Income Tax Act* (Canada).

7.15 Counterparts

This Agreement and any amendment, supplement, restatement or termination of any provision of this Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument. A party's transmission by facsimile or by Email of a copy of this Agreement duly executed by that party shall constitute effective delivery by that party of an executed copy of this Agreement to the party receiving the transmission. A party that has delivered this Agreement by facsimile or by Email shall forthwith deliver an originally executed copy to the other party or parties.

7.16 Language

The parties acknowledge that they have requested and are satisfied that the foregoing be drawn up in English. Les parties reconnaissent qu'elles ont exigé que ce qui précède soit rédigé en anglais et s'en déclarent satisfaites.

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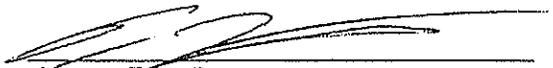
Each of the Vendor shall indicate its acknowledgement of and its agreement with the foregoing by signing both copies of this Agreement in the space provided below and returning one fully executed copy to the Purchaser (which return may be made by fax or Email) to:

LPLV
c/o: Mtre. Jacques Vincent
Fax: (514) 798-5599
Email: j.vincent@lplv.com

by no later than 2:00 pm, on December 29, 2011, after which time this Agreement shall be considered null and void as to the Purchaser.

IN WITNESS WHEREOF the Purchaser has duly executed this Agreement on December 22, 2011.

4037057 CANADA INC.

By: 
Name: Terry Pomerantz
Title: President and CEO
I have authority to bind the Purchaser.

IN WITNESS WHEREOF the Vendor have duly executed this Agreement on December ____, 2011 at ____:____.

DOMFOAM INTERNATIONAL INC.

By: _____
Name:
Title:
I have authority to bind the Vendor and my signature confirms the acceptance of this agreement by all the shareholders of the Vendor.

Schedule 1.1(m)**Contracts**

1. Subject to Section 2.3, the following Contracts shall form part of the Purchased Assets:
 - 1.1. All lease agreements in relation with the Leased Premises;
 - 1.2. Collective bargaining agreement with the Unionized Employees for the period of 2009-2014 (Teamsters Québec, Local 1999);
 - 1.3. All Equipment Operating Leases, to the extent that the Purchaser wishes to avail itself thereof and are not part of the Excluded Assets;
 - 1.4. Exclusive agreement for the Canadian use of specific chemical and formula for Gel Visco;
 - 1.5. All contractual arrangements with the suppliers to the extent that the Purchaser wishes to avail itself thereof;
 - 1.6. The annual Microsoft maintenance contract with PYA Solutions Inc.;
 - 1.7. Microsoft (Navision Licence agreement);
 - 1.8. Insurance policy re: Property and Liability;
 - 1.9. Insurance policy re: 2002 Ford;
 - 1.10. Coface (receivables);
 - 1.11. Insurance policy re: Directors and Officers liability;
 - 1.12. CN non freight – leases for tracks; and
 - 1.13. Canadiens hockey tickets.

Schedule 1.1(n)**Customer Contracts**

1. Subject to Section 2.3, the following Customer Contracts shall form part of the Purchased Assets:
 - 1.1. Customer bearing number #U11771 in the Books and Records;
 - 1.2. Customer bearing number #11682 in the Books and Records;
 - 1.3. Customer bearing number #10005 in the Books and Records;
 - 1.4. Customer bearing number #10072 in the Books and Records;
 - 1.5. Customer bearing number #U12129 in the Books and Records;
 - 1.6. Customer bearing number #10020 in the Books and Records;
 - 1.7. Customer bearing number #10244 in the Books and Records;
 - 1.8. Customer bearing number #11665 in the Books and Records;
 - 1.9. Customer bearing number #11924 in the Books and Records;
 - 1.10. Customer bearing number #11164 in the Books and Records;
 - 1.11. Customer bearing number #10413 in the Books and Records;
 - 1.12. Customer bearing number #10585 in the Books and Records;
 - 1.13. Customer bearing number #U12164 in the Books and Records;
 - 1.14. Customer bearing number #11209 in the Books and Records;
 - 1.15. Customer bearing number #11982 in the Books and Records;
 - 1.16. Customer bearing number #U11429 in the Books and Records;
 - 1.17. Customer bearing number #11177 in the Books and Records;
 - 1.18. Customer bearing number #11268 in the Books and Records;
 - 1.19. Customer bearing number #11848 in the Books and Records;
 - 1.20. Customer bearing number #00202 in the Books and Records;

Schedule 1.1(r.1)
Equipment Operating Leases

See document attached
Total of one (1) page

DOMFOAM INTERNATIONAL INC.
LEASE COMMITMENTS WORKSHEET
 Dec 15 2011 (for fiscal year ended Apr 30th)

Lease No.	Description of Property	Lease Expiry MM/YYYY	2011 Current Yr. Expenses	Minimum Future Lease Commitments					2017 Balance
				2012 1st Year	2013 2nd Year	2014 3rd Year	2015 4th Year	2016 5th Year	
332467	1FUJA6CK97LY49529	05/2013	21,204	21,204	21,204	1,767	-	-	-
332468	1FUJA6CK57LY49530	05/2013	21,204	21,204	21,204	1,767	-	-	-
332469	1FUJA6CK77LY49531	05/2013	21,204	21,204	21,204	1,767	-	-	-
329316	1FUJA6CK37LY49526	11/2013	20,964	20,964	20,964	12,229	-	-	-
329317	1FUJA6CK67LY49527	11/2013	20,148	20,148	20,148	11,753	-	-	-
329318	1FUJA6CK77LY49528	11/2013	20,148	20,148	20,148	11,753	-	-	-
336256	1HTSCAAMXXH227668	11/2013	20,148	20,148	20,148	11,753	-	-	-
336257	1FUJA6CK97LY61325	11/2013	20,148	20,148	20,148	11,753	-	-	-
336258	1FUJA6CK77LY61324	11/2013	20,148	20,148	20,148	11,753	-	-	-
325581	1FUJA6CK87LY49523	05/2012	26,952	26,952	2,246	-	-	-	-
325582	1FUJA6CKX7LY49524	05/2012	26,952	26,952	2,246	-	-	-	-
324854	1FUJA6CK47LY49521	05/2013	24,780	24,780	24,780	2,065	-	-	-
324855	1FUJA6CK67LY49522	05/2013	24,780	24,780	24,780	2,065	-	-	-
13423	Rental # A4EC380620	09/2014	14,220	14,220	14,220	14,220	5,925	-	-
13424	Rental # A3EC380443	09/2014	14,220	14,220	14,220	14,220	5,925	-	-
13422	Rental # A3EC380225	09/2014	14,220	14,220	14,220	14,220	5,925	-	-
	Rental # A4EC380738		12,900						
344371-212772	Water dispenser Plant	09/2016	-	1,176	1,176	1,176	1,176	1,176	490
2550814	Water dispense Office	08/2016	-	1,512	1,512	1,512	1,512	1,512	504
344371-205533	Main Photocopier	11/2016	-	9,086	9,912	9,912	9,912	9,912	5,782
344371-205455	Plant & Sales Photocopier	11/2016	-	8,382	9,144	9,144	9,144	9,144	5,334
	TOTALS		344,340	351,596	303,772	144,829	39,519	21,744	12,110

Ryder
 Hewitt
 Hewitt
 Hewitt
 Tru Source
 Toshiba
 Toshiba

PREPARED BY: LS

DATE: 2011-07-11

REVIEWED BY:

DATE:

Schedule 1.1(hh)**Purchased Assets**

-
1. All assets, undertakings and properties of the Vendor of every nature and kind whatsoever, and wherever situated, including without limitation the following:
 - 1.1. The Purchased Receivables;
 - 1.2. The Purchased Inventories;
 - 1.3. All goods other than goods listed in section 1.2 hereinabove that are held for sale, lease or rental (whether such goods are saleable, obsolete or damaged) in relation to the Business carried on by the Vendor including, materials and supplies;
 - 1.4. The Contracts;
 - 1.5. The Customer Contracts;
 - 1.6. The Equipment;
 - 1.7. The Vendor's Intellectual Property;
 - 1.8. All customer lists and lists of prospective customers and marketing and sales materials and databases not already included in the Vendor's Intellectual Property;
 - 1.9. All corporate names used by the Vendor;
 - 1.10. All rights, title and interest in orders on hand and other contractual arrangements with the customers to the extent that they can be assigned and that the Purchaser wishes to avail itself thereof;
 - 1.11. All the benefit of all unfulfilled orders received by and in favour of the Vendor;
 - 1.12. All other tangible and intangible assets and property used in connection with the Business;
 - 1.13. The exclusive right of the Purchaser to represent itself as carrying on such business in continuation of and in succession to the Vendor;
 - 1.14. All Books and Records;
 - 1.15. All plans, sketches and other documents related to (i) the operations of the Business and (ii) the customers of the Vendor;
 - 1.16. all other property, assets and rights, real or personal, tangible or intangible, owned by the Vendor or to which they are entitled to but excluding the Excluded Assets;

- 1.17. All R & D receivables, income tax receivables, tax refunds, deposit and deposit letters;
- 1.18. All the prepaid amounts related to:
 - 1.18.1. Insurance - Property and Liability
 - 1.18.2. Insurance – 2002 Ford
 - 1.18.3. Coface (receivables)
 - 1.18.4. Directors and Officers liability
 - 1.18.5. All the taxes (municipal, business and school) for all the Leased Premises
 - 1.18.6. CN non freight – tracts
 - 1.18.7. Canadiens hockey tickets
 - 1.18.8. Microsoft (Navision Licence)
- 1.19. The season tickets from Club de Hockey Canadien for the seats 104-J, #13 and #14 together with all the rights attached to said season tickets and any renewal thereof;
- 1.20. All the Equipment Operating Leases that the Purchaser wishes to avail itself thereof and not specifically an Excluded Assets as per Schedule 2.2 attached to this Agreement; and
- 1.21. The assets described in Schedule 5.1(o) of this Agreement.

Schedule 1.1(mm)**Required Consents**

1. All leases for the Leased Premises, being:
 - 1.1. 8785 Langelier Blvd., (Saint-Leonard) Montreal, Québec, H1P 2C9;
 - 1.2. 5675 Des Grandes-Prairies Blvd., (St-Leonard) Montreal, Québec, H1R 1B3;
 - 1.3. 7525 Henri Bourassa East, Montreal, Québec, H1E 1N9
2. All the Equipment Operating Leases that the Purchaser wishes to avail itself thereof;
3. Microsoft (Navision Licence); and
4. CN non freight - Leases.

Schedule 1.1(iii)

Vendor's Intellectual Property

Canadian Trademarks

*See document attached
Total of three (3) pages*

US Trademarks

*See document attached
Total of one (1) page*

CANADIAN REGISTERED TRADEMARKS: DOMIFOAM

Trademark	Registration or application number	date of application ("A") or registration ("R")	Name of the current owner or applicant	Expiry date	Name of the agent	Status
1 SPRINGFLEX FOAM	1531270	A: 2011-06-10	Domifoam International Inc.		N/A	formalized on 2011-06-15 registered
2 CONTOUR-MATIC	LMC641558	R: 2005-06-07	Domifoam International Inc.	2020-06-07	Jim Sproule, A-Z Sponge & Foam Products Ltd.	renewed on 2004-11-08 registered
3 VILLA	LMC203073	R: 1974-11-08	Domifoam International Inc.	2019-11-08	Stikeman Elliott LLP	renewed on 2004-11-08 registered
4 CUDDLE FOAM	LMC570966	R: 2002-11-20	Domifoam International Inc.	2017-11-20	Jim Sproule, A-Z Sponge & Foam Products Ltd.	renewed on 1997-08-27 registered
5 VELVAFOAM	LMC272231	R: 1982-08-27	Domifoam International Inc.	2012-08-27	Stikeman Elliott LLP	renewed on 1997-08-27 registered
6 ComfyCel	LMC623917	R: 2004-10-28	Domifoam International Inc.	2019-10-28	N/A	renewed on 1999-02-24 registered
7 SPECTRUM	LMC288288	R: 1984-02-24	Domifoam International Inc.	2014-02-24	Stikeman Elliott LLP	renewed on 1997-07-16 registered
8 INSULGARD	LMC271131	R: 1982-07-15	Domifoam International Inc.	2012-07-15	Stikeman Elliott LLP	renewed on 1999-06-22 registered
9 CELCOR	LMC292308	R: 1984-06-22	Domifoam International Inc.	2014-06-22	Stikeman Elliott LLP	renewed on 2005-03-14 registered
10 PRO-BOND	LMC205857	R: 1975-03-14	Domifoam International Inc.	2020-03-14	Stikeman Elliott LLP	renewed on 2011-06-30 registered
11 DOMIFOAM	LMC145969	R: 1966-06-30	Domifoam International Inc.	2026-06-30	Stikeman Elliott LLP	renewed on 2005-03-14 registered
12 LODGE	LMC205858	R: 1975-03-14	Domifoam International Inc.	2020-03-14	Stikeman Elliott LLP	renewed on 2004-11-01 registered
13 CHATEAU	LMC202908	R: 1974-11-01	Domifoam International Inc.	2019-11-01	Stikeman Elliott LLP	renewed on 2004-11-01 registered
14 RoyalCel	LMC624903	R: 2004-11-08	Domifoam International Inc.	2019-11-08	Jim Sproule, A-Z Sponge & Foam Products Ltd.	renewed on 1999-03-16 registered
15 EXCALIBUR	LMC289023	R: 1984-03-16	Domifoam International Inc.	2014-03-16	Stikeman Elliott LLP	renewed on 2004-11-01 registered
16 RIVIERA	LMC202909	R: 1974-11-01	Domifoam International Inc.	2019-11-01	Stikeman Elliott LLP	renewed on 2002-12-24 registered
17 PERMA-BOND	LMC180311	R: 1971-12-24	Domifoam International Inc.	2016-12-24	Stikeman Elliott LLP	renewed on 2002-12-24 registered
18 Snuggie-Pedic	LMC644665	R: 2005-07-19	Domifoam International Inc.	2020-07-19	Jim Sproule, A-Z Sponge & Foam Products Ltd.	renewed on 1997-12-31 registered
19 VELTEX	LMC275264	R: 1982-12-31	Domifoam International Inc.	2012-12-31	Stikeman Elliott LLP	renewed on 1997-12-31 registered
20 FREEDOM FOAM	LMC729834	R: 2008-12-01	Domifoam International Inc.	2023-12-01	Jim Sproule, A-Z Sponge & Foam Products Ltd.	renewed on 2004-11-01 registered
21 BIOPLUSH	LMC729835	R: 2008-12-01	Domifoam International Inc.	2023-12-01	Jim Sproule, A-Z Sponge & Foam Products Ltd.	renewed on 2004-11-01 registered
22 Hug-A-Pedic	LMC665748	R: 2006-06-06	Domifoam International Inc.	2021-06-06	Jim Sproule, A-Z Sponge & Foam Products Ltd.	renewed on 2004-11-01 registered
23 NORTHERN TREASURE	LMC638221	R: 2005-04-25	Domifoam International Inc.	2020-04-25	Stikeman Elliott LLP	renewed on 1999-08-17 registered
24 LA COLLECTION ZODIAC	LMC294245	R: 1984-08-17	Domifoam International Inc.	2014-08-17	Stikeman Elliott LLP	renewed on 2001-12-24 registered
25 WUNDER-BOND	LMC180310	R: 1971-12-24	Domifoam International Inc.	2016-12-24	Stikeman Elliott LLP	renewed on 2000-01-11 registered
26 BONDEX	LMC298957	R: 1985-01-11	Domifoam International Inc.	2015-01-11	Stikeman Elliott LLP	renewed on 1999-06-22 registered
27 QUANTUM	LMC292311	R: 1984-06-22	Domifoam International Inc.	2014-06-22	Stikeman Elliott LLP	renewed on 2012-02-26 registered
28 MAGNUM	LMC266867	R: 1982-02-26	Domifoam International Inc.	2027-02-26	Stikeman Elliott LLP	renewed on 2012-02-26 registered
29 VISCOMAGIC Memory Fo	LMC688655	R: 2007-05-31	Domifoam International Inc.	2022-05-31	Jim Sproule, A-Z Sponge & Foam Products Ltd.	renewed on 1999-05-11 registered
30 Cuddle-Pedic	LMC644418	R: 2005-07-14	Domifoam International Inc.	2020-07-14	Jim Sproule, A-Z Sponge & Foam Products Ltd.	renewed on 1999-05-11 registered
31 ZODIAC COLLECTION	LMC290846	R: 1984-05-11	Domifoam International Inc.	2014-05-11	Stikeman Elliott LLP	renewed on 1999-05-11 registered

CANADIAN CANCELLED OR ABANDONED TRADEMARKS: DOMIFOAM

	Trademark	Registration or application number	Date of A or R	Name of the current owner or applicant	Date of cancellation or abandonment	Name of the agent
1	DOMIFOAM MAPLE LEAF & DESIGN	LMC375564	R: 1990-11-09	Domifoam International Inc.	2006-07-06	Stikeman Elliott LLP
2	VISCOPLUSH	1460194	A: 2009-11-19	Domifoam International Inc.	2010-12-17	Jim Sproule, A-Z Sponges & Foam Products Ltd.
3	SECURIFOAM & DESIGN	832300	A: 1996-12-20	Domifoam International Inc.	2001-01-10	Stikeman Elliott LLP
4	NIMBUS	495427	A: 1982-11-26	Domifoam Inc.	1983-01-28	Seal, Shaposnick
5	PROTECT-A-RUG	LMC177017	R: 1971-07-23	Domifoam Inc.	1986-09-10	Seal, Shaposnick
6	STRATUS	495428	A: 1982-11-26	Domifoam Inc.	1983-12-19	Seal, Shaposnick
7	FLAREX	LMC205782	R: 1975-03-07	Domifoam Inc.	1990-04-27	Seal, Shaposnick
8	CFC & DESIGN	LMC203684	R: 1974-12-06	Domifoam International Inc.	2005-07-21	Stikeman Elliott LLP
9	HABITAT	500121	A: 1983-03-11	Domifoam Inc.	1986-08-22	Seal, Shaposnick
10	UROCELL HR	LMC203776	R: 1974-12-06	Domifoam International Inc.	2005-07-21	Stikeman Elliott LLP
11	Domifoam & design	LMC375563	R: 1990-11-09	Domifoam International Inc.	2006-07-06	Stikeman Elliott LLP
12	SUNRISE	LMC264104	R: 1981-11-06	Domifoam International Inc.	1997-07-08	Stikeman Elliott LLP
13	ALTO-CUMULUS	495426	A: 1982-11-26	Domifoam Inc.	1983-12-19	Seal, Shaposnick
14	CUMULUS	495425	A: 1982-11-26	Domifoam Inc.	1983-12-19	Seal, Shaposnick
15	EVER-BOND	LMC184974	R: 1972-08-18	Domifoam Inc.	1987-10-02	Seal, Shaposnick
16	VISCOAIRE	1204369	A: 2004-01-22	Domifoam International Inc.	2005-02-14	N/A
17	FlexCel	1198594	A: 2003-12-02	Domifoam International Inc.	2005-03-08	Jim Sproule, A-Z Sponges & Foam Products Ltd.
18	PINK PANTHER	LMC236776	R: 1979-10-19	Domifoam Inc.	1990-03-16	Seal, Shaposnick
19	CIRRUS	495429	A: 1982-11-26	Domifoam Inc.	1984-01-06	Seal, Shaposnick

CANADIAN SEARCH OF TRADEMARKS: DOMFOAM

Trademark	Application number	date	Name of the applicant	Status
GELFLEX	1518007	2011-03-07	Domfoam International Inc.	Notice of approbation sent on 2011-10-31

US REGISTERED TRADEMARK : DOMFOAM

Trademark	Serial number	Registration date	Name of the current owner or applicant	Expiry date	Name of the agent	Status
1 NORTHERN TREASURE	78508999	2005-12-13	Domfoam International Inc.	2015-12-13	Lawrence H. Meier	registered

US CANCELLED TRADEMARK : DOMFOAM

Trademark	Serial number	date of application	Name of the current owner or applicant	date of cancellation or abandonment	Name of the agent
1 CUDDLE FOAM	78219889	2003-02-27	Domfoam International Inc.	2004-02-11	N/A
2 SECURIFOAM & DESIGN	75311611	1997-06-19	Domfoam International Inc.	2000-10-12	Jess M Collen

Schedule 2.2

Excluded Assets

-
1. The Purchaser acknowledges and agrees that the following assets shall be considered excluded of the Transaction:
 - 1.1. The accounts payable, except as otherwise provided in this Agreement;
 - 1.2. The tax losses, except as otherwise provided in this Agreement;
 - 1.3. The cash on hand or on deposit with banks or other depositaries;
 - 1.4. The debts due to the Vendor from any shareholder, director, officer or employee of the Vendor or any other person who does not deal at arm's length with the Vendor;
 - 1.5. The following Equipment Operating Leases:
 - 1.5.1. Ryder – Lease No. 332467 - 1FUJA6CK97LY49529
 - 1.5.2. Ryder – Lease No. 332468 - 1FUJA6CK57LY49530
 - 1.5.3. Ryder – Lease No. 332469 - 1FUJA6CK77LY49531
 - 1.5.4. Ryder – Lease No. 329316 - 1FUJA6CK37LY49526
 - 1.5.5. Ryder – Lease No. 329317 - 1FUJA6CK57LY49527
 - 1.5.6. Ryder – Lease No. 329318 - 1FUJA6CK77LY49528
 - 1.5.7. Ryder – Lease No. 336256 - 1HTSCAAMXXH227668
 - 1.5.8. Ryder – Lease No. 336257 - 1FUJA6CK97LY61325
 - 1.5.9. Ryder – Lease No. 336256 - 1FUJA6CK77LY61324
 - 1.5.10. Ryder – Lease No. 325581 - 1FUJA6CK87LY49523
 - 1.5.11. Ryder – Lease No. 325582 - 1FUJA6CKX7LY49524
 - 1.5.12. Ryder – Lease No. 324854 - 1FUJA6CK47LY49521
 - 1.5.13. Ryder – Lease No. 324855 - 1FUJA6CK67LY49522
 - 1.5.14. Toshiba - Lease No. 344371-205533 – Main photocopieur
 - 1.5.15. Toshiba - Lease No. 344371-205455 - Plant & Sales Photocopier
 - 1.6. The shares issued and outstanding of the capital of "VALLE FOAM INDUSTRIES (1995) INC." registered in the name of the Purchaser; and
 - 1.7. The shares issued and outstanding of the capital of "A-Z SPONGE & FOAM PRODUCTS LTD." registered in the name of the Purchaser.

Schedule 2.6
Assumed Obligations

1. The obligation of the Vendor under the Contracts as of the Time of Closing; and
2. The obligation of the Vendor under the Customer Contracts as of the Time of Closing;

Schedule 2.9(A)
Purchased Receivables

Section 1

List of Purchased Receivables as of December 16, 2011.

*See document attached
Total of eighteen (18) pages*

Section 2

Calculation of the Purchase Price attributed to the Purchased Receivables

*See document attached
Total of nine (9) pages*

Aged Accounts Receivable
Domfoam International Inc.

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(Summary, aged as of December 16, 2011)
Aged by document date.

Amounts are in the customer's local currency (report totals are in US Dollars for US accounts only).

No.	Name	Credit Limit	Balance Due	Current	Aged Customer Balances		
					31 - 60 Days	61 - 90 Days	Over 90 Days
00157	VEN REZ PRODUITS Net 60 Days Amounts are in CAD	Phone No.	902-875-3178 x.	Contact			
					Salesperson Code	010	
		25,000	1,537.95	1,537.95 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
00202	BUGATTI DESIGN INC. 5% 10 Days Net 60 Amounts are in CAD	Phone No.	514-328-8553 x.	Contact			
					Salesperson Code	008	
		25,000	23,785.28	23,785.28 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
00284	AMEUBLEMENT DE BUREAU Net 60 Days Amounts are in CAD	Phone No.	418-883-2338 x.	Contact			
					Salesperson Code	003	
		5,000	1,777.86	1,777.86 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
00291	DINE ART INC. Net 60 Days Amounts are in CAD	Phone No.	514-326-3930 x.	Contact			
					Salesperson Code	004	
		15,000	4,928.41	1,009.95 20.50%	3,916.48 79.50%	0.00 0.00%	0.00 0.00%
10005	ELRAN 2% FM 15 Amounts are in CAD	Phone No.	514-630-5656 x.23	Contact			
					Salesperson Code	005	
		500,000	444,567.32	275,662.74 62.01%	168,838.16 37.98%	66.42 0.01%	0.00 0.00%
10020	LBC CANADA INC 3% 30 Days / 2% 60 Amounts are in CAD	Phone No.	514-744-9060 x.32	Contact			
					Salesperson Code	004	
		350,000	186,577.95	162,183.98 86.93%	22,341.95 11.97%	2,052.02 1.10%	0.00 0.00%
10024	AIRWAY SURGICAL APPLICA 60 Jours/Days Amounts are in CAD	Phone No.	613-723-4790 x.	Contact			
					Salesperson Code	003	
		5,000	1,875.34	1,875.34 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
10052	ALPHAVIC INC. Net 60 Days Amounts are in CAD	Phone No.	819-758-3739	Contact			
					Salesperson Code	004	

Aged Accounts Receivable
Domfoam International Inc.

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(Summary, aged as of December 16, 2011)

No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		30,000	6,103.22	5,490.02	613.20	0.00	0.00
				89.95%	10.05%	0.00%	0.00%
10072	KRAUS CANADA INC (HO) 2% 45 Days Amounts are in CAD	Phone No.	204-633-1020 x.	Contact	Salesperson Code	008	
		975,000	561,566.11	245,626.62	308,164.03	7,775.46	0.00
				43.74%	54.88%	1.38%	0.00%
10136	BOBLEN INC. 2% 30 Days Net 31 Amounts are in CAD	Phone No.	514-523-8163 x.	Contact	Salesperson Code	004	
		50,000	13,613.58	13,613.58	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
10145	MATELAS BOURCK ENRG. 60 Jours/Days Amounts are in CAD	Phone No.	450-477-2733 x.	Contact	Salesperson Code	003	
		25,000	6,887.10	3,534.14	3,332.96	0.00	0.00
				51.46%	48.54%	0.00%	0.00%
10222	MATELAS CONDOR ENRG. 2% 10 Days Net 30 Amounts are in CAD	Phone No.	418-248-5611	Contact	Salesperson Code	003	
		30,000	1,761.97	1,761.97	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
10244	MATELAS DAUPHIN INC. 2% 30 Days Net 31 Amounts are in CAD	Phone No.	418-832-2951 x.	Contact	Salesperson Code	005	
		175,000	39,109.17	39,109.17	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
10273	DOUBLETEX INC. 2% 30 Days Net 31 Amounts are in CAD	Phone No.	514-382-1770 x.	Contact	Salesperson Code	008	
		175,000	4,526.18	5,004.10	-477.92	0.00	0.00
				110.56%	-10.56%	0.00%	0.00%
10303	CINE SIEGE 91741462 QUE IN 60 Jours/Days Amounts are in CAD	Phone No.	450-437-9468 Cell	Contact	Salesperson Code	003	
		5,000	1,299.88	1,299.88	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
10305	BENNETT FLEET (QUEBEC) IN 60 Jours/Days Amounts are in CAD	Phone No.	418-681-4163 x.	Contact	Salesperson Code	005	

Aged Accounts Receivable
Domfoam International Inc.

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(Summary, aged as of December 16, 2011)

No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		40,000	6,351.09	3,151.98 49.83%	3,199.11 50.37%	0.00 0.00%	0.00 0.00%
10351	IDEALCHEST INC. 60 Jours/Days Amounts are in CAD	Phone No.	819-752-6514 x.	Contact	Salesperson Code	004	
		5,000	4,080.58	0.00 0.00%	4,080.58 100.00%	0.00 0.00%	0.00 0.00%
10358	COURT 1 SPORTS INC 2% 10 Days Net 60 Amounts are in CAD	Phone No.	514-731-3607 x.	Contact	Salesperson Code	004	
		30,000	14,207.67	14,207.67 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
10371	SYLCO INC. AROLD CONTR Net 75 Days Amounts are in CAD	Phone No.	450-772-2451 Dall	Contact	Salesperson Code	005	
		55,000	35,701.31	6,474.40 18.13%	9,681.70 27.12%	17,965.21 50.32%	1,580.00 4.43%
10378	LITERIE LAVAL Net 45 Days Amounts are in CAD	Phone No.	450-683-5921 x.	Contact	Salesperson Code	003	
		10,000	5,853.54	1,262.45 21.57%	2,899.72 49.54%	1,691.37 28.89%	0.00 0.00%
10379	MATELAS LAVIOLETTE INC. 60 Jours/Days Amounts are in CAD	Phone No.	418-385-7518	Contact	Salesperson Code	003	
		50,000	3,792.11	3,792.11 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
10384	TEXTILES LETOURNEAU 2% 45 Days Amounts are in CAD	Phone No.	418-653-1198 x.	Contact	Salesperson Code	005	
		75,500	25,894.11	12,593.46 48.63%	13,300.65 51.37%	0.00 0.00%	0.00 0.00%
10385	MATELAS LION D'OR INC. 2% 30 Days Net 31 Amounts are in CAD	Phone No.	418-549-5466 x.	Contact	Salesperson Code	005	
		75,000	6,402.94	6,402.94 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
10387	LITERIE DRUMMOND LTEE Net 60 Days Amounts are in CAD	Phone No.	819-474-1331 x.	Contact RICHARD DORAIS	Salesperson Code	004	

Aged Accounts Receivable
Domfoam International Inc.

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(Summary, aged as of December 16, 2011)

No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		30,000	10,299.72	2,586.26 25.11%	1,346.93 13.08%	8,366.53 61.81%	0.00 0.00%
10413	MATELAS MARTIN Net 90 Days Amounts are in CAD	Phone No.	514-381-2586	Contact	Salesperson Code	005	
		375,000	105,581.27	42,838.52 40.57%	54,679.53 51.79%	8,063.22 7.64%	0.00 0.00%
10426	CANADEL 2.5% 20 Days Amounts are in CAD	Phone No.	819-228-8471 x.	Contact	Salesperson Code	003	
		35,000	2,055.49	2,055.49 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
10494	REMBOURRAGE A.N.P. 60 Jours/Days Amounts are in CAD	Phone No.	819-364-2644 x.	Contact	Salesperson Code	004	
		50,000	24,323.20	23,806.80 97.05%	716.40 2.95%	0.00 0.00%	0.00 0.00%
10502	LITERIE PROVINCIALE LTEE Net 60 Days Amounts are in CAD	Phone No.	514-846-2552 x.	Contact	Salesperson Code	004	
		50,000	7,745.37	2,802.32 36.18%	2,021.16 26.10%	2,921.89 37.72%	0.00 0.00%
10509	AMEUBLEMENT RENAISSANC 60 Jours/Days Amounts are in CAD	Phone No.	450-662-6063 x.	Contact	Salesperson Code	003	
		15,000	2,927.45	947.59 32.37%	1,979.86 67.63%	0.00 0.00%	0.00 0.00%
10510	MATELAS RENE INC. 5% 30 Days Amounts are in CAD	Phone No.	819-293-6171	Contact	Salesperson Code	005	
		50,000	20,010.74	20,010.74 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
10521	REMB LOUIS ROUSSEAU INC. 60 Jours/Days Amounts are in CAD	Phone No.	418-524-1480 x.	Contact	Salesperson Code	003	
		15,000	1,628.52	1,628.52 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
10545	SEAWAY PLASTICS LTEE 60 Jours/Days Amounts are in CAD	Phone No.	514-837-2323 x.	Contact	Salesperson Code	004	

Aged Accounts Receivable
Domfoam International Inc.

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(Summary, aged as of December 16, 2011)

No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		60,000	11,761.06	11,761.06	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
10547	SERV. CORR. DU CANADA 60 Jours/Days Amounts are in CAD	Phone No. 35,000	450-664-1320 x. 21,254.28	Contact Salesperson Code 005 8,743.10	12,667.25	-156.07	0.00
				41.14%	59.60%	-0.73%	0.00%
10551	GESCO LTD PARTNERSHIP 2% 30 Days Net 31 Amounts are in CAD	Phone No. 600,000	905-789-3755 85,471.05	Contact Salesperson Code 008 78,196.84	6,274.21	0.00	0.00
				92.68%	7.34%	0.00%	0.00%
10570	SPORT MASKA INC. 90 Days Amounts are in CAD	Phone No. 20,000	514-461-8000 1,918.01	Contact Salesperson Code 005 0.00	1,918.01	0.00	0.00
				0.00%	100.00%	0.00%	0.00%
10579	TAPITEC INC. 2% 30 Days Net 31 Amounts are in CAD	Phone No. 20,000	514-334-8101 x. 1,521.58	Contact Salesperson Code 002 1,521.58	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
10585	SUBAR Net 90 Days Amounts are in CAD	Phone No. 325,000	514-337-0615 205,310.01	Contact Salesperson Code 005 49,450.11	60,612.38	55,319.91	39,927.61
				24.09%	29.52%	26.94%	19.45%
10595	TRANS-CANADA INDUSTRIES 90 Days Amounts are in CAD	Phone No. 6,000	450-681-4230 x. 168.44	Contact Salesperson Code 003 168.44	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
10737	FUTON 7TH HEAVEN UTOPIA 3% 15 Days Amounts are in CAD	Phone No. 5,000	819-595-3329 C61 800.23	Contact Salesperson Code 003 369.30	430.93	0.00	0.00
				46.15%	53.85%	0.00%	0.00%
10745	STM (COMPTE FOURNISSE 60 Jours/Days Amounts are in CAD	Phone No. 514-280-4923 x.	Contact Salesperson Code 003				

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No.	Name	Credit Limit	Balance Due	Current	Aged Customer Balances		
					31 - 60 Days	61 - 90 Days	Over 90 Days
		5,000	1,303.39	1,303.39	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
10766	DIRECT SALES Cash on delivery Amounts are in CAD						
	Phone No. 514-325-8120 x27				Contact		
					Salesperson Code	006	
	No Limit	-9,021.34	-8,783.24	-238.10	0.00	0.00	0.00
			97.36%	2.64%	0.00%	0.00%	0.00%
10823	SLEEPTEK MFG LTEE Net 60 Days Amounts are in CAD						
	Phone No. 613-727-6235 x.				Contact		
					Salesperson Code	003	
	5,000	187.26	0.00	187.26	0.00	0.00	0.00
			0.00%	100.00%	0.00%	0.00%	0.00%
10848	PRINCESSE Net 60 Days Amounts are in CAD						
	Phone No. 514-643-1585 x.				Contact		
					Salesperson Code	005	
	45,000	11,753.80	3,042.98	8,156.27	554.57	0.00	0.00
			25.89%	69.39%	4.72%	0.00%	0.00%
10982	MATELAS HORIZONTALE Net 30 Days Amounts are in CAD						
	Phone No. 450-477-5538 x.				Contact		
					Salesperson Code	003	
	10,000	468.28	468.28	0.00	0.00	0.00	0.00
			100.00%	0.00%	0.00%	0.00%	0.00%
11049	LITERIE SEDUCTION INC 2% 30 Days Net 31 Amounts are in CAD						
	Phone No. 514-933-5593 x.				Contact		
					Salesperson Code	003	
	40,000	4,150.02	4,150.02	0.00	0.00	0.00	0.00
			100.00%	0.00%	0.00%	0.00%	0.00%
11150	PROFOM INC. 60 Jours/Days Amounts are in CAD						
	Phone No. 450-967-4310 x.				Contact		
					Salesperson Code	003	
	15,000	7,700.62	6,417.18	1,283.44	0.00	0.00	0.00
			83.33%	16.87%	0.00%	0.00%	0.00%
11155	JARDIN DE VILLE INC. 60 Jours/Days Amounts are in CAD						
	Phone No. 450-435-6046				Contact		
					Salesperson Code	005	
	27,000	84.30	84.30	0.00	0.00	0.00	0.00
			100.00%	0.00%	0.00%	0.00%	0.00%
11164	D & R FOAM 5% 10 Days Net 60 Amounts are in CAD						
	Phone No. 450-665-5701				Contact		
					Salesperson Code	005	

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No.	Name	Credit Limit	Balance Due	Current	Aged Customer Balances		
					31 - 60 Days	61 - 90 Days	Over 90 Days
		175,000	20,376.34	20,376.34 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
11177	TISSUS MORICO INC. 90 Days Amounts are in CAD	Phone No.	514-257-1878	Contact	Salesperson Code	005	
		150,000	110,824.59	21,818.08 19.69%	38,169.57 34.44%	29,391.52 26.52%	21,447.44 19.35%
11197	MSCM INC. 3% 20 Days Amounts are in CAD	Phone No.	418-248-2155 x.	Contact	Salesperson Code	003	
		2,000	218.74	218.74 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
11209	REMI CARRIER INC. 3% 45 Days Amounts are in CAD	Phone No.	514-259-3771 x.	Contact	Salesperson Code	005	
		100,000	39,611.48	35,736.83 90.22%	3,874.65 9.78%	0.00 0.00%	0.00 0.00%
11210	PROQUAI INC. 60 Jours/Days Amounts are in CAD	Phone No.	450-449-4958 x.	Contact	CHRISTAN Salesperson Code	005	
		25,000	13,547.92	7,906.23 58.36%	5,438.49 40.14%	203.20 1.50%	0.00 0.00%
11288	ROUILLARD INC. 3% 30 Days Net 60 Amounts are in CAD	Phone No.	418-663-1411 x.	Contact	Salesperson Code	003	
		85,000	29,488.04	29,488.04 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
11276	STEERS GROUP LIMITED 30 2% 30 Days Net 31 Amounts are in CAD	Phone No.	709-637-7100 x.	Contact	Salesperson Code	014	
		60,000	-1,972.98	-1,972.98 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
11289	MATELAS SIESTA Net 75 Days Amounts are in CAD	Phone No.	450-444-5450 x.	Contact	Salesperson Code	005	
		35,000	17,461.82	4,953.34 28.37%	10,856.29 62.17%	1,652.19 9.46%	0.00 0.00%
11399	SIEGES DUCHARME INTERNA Net 75 Days Amounts are in CAD	Phone No.	514-328-2772 x.	Contact	Salesperson Code	005	

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No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		150,000	85,252.12	7,920.09 9.29%	12,009.68 14.00%	19,158.04 22.47%	46,164.31 54.15%
11409	CSTB INC 60 Jours/Days Amounts are in CAD	Phone No. 20,000	418-228-7431 x. 359.50	Contact 359.50 100.00%	Salesperson Code 003 0.00 0.00%	0.00 0.00%	0.00 0.00%
11415	ROCKLAND TEXTILES INC. 60 Jours/Days Amounts are in CAD	Phone No. 30,000	613-526-0333 x. 13,484.59	Contact 6,326.34 46.92%	Salesperson Code 003 7,158.25 53.08%	0.00 0.00%	0.00 0.00%
11421	LES MEUBLES VANTAGE 1000 Net 60 Days Amounts are in CAD	Phone No. 38,000	514-273-2441 x. 10,531.09	Contact 5,685.18 53.98%	Salesperson Code 004 2,828.41 26.86%	2,017.50 19.16%	0.00 0.00%
11457	MATELAS PRESTIGE 3% 15 Days Amounts are in CAD	Phone No. 75,000	450-491-7717 x. 10,338.70	Contact 10,338.70 100.00%	Salesperson Code 003 0.00 0.00%	0.00 0.00%	0.00 0.00%
11474	PROFIL PLUS 156124 CANADA 60 Jours/Days Amounts are in CAD	Phone No. 15,000	514-493-6113 x. 1,129.38	Contact 1,129.38 100.00%	Salesperson Code 004 0.00 0.00%	0.00 0.00%	0.00 0.00%
11556	KOUTOU LTEE 60 Jours/Days Amounts are in CAD	Phone No. 2,000	819-478-9032 x. 426.08	Contact 426.08 100.00%	Salesperson Code 004 0.00 0.00%	0.00 0.00%	0.00 0.00%
11558	QUATRO TECHNOLOGIES INC Net 45 Days Amounts are in CAD	Phone No. 10,000	514-630-4444 x. 3,419.53	Contact 2,159.46 63.15%	Salesperson Code 006 1,000.83 29.26%	259.44 7.59%	0.00 0.00%
11577	ARTOPEX PLUS INC. 2% 30 Days Net 31 Amounts are in CAD	Phone No.	450-973-9655 ext	Contact	Salesperson Code 003		

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No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		35,000	5,448.30	5,400.59 99.12%	0.00 0.00%	47.71 0.88%	0.00 0.00%
11580	FUTON DESIGN 60 Jours/Days Amounts are in CAD	Phone No.	418-659-4111	Contact	Salesperson Code	003	
		20,000	1,304.56	1,304.56 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
11627	PRO TAC INDUSTRIES INC. 60 Jours/Days Amounts are in CAD	Phone No.	819-229-1869	Contact	Salesperson Code	003	
		3,000	1,672.29	1,672.29 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
11665	BOZANTO INC. Net 90 Days Amounts are in CAD	Phone No.	514-630-3320 x.	Contact	Salesperson Code	004	
		400,000	191,033.24	127,318.00 66.65%	63,715.24 33.35%	0.00 0.00%	0.00 0.00%
11676	LITERIE DORMATEX INC. 60 Jours/Days Amounts are in CAD	Phone No.	322-4992 Emilio 3 *** Over Limit ***	Contact	EMILIO 514 323-7741 Salesperson Code	003	
		50,000	66,113.96	15,959.58 24.14%	24,114.35 36.47%	26,040.05 39.39%	0.00 0.00%
11682	VALLE FOAM INDUSTRIES IN 3% 45 Days Amounts are in CAD	Phone No.	905-453-8054 x.	Contact	Salesperson Code	006	
		1,750,000	273,212.75	273,212.75 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
11714	TRICA Net 60 Days Amounts are in CAD	Phone No.	800-273-4897 x.	Contact	Salesperson Code	003	
		75,000	4,897.05	4,978.16 101.66%	-81.11 -1.66%	0.00 0.00%	0.00 0.00%
11724	FUTON S.V.P QUEBEC INC. 2% 15 Days Amounts are in CAD	Phone No.	514-945-9354	Contact	Salesperson Code	004	
		10,000	1,084.98	1,084.98 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
11731	CHAISES RAY L INC. CWO-60 Days Amounts are in CAD	Phone No.	819-583-4993 x.	Contact	Salesperson Code	006	

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No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		5,000	620.89	620.89	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
11738	REHAU INDUSTRIES INC. 60 Jours/Days Amounts are in CAD	Phone No. 10,000	703-777-5255 2,411.59	Bai 2,411.59	Contact 0.00	Salesperson Code 004 0.00	0.00
				100.00%	0.00%	0.00%	0.00%
11779	MANUFACTURE DE MATELAS 2% 30 Days Net 31 Amounts are in CAD	Phone No. 30,000	418-774-8696 x. 15,222.50	Contact 15,222.50	Salesperson Code 003 0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
11828	COMFORT FOAM & FIBRE 3% 45 Days Amounts are in CAD	Phone No. 50,000	902-468-8590 x. 7,221.16	Contact 5,222.21	Salesperson Code 010 1,998.95	0.00	0.00
				72.32%	27.68%	0.00%	0.00%
11833	MATELAS SELECT 60 Jours/Days Amounts are in CAD	Phone No. 25,000	418-388-2961 5,322.30	Contact 1,363.63	Salesperson Code 010 3,958.67	0.00	0.00
				25.62%	74.38%	0.00%	0.00%
11844	PEL INTERNATIONAL LTEE 3% 10 Days Net 30 Amounts are in CAD	Phone No. 45,000	1-450-889-5564 x. 2,612.14	Contact 2,612.14	DAIL 1 BEFORE NUMBE 0.00	Salesperson Code 003 0.00	0.00
				100.00%	0.00%	0.00%	0.00%
11848	INDUSPAC INC. Net 75 Days Amounts are in CAD	Phone No. 100,000	450-510-0450 514- 68,673.88	Contact 24,848.10	Salesperson Code 004 41,825.78	0.00	0.00
				37.27%	62.73%	0.00%	0.00%
11859	WESTBORO FLOORING INC 2% 30 Days Net 31 Amounts are in CAD	Phone No. 35,000	613-226-3830 x. 15,513.82	Contact 11,812.62	Salesperson Code 002 3,701.20	0.00	0.00
				76.14%	23.86%	0.00%	0.00%
11914	EXCEL RSVC MOUSSE FOAM 60 Jours/Days Amounts are in CAD	Phone No.	819-775-2796 x. 0.00	Contact 0.00	Salesperson Code 003 0.00	0.00	0.00

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(Summary, aged as of December 16, 2011)

No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		60,000	60,867.85	15,825.95 31.11%	35,041.90 88.89%	0.00 0.00%	0.00 0.00%
11924	MATELAS D'OR 9053-9834 Q Net 75 Days Amounts are in CAD *** Over Limit ***	200,000	272,757.02	66,501.75 24.38%	51,915.82 19.03%	105,251.88 38.59%	49,087.57 18.00%
11927	MEUBLES BELISLE INC. 60 Jours/Days Amounts are in CAD	95,000	74,578.58	24,749.61 33.19%	35,064.86 47.02%	14,764.11 19.80%	0.00 0.00%
11948	MEUBLES TOMALI INC. 30 Jours/Days Amounts are in CAD	10,000	1,899.38	1,899.38 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
11974	STYLTEC INC. 3% 10 Days Net 30 Amounts are in CAD	7,000	-10.77	-10.77 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
11976	MATELAS ORTHOPEDIQUE 60 Jours/Days Amounts are in CAD	50,000	21,283.04	9,567.88 44.96%	10,934.82 51.38%	780.34 3.67%	0.00 0.00%
11979	BELPRO MEDICAL INC 2% 10 Days Net 30 Amounts are in CAD *** Over Limit ***	35,000	37,819.79	29,256.47 77.36%	8,563.32 22.64%	0.00 0.00%	0.00 0.00%
11982	DIAMOND DIVERSIFIED IND. L 2% 30 Days Net 31 Amounts are in CAD	75,000	-290.90	-290.90 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12021	SEARS CANADA INC. 2.14% 45 Days Net Amounts are in CAD						

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No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		45,000	14,848.84	9,942.70 68.96%	4,906.24 33.04%	0.00 0.00%	0.00 0.00%
12040	SEARS FLOOR COV CTR C00-2% 30 Days Net 31 Amounts are in CAD	Phone No.	450-465-7700	Contact	Salesperson Code	002	
		8,000	366.84	366.84 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12101	CRE O PACK INTERNATIONAL 60 Jours/Days Amounts are in CAD	Phone No.	514-343-9666 x.	Contact	Salesperson Code	006	
		15,000	965.55	193.12 20.00%	772.43 80.00%	0.00 0.00%	0.00 0.00%
12102	A Z SPONGE & FOAM Net 60 Days Amounts are in CAD	Phone No.	604-525-1665 x.	Contact	Salesperson Code	006	
		125,000	43,763.01	42,401.42 96.89%	1,361.59 3.11%	0.00 0.00%	0.00 0.00%
12104	AD MATS CORPORATION Net 75 Days Amounts are in CAD	Phone No.	800-971-0205	Contact	Salesperson Code	004	
		65,000	51,467.33	24,206.76 47.03%	19,528.65 37.94%	7,731.92 15.02%	0.00 0.00%
12122	ATLANTIC FABRICS LIMITED Net 75 Days Amounts are in CAD	Phone No.	902-434-1440 x.	Contact	Salesperson Code	010	
		40,000	3,475.36	0.00 0.00%	3,475.36 100.00%	0.00 0.00%	0.00 0.00%
12146	MATELAS BEAU REVE INC Net 60 Days Amounts are in CAD	Phone No.	450-682-8189	Contact	Salesperson Code	003	
		20,000	18,805.74	7,021.75 37.34%	4,640.01 24.67%	6,094.32 32.41%	1,049.68 5.58%
12150	REMBOURRAGE J A MARTINE 60 Jours/Days Amounts are in CAD	Phone No.	819-395-4924 x.	Contact	Salesperson Code	004	
		50,000	465.67	465.67 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12158	BARRY SUPPLIES & FABRIC I Net 75 Days Amounts are in CAD	Phone No.	514-340-3663 x.	Contact	Salesperson Code	005	

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No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		175,000	15,916.75	15,916.75 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12230	WESCO NA INC Net 60 Days Amounts are in CAD	Phone No. 40,000	819-384-5602 11,650.90	Contact Salesperson Code 004 2,684.44 23.04%	6,490.80 55.71%	2,475.66 21.25%	0.00 0.00%
12242	SPORT SYSTEMS CANADA IN Net 60 Days Amounts are in CAD	Phone No. 10,000	613-258-1112 13,016.75 *** Over Limit ***	Contact Salesperson Code 003 5,381.97 41.35%	7,633.78 58.65%	0.00 0.00%	0.00 0.00%
12253	BEAULIEU CANADA 2% 30 Days Net 31 Amounts are in CAD	Phone No. 175,000	1-450-546-5000 10,534.87	Contact Salesperson Code 002 6,621.55 62.85%	3,913.32 37.15%	0.00 0.00%	0.00 0.00%
12258	TEC INNOVATIONS Net 30 Days Amounts are in CAD	Phone No. 30,000	(819) 566-0558 9,242.92	Contact Salesperson Code 003 9,242.92 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12270	COUTURE CARLYLE INC. CW Posted Date Chequ Amounts are in CAD	Phone No. 7,500	514-271-8789 948- 4,991.52	Contact Salesperson Code 006 4,991.52 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12277	DOMINION CUTTING SERVICE Net 75 Days Amounts are in CAD	Phone No. 15,000	514-270-4118 1,884.32	Contact Salesperson Code 004 747.35 39.66%	1,136.97 60.34%	0.00 0.00%	0.00 0.00%
12282	VICLINE 2006 INC. 2% 45 Days Amounts are in CAD	Phone No. 50,000	800-455-2344 3,069.13	Contact Salesperson Code 004 3,069.13 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12290	LOGIFLEX MOB DE BUREAU 5% 15N30 Amounts are in CAD	Phone No. 819 864 7630	Contact Salesperson Code 003				

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No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		20,000	6,169.09	8,189.09 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12291	PAKTEK INC. 2% 10 Days Net 30 Amounts are in CAD						
	Phone No. 514 342 6817			Contact			
	Salesperson Code 004						
	5,000	2,137.25	1,471.70 68.86%	865.55 31.14%	0.00 0.00%	0.00 0.00%	
12296	PAVAR FURNITURE INC. Net 60 Days Amounts are in CAD						
	Phone No. 514-822-1011			Contact			
	Salesperson Code 006						
	25,000	17,954.18	13,794.15 76.83%	3,235.57 18.02%	924.46 5.15%	0.00 0.00%	
12298	G. ROMANO INC. Net 75 Days Amounts are in CAD						
	Phone No. 514-323-5140			Contact			
	Salesperson Code 004						
	60,000	43,197.14	16,127.55 37.33%	16,217.53 37.54%	10,852.06 25.12%	0.00 0.00%	
12301	L. DAVIS TEXTILES (1991) INC Net 45 Days Amounts are in CAD						
	Phone No. 1-450-375-1665			Contact			
	Salesperson Code 005						
	25,000	14,006.66	3,744.15 26.73%	8,183.10 58.42%	2,079.41 14.85%	0.00 0.00%	
12308	PYRA MEDIC INC. (W) Cash of Delivery - 3 Amounts are in CAD						
	Phone No. 514-328-8998			Contact			
	Salesperson Code 004						
	6,000	5,689.71	5,689.71 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	
12309	LUXLINE ACCESSORIES INC. Net 60 Days Amounts are in CAD						
	Phone No. 514-328-8830			Contact			
	Salesperson Code 004						
	2,000	1,380.79	0.00 0.00%	1,380.79 100.00%	0.00 0.00%	0.00 0.00%	
12314	GROUPE SM PELLETIER Net 60 Days Amounts are in CAD						
	Phone No. 800-965-5559			Contact 1-819-752-3400 Marc Pell			
	Salesperson Code 004						
	20,000	1,058.51	1,058.51 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	
12326	HARWELL EMBALLAGE W N 60 Jours/Days Amounts are in CAD						
	Phone No. 514-693-3643			Contact			
	Salesperson Code 004						

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No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		10,000	2,255.71	1,700.55 75.39%	555.16 24.61%	0.00 0.00%	0.00 0.00%
12330	CREATECH INC 90690744 QUE Net 60 Days Amounts are in CAD	Phone No. 7,500	1-450-991-2314 4,543.77	Contact Salesperson Code 004 0.00 0.00%	2,874.28 63.26%	1,669.49 36.74%	0.00 0.00%
12331	ORTHEX CANADA ENR W Net 60 Days Amounts are in CAD	Phone No. 25,000	450-818-8482 cell 21,626.32	Contact Salesperson Code 004 5,704.24 26.38%	6,877.68 31.80%	7,216.65 33.37%	1,828.75 8.46%
12334	SHOLA INC 60 Jours/Days Amounts are in CAD	Phone No. 15,000	418-253-6968 9,254.43	Contact Salesperson Code 003 0.00 0.00%	9,254.43 100.00%	0.00 0.00%	0.00 0.00%
12339	LA PAILLASSE(1998) INC 9080 30 Jours/Days Amounts are in CAD	Phone No. 3,000	819-377-2232 552.44	Contact Salesperson Code 003 0.00 0.00%	552.44 100.00%	0.00 0.00%	0.00 0.00%
12341	REVOLUTION SANTE 9196445 Cash of Delivery - 2 Amounts are in CAD	Phone No. 5,000	514-866-0005 3,526.36	Contact Salesperson Code 004 3,499.86 99.25%	26.50 0.75%	0.00 0.00%	0.00 0.00%
12342	ARGOS CARPETS Net 30 Days Amounts are in CAD	Phone No. 35,000	613-226-6573 610.20	Contact Salesperson Code 002 0.00 0.00%	0.00 0.00%	327.70 53.70%	282.50 46.30%
12343	JAYMAR bmx Net 30 Days Amounts are in CAD	Phone No. 75,000	450-471-4172 57,212.29	Contact Salesperson Code 003 31,515.39 55.09%	25,447.83 44.48%	249.07 0.44%	0.00 0.00%
12353	EQUIPMENT SANITAIRE CHER Net 60 Days Amounts are in CAD	Phone No.	819-566-2266	Contact Salesperson Code 006			

Aged Accounts Receivable
Domfoam International Inc.

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(Summary, aged as of December 16, 2011)

No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		10,000	1,569.12	1,569.12 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12357	VALENTINO INC W 60 Jours/Days Amounts are in CAD	Phone No.	514-325-4222	Contact	Salesperson Code	004	
		20,000	10,336.67	1,136.73 11.00%	3,943.75 38.15%	3,937.50 38.09%	1,318.89 12.76%
12363	ENVIROPLAST Net 30 Days Amounts are in CAD	Phone No.	514-352-6060	Contact	Salesperson Code	006	
		2,500	1,959.74	0.00 0.00%	1,959.74 100.00%	0.00 0.00%	0.00 0.00%
12367	CONFORT EXCELFLEX INC Net 30 Days Amounts are in CAD	Phone No.	1-450-252-8886	Contact	RICHARD LAPOINTE Salesperson Code	004	
		10,000	5,080.78	5,080.78 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12373	PPD FOAM SOLUTION INC. Net 45 Days Amounts are in CAD	Phone No.	819-850-0159	Contact	Salesperson Code	004	
		10,000	446.01	446.01 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12374	MEUBLES ARBOIT-POITRAS I Net 30 Days Amounts are in CAD	Phone No.	450-588-2539	Contact	CLAUDINE BERGERON Salesperson Code	003	
		5,000	2,878.86	2,027.70 70.43%	851.16 29.57%	0.00 0.00%	0.00 0.00%
12380	DISTRIBUTION SECURI - SPO 2% 15 Days Net 45 Amounts are in CAD	Phone No.	418-883-5432	Contact	Salesperson Code	005	
		15,000	241.04	241.04 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12384	JRZ CANADA INC. 2% 10 Days Net 30 Amounts are in CAD	Phone No.	418-661-1410	Contact	Salesperson Code	005	
		5,000	2,335.52	2,335.52 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%
12386	JULIEN BEAUDOIN LTEE Net 60 Days Amounts are in CAD	Phone No.	819-387-2344	Contact	Salesperson Code	004	

Aged Accounts Receivable
Domfoam International Inc.

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(Summary, aged as of December 16, 2011)

No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		7,000	395.27	395.27	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
U11429	NRF DISTRIBUTORS INC.						
	30 Jours/Days						
	Amounts are in USD						
	Phone No. 207-622-4744						
	Contact						
	Salesperson Code 015						
		249,748	25,656.90	25,656.90	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
U11771	JEFFCO FIBRES INC						
	2% 30 Days Net 45						
	Amounts are in USD						
	Phone No. 508-943-0440						
	Contact						
	Salesperson Code 006						
		1,977,571	645,577.01	389,746.56	253,095.36	2,735.09	0.00
				60.37%	39.20%	0.42%	0.00%
U11800	C.D.S. INC.						
	2% 30 Days Net 31						
	Amounts are in USD						
	Phone No. 1-781-702-0558						
	Contact						
	Salesperson Code 015						
		120,071	14,431.80	14,431.80	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
U11815	STANLEY STEPHENS CO. LTD						
	2% 30 Days Net 31						
	Amounts are in USD						
	Phone No. 215-788-1515						
	Contact						
	Salesperson Code 015						
		46,143	-150.00	-150.00	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
U12129	WCW INC.						
	Net 90 Days						
	Amounts are in USD						
	Phone No. 802-382-8053						
	Contact						
	Salesperson Code 006						
		1,344,796	436,291.76	160,070.31	216,496.49	59,724.96	0.00
				38.69%	49.62%	13.69%	0.00%
U12164	OTIS BED MANUFACTURING						
	Net 60 Days						
	Amounts are in USD						
	Phone No. 800-588-6847						
	Contact						
	Salesperson Code 006						
		395,514	72,798.41	33,105.21	22,686.88	17,008.32	0.00
				45.48%	31.18%	23.36%	0.00%
U12171	FRANKLIN AUGUST TRADING						
	30 Jours/Days						
	Amounts are in USD						
	Phone No. 802-652-5900						
	Contact						
	Salesperson Code 006						
		6,905	3,767.54	3,767.54	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
U12173	NORTH BROOK FARMS INC						
	Net 30 Days						
	Amounts are in USD						
	Phone No. 877-624-2638						
	Contact						
	Salesperson Code 006						

Aged Accounts Receivable
Domfoam International Inc.

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(Summary, aged as of December 16, 2011)

No.	Name	Credit Limit	Balance Due	Aged Customer Balances			
				Current	31 - 60 Days	61 - 90 Days	Over 90 Days
		48,028	32,917.50	32,917.50	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
U12175	COLLINS BUS CORPORATION Net 30 Days Amounts are in USD	Phone No.	1-620-662-9000	Contact			
				Salesperson Code	004		
		9,608	239.12	239.12	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
U12180	LATEX INTERNATIONAL Net 30 Days Amounts are in CAD	Phone No.		Contact	TUSHAR SHAH		
				Salesperson Code			
		No Limit	338.38	338.38	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
U12181	EURASIA HOLDING (PVT) LTD Cash on delivery *** Over Limit *** Amounts are in USD	Phone No.	011-603-7859-183	Contact			
				Salesperson Code	006		
		9,606	10,901.50	10,901.50	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
U12183	FOAM FACTORY INC. Net 60 Days Amounts are in USD	Phone No.	1-586-627-3826	Contact			
				Salesperson Code	008		
		9,606	236.00	236.00	0.00	0.00	0.00
				100.00%	0.00%	0.00%	0.00%
	Report Total Amount Due (USD)		1,242,667.54	670,922.44	492,278.73	79,466.37	0.00
	Report Total Amount Due (CAD)		5,110,047.54	2,816,501.52	1,702,387.28	428,472.21	162,688.53
				55.12%	33.31%	8.38%	3.18%

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Dec 16, 2011

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL	Insurance
CDN								
BUGATTI DESIGN INC.	60 \$	25 000,00 \$	23 785,28 \$	-	-	-	23 785,28	\$
LBC CANADA INC.	60 \$	350 000,00 \$	162 183,98 \$	22 341,95 \$	2 052,02 \$	-	186 577,95	\$
KRAUS CANADA INC. (HO)	45 \$	975 000,00 \$	245 626,62 \$	308 164,03 \$	7 775,46 \$	-	561 566,11	\$
BOBLEN INC.	31 \$	50 000,00 \$	13 613,58 \$	-	-	-	13 613,58	\$
MATELAS DAUPHIN INC.	31 \$	175 000,00 \$	39 109,17 \$	-	-	-	39 109,17	\$
COURT 1 SPORTS INC.	60 \$	30 000,00 \$	14 207,67 \$	-	-	-	14 207,67	\$
TEXTILES LETOURNEAU	45 \$	75 500,00 \$	12 593,46 \$	-	-	-	12 593,46	\$
REBOURRAGE A.N.P.	60 \$	50 000,00 \$	23 606,80 \$	-	-	-	23 606,80	\$
MATELAS RENE INC.	30 \$	50 000,00 \$	20 010,74 \$	716,40 \$	-	-	20 727,14	\$
SEAWAY PLASTICS LTEE	60 \$	60 000,00 \$	11 761,06 \$	-	-	-	11 761,06	\$
SERV. CORR. DU CANADA	60 \$	35 000,00 \$	8 743,10 \$	12 667,25 \$	(156,07) \$	-	21 254,28	\$
PRINCESSE	60 \$	45 000,00 \$	3 042,96 \$	8 156,27 \$	554,57 \$	-	11 753,80	\$
REMI CARRIER INC.	45 \$	100 000,00 \$	35 736,83 \$	3 874,65 \$	-	-	39 611,48	\$
PROQUAI INC.	60 \$	25 000,00 \$	7 906,23 \$	5 438,49 \$	203,20 \$	-	13 547,92	\$
ROUILLARD INC.	60 \$	85 000,00 \$	29 488,04 \$	-	-	-	29 488,04	\$
MATELAS SIESTA	75 \$	35 000,00 \$	4 953,34 \$	10 856,29 \$	1 652,19 \$	-	17 461,82	\$
ROCKLAND TEXTILES INC.	60 \$	30 000,00 \$	6 326,34 \$	7 158,25 \$	-	-	13 484,59	\$
MATELAS PRESTIGE	15 \$	75 000,00 \$	10 338,70 \$	-	-	-	10 338,70	\$
ARTOPEX PLUS INC.	31 \$	35 000,00 \$	5 400,59 \$	-	47,71 \$	-	5 448,30	\$
LITERIE DORMATEX INC.	60 \$	50 000,00 \$	15 959,56 \$	24 114,35 \$	26 040,05 \$	-	66 113,96	\$
MANUFACTURE DE MATELAS	31 \$	30 000,00 \$	15 222,50 \$	-	-	-	15 222,50	\$
INDUSPAC INC.	75 \$	100 000,00 \$	24 848,10 \$	41 825,78 \$	-	-	66 673,88	\$
WESTBORO FLOORING INC.	31 \$	35 000,00 \$	11 812,62 \$	3 701,20 \$	-	-	15 513,82	\$
EXCEL RSCV MOUSSE FOAM	60 \$	60 000,00 \$	15 825,95 \$	35 041,90 \$	-	-	50 867,85	\$
MEUBLES BELISLE INC.	60 \$	95 000,00 \$	24 749,61 \$	35 064,86 \$	14 764,11 \$	-	74 578,58	\$
MATELAS ORTHOPEDIQUE	60 \$	50 000,00 \$	9 567,88 \$	10 934,82 \$	780,34 \$	-	21 283,04	\$
BELPRO MEDICAL INC.	30 \$	35 000,00 \$	29 256,47 \$	8 563,32 \$	-	-	37 819,79	\$
SEARS CANADA INC.	45 \$	45 000,00 \$	9 942,70 \$	4 906,24 \$	-	-	14 848,94	\$
AD MATS CORPORATION	75 \$	65 000,00 \$	24 206,76 \$	19 528,65 \$	7 731,92 \$	-	51 467,33	\$
MATELAS BEAU REVE INC.	60 \$	20 000,00 \$	7 021,75 \$	4 640,01 \$	6 094,32 \$	1 049,66 \$	18 805,74	\$
BARRY SUPPLIES & FABRIC INC.	75 \$	175 000,00 \$	15 916,75 \$	-	-	-	15 916,75	\$
WESCO NA INC.	60 \$	40 000,00 \$	2 684,44 \$	6 490,80 \$	2 475,66 \$	-	11 650,90	\$
SPORT SYSTEMS CANADA INC.	60 \$	10 000,00 \$	5 381,97 \$	7 633,78 \$	-	-	13 015,75	\$
BEAULIEU CANADA	31 \$	175 000,00 \$	6 621,55 \$	3 913,32 \$	-	-	10 534,87	\$
PAVAR FURNITURE INC.	60 \$	25 000,00 \$	13 794,15 \$	3 235,57 \$	924,46 \$	-	17 954,18	\$
G. ROMANO INC.	75 \$	60 000,00 \$	16 127,55 \$	16 217,53 \$	10 852,06 \$	-	43 197,14	\$
21 ORTHEX CANADA ENR	60 \$	25 000,00 \$	5 704,24 \$	6 877,88 \$	7 215,65 \$	1 828,75 \$	21 626,32 \$	\$
JAYMAR BMX	30 \$	75 000,00 \$	31 515,39 \$	25 447,83 \$	249,07 \$	-	57 212,29	\$
VALENTINO INC.	60 \$	20 000,00 \$	1 136,73 \$	3 943,75 \$	3 937,50 \$	1 318,69 \$	10 336,67	\$
SUB TOTAL CDN	\$	3 495 500,00 \$	965 731,16 \$	654 755,62 \$	93 194,22 \$	4 197,10 \$	1 717 878,10 \$	\$

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Dec 16, 2011

3 ELRAN	15 \$	500 000,00	\$	275 662,74	\$	168 838,16	\$	66,42	\$	-	\$	444 567,32	\$	350 000,00
7 SYLCO INC.	75 \$	55 000,00	\$	6 474,40	\$	9 681,70	\$	17 965,21	\$	1 580,00	\$	35 701,31	\$	50 000,00
12 LITERIE DRUMMOND LTEE	60 \$	30 000,00	\$	2 586,26	\$	1 946,93	\$	6 366,53	\$	-	\$	10 299,72	\$	14 000,00
10 GESCO LTD PARTNERSHIP	31 \$	600 000,00	\$	79 196,84	\$	6 274,21	\$	-	\$	-	\$	85 471,05	\$	20 000,00
18 D&R FOAM	60 \$	175 000,00	\$	20 376,34	\$	-	\$	-	\$	-	\$	20 376,34	\$	75 000,00
22 SIEGES DUCHARME INTERNA	75 \$	150 000,00	\$	7 920,09	\$	12 009,68	\$	19 158,04	\$	46 164,31	\$	85 252,12	\$	75 000,00
1 LES MEUBLES VANTAGE 1000	60 \$	38 000,00	\$	5 685,18	\$	2 828,41	\$	2 017,50	\$	-	\$	10 531,09	\$	25 000,00
2 MATELAS D'OR 9053-9834 QI	75 \$	200 000,00	\$	66 501,75	\$	51 915,82	\$	105 251,88	\$	49 087,57	\$	272 757,02	\$	200 000,00
11 L. DAVIS TEXTILES (1991) INC.	45 \$	25 000,00	\$	3 744,15	\$	8 183,10	\$	2 079,41	\$	-	\$	14 006,66	\$	35 000,00
SUB TOTAL CDN Insured		\$ 1 773 000,00	\$	468 147,75	\$	261 078,01	\$	152 904,99	\$	96 831,88	\$	978 962,63	\$	844 000,00
14 MATELAS MARTIN	90 \$	375 000,00	\$	42 838,52	\$	54 679,53	\$	8 063,22	\$	-	\$	105 581,27	\$	80 000,00
25 SUBAR	90 \$	325 000,00	\$	49 450,11	\$	60 612,38	\$	55 319,91	\$	39 927,61	\$	205 310,01	\$	75 000,00
26 TISSUS MORICO INC.	90 \$	150 000,00	\$	21 816,06	\$	38 169,57	\$	29 391,52	\$	21 447,44	\$	-	\$	100 000,00
5 BOZANTO INC.	90 \$	400 000,00	\$	127 318,00	\$	63 715,24	\$	-	\$	-	\$	191 033,24	\$	25 000,00
SUB TOTAL CDN Insured Net 90		\$ 1 250 000,00	\$	241 422,69	\$	217 176,72	\$	92 774,65	\$	61 375,05	\$	612 749,11	\$	280 000,00
SUB TOTAL GANNA COUNT												189 041,00		
TOTAL WITHOUT % DIFFERENCE				\$ 1 675 301,60		\$ 1 133 010,35		\$ 338 873,86		\$ 162 404,03		\$ 3 498 630,84		
TOTAL WITH % DIFFERENCE				\$ 579 438,70		\$ 382 853,37		\$ 55 916,53		\$ 839,42		\$ 1 029 048,02		
SUB TOTAL CDN				\$ 280 888,65		\$ 156 646,81		\$ 91 742,99		\$ 58 099,13		\$ 587 377,58		
SUB TOTAL CDN Insured				\$ 144 853,61		\$ 130 306,03		\$ 55 664,79		\$ 36 825,03		\$ 367 649,47		
SUB TOTAL CDN Insured Net 90														30%
SUB TOTAL GANNA COUNT												\$ 56 712,30		
TOTAL WITH % DIFFERENCE				\$ 1 005 180,96		\$ 679 806,21		\$ 203 324,32		\$ 95 763,58		\$ 2 040 787,36		
VALLE FOAM INDUSTRIES INC.	45 \$	1 750 000,00	\$	273 212,75	\$	-	\$	-	\$	-	\$	273 212,75	\$	
A Z SPONGE & FOAM	60 \$	125 000,00	\$	42 401,42	\$	1 361,59	\$	-	\$	-	\$	43 763,01	\$	

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AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
USD							
JEFFCO FIBRES INC.	45 \$	1 977 571,00 \$	389 746,56 \$	253 095,36 \$	2 735,09 \$	- \$	645 577,01
OTIS BED MANUFACTURING	60 \$	395 514,00 \$	33 105,21 \$	22 686,88 \$	17 006,32 \$	- \$	72 798,41
EURASIA HOLDING (PVT) LTD	COD \$	9 606,00 \$	10 901,50 \$	- \$	- \$	- \$	10 901,50
SUB TOTAL USD		2 382 691,00 \$	433 753,27 \$	275 782,24 \$	19 741,41 \$	- \$	729 276,92
19 NRF DISTRIBUTORS INC.							
6 C.D.S. INC.	30 \$	249 748,00 \$	25 656,90 \$	- \$	- \$	- \$	25 656,90 \$
20 NORTH BROOK FARMS INC.	31 \$	120 071,00 \$	14 431,80 \$	- \$	- \$	- \$	14 431,80 \$
	30 \$	48 028,00 \$	32 917,50 \$	- \$	- \$	- \$	32 917,50 \$
SUB TOTAL USD Insured		417 847,00 \$	73 006,20 \$	- \$	- \$	- \$	73 006,20 \$
27 WCM INC.							
	90 \$	1 344 796,00 \$	160 070,31 \$	216 496,49 \$	59 724,96 \$	- \$	436 291,76 \$
SUB TOTAL USD Insured Net 90		1 344 796,00 \$	160 070,31 \$	216 496,49 \$	59 724,96 \$	- \$	436 291,76 \$
SUB TOTAL GANNA COUNT							4 825,00
TOTAL WITHOUT % DIFFERENCE			666 829,78 \$	492 278,73 \$	79 466,37 \$	- \$	1 243 392,88
TOTAL WITH % DIFFERENCE							
SUB TOTAL USD			35%	35%	35%	10%	
	\$	151 813,84 \$	96 523,78 \$	6 909,49 \$	- \$	- \$	255 246,92
SUB TOTAL USD Insured			35%	35%	35%		
	\$	25 552,17 \$	- \$	- \$	- \$	- \$	25 552,17
SUB TOTAL USD Insured			35%	35%	35%		
	\$	56 024,61 \$	75 773,77 \$	20 903,74 \$	- \$	- \$	152 702,12
SUB TOTAL GANNA COUNT							0%
TOTAL WITH % DIFFERENCE			233 390,42 \$	172 297,56 \$	27 813,23 \$	- \$	433 501,21

USD CONVERTED TO CDN
EXCHANGE RATE DEC 16, 2011
1,03621
TOTAL CDN WITHOUT % DIFFERENCE \$ 1 288 423,39
TOTAL CDN WITH % DIFFERENCE \$ 449 198,29

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Dec 16, 2011

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL	Insurance
CDN								
BUGATTI DESIGN INC.	60 \$	25 000,00	(13 348,06) \$	- \$	- \$	- \$	(13 348,06)	
LBC CANADA INC.	60 \$	350 000,00	(30 178,07) \$	(22 341,95) \$	(2 052,02) \$	- \$	(54 572,04)	
KRAUS CANADA INC. (HO)	45 \$	975 000,00	- \$	(98 262,28) \$	(7 775,46) \$	- \$	(106 037,74)	
BOBLEN INC.	31 \$	50 000,00	- \$	- \$	- \$	- \$	- \$	
MATELAS DAUPHIN INC.	31 \$	175 000,00	(1 037,84) \$	- \$	- \$	- \$	(1 037,84)	
COURT 1 SPORTS INC.	60 \$	30 000,00	- \$	- \$	- \$	- \$	(6 680,37)	
TEXTILES LETOURNEAU	45 \$	75 500,00	- \$	- \$	- \$	- \$	(4 282,40)	
REMBOURRAGE A.N.P.	60 \$	50 000,00	(4 282,40) \$	- \$	- \$	- \$	(5 762,70)	
MATELAS RENE INC.	30 \$	50 000,00	(5 762,70) \$	- \$	- \$	- \$	- \$	
SEAWAY PLASTICS LTTEE	60 \$	60 000,00	- \$	- \$	- \$	- \$	(514,01)	
SERV. CORR. DU CANADA	60 \$	35 000,00	- \$	(3 874,65) \$	(514,01) \$	- \$	(14 915,85)	
PRINCESSE	60 \$	45 000,00	(11 041,20) \$	- \$	- \$	- \$	- \$	
REMI CARRIER INC.	45 \$	100 000,00	(15 683,00) \$	- \$	- \$	- \$	(15 683,00)	
PROQUAI INC.	60 \$	25 000,00	- \$	(4 447,33) \$	(1 652,19) \$	- \$	(6 099,52)	
ROUILLARD INC.	60 \$	85 000,00	(10 338,70) \$	- \$	- \$	- \$	(10 338,70)	
MATELAS SIESTA	75 \$	35 000,00	- \$	- \$	- \$	- \$	- \$	
ROCKLAND TEXTILES INC.	60 \$	30 000,00	- \$	- \$	- \$	- \$	- \$	
MATELAS PRESTIGE	15 \$	75 000,00	- \$	- \$	- \$	- \$	- \$	
ARTOPEX PLUS INC.	31 \$	35 000,00	- \$	- \$	- \$	- \$	- \$	
LITERIE DORMATEX INC.	60 \$	50 000,00	- \$	- \$	- \$	- \$	- \$	
MANUFACTURE DE MATELAS	31 \$	30 000,00	- \$	- \$	- \$	- \$	- \$	
INDUSPAC INC.	75 \$	100 000,00	- \$	- \$	- \$	- \$	- \$	
WESTBORO FLOORING INC.	31 \$	35 000,00	- \$	- \$	- \$	- \$	- \$	
EXCEL RSVG MOUSSE FOAM	60 \$	60 000,00	- \$	- \$	- \$	- \$	- \$	
MEUBLES BELISLE INC.	60 \$	95 000,00	- \$	(10 529,88) \$	- \$	- \$	(10 529,88)	
MATELAS ORTHOPEDIQUE	60 \$	50 000,00	- \$	- \$	- \$	- \$	- \$	
BELPRO MEDICAL INC.	30 \$	35 000,00	(3 778,58) \$	(4 906,24) \$	- \$	- \$	(8 684,82)	
SEARS CANADA INC.	45 \$	45 000,00	- \$	- \$	- \$	- \$	- \$	
AD MATS CORPORATION	75 \$	65 000,00	- \$	- \$	- \$	- \$	- \$	
MATELAS BEAU REVE INC.	60 \$	20 000,00	(8 219,50) \$	- \$	- \$	- \$	(8 219,50)	
BARRY SUPPLIES & FABRIC INC.	75 \$	175 000,00	- \$	- \$	- \$	- \$	- \$	
WESCO NA INC.	60 \$	40 000,00	- \$	- \$	- \$	- \$	- \$	
SPORT SYSTEMS CANADA INC.	60 \$	10 000,00	- \$	- \$	- \$	- \$	- \$	
BEAULIEU CANADA	31 \$	175 000,00	(3 249,87) \$	- \$	- \$	- \$	(3 249,87)	
PAVAR FURNITURE INC.	60 \$	25 000,00	- \$	- \$	- \$	- \$	- \$	
G. ROMANO INC.	75 \$	60 000,00	- \$	- \$	- \$	- \$	- \$	
21 ORTHEX CANADA ENR	60 \$	25 000,00	- \$	- \$	- \$	- \$	- \$	
JAYMAR BMX	30 \$	75 000,00	- \$	- \$	- \$	- \$	- \$	
VALENTINO INC.	60 \$	20 000,00	- \$	- \$	- \$	- \$	- \$	
SUB TOTAL CDN		\$ 3 495 500,00	(103 670,04) \$	(143 762,69) \$	(22 523,56) \$	- \$	(269 956,29) \$	- \$

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Dec 16, 2011

3 ELRAN	15 \$	500 000,00	\$	(186 474,37)	\$	(168 838,16)	\$	(66,42)	\$	-	\$	(355 378,95)	\$	350 000,00
7 SYLCO INC.	75 \$	55 000,00												50 000,00
12 LITERIE DRUMMOND L'TEE	60 \$	30 000,00												14 000,00
10 GESCO LTD PARTNERSHIP	31 \$	600 000,00	\$	(4 075,35)	\$	(6 274,21)	\$	-	\$	-		(10 349,56)	\$	20 000,00
18 D&R FOAM	60 \$	175 000,00	\$	(20 376,34)	\$	-	\$	-	\$	-		(20 376,34)	\$	75 000,00
22 SIEGES DUCHARME INTERNA	75 \$	150 000,00												75 000,00
1 LES MEUBLES VANTAGE 1000	60 \$	38 000,00												25 000,00
2 MATELAS D'OR 9053-9834 QI	75 \$	200 000,00	\$	-	\$	-	\$	-	\$	(17 091,12)		(17 091,12)	\$	200 000,00
11 L. DAVIS TEXTILES (1891) INC.	45 \$	25 000,00												35 000,00
SUB TOTAL CDN Insured		\$ 1 773 000,00	\$	(210 926,06)	\$	(175 112,37)	\$	(66,42)	\$	(17 091,12)	\$	(403 195,97)	\$	844 000,00
14 MATELAS MARTIN	90 \$	375 000,00												80 000,00
25 SUBAR	90 \$	325 000,00												75 000,00
26 TISSUS MORICO INC.	90 \$	150 000,00												100 000,00
5 BOZANTO INC.	90 \$	400 000,00	\$	-	\$	(5 272,15)	\$	-	\$	-		(5 272,15)	\$	25 000,00
SUB TOTAL CDN Insured Net 90		\$ 1 250 000,00	\$	-	\$	(5 272,15)	\$	-	\$	-	\$	(5 272,15)	\$	280 000,00

SUB TOTAL GANNA COUNT

TOTAL WITHOUT % DIFFERENCE

TOTAL WITH % DIFFERENCE

SUB TOTAL CDN

SUB TOTAL CDN Insured

SUB TOTAL CDN Insured Net 90

SUB TOTAL GANNA COUNT

TOTAL WITH % DIFFERENCE

VALLE FOAM INDUSTRIES INC.
A Z SPONGE & FOAM

SUB TOTAL GANNA COUNT														
TOTAL WITHOUT % DIFFERENCE														
TOTAL WITH % DIFFERENCE														
SUB TOTAL CDN														
SUB TOTAL CDN Insured														
SUB TOTAL CDN Insured Net 90														
SUB TOTAL GANNA COUNT														
TOTAL WITH % DIFFERENCE														
VALLE FOAM INDUSTRIES INC.	45 \$	1 750 000,00												
A Z SPONGE & FOAM	60 \$	125 000,00												

AGED ACCOUNTS RECEIVABLE
DOMIFOAM INTERNATIONAL INC.

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
USD							
JEFFCO FIBRES INC.	45 \$	1 977 571,00 \$	(154 915,23) \$	(253 095,36) \$	(2 735,09) \$	- \$	(410 745,68)
OTIS BED MANUFACTURING	60 \$	395 514,00					
EURASIA HOLDING (PVT) LTD	COO \$	9 606,00					
SUB TOTAL USD		2 382 691,00 \$	(154 915,23) \$	(253 095,36) \$	(2 735,09) \$	- \$	(410 745,68)
19 NRF DISTRIBUTORS INC.	30 \$	249 748,00 \$	(2 683,60) \$				(2 683,60) \$
6 C.D.S. INC.	31 \$	120 071,00					20 000,00 \$
20 NORTHBROOK FARMS INC.	30 \$	48 028,00					30 000,00 \$
SUB TOTAL USD Insured		417 847,00 \$	(2 683,60) \$	- \$	- \$	- \$	(2 683,60) \$
27 WCV INC.	90 \$	1 344 796,00					150 000,00 \$
SUB TOTAL USD Insured Net 90		1 344 796,00 \$	- \$	- \$	- \$	- \$	150 000,00 \$

SUB TOTAL GANNA COUNT

TOTAL WITHOUT % DIFFERENCE

TOTAL WITH % DIFFERENCE

SUB TOTAL USD

SUB TOTAL USD Insured

SUB TOTAL USD Insured

SUB TOTAL GANNA COUNT

TOTAL WITH % DIFFERENCE

USD CONVERTED TO CDN
EXCHANGE RATE DEC 16, 2011
TOTAL CDN WITHOUT % DIFFERENCE
TOTAL CDN WITH % DIFFERENCE

1,03621

	\$	(157 598,83) \$	(253 095,36) \$	(2 735,09) \$	- \$	(413 429,28)
	\$	(54 220,33) \$	(88 583,38) \$	(957,28) \$	- \$	(143 760,99)
	\$	(939,26) \$	- \$	- \$	- \$	(939,26)
	\$	- \$	- \$	- \$	- \$	- \$
	\$	(55 159,55) \$	(88 583,38) \$	(957,28) \$	- \$	(144 700,25)

\$ (428 398,55)
\$ (149 939,84)

AGED ACCOUNTS RECEIVABLE
DOMIFOAM INTERNATIONAL INC.

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL	Insurance
CDN								
BUGATTI DESIGN INC.	60 \$	25 000,00 \$	10 437,23 \$	- \$	- \$	- \$	10 437,23 \$	
LBC CANADA INC.	60 \$	350 000,00 \$	132 005,91 \$	- \$	- \$	- \$	132 005,91 \$	
KRAUS CANADA INC. (HO)	45 \$	975 000,00 \$	245 626,62 \$	209 901,75 \$	- \$	- \$	455 528,37 \$	
BOBLEN INC.	31 \$	50 000,00 \$	13 613,58 \$	- \$	- \$	- \$	13 613,58 \$	
MATELAS DAUPHIN INC.	31 \$	175 000,00 \$	39 109,17 \$	- \$	- \$	- \$	39 109,17 \$	
COURT 1 SPORTS INC.	60 \$	30 000,00 \$	13 169,83 \$	- \$	- \$	- \$	13 169,83 \$	
TEXTILES LETOURNEAU	45 \$	75 500,00 \$	12 593,46 \$	6 620,28 \$	- \$	- \$	19 213,74 \$	
REMBOURRAGE A.N.P.	60 \$	50 000,00 \$	23 606,80 \$	716,40 \$	- \$	- \$	24 323,20 \$	
MATELAS RENE INC.	30 \$	50 000,00 \$	15 728,34 \$	- \$	- \$	- \$	15 728,34 \$	
SEAWAY PLASTICS LTEE	60 \$	60 000,00 \$	5 998,36 \$	- \$	- \$	- \$	5 998,36 \$	
SERV. CORR. DU CANADA	60 \$	35 000,00 \$	8 743,10 \$	12 667,25 \$	(156,07) \$	- \$	21 254,28 \$	
PRINCESSE	60 \$	45 000,00 \$	3 042,96 \$	8 156,27 \$	40,56 \$	- \$	11 239,79 \$	
REMI CARRIER INC.	45 \$	100 000,00 \$	24 695,63 \$	- \$	- \$	- \$	24 695,63 \$	
PROQUAI INC.	60 \$	25 000,00 \$	7 906,23 \$	5 438,48 \$	203,20 \$	- \$	13 547,92 \$	
ROUILLARD INC.	60 \$	85 000,00 \$	13 805,04 \$	- \$	- \$	- \$	13 805,04 \$	
MATELAS SIESTA	75 \$	35 000,00 \$	4 953,34 \$	6 408,96 \$	- \$	- \$	11 362,30 \$	
ROCKLAND TEXTILES INC.	60 \$	30 000,00 \$	6 326,34 \$	7 158,25 \$	- \$	- \$	13 484,59 \$	
MATELAS PRESTIGE	15 \$	75 000,00 \$	- \$	- \$	- \$	- \$	- \$	
ARTOPEX PLUS INC.	31 \$	35 000,00 \$	5 400,59 \$	- \$	47,71 \$	- \$	5 448,30 \$	
LITERIE DORMATEX INC.	60 \$	50 000,00 \$	15 959,56 \$	24 114,35 \$	26 040,05 \$	- \$	66 113,96 \$	
MANUFACTURE DE MATELAS	31 \$	30 000,00 \$	15 222,50 \$	- \$	- \$	- \$	15 222,50 \$	
INDUSPAR INC.	75 \$	100 000,00 \$	24 848,10 \$	41 825,78 \$	- \$	- \$	66 673,88 \$	
WESTBORO FLOORING INC.	31 \$	35 000,00 \$	11 812,62 \$	3 701,20 \$	- \$	- \$	15 513,82 \$	
EXCEL RSVIC MOUSSE FOAM	60 \$	60 000,00 \$	15 825,95 \$	35 041,90 \$	- \$	- \$	50 867,85 \$	
MEUBLES BELISLE INC.	60 \$	95 000,00 \$	24 749,61 \$	35 064,86 \$	4 234,23 \$	- \$	64 048,70 \$	
MATELAS ORTHOPEDIQUE	60 \$	50 000,00 \$	9 567,88 \$	10 934,82 \$	780,34 \$	- \$	21 283,04 \$	
BELPRO MEDICAL INC.	30 \$	35 000,00 \$	29 256,47 \$	8 563,32 \$	- \$	- \$	37 819,79 \$	
SEARS CANADA INC.	45 \$	45 000,00 \$	6 164,12 \$	- \$	- \$	- \$	6 164,12 \$	
AD MATS CORPORATION	75 \$	65 000,00 \$	24 206,76 \$	19 528,65 \$	7 731,92 \$	- \$	51 467,33 \$	
MATELAS BEAU REVE INC.	60 \$	20 000,00 \$	7 021,75 \$	4 640,01 \$	6 094,32 \$	1 049,66 \$	18 805,74 \$	
BARRY SUPPLIES & FABRIC INC.	75 \$	175 000,00 \$	7 697,25 \$	- \$	- \$	- \$	7 697,25 \$	
WESCO NA INC.	60 \$	40 000,00 \$	2 684,44 \$	6 490,80 \$	2 475,66 \$	- \$	11 650,90 \$	
SPORT SYSTEMS CANADA INC.	60 \$	10 000,00 \$	5 381,97 \$	7 633,78 \$	- \$	- \$	13 015,75 \$	
BEAULIEU CANADA	31 \$	175 000,00 \$	6 621,55 \$	663,45 \$	- \$	- \$	7 285,00 \$	
PAVAR FURNITURE INC.	60 \$	25 000,00 \$	13 794,15 \$	3 235,57 \$	924,46 \$	- \$	17 954,18 \$	
G. ROMANO INC.	75 \$	60 000,00 \$	16 127,55 \$	16 217,53 \$	10 852,06 \$	- \$	43 197,14 \$	
21 ORTHEX CANADA ENR	60 \$	25 000,00 \$	5 704,24 \$	6 877,68 \$	7 215,65 \$	1 828,75 \$	21 626,32 \$	
JAYMAR BMX	30 \$	75 000,00 \$	31 515,39 \$	25 447,83 \$	249,07 \$	- \$	57 212,29 \$	
VALENTINO INC.	60 \$	20 000,00 \$	1 136,73 \$	3 943,75 \$	3 937,50 \$	1 318,69 \$	10 336,67 \$	
SUB TOTAL CDN		\$ 3 495 500,00 \$	862 061,12 \$	510 992,93 \$	70 670,66 \$	4 197,10 \$	1 447 921,81 \$	

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

3	ELRAN	15 \$	500 000,00 \$	89 188,37 \$	- \$	- \$	89 188,37 \$	350 000,00
7	SYLCO INC.	75 \$	55 000,00 \$	6 474,40 \$	9 681,70 \$	17 965,21 \$	35 701,31 \$	50 000,00
12	LITERIE DRUMMOND LTTEE	60 \$	30 000,00 \$	2 586,26 \$	1 346,93 \$	6 366,53 \$	10 299,72 \$	14 000,00
10	GESCO LTD PARTNERSHIP	31 \$	600 000,00 \$	75 121,49 \$	- \$	- \$	75 121,49 \$	20 000,00
18	D&R FOAM	60 \$	175 000,00 \$	- \$	- \$	- \$	- \$	75 000,00
22	SIEGES DUCHARME INTERNA	75 \$	150 000,00 \$	7 920,09 \$	12 009,68 \$	19 158,04 \$	46 164,31 \$	75 000,00
60	1 LES MEUBLES VANTAGE 1000	75 \$	38 000,00 \$	5 685,18 \$	2 828,41 \$	2 017,50 \$	10 531,09 \$	25 000,00
2	MATELAS D'OR 9053-9834 QI	75 \$	200 000,00 \$	66 501,75 \$	51 915,82 \$	105 251,88 \$	255 665,90 \$	200 000,00
11	L. DAVIS TEXTILES (1991) INC.	45 \$	25 000,00 \$	3 744,15 \$	8 183,10 \$	2 079,41 \$	14 006,66 \$	35 000,00
	SUB TOTAL CDN Insured		\$ 1 773 000,00 \$	257 221,69 \$	85 965,64 \$	152 838,57 \$	575 766,66 \$	844 000,00
14	MATELAS MARTIN	90 \$	375 000,00 \$	42 838,52 \$	54 679,53 \$	8 063,22 \$	105 581,27 \$	80 000,00
25	SUBAR	90 \$	325 000,00 \$	49 450,11 \$	60 612,38 \$	55 319,91 \$	39 927,61 \$	205 310,01 \$
26	TISSUS MORICO INC.	90 \$	150 000,00 \$	21 816,06 \$	38 169,57 \$	29 391,52 \$	21 447,44 \$	110 824,59 \$
5	BOZANTO INC.	90 \$	400 000,00 \$	127 318,00 \$	58 443,09 \$	- \$	185 761,09 \$	25 000,00
	SUB TOTAL CDN Insured Net 90		\$ 1 250 000,00 \$	241 422,69 \$	211 904,57 \$	92 774,65 \$	61 375,05 \$	280 000,00
	SUB TOTAL GANNA COUNT						\$ 178 545,77	
	TOTAL WITHOUT % DIFFERENCE		\$ 1 360 705,50 \$	808 863,14 \$	\$ 316 283,88 \$	145 312,91 \$	2 809 711,20	
	TOTAL WITH % DIFFERENCE							
	SUB TOTAL CDN			60%	60%	20%	867 074,25	
	SUB TOTAL CDN Insured			60%	60%	60%	345 460,00	
	SUB TOTAL CDN Insured Net 90			60%	60%	60%	364 486,18	
	SUB TOTAL GANNA COUNT						53 563,73	
	TOTAL WITH % DIFFERENCE		\$ 816 423,30 \$	485 317,88 \$	\$ 189 770,33 \$	85 508,91 \$	1 630 584,15	
45	VALLE FOAM INDUSTRIES INC.	\$	1 750 000,00 \$	273 212,75 \$	- \$	- \$	273 212,75 \$	
60	A Z SPONGE & FOAM	\$	125 000,00 \$	42 401,42 \$	1 361,59 \$	- \$	43 763,01 \$	

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
USD							
JEFFCO FIBRES INC.	45 \$	1 977 571,00 \$	234 831,33 \$	- \$	- \$	- \$	234 831,33
OTIS BED MANUFACTURING	60 \$	395 514,00 \$	33 105,21 \$	22 686,88 \$	17 006,32 \$	- \$	72 798,41
EURASIA HOLDING (PVT) LTD	COD \$	9 606,00 \$	10 901,50 \$	- \$	- \$	- \$	10 901,50
SUB TOTAL USD		\$ 2 382 691,00	\$ 278 838,04	\$ 22 686,88	\$ 17 006,32	\$ -	\$ 318 531,24
19 NRF DISTRIBUTORS INC.	30 \$	249 748,00 \$	22 973,30 \$	- \$	- \$	- \$	22 973,30
6 C.D.S. INC.	31 \$	120 071,00 \$	14 431,80 \$	- \$	- \$	- \$	14 431,80
20 NORTH BROOK FARMS INC.	30 \$	48 028,00 \$	32 917,50 \$	- \$	- \$	- \$	32 917,50
SUB TOTAL USD Insured		\$ 417 847,00	\$ 70 322,60	\$ -	\$ -	\$ -	\$ 70 322,60
27 WCW INC.	90 \$	1 344 796,00 \$	160 070,31 \$	216 496,49 \$	59 724,96 \$	- \$	436 291,76
SUB TOTAL USD Insured Net 90		\$ 1 344 796,00	\$ 160 070,31	\$ 216 496,49	\$ 59 724,96	\$ -	\$ 436 291,76
SUB TOTAL GAMMA COUNT							\$ 4 825,00
TOTAL WITHOUT % DIFFERENCE			\$ 509 230,95	\$ 239 183,37	\$ 76 731,28	\$ -	\$ 829 970,60
TOTAL WITH % DIFFERENCE			\$ 97 593,31	\$ 7 940,41	\$ 5 952,21	\$ -	\$ 111 485,93
SUB TOTAL USD			35%	35%	35%	10%	
SUB TOTAL USD Insured			\$ 24 612,91	\$ -	\$ -	\$ -	\$ 24 612,91
SUB TOTAL USD Insured			\$ 56 024,61	\$ 75 773,77	\$ 20 903,74	\$ -	\$ 152 702,12
SUB TOTAL GAMMA COUNT							0%
TOTAL WITH % DIFFERENCE			\$ 178 230,83	\$ 83 714,18	\$ 26 855,95	\$ -	\$ 288 800,96

USD CONVERTED TO CDN
EXCHANGE RATE DEC 16, 2011
1,03621
TOTAL CDN WITHOUT % DIFFERENCE \$ 860 023,84
TOTAL CDN WITH % DIFFERENCE \$ 299 258,44

Schedule 2.9(B)
Purchased Inventories

Section 1

List of Purchased Inventories as of December 17, 2011.

*See document attached
Total of one (1) page*

Section 2

Calculation of the Purchase Price attributed to the Purchased Inventories

*See document attached
Total of one (1) page*

Schedule 2.9(B) - Section 1



092

RAW MATERIAL		SEC.	Dec 17 2011
SCRAP		1	118 771 **
FILM		2	41 813
UNDERLAY TUBING		3	41 252
NON CHEMICALS		5	30 581 **
BONDED CHEMICAL		6	15 833
CHEMICALS (MAJORS)		7	1 374 870 **
OTHERS		8	7 378 **
SMALL CHEMICALS		9	373 501 **
POLYESTER FIBRE			0
		sub total:	2 004 000
			2 004 000
WORK IN PROCESS			
BONDED BLOCKS square		11	6 221
BONDED BUNS round		12	62 413
SQUARE BLOCK / ETHER BLOCKS		13	1 109 160 **
ROUND ESTER BUNS		14	35 349 **
ROUND ETHER UNDERLAY BUNS		15	0
POLY ETHER BUNS		16	114 473 **
		sub total:	1 327 616
			1 327 616
TOTAL R.M & W. IN P.		total:	3 331 616
			3 331 616
FINISHED GOODS			
BONDED UNDERLAY		17	21 384
SHIPPING INVENTORY (GOODS)		18,23	89 062 **
		sub total:	110 447
			110 447
TOTAL INVENTORY		TOTAL:	3 442 063
			3 442 063
SECTION 1	SUPPLIES	1	60 793
SECTION 2	FIBER	2	3 730
SECTION 3	BLOCS	3	13 727
SECTION 4	BUN ENDS	4	1 541
SECTION 5	COMMANDES/stock	5	49 038
			0
TOTAL INVENTORY		TOTAL:	128 828
			0
OVERALL VALUE			3 570 891
** Designates counted inventory			

Schedule 2.9(B) - Section 2

093

RAW MATERIAL	SEC.	Dec 17 2011	Purchase Price offered	
SCRAP	1	118 771 **	75 000	500,000 lbs @ .15/lb
FILM	2	41 813	-	See note 2 below
UNDERLAY TUBING	3	41 252	-	See note 2 below
NON CHEMICALS	5	30 581 ** 10%	3 058	
BONDED CHEMICAL	6	15 833	-	See note 2 below
CHEMICALS (MAJORS)	7	1 374 870 ** 30%	324 891	See note 1 below
OTHERS	8	7 378 ** 0%	-	
SMALL CHEMICALS	9	373 501 ** 50%	186 751	
POLYESTER FIBRE		0	-	
	sub total:	2 004 000		
		2 004 000		
WORK IN PROCESS				
BONDED BLOCKS square	11	6 221	-	See note 2 below
BONDED BUNS round	12	62 413	-	See note 2 below
SQUARE BLOCK / ETHER BLOCKS	13	1 109 160 ** 30%	332 748	
ROUND ESTER BUNS	14	35 349 ** 30%	10 605	
ROUND ETHER UNDERLAY BUNS	15	0	-	See note 2 below
POLY ETHER BUNS	16	114 473 ** 30%	34 342	
	sub total:	1 327 616		
		1 327 616		
TOTAL R.M & W. IN P.	total:	3 331 616		
		3 331 616		
FINISHED GOODS				
BONDED UNDERLAY	17	21 384 30%	6 415	See note 2 below
SHIPPING INVENTORY (GOODS)	18,23	89 062 **	71 000	Latex 100%
	sub total:	110 447		
		110 447		
TOTAL INVENTORY	TOTAL:	3 442 063		
		3 442 063		
<hr/>				
SECTION 1	SUPPLIES	1	60 793	-
SECTION 2	FIBER	2	3 730	-
SECTION 3	BLOCS	3	13 727	30%
SECTION 4	BUN ENDS	4	1 541	-
SECTION 5	COMMANDES/stocl	5	49 038	-
			0	
TOTAL INVENTORY	TOTAL:	128 828		
		0		
Add purchase of uncounted items (notes #2)			20 000	
OVERALL VALUE		3 570 891	1 068 928	

** Designates counted inventory

Note 1		
Total Chemical in inventory		1 374 870
less TDI in inv (value \$0.00)	210 000 lbs @ 1.39/lb	291 900
Remaining inventory		1 082 970
	Value at 30%	324 891

Schedule 2.9(E)

Excess rebates to customers

*See document attached
Total of six (6) pages*

GROSS REBATES AVAILABLE

Poly Customers Rebates	\$ 1,026,744.32
Underlay Customers Rebates	\$ 159,207.98
TOTAL REBATES AVAILABLE	<u>\$ 1,185,952.30</u>

GROSS REBATES APPLIED

		CDN	USD	1.03621 USD to CDN	Total
SUB TOTAL	\$	(269,956.29) \$	(410,745.68) \$	(14,873.10) \$	(695,575.07)
SUB TOTAL Insured	\$	(403,195.97) \$	(2,683.60) \$	(97.17) \$	(405,976.74)
SUB TOTAL Insured Net 90	\$	(5,272.15) \$	- \$	- \$	(5,272.15)
SUB TOTAL GANNA COUNT	\$	(10,495.23) \$	- \$	- \$	(10,495.23)
TOTAL GROSS	\$	<u>(688,919.64) \$</u>	<u>(413,429.28) \$</u>	<u>(14,970.27) \$</u>	<u>(1,117,319.19)</u>

EXCESS UNAPPLIED REBATES

\$ 68,633.11

(A)

(C)

(E)

POLY CUSTOMERS REBATES SUMMARY AS OF NOVEMBER 2011

ALPHA CODE	CUSTOMER NUMBER	CUSTOMER NAME	REBATE PERCENT	EXPIRY	POLY	TOTAL REBATES	CIN REBATES	REVERSED REBATES
	0							
BUGATTI	202	BUGATTI	2.50%	31-Dec-11	1,327.70	1,327.70		13,348.05
EL RAN	10005	EL RAN	05 12.82%	31-Dec-11	34,895.50	34,895.50		355,378.95
LBC CANADA	10020	LBC CANADA	04 3.00%	31-Dec-11	3,988.17	3,988.17		54,572.04
BERNETT	10305	BERNETT FLEET (VANIER QUEBEC)	05 5.00%	31-Dec-11	54.35	54.35		937.55
COURT 1	10336	COURT 1	04 4.00%	31-Dec-11	158.08	158.08		1,037.84
LAVOLETTE	10378	MATELAS LAVOLETTE	03 8.00%	31-Dec-11	407.12	407.12		4,829.68
LETOURNAU	10384	LETOURNAU	05 3.00%	31-Dec-11	476.76	476.76		6,680.37
MAT REINE	10510	MAT REINE	05 2.00%	31-Dec-11	386.74	386.74		4,282.40
SEAWAY	10545	SEAWAY PLASTICS	04 3.00%	31-Dec-11	507.30	507.30		5,762.70
PRIGESSE	10846	MATELAS PRIGESSE	05 7.00%	31-Dec-11	0.00	0.00		574.07
JARDIN DE VILLE	11155	JARDIN DE VILLE	05 4.00%	31-Dec-11	13.50	13.50		4,138.25
D & R	11184	D & R	05 10.00%	31-Dec-11	5,957.00	5,957.00		63,338.80
REMI CARRIER	11209	REMI CARRIER	03 3.50%	31-Dec-11	1,367.94	1,367.94		14,915.85
ROUILLARD	11289	ROUILLARD	03 5.00%	31-Dec-11	1,720.25	1,720.25		15,683.00
SIESTA	11289	MATELAS SIESTA	05 8.00%	31-Dec-11	384.48	384.48		8,099.52
PREBITRE MAT	11457	PAB MAT	03 8.00%	31-Dec-11	282.24	282.24		12,348.68
BOZANTO	11866	BOZANTO	04 6.00%	31-Aug-11	5,259.50	5,259.50		5,272.15
JEFFCO	11771	JEFFCO	04 7.00%	31-Dec-11	30,193.28	30,193.28		410,745.88
PEL INTERNATIONAL	11844	PEL INTERNATIONAL	03 5.00%	31-Dec-11	621.60	621.60		5,348.85
MATELAS DOR	11924	MATELAS DOR	08 3.80%	31-Dec-11	2,084.06	2,084.06		17,081.72
BELJSE	11927	BELJSE	05 4.00%	31-Dec-11	1,048.96	1,048.96		10,529.88
BARRY SUPPLIES	12158	BARRY SUPPLIES	05 5.00%	31-Dec-11	655.05	655.05		8,219.80
VICLINE (2006)	12282	VICLINE (2006)	04 4.00%	31-Dec-11	482.70	482.70		5,471.45
				TOTAL	92,270.28	92,270.28	0.00	1,026,744.32
								0.00

= Rebate is greater than AIR
 G CDA = Subtotal Granna Court

UNDEKLAJ USTIUMIEKS - KEBATIE SUINIWIART AS NUWENIDER 2011

KLUB / KOD	DISKONTER / KOD	KUSTOMER / NOME	REBATE / PERCENT	EXPIRE / DATE	BONDED	TOTAL REBATES	CN REBATES	REVERSED REBATES	REMAINING	REMAINING
KRAUS CANADA	10072	KRAUS CANADA - VOLUME REBATE	08 + 18	31-Dec-10	25,548.80	25,546.80				52,937.80
KRAUS CANADA	10072 ARGO	KRAUS CANADA - ARGO	0 + 18	31-Dec-10	0.00	0.00				2,000.00
KRAUS CANADA	10072 CA	KRAUS CANADA - MISCELLANEOUS	08 + 18	31-Dec-10	5,109.36	5,109.36				10,387.58
KRAUS CANADA	10072 CAN	KRAUS CANADA - MISCELLANEOUS	08 + 18	TBA	0.00	0.00				0.00
KRAUS CANADA	10072 CURT	KRAUS CANADA - MISCELLANEOUS	08 + 18	31-May-10	0.00	0.00				2,000.00
KRAUS CANADA	10072 CAUN	KRAUS CANADA - CANTREX/UNITED	08 + 18	31-Dec-10	1,418.88	1,418.88				1,437.10
KRAUS CANADA	10072 EXL	KRAUS CANADA - EXCLUSIVE	08 + 18	TBA	0.00	0.00				4,395.00
KRAUS CANADA	10072 FZ	KRAUS CANADA - SPOKE	08 + 18	TBA	0.00	0.00				1,194.27
KRAUS CANADA	10072 INSP	KRAUS CANADA - INSPIRATION	TBA	TBA	0.00	0.00				0.00
KRAUS CANADA	10072 S	KRAUS CANADA - SPEC - PROMO ACCRUAL	08 + 18	31-Dec-10	7,864.04	7,864.04				15,881.34
KRAUS CANADA	10072 SLH	KRAUS CANADA - EXTRA RESERVE	08 + 18	TBA	0.00	0.00				15,604.67
BEAVER	10120	BEAVER	02	31-Dec-10	0.00	0.00				1,769.76
CENTURA	10182	CENTURA - OTTAWA - PROMO	02	31-Dec-10	0.00	0.00				272.94
CENTURA	10183 B	CENTURA - PROMO (London/Windsor)	18	31-Dec-10	0.00	0.00				318.33
CENTURA	10195	CENTURA - TORONTO - PROMO	18	31-Dec-10	0.00	0.00				0.00
CENTURA	10280	CENTURA - HAMILTON - PROMO	18	31-Dec-10	0.00	0.00				0.00
STEERS	10485	STEERS - PROMO - CBK	14	30-Nov-10	0.00	0.00				0.00
STEERS	10485 R	STEERS - VOLUME - CBK	14	5.00%	0.00	0.00				3,128.86
GESCO	10551 BG	SHNIER (GESCO) - BUYING GROUP	2,814,18	30-Sep-10	776.58	776.58				2,611.16
GESCO	10551 FB	SHNIER (GESCO) - FILE BACKS	2,814,18	TBA	0.00	0.00				1,982.46
GESCO	10551 S	SHNIER (GESCO) - VOL. REBATE	2,814,18	30-Sep-10	1,284.30	1,284.30				0.00
CHARLES R BELL	11207	CHARLES R BELL	14	7.00%	2,058.00	2,058.00				3,254.10
STEERS	11278	STEERS - PROMO MT - PEARL	14	3.00%	727.79	727.79				5,143.00
STEERS	11278 R	STEERS - VOLUME MT - PEARL	14	5.00%	0.00	0.00				2,248.82
NRF	U11429	NRF	18	4.00%	1,093.16	1,093.16				7,286.89
SEARS	12000 A C V	SEARS ADVERTISING, CLUB, CLAIMS (CANTREX)	08	5.00%	0.00	0.00				10,595.23
SEARS	12000 V	SEARS - VOLUME	08	3.00%	0.00	0.00				2,683.80
SEARS	12021 C	SEARS - CORPORATE - Ad - Club - Clima	08	5.00%	632.45	632.45				1,404.35
SEARS	12021 V	SEARS - CORPORATE - VOLUME	08	5.00%	724.95	724.95				842.51
BEAULIEU	1225AVR	BEAULIEU - VOLUME	02	5.00%	447.35	447.35				632.46
BEAULIEU	1225FPK0	BEAULIEU - VOLUME	02	5.00%	536.82	536.82				5,805.40
99999				TOTAL	48,030.48	48,030.48	0.00	1,100.00	888.89	159,207.98

underlay

= Acct is greater than AIR

10605774

Not in AIR
Not in AIR
Not in AIR
Not in AIR

23547796
credit Bal

Not in AIR

288482

3249.87

4

Rebates

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Dec 16, 2011

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL	Insurance
CDN	60	\$ 25,000.00	\$ (13,348.05)	\$ -	\$ -	\$ -	\$ (13,348.05)	
BUGATTI DESIGN INC.	60	\$ 350,000.00	\$ (30,178.07)	\$ (22,341.95)	\$ (2,052.02)	\$ -	\$ (54,572.04)	
LBC CANADA INC.	45	\$ 975,000.00	\$ -	\$ (98,262.28)	\$ (7,775.46)	\$ -	\$ (106,037.74)	
KRAUS CANADA INC. (HO)	31	\$ 50,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
BOBLEN INC.	31	\$ 175,000.00	\$ (1,037.84)	\$ -	\$ -	\$ -	\$ (1,037.84)	
MATELAS DAUPHIN INC.	60	\$ 30,000.00	\$ -	\$ (6,680.37)	\$ -	\$ -	\$ (6,680.37)	
COURT 1 SPORTS INC.	46	\$ 75,500.00	\$ -	\$ -	\$ -	\$ -	\$ -	
TEXTILES LETOURNEAU	60	\$ 50,000.00	\$ (4,282.40)	\$ -	\$ -	\$ -	\$ (4,282.40)	
REMBOLRAGE A.N.P.	60	\$ 60,000.00	\$ (5,762.70)	\$ -	\$ -	\$ -	\$ (5,762.70)	
MATELAS RENE INC.	30	\$ 50,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
SEAWAY PLASTICS LTEE	60	\$ 60,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
SERV. CORR. DU CANADA	60	\$ 35,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
PRINCESSE	60	\$ 45,000.00	\$ -	\$ (3,874.65)	\$ (514.01)	\$ -	\$ (4,388.66)	
REMI CARRIER INC.	45	\$ 100,000.00	\$ (11,041.20)	\$ -	\$ -	\$ -	\$ (11,041.20)	
PROQUAI INC.	60	\$ 25,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
ROUILLARD INC.	60	\$ 85,000.00	\$ (15,683.00)	\$ -	\$ -	\$ -	\$ (15,683.00)	
MATELAS SIESTA	75	\$ 35,000.00	\$ -	\$ (4,447.33)	\$ (1,652.19)	\$ -	\$ (6,099.52)	
ROCKLAND TEXTILES INC.	60	\$ 30,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
MATELAS PRESTIGE	15	\$ 75,000.00	\$ (10,338.70)	\$ -	\$ -	\$ -	\$ (10,338.70)	
ARTOPEX PLUS INC.	31	\$ 35,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
LITERIE DORMATEX INC.	60	\$ 50,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
MANUFACTURE DE MATELAS	31	\$ 30,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
INDUSPAC INC.	75	\$ 100,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
WESTBORO FLOORING INC.	31	\$ 35,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
EXCEL RSVC MOUSSE FOAM	60	\$ 60,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
MEUBLES BELISLE INC.	60	\$ 95,000.00	\$ -	\$ -	\$ (10,529.88)	\$ -	\$ (10,529.88)	
MATELAS ORTHOPEDIQUE	60	\$ 50,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
BELPRO MEDICAL INC.	30	\$ 35,000.00	\$ (3,778.58)	\$ (4,906.24)	\$ -	\$ -	\$ (8,684.82)	
SEARS CANADA INC.	45	\$ 45,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
AD MATS CORPORATION	75	\$ 65,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
MATELAS BEAU REVE INC.	60	\$ 20,000.00	\$ (8,219.50)	\$ -	\$ -	\$ -	\$ (8,219.50)	
BARRY SUPPLIES & FABRIC INC.	75	\$ 175,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
WESCO NA INC.	60	\$ 40,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
SPORT SYSTEMS CANADA INC.	60	\$ 10,000.00	\$ -	\$ (3,249.87)	\$ -	\$ -	\$ (3,249.87)	
BEAULIEU CANADA	31	\$ 175,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
PAVAR FURNITURE INC.	60	\$ 25,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
G. ROMANO INC.	75	\$ 60,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
21 ORTHEX CANADA ENR	60	\$ 25,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
JAYMAR BMX	30	\$ 75,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
VALENTINO INC.	60	\$ 20,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	
SUB TOTAL GDN		\$ 3,495,500.00	\$ (103,870.04)	\$ (143,762.69)	\$ (22,523.56)	\$ -	\$ (250,156.29)	\$ -

Rebates

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Dec 16, 2011

3 ELRAN	15 \$	500,000.00	\$	(186,474.37)	\$	(66.42)	\$	(355,378.95)	\$	350,000.00
7 SYLCO INC.	75 \$	55,000.00								50,000.00
12 LITERIE DRUMMOND LTEE	60 \$	30,000.00								14,000.00
10 GESCO LTD PARTNERSHIP	31 \$	600,000.00	\$	(4,075.35)	\$	(6,274.21)	\$	(10,349.56)	\$	20,000.00
18 D&R FOAM	60 \$	175,000.00	\$	(20,376.34)	\$		\$	(20,376.34)	\$	75,000.00
22 SIEGES DUCHARME INTERNA	75 \$	150,000.00								75,000.00
1 LES MEUBLES VANTAGE 1000	60 \$	38,000.00								25,000.00
2 MATELAS D'OR 9053-9834 QI	75 \$	200,000.00	\$		\$		\$	(17,091.12)	\$	200,000.00
11 L. DAVIS TEXTILES (1991) INC.	45 \$	25,000.00								35,000.00
SUB TOTAL CDN Insured		\$ 1,773,000.00	\$	(210,926.06)	\$	(175,112.37)	\$	(403,195.97)	\$	844,000.00
14 MATELAS MARTIN	90 \$	375,000.00								80,000.00
25 SUBAR	90 \$	325,000.00								75,000.00
26 TISSUS MORICO INC.	90 \$	150,000.00								100,000.00
5 BOZANTO INC.	90 \$	400,000.00	\$	(5,272.15)	\$		\$	(5,272.15)	\$	25,000.00
SUB TOTAL CDN Insured Net 90		\$ 1,250,000.00	\$	(5,272.15)	\$		\$	(5,272.15)	\$	280,000.00

SUB TOTAL GANNA COUNT

TOTAL GROSS

TOTAL OFFER

SUB TOTAL CDN

SUB TOTAL CDN Insured

SUB TOTAL CDN Insured Net 90

SUB TOTAL GANNA COUNT

TOTAL OFFER

VALLE FOAM INDUSTRIES INC.
A Z SPONGE & FOAM

45 \$ 1,750,000.00
60 \$ 125,000.00

\$	(314,596.10)	\$	(324,147.21)	\$	(22,588.98)	\$	(17,091.12)	\$	(688,819.64)
\$	(62,202.02)	60%	(66,257.61)	60%	(13,514.14)	20%			(161,973.77)
\$	(126,555.64)	60%	(105,067.42)	60%	(39.85)	60%			(241,917.58)
\$		60%	(3,163.29)	60%		60%			(3,163.29)
\$		30%							(3,148.57)
\$	(188,757.66)	\$	(194,488.33)	\$	(13,553.99)	\$	(10,254.67)	\$	(410,203.22)

AGED ACCOUNTS RECEIVABLE
DOMFOAM INTERNATIONAL INC.

Dated Dec 16, 2011

NAME	NET	CREDIT LIMIT	CURRENT	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
USD							
JEFFCO FIBRES INC.	45 \$	1,977,571.00	\$ (154,915.23)	\$ (253,095.36)	\$ (2,735.09)	\$ -	\$ (410,745.68)
OTIS BED MANUFACTURING	60 \$	395,514.00	\$ -	\$ -	\$ -	\$ -	\$ -
EURASIA HOLDING (PVT) LTD	COD \$	9,606.00	\$ -	\$ -	\$ -	\$ -	\$ -
SUB TOTAL USD		\$ 2,382,691.00	\$ (154,915.23)	\$ (253,095.36)	\$ (2,735.09)	\$ -	\$ (410,745.68)
19 NRF DISTRIBUTORS INC.	30 \$	249,748.00	\$ (2,683.60)	\$ -	\$ -	\$ -	\$ (2,683.60)
6 C.D.S. INC.	31 \$	120,071.00	\$ -	\$ -	\$ -	\$ -	\$ -
20 NORTH BROOK FARMS INC.	30 \$	48,028.00	\$ -	\$ -	\$ -	\$ -	\$ -
SUB TOTAL USD Insured		\$ 417,847.00	\$ (2,683.60)	\$ -	\$ -	\$ -	\$ (2,683.60)
27 WCW INC.	90 \$	1,344,796.00	\$ -	\$ -	\$ -	\$ -	\$ -
SUB TOTAL USD Insured Net 90		\$ 1,344,796.00	\$ -	\$ -	\$ -	\$ -	\$ -

SUB TOTAL GANNA COUNT

TOTAL GROSS \$ (157,598.83) \$ (253,095.36) \$ (2,735.09) \$ - \$ (413,429.28) $\times 1.03621 = (428,359.55)$

TOTAL OFFER

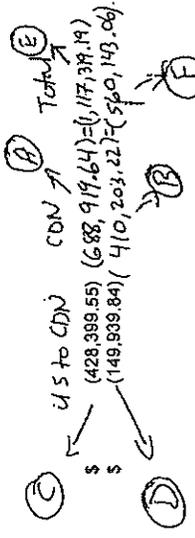
SUB TOTAL USD	35%	\$ (54,220.33)	35%	\$ (88,583.38)	35%	\$ (957.28)	10%	\$ (143,760.99)
SUB TOTAL USD Insured	35%	\$ (939.26)	35%	\$ -	35%	\$ -	35%	\$ (939.26)
SUB TOTAL USD Insured	35%	\$ -	35%	\$ -	35%	\$ -	35%	\$ -
SUB TOTAL GANNA COUNT	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -

TOTAL OFFER

\$ (55,159.59) \$ (88,583.38) \$ (957.28) \$ - \$ (144,700.25) $\times 1.03621 = (149,939.84)$

USD CONVERTED TO CDN
EXCHANGE RATE DEC 16, 2011
TOTAL CDN GROSS
TOTAL CDN OFFER

1.03621



Schedule 4.1(c)
Confidentiality Agreement

*See document attached
nine (9) pages*

CONFIDENTIAL

Domfoam International Inc.
8785 Langelier Blvd
St Leonard, QC
H1P 2C9

Attention John Howard

Re: Domfoam International Inc., Valle Foam Industries (1995) Inc. and A-Z Sponge & Foam Products Ltd. (collectively, the "Corporation") – Proposed Sale of Assets ("Proposed Transactions")

We have requested that the Corporation provide us (the "Interested Party") with the Confidential Information (defined below) to assist in determining for ourselves the desirability and feasibility of proceeding with the Proposed Transactions pursuant and subject to the terms and conditions set by the Corporation (the "Permitted Purpose") and contained herein.

It is acknowledged that but for delivery of this letter the Corporation would not provide the Interested Party such Confidential Information.

Upon acceptance of this letter by the Corporation and subject to the provisions thereof, the Corporation shall provide or cause to be provided to the Interested Party such Confidential Information as the Corporation in the exercise of its unfettered discretion may determine.

"Confidential Information" means all financial statements and information and all data, compilations, analysis, documentation, and other information and every part thereof, whether in electronic form or otherwise, which now or hereafter comes into the possession or under the control of the Interested Party or its Representatives (defined below) including, without limitation, that relating to the Corporation's business organization, business operations and systems, Know-how, business plans, Research Information, Customer Information, suppliers, financial structure, Financial Information, Supplied Information, Marketing Information, assets, employees, employee relationships, Software and other information of any kind relating to any of the foregoing and includes all data, compilations, analysis and other documents and information prepared by or on behalf of the Interested Party or by any of the Representatives based, in whole or in part, on any of the foregoing, but expressly excluding any reports or analysis of the Corporation conducted by any professionals retained by or with respect to the Corporation, including, without limitation, Deloitte LLP, in connection with the current financial state of the Corporation, any restructuring scenarios available to the Corporation, and any analysis of the value of the Corporation or its assets.

For the purposes of this letter:

- (a) "Corporation" shall include and extend to each subsidiary of the Corporation, each partnership controlled by the Corporation or their

respective subsidiaries, each of whom shall be entitled to directly enforce the provisions of this letter against the Interested Party notwithstanding that this letter is not directly addressed to or required to be accepted by any one or more of such subsidiaries and partnerships;

- (b) **"Customer Information"** includes any information pertaining to the Corporation's customers, prospective customers, customer base and markets, prospective customer base and markets, including customer or prospective customer names and addresses and the names of employees of customers or prospective customers with whom the Corporation is in contact in its business, or proposes to contact, customer or prospective customer requirements and the Corporation's contracts with its customers or prospective customers, including details as to pricing, supply of services, and royalty and/or commission rates;
- (c) **"Financial Information"** includes any and all information pertaining to the Corporation's actual or anticipated sales, income, projections, profit, profitability, pricing, salaries and wages;
- (d) **"Know-how"** includes the accumulated skills, experience, knowledge, patents, intellectual property, information, data, patterns, designs, engineering specifications, schematics and other information with respect to the design, production and provision of the products and/or services offered by the Corporation's business or proposed business and of the Software related thereto;
- (e) **"Marketing Information"** includes information including but not limited to the Corporation's marketing programs, plans, strategies and proposed future products, services, advertising and promotions.
- (f) **"person"** shall be broadly interpreted to include, without limitation, any individual, corporation, limited liability corporation, company, group, partnership, limited liability partnership or other entity.
- (g) **"Representatives"** means, collectively, each of the directors, officers, employees, agents and other representatives of the Interested Party or the Corporation (as the case may be) including, without limitation, their respective lawyers, accountants, consultants and financial advisors;
- (h) **"Research Information"** includes information pertaining to any research, development, investigation, study analysis, experiment or test carried on or proposed to be carried on by the Corporation;
- (i) **"Software"** includes all methods, programs, techniques and other information and materials relating to the handling or treatment of data by computers and all other necessary information utilized in order to provide the services offered by the Corporation's business or proposed business and all documentation thereto, and includes all computer programs, including

Supprimé: and

HTML, JAVA, UNIX, LINUX, GNU, C++, and other internet oriented computer programs, systems software and application programs, and all related manuals, documentation and materials relating to the systems software and application programs;

- (j) "Supplied Information" includes all business information, computer software and technology which is proprietary to any other person doing business with the Corporation and which is made available to the Corporation under conditions of confidentiality.

At the request of the Corporation and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) the Interested Party covenants and agrees with the Corporation as follows:

- 1. Deemed Confidential Property:** As between the Corporation and the Interested Party, the Confidential Information, and every part thereof, is and shall at all times be deemed to be the confidential property and constitute valuable trade secrets of the Corporation, whether or not, but for this paragraph, the same would otherwise be considered confidential and/or trade secrets and whether or not it is marked or otherwise expressed on its face to be confidential.
- 2. Ownership:** The Confidential Information is and shall be deemed to be owned solely by the Corporation and the right to maintain confidential the Confidential Information constitutes an exclusive proprietary right of the Corporation which it is entitled to protect. The Interested Party does not and shall be deemed not to have any right to or proprietary interest in the Confidential Information. All of the Confidential Information which is disclosed to or otherwise comes into the possession or under the control of the Interested Party shall, subject to paragraph 5 below, be received and held by the Interested Party in trust solely for the Corporation notwithstanding the Interested Party's right to use it for the Permitted Purpose.
- 3. Permitted Use:** The Confidential Information shall only be used directly by the Interested Party and its Representatives for the Permitted Purpose. Except as otherwise provided for herein, the Confidential Information will be kept strictly confidential by the Interested Party, whether or not such Confidential Information is marked or otherwise expressed on its face to be confidential. Other than as permitted herein, the Interested Party will not, directly or indirectly, without the prior written consent of the Corporation (which consent may be arbitrarily withheld) disclose, publish, reproduce or otherwise disseminate or communicate the Confidential Information, nor will it permit, cause or acquiesce in such disclosure or other dissemination or communication of the Confidential Information by the Representatives of the Interested Party or by any other person, all in any manner whatsoever, in whole or in part.

The Interested Party agrees to restrict the disclosure, dissemination or other communication of the Confidential Information solely to such of the Interested Party's Representatives who need to know the Confidential Information for the Permitted Purpose and the Interested Party shall inform its Representatives of the ownership and strict confidential nature of the Confidential Information.

Supprimé: of

Supprimé: who are

Supprimé: ed

Supprimé: in writing by the Interested Party

Supprimé: and who agree in writing with the Interested Party to be bound by the terms of this letter

4. **Disclosure List & Responsibility for Representatives:** The Interested Party shall maintain a current listing of each of its Representatives to whom any of the Confidential Information has been disclosed or otherwise disseminated or communicated and on each and every request of the Corporation, the Interested Party shall without delay deliver to the Corporation a complete and accurate copy of such list. The Interested Party shall similarly deliver on request, the following information:

- (a) name of the any law firms, accounting firms and consulting firms (the "Firms") involved with the Interested Party as its Representatives;
- (b) name of the person in charge for each Firm;
- (c) business address and telephone number to reach the person in charge for each Firm;

Supprimé: of any or all persons set out on the said list

The Interested Party shall be responsible and liable to the Corporation for any and all acts or omissions of each of its Representatives which if done or omitted directly by the Interested Party would be a breach of the provisions of this letter.

The Interested Party shall safeguard the Confidential Information from disclosure or other dissemination or communication to any person other than as expressly permitted herein.

5. **Exceptions to Prohibited Use:** The obligations and limitations imposed on the Interested Party and its Representatives hereunder shall not apply to any Confidential Information:

- (a) which is or becomes generally available to the public other than as a result of its disclosure or other dissemination or communication by the Interested Party or its Representatives; or
- (b) which becomes available to the Interested Party or its Representatives on a non-confidential basis from a source other than the Corporation or its Representatives, provided that such source is not then bound by a confidentiality agreement with the Corporation or otherwise prohibited from transmitting the Confidential Information to the Interested Party or its Representatives by contractual, legal or fiduciary obligation, or
- (c) which is already in possession of the Interested Party, provided that such Confidential Information is not subject to another confidentiality agreement of non disclosure agreement with the Corporation.

Supprimé: r

In addition, the obligations and restrictions imposed on the Interested Party and its Representatives hereunder shall not extend to prohibit the Interested Party from discussing the Proposed Transactions with and disclosing any of the Confidential Information to:

- (i) any other person who has signed a confidentiality agreement with the Corporation in substantially the form of the agreement constituted by this letter regarding any of the Proposed Transactions; and

- (ii) any governmental or regulatory body in Canada having jurisdiction over the operations of the Corporation or any part thereof or over the Interested Party in connection with its participation in any of the Proposed Transactions, provided that the disclosure, dissemination or other communication of any of the Confidential Information to such governmental or regulatory body is made on a confidential basis and such confidential basis is either provided for by applicable law or recognized in writing by the relevant body.

Notwithstanding the foregoing provisions of this paragraph 5, in the event that the Interested Party or its Representatives are required by law or governmental action to disclose any of the Confidential Information, the Interested Party and/or its Representatives will, on a best effort basis, deliver to the Corporation prompt prior notification of such requirement(s) so that the Corporation may seek an appropriate protective order and/or waive compliance by the Interested Party or its Representatives with the provisions of this letter. If, failing the obtaining of a protective order or the delivery of such a waiver, the Interested Party is, in the opinion of its legal counsel, compelled to disclose, disseminate or otherwise communicate the Confidential Information, the Interested Party may disclose, disseminate, or otherwise communicate the Confidential Information, but only to the extent so compelled, without liability hereunder.

Supprimé: written

6. **Return of Information:** The Interested Party shall, on receipt of the written request of the Corporation, promptly deliver to the Corporation all of the Confidential Information which is in recorded form (whether such form be in writing or in electronically retrievable form or electronically stored data or otherwise) and each of the Interested Party and its Representatives shall not retain any copies thereof.
7. **No Liability for Information:** At the time(s) any of the Confidential Information is delivered to the Interested Party, the Corporation will attempt to include in such Confidential Information such materials which the Corporation considers to be reliable and relevant for the Permitted Purpose; however, the Corporation shall not have or incur any, and the Interested Party hereby waives any right to claim any, liability to the Interested Party or its Representatives in connection with or arising from the Confidential Information and the use thereof by the Interested Party or its Representatives.

The Interested Party acknowledges and agrees for itself and its Representatives that neither the Corporation nor any of its Representatives in providing the Confidential Information has or will be taken to have made either expressly or impliedly any representations or warranties as to the accuracy or completeness of the Confidential Information and the Interested Party confirms that it is not relying on any representations or warranties of the Corporation or its Representatives in making use of the Confidential Information.

8. **Indemnity:** The Interested Party hereby unconditionally indemnifies and shall forever save harmless the Corporation from and against any and all losses, damages, liabilities (whether actual, contingent or otherwise), proceedings, costs and expenses including, without limitation, legal fees (on a scale as between a solicitor and his own client), which the Corporation or its Representatives may suffer, incur or sustain in

connection with or as a result of a breach by the Interested Party or any of its Representatives of any of the provisions contained in this letter.

All of the provisions contained herein are reasonable in the circumstances and valid and the Interested Party hereby waives all defences, equities and rights to and against the strict enforcement thereof by the Corporation and its Representatives.

Supprimés: rights of set off.

9. **Continuity of Agreement:** The prohibitions, limitations and obligations of the Interested Party herein contained shall continue in full force and effect notwithstanding the Interested Party ceasing to proceed with any of the Proposed Transactions and will survive any termination or cancellation of its involvement, if any, in the Proposed Transactions.
10. **Use of Information Post Involvement:** The Interested Party shall not, at any time after it ceases to proceed with or be involved in the Proposed Transactions and except as otherwise expressly provided for herein: (i) use any of the Confidential Information in furtherance of the business of the Interested Party or the business of any other person; (ii) interfere in any way with any contractual or other business relationship of the Corporation; (iii) disclose, disseminate or otherwise communicate the Confidential Information or any part thereof to any person or utilize the Confidential Information in any way which is adverse to the Corporation; or (iv) directly or indirectly solicit for employment any person who is now employed by the Corporation, unless the Corporation otherwise agrees in writing prior to such solicitation for employment.
11. **Right to Enjoin:** It is acknowledged that the provisions of this letter are essential for the protection of the Corporation and, in the event of the non-performance of any provisions hereof in strict accordance with their specific terms or any breach of any provisions of this letter, the same would cause immediate and irreparable harm and damage to the Corporation for which monetary relief would be inadequate or impossible to ascertain. The Interested Party agrees that upon any breach or threatened breach of the provisions hereof, the Corporation shall be entitled to obtain from any court of competent jurisdiction, interim and permanent injunctive relief or other appropriate form of equitable relief to effectively enforce the provisions hereof, and an accounting of all profits and benefits which may have been or which may be derived both directly or indirectly, as a direct or indirect result of such breach by the Interested Party or any of its Representatives who have committed or who have threatened to commit such breach, which rights and remedies shall be cumulative and in addition to any other rights or remedies to which the Corporation may be entitled.

No failure or delay by the Corporation in exercising or taking steps to enforce any of its rights or entitlements under the provisions of this letter shall operate as a waiver thereof, unless such waiver is in writing and signed by the Corporation, nor shall any single or partial exercise thereof preclude any other or future exercise of any other right or entitlement of the Corporation hereunder.

12. **Notices:** Any notice desired, contemplated or required by this letter to be given shall be delivered by hand or facsimile to:

(a) the Corporation at:

8785 Langelier Blvd.
St Leonard, QC H1P 2C9

Attention: John Howard
Telephone No. 514-325-8120
Facsimile No. 514-325-6477

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(b) the Interested Party at:

8600 Decarie Blvd
Suite 200
Town of Mount Royal, QC, H4P 2N2

Attention: Frank J. Gattinger
Telephone No. 514-341-8600
Facsimile No. 514-340-1389

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With copy to:

Lamarre Perron Lambert Vincent
480 Saint-Laurent Blvd.
Suite 200
Montreal, QC H2Y 3Y7

Attention : Jacques Vincent
Telephone No. 514-798-0990
Facsimile No. 514-798-5599

13. **Applicable Law:** The provisions of this letter shall be governed by and construed and enforced exclusively in accordance with the laws of Quebec and the federal laws of Canada applicable therein.

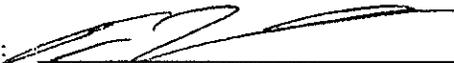
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The Corporation is requested to evidence its agreement and acceptance of the provisions of the letter by signing and returning the enclosed copy thereof which has been signed by the Interested Party, whereupon this letter will constitute the binding agreement between the Interested Party and the Corporation with respect to the subject matter thereof.

Yours very truly,

S.P. Holdings Canada Inc. or Nominee

Per:


T.I. POMEYANTZ

Supprimé: 1
Per: 

| TO: S.P. Holdings Canada Inc, or Nominee

Accepted and agreed to with effect as of the date set out above.

DOMFOAM INTERNATIONAL INC.

Per: John C Howard

Per: JOHN C. HOWARD

| NDA y2a

Per: _____

Schedule 5.1(o)

List of assets to be acquired by the Vendor

From Valle Foam Industries (1995) Inc.

Prior to initiating the CCAA Proceedings

*See document attached
one (1) page*

Equipment to be Acquired From Valle Foam

Bonded foam peeler and boring machine
Foam shredding line c/w blower
2 shredded foam storage bins c/w fluffer arms, gearboxes and drives (2 units @ \$5,000 each)
Baumer contour saw c/w infeed and outfeed conveyors
Wyntec contour saw c/w infeed and outfeed conveyors
Convoluter - Edge Saw 88" capacity
Carrousel (of Chinese manufacture)
Automatic wrapping machine (built at Domfoam in 1996)
Automatic vertical saw
Zwick foam tester

Dismantle, transport and reassemble at Domfoam

Additional Items

Foam shredding line c/w blower
floor scale
Laminator unwind set-up
Laminator heating system
Underlay sealer
Web align unit
Air compressor
H.P. boiler 50 HP

Dismantle, transport and reassemble at Domfoam

TAB C

**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 June 12, 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 June 30, 2012 to October 31, 2012; ii) to report to the Court on the completion of the sales of the Applicant’s businesses; iii) to seek an Order instituting a claims process; and iv) to report to Court on the status of the Class Action Claims against the Applicants.

3. Pursuant to the sale of assets of the Applicants, Valle Foam changed its name to 3113736 Canada Ltd. and Domfoam changed its name to 4362063 Canada Ltd. For the purpose of this affidavit, the said Applicants will still be referred to as Valle Foam and Domfoam.

BACKGROUND

4. 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**”).

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

6. As reported in my previous Affidavits in this proceeding, 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

7. All three of the Applicants have now sold their businesses in accordance with the sale agreements which were approved by this Court pursuant to the Order of Justice Brown dated March 16, 2012. As such, as anticipated the Applicants no longer have any active business.

DOMFOAM

8. The transaction for the sale of the assets of Domfoam to 8032858 Canada Inc. ("**Domfoam Newco**") closed on March 26, 2012. Subject to the settlement of an adjustment of working capital, the entire purchase price payable has now been provided to the Monitor, including the \$200,000.00 holdback which Domfoam Newco had held against possible employee claims. No such employee claims arose during the holdback period.

9. As anticipated, Domfoam Newco has retained effectively all of the Domfoam employees.

10. Pursuant to section 2.9 and 2.10 of the agreement of purchase and sale for Domfoam, the purchase price was subject to a working capital adjustment to reflect the actual value of the assets sold as they existed on Closing.

11. The anticipated amount of the working capital adjustment to the purchase price will be an increase to the purchase price of approximately \$400,000.00 to \$450,000.00. The Applicants's counsel have been in negotiations with counsel for the purchaser of Domfoam over this issue.

12. Pursuant to the terms of that agreement, the parties are to seek the assistance of the court to resolve any deadlock on the issue of the working capital. In the event, the remaining issue with the working capital is not resolved, the Applicants may apply to the Court to seek the direction of the Court.

VALLE FOAM

13. The Valle Foam transaction to sell its assets to Valle Foam Ltd. ("VFL") closed in escrow on March 30, 2012 with escrow released on April 10, 2012 upon the filing of the Monitor's Certificate.

14. The proceeds of sale have been provided to the Monitor. As anticipated, VFL retained the majority of the Valle Foam employees on closing.

15. There remains an issue outstanding with respect to the calculation of an inventory adjustment. The Applicant's counsel has been in negotiations with counsel for the VLF over this issue. The anticipated amount of the adjustment to the purchase price is in the amount of a net upward adjustment to the purchase price of approximately \$79,000.00. In the event that this issue is not resolved, the Applicants may apply to the Court to seek the direction of the Court.

16. Following the closing of the transaction Valle Foam was made aware of a claim by the landlord to one of the Valle Foam properties, being the property located on Orenda Road (the "**Orenda Property**"). The landlord alleged that post-filing rent was outstanding and that there were outstanding claims for clean up of the premises resulting from the removal of the assets acquired by the purchaser. The issue of the cleaning up of the property has been resolved and the landlord shall make a claim for the cost of such clean up in the Claims Process (as defined below). The claim with respect to the outstanding rent is being reviewed and it is expected that the same will be resolved prior to the hearing of this Motion.

17. Pursuant to the terms of the agreement, VFL was exclusively empowered to collect the receivables owing to Valle Foam for a period of 90 days after closing. As at May 28, 2012, approximately 60% of those receivables have been collected. The remaining receivables will be returned to Valle Foam's control after June 29, 2012 for collection.

A-Z

18. The A-Z transaction closed on April 2, 2012. There are no remaining issues on the A-Z transaction. The proceeds of sale have been paid to the Monitor.

19. The Monitor, along with the Applicants are reviewing the payment of certain post-filing amounts incurred by A-Z. These amounts total approximately \$100,000.00. There are sufficient funds in the A-Z bank account to make these payments.

STATUS OF CLASS ACTION

20. As reported in my Affidavit of January 11, 2012 in the proceedings, both Domfoam and Valle Foam were charged with, and on January 5, 2012, pled guilty to certain offences under the *Competition Act*, R.S.C. 1985, c C-34 (the

“*Competition Act*”). Although not charged, A-Z also participated, to a lesser extent in the underlying events. Through agreement with the Director of Public Prosecutions, the resolution of the charges under the *Competition Act* included A-Z.

21. A-Z was released from all possible liability in conjunction with this matter as a result of the plea arrangement.

22. Domfoam was fined a total of \$6 million and Valle Foam was fined a total of \$6.5 million. No fine was assessed against A-Z as no charges were laid against A-Z. In accordance with the terms of the sentence imposed, on the day of the guilty pleas, Valle Foam paid \$500,000.00 in partial payment of the fines imposed against it.

23. Prior to the plea and on the advice of counsel, the applicants undertook to participate in the Competition Bureau’s leniency program. Domfoam and Valle Foam agreed to cooperate fully in the investigation, plead guilty and continue to provide cooperation on a going forward basis. I am advised by counsel and do verily believe that meetings are to be scheduled for this summer with Crown counsel to implement the obligations of the companies and its officers and

directors. Attached hereto and marked as **Exhibit “A”** to this my affidavit is a copy of the statement of admissions in respect of the pleas of guilty.

24. The companies are also obliged to maintain the books and records relating to the business and affairs of the companies to further assist the Crown in subsequent prosecutions. Attached hereto and marked as **Exhibit “B”** to this my affidavit is a copy of a letter dated March 22, 2012 from Robert Morin of the Public Prosecution Service of Canada confirming the obligation to maintain the records. Steps have been taken to ensure that the records are maintained in both electronic and hard copies.

25. Full disclosure of the applicants’ financial difficulties was made to the Crown prior to finalizing the statement of admissions and the entry of the pleas. The Crown was specifically advised of the applicants’ intention to file for protection under the provisions of the CCAA.

CLASS ACTIONS

26. In connection with the conduct related to the *Competition Act* charges, class counsel in the US and Canada initiated a number of proposed class proceedings against the Applicants in the US and in Canada in 2010, and afterwards on behalf of purchasers of polyurethane foam and products containing polyurethane foam

products for lengthy class period. Some or all of the Applicants have been named as a defendant in at least five class action lawsuits in Canada, and over two dozen class action lawsuits in the United States (together, the “**Class Actions**”). Although not named in these actions, it is likely that A-Z could be added to such actions as a defendant given that A-Z was to some extent complicit or involved in the prohibited acts. These actions have been stayed as a result of the Initial Order.

STATUS OF U.S. LITIGATION

27. Immediately prior to the Initial Order, our lawyers in New York, Skadden, Arps, successfully negotiated on behalf of the applicants a settlement with the three different groups of plaintiffs in the United States which are part of a multi-district litigation proceedings styled in Re Polyurethane Foam Anti Trust litigation in the United States District Court for the Northern District of Ohio.

28. The agreements specifically provided that they were contingent upon the applicants filing for creditor protection.

29. The class settlements have been approved on a preliminary basis by the court. The plaintiffs have voluntarily dismissed Domfoam and Valle Foam from the lawsuits. The direct class plaintiffs are in the process of submitting a notice

plan to the court and notices will be distributed to class members once the plan is approved and the court will hold a hearing on final approval.

30. A number of additional claims were also issued. The applicants, through the Monitor, sought and received recognition of the CCAA proceeding in the United States Bankruptcy Court for the Northern District of Ohio. Attached hereto and marked as **Exhibit "C"** to this my affidavit is a copy of the Recognition Order of Judge Whipple dated February 24, 2012. The Order recognizes the CCAA proceedings as a forum main proceeding pursuant to the U.S. Bankruptcy Code.

CANADIAN CLASS ACTION LITIGATION

31. To the knowledge of the Applicants, there are currently five class action proceedings in Canada that are pending before the courts in Ontario, Quebec and British Columbia in connection with the Competition Bureau's investigation of price-fixing allegations in the polyurethane foam industry. The Applicants have been named (or one or more of the Applicants have been named) in four of these class proceedings. These proceedings have been brought by a coordinated group of plaintiffs (the "**Class Plaintiffs**") against a number of manufacturers of polyurethane foam in Canada and elsewhere, as well as certain individuals, and

the Class Plaintiffs collectively seek to represent a broad class consisting of all purchasers of polyurethane foam and products containing polyurethane foam during a period generally ranging from 1999 to the present. The Class Plaintiffs allege that the Applicants and the other manufacturers, along with certain individuals, are jointly and severally liable for damages to the proposed class members under the *Competition Act*, at common and under civil law, and they seek \$100 million dollars of damages along with other relief.

32. As previously reported in my Affidavit sworn in these proceedings dated January 11, 2012, I have been informed by Christopher Naudie at Oslers, lead counsel for the Applicants in the Canadian Class Proceedings, regarding the potential risks and exposures for the Applicants in the Canadian Class Proceedings if liability was established at trial. During the class period, the Applicants had approximately \$975 million in sales in Canada. Even if the Applicants are only exposed to several liability and the claims filed are based on a modest 5% overcharge, the Applicants could be exposed to a claim of \$48.75 million. If the Applicants are exposed to joint and several liability, the claims would be substantially higher.

33. As previously reported in my earlier Affidavits, a proposed national class settlement on behalf of the Applicants with the Class Plaintiffs in respect of all of

the Canadian Class Proceedings has been reached. The settlement agreement was executed by the Applicants and the Class Plaintiffs on January 11, 2012.

34. Under the terms of this proposed national settlement, in exchange for cooperation from certain current and former Domfoam, Valle Foam and A-Z officers, employees and agents (in the form of interviews, depositions, and testimony), and the production of certain available documents by the companies (to the extent practicable), the Class Plaintiffs have agreed, subject to separate court approvals by the Ontario Superior Court, the B.C. Supreme Court and the Quebec Superior Court, to discontinue their proceedings as against the companies and to fully and forever release any of the companies' current or former officers, employees, agents, shareholders, or owners from any and all liability in this and potentially related matters. The proposed settlement also provides for certain “bar order” protection in favour of such releasees in the event of future contribution claims by other defendants or other third parties that have been involved in this matter. The Class Plaintiffs in Canada have also agreed to dismiss proceedings against one employee of Valle Foam that was individually named in the class proceedings in Ontario.

35. The implementation of the settlements were delayed for some time as a result of a carriage dispute in Quebec. It appears that the dispute has been

resolved and the plaintiffs are proceeding with the implementation of the class settlement.

36. It is expected that in accordance with the settlement agreements the various class action claimants in both countries will file proofs of claim in these proceedings in accordance with the proposed Claims Procedure Order which will facilitate the receipt and vetting of the claims.

STATUS OF FUNDS

37. As a result of completing the transactions and consolidating the remaining bank accounts and other amounts outstanding, the Applicants now have significant funds available for distribution to the creditors.

38. In particular, the Applicants have funds in approximately the following amounts:

- a) Valle Foam: \$4,483,315.08 held by the Monitor, plus cdn \$2,208.79 and usd 14,160.13 held in the company's bank account
- b) A-Z: \$798,321.75 held by the Monitor, plus cdn \$210,232.19 and usd \$92,922.91 held in the company's bank account

c) Domfoam: \$3,524,296.72 held by the Monitor plus cdn \$212,539.63 and usd \$7053.75 held in the company's bank account

39. In addition to the foregoing, it is anticipated there will be further amounts payable to Valle Foam from the future collections of the remaining accounts receivables and the anticipated net upward adjustment to the purchase price discussed above.

40. In respect of Domfoam, it is anticipated there will be as much as a further \$400,000.00 to \$450,000.00 adjustment once the working capital issue has been resolved.

41. There is also a further substantial amount due from a litigation settlement entered into by each of Domfoam and Valle Foam prior to the CCAA process in connection with a class action with BASF where Domfoam and Valle Foam were part of a class of plaintiffs. This receivable was not sold to Domfoam Newco and remains an asset of Domfoam.

42. As previously reported in my earlier affidavits, Domfoam entered into a loan agreement with Valle Foam to allow Valle Foam to make advances to Domfoam to assist it during the CCAA process. Valle Foam was granted a charge to secured these advances.

43. The Monitor and the Applicants are in the process of reconciling the various intercompany accounts to determine how much was advanced by Valle Foam to Domfoam under this agreement and to consider any other intercompany debts. These funds will be reconciled before any distribution is made to the creditors and may significantly change the balance of funds shown for each of Valle Foam and Domfoam in paragraph 38.

44. The Monitor is working with the applicants to allocate the payment of professional fees between the various applicants. These fees were paid from Valle Foam on account of all three Applicants since the commencement of these proceedings, due to Valle Foam's superior cash position.

45. The Applicants have determined with the Monitor that the fees will be allocated on the basis of 10% to be paid by AZ, 45% to be paid by Valle and 45% to be paid by Domfoam, reflecting the relative size of the applicants and the fact that the majority of the work done has related to the two principal companies, rather than AZ. The amounts set out in paragraph 38 above reflect a reconciliation conducted on this basis.

CLAIMS PROCESS

46. In order to ascertain the status of the claims against the Applicants, the Applicants, with the assistance of the Monitor, propose running a claims process to identify claimants against the Applicants and or their officers and directors. The process is meant to solicit claims from all parties, including the Crown and the various Class Action claimants in Canada and in the United States. I have reviewed the draft Claims Solicitation Procedure Order which sets out the following procedure to solicit these claims:

- a) The Monitor shall mail to all known creditors of the Applicants a Proof of Claim form together with a Notice of Claims Solicitation Procedures and Claims Bar Date. The Applicants will provide the Monitor with a detailed list of potential US claimants, as assembled by the Applicant's US Counsel, to be used in this process;
- b) The Monitor will advertize for claims in The Globe and Mail (National Edition) and La Presse,
- c) Any Person or representative class of Persons who wishes to assert a claim against any of the Applicants must complete and deliver the Proof of Claim form to the Monitor by no later than 5:00 p.m. (Eastern

Standard Time) on August 31, 2012 (the “**Claims Bar Date**”) or such other date as ordered by this Honourable Court;

- d) Any Person or representative class of Persons who wishes to assert a claim against one or more of the current or former Directors and Officers of the Applicants must complete and deliver the Proof of D&O Claim form to the Monitor by no later than the Claims Bar Date;
- e) If a Proof of Claim or Proof of D&O Claim is not received by the Monitor by the Claims Bar Date, a claim against any of the Applicants or the Directors and Officers of the Applicants will be barred and extinguished forever, subject to certain limitations as imposed by the CCAA on what claims can be barred in this manner;
- f) D&O Claims will not be adjudicated through this process.
- g) All other Claims shall be reviewed by the Monitor, with the assistance of the Applicants. The claimants claim will either be accepted or disputed in accordance with the time period set out in the Claims Procedure Order;
and

h) in the event the claimant and the Monitor and the Applicant cannot resolve the claims by October 5, 2012, the claim will be referred to the Court for resolution.

47. I am advised by Minden Gross LLP, counsel to the Applicants, that this claims process, and the terms of the Claims Procedure Order (collectively, the "Claims Process"), are in form and substance similar to other orders and processes which have been instituted in other CCAA proceedings.

48. The proposed Claims Process as set out in the draft Claims Procedure Order has been reviewed by the Monitor. I understand the Monitor supports the Claims Process.

49. It is anticipated at this time that there will be sufficient funds to repay the creditors of A-Z in full and for any surplus funds from A-Z to form part of the estate of Domfoam (given that A-Z is a wholly owned subsidiary of Domfoam).

50. The extent of the anticipated distribution to Domfoam and Valle Foam will be determined once the claims have been received.

PROPOSED EXTENSION

51. The Applicants propose that the stay of the proceeding be extended from June 30, 2012 to October 31, 2012.

52. The extension sought herein will provide the Applicants with the time necessary to attend to the remaining post closing issues with the transactions, the resolution of the Class Action settlements, to allow for the receipt and review of claims, and otherwise attend to the possible development of a plan for the distribution of the sale proceeds.

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

54. No cash flow is being provided with this affidavit as the Applicants have very limited expenses and no employees nor are they purchasing any further goods or services other than professional services. I am confident that the Applicants each have sufficient funds on hand to meet these obligations on a go forward basis for the period of the proposed extension.

55. I have been advised that the Monitor will support the proposed extension of the stay to October 31, 2012.

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

57. This affidavit is sworn in support of the Applicants' motion and for no other improper purpose

SWORN before me at the City)
of Brampton of the)
of Toronto, in the Province of)
Ontario, this 12th day of)
June, 2012.)
Commissioner For Taking Affidavits)

(Handwritten initials)

(Handwritten signature)
Commissioner For Taking Affidavits

(Handwritten signature)

TONY VALLECOCCIA

#1901211 v5 | 4079509

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

TAB D

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 3113736 CANADA LTD., 4362063
CANADA LTD., and A-Z SPONGE & FOAM PRODUCTS LTD.

(the "Applicants")

**AFFIDAVIT OF TONY VALLECOCCIA
(sworn February 22, 2013)**

I, TONY VALLECOCCIA, of the City of Brampton, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the President and CEO of 3113736 Canada Ltd. formerly known as Valle Foam Industries (1995) Inc. and of 4362063 Canada Ltd. formerly known as 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 3113736 Canada Ltd.

(“Valle Foam”), and its affiliated companies, 4362063 Canada Ltd. (“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 February 28, 2013 to July 31, 2013; ii) to report to the Court on the status of the claims process; and iii) to report to Court on the status of the Class Action Claims against the Applicants.

3. As a result of the sale of assets of the Applicants, Valle Foam changed its name to 3113736 Canada Ltd. and Domfoam changed its name to 4362063 Canada Ltd. The style of cause of this proceeding was changed by Order of Justice Brown dated June 15, 2012 to reflect the change of names. For the purpose of this affidavit, the said Applicants will still be referred to as Valle Foam and Domfoam.

BACKGROUND

4. 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”).

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

6. As reported in my previous affidavits in this proceeding, 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.

7. All three of the Applicants have now completed going concern sales of their businesses in accordance with the sale agreements which were approved by this Court by Order of Justice Brown dated March 16, 2012. As such, as anticipated the Applicants no longer have any active business.

8. The transaction for the sale of the assets of Domfoam to 8032858 Canada Inc. closed on March 26, 2012. The entire purchase price payable has now been provided to the Monitor.

9. The Valle Foam transaction to sell its assets to Fybon Industries Limited ("Fybon") closed in escrow on March 30, 2012 with escrow released on April 10, 2012 upon the filing of the Monitor's Certificate.

10. Since the date of my last affidavit, there had been an ongoing dispute with Fybon with respect to the calculation of an inventory adjustment arising from closing. The Applicant's counsel entered into extensive negotiations with counsel for Fybon over this issue. The Monitor was kept advised of this issue. The negotiations ultimately resulted in a payment made in February which settled the issue.

11. Pursuant to the terms of the transaction, Fybon was exclusively empowered to collect the receivables owing to Valle Foam for a period of 90 days after closing.

12. As of February 21, 2013, the amount outstanding to be collected was in excess of \$1.5 million. The Monitor has now provided a list of those material receivables which remain outstanding. The parties to those receivables will now be provided with demands for payment, following which actions will be commenced by counsel for Valle Foam to collect these outstanding amounts.

13. The A-Z transaction closed on April 2, 2012. There are no remaining issues on the A-Z transaction. The proceeds of sale have been paid to the Monitor.

14. On June 15, 2012, Justice Brown issued an order which established a Claims Solicitation Procedure (the “**Claims Process Order**”).

COMPETITION ACT ISSUE

15. As reported in my affidavit of January 11, 2012 in the proceedings, both Domfoam and Valle Foam were charged with, and on January 5, 2012, pled guilty to certain offences relating to a price fixing conspiracy under the *Competition Act*, R.S.C. 1985, c C.34 (the “*Competition Act*”). Although not charged, A-Z also participated, to a lesser extent in the underlying events. Through agreement with the Director of Public Prosecutions, the resolution of the charges under the *Competition Act* included A-Z.

16. Domfoam was fined a total of \$6 million and Valle Foam was fined a total of \$6.5 million. No fine was assessed against A-Z as no charges were laid against A-Z. In accordance with the terms of the sentence imposed, on the day of the guilty pleas, Valle Foam paid \$500,000.00 in partial payment of the fines imposed against it. The details of the plea were set out in my previous affidavits.

17. Full disclosure of the applicants’ financial difficulties was made to the Crown prior to finalizing the statement of admissions and the entry of the pleas.

The Crown was specifically advised of the Applicants' intention to file for protection under the provisions of the CCAA.

18. As part of the plea arrangement, certain officers and directors, including myself, agreed to cooperate with the continuing investigations being undertaken by the Competition Bureau in connection with other alleged co-conspirators. Interviews by counsel for the Competition Bureau were undertaken several months ago with the assistance of criminal counsel for the Applicants.

CLASS ACTIONS

19. In connection with the conduct related to the *Competition Act* charges, class counsel in the US and Canada initiated a number of proposed class proceedings against the Applicants in the US and in Canada in 2010, and afterwards on behalf of purchasers of polyurethane foam and products containing polyurethane foam products. Some or all of the Applicants have been named as a defendant in at least five class action lawsuits in Canada, and over two dozen class action lawsuits in the United States (together, the "Class Actions"). These actions have been stayed as a result of the Initial Order.

STATUS OF U.S. LITIGATION

20. Immediately prior to the Initial Order, our lawyers in New York, Skadden, Arps, successfully negotiated on behalf of the applicants a settlement with the three different groups of class action plaintiffs in the United States which are part of a multi-district litigation proceedings styled in Re Polyurethane Foam Anti Trust litigation in the United States District Court for the Northern District of Ohio.

21. The agreements specifically provided that they were contingent upon the applicants filing for creditor protection. No payment was contemplated by the settlements. The settlements did provide that the class action plaintiffs reserved the right to file claims in these proceedings. No such claims have been filed by the US class action claimants. Certain officers and employees of the Applicants agreed to provide information in connection with the issues raised in the litigation.

22. The class settlements have been approved on a preliminary basis by the court. Attached hereto and marked as Exhibit "A" is a copy of Judge Zouhary's Order dated March 26, 2012, providing for preliminary approval of the settlements. The class action plaintiffs have voluntarily dismissed Domfoam and

Valle Foam from the lawsuits. The direct class action plaintiffs are in the process of submitting a notice plan to the court and notices will be distributed to class members once the plan is approved and the court will hold a hearing on final approval.

23. A number of additional claims were also issued. The applicants, through the Monitor, sought and received recognition of the CCAA proceeding in the United States Bankruptcy Court for the Northern District of Ohio. Attached hereto and marked as **Exhibit "B"** to this my affidavit is a copy of the Recognition Order of Judge Whipple dated February 24, 2012. The Order recognizes the CCAA proceedings as a forum main proceeding pursuant to the U.S. Bankruptcy Code. The Order of Judge Whipple also provides that any extension or amendment of the Canadian Orders will be given full force and effect in the United States to the same extent that it is given effect in Canada.

24. As part of the implementation of the settlement agreements, various officers and employees of the Applicants were recently examined by the class action plaintiffs' counsel. Among those examined were myself, John Howard, Dean Brayianis, Robert Vale and Fred Zickmantel. The examinations took place over two weeks in Toronto and Florida, and involved over a dozen counsel for the class action plaintiffs.

STATUS OF CANADIAN LITIGATION

25. There are currently five class action proceedings in Canada that are pending before the courts in Ontario, Quebec and British Columbia in connection with price-fixing allegations in the polyurethane foam industry. The Applicants have been named (or one or more of the Applicants have been named) in four of these class proceedings. The class action plaintiffs allege that the Applicants and the other manufacturers, along with certain individuals, are jointly and severally liable for damages to the proposed class members under the *Competition Act*, at common and under civil law, and they seek in excess of \$100 million dollars of damages along with other relief.

26. As previously reported in my earlier affidavits, a proposed national class settlement on behalf of the Applicants with the class action plaintiffs in respect of all of the Canadian Class Proceedings has been reached. The settlement agreement was executed by the Applicants and the class action plaintiffs on January 10, 2012.

27. Under the terms of this proposed national settlement, in exchange for cooperation from certain current and former Domfoam, Valle Foam and A-Z officers, employees and agents (in the form of interviews, depositions, and

testimony), and the production of certain available documents by the companies (to the extent practicable), the class action plaintiffs have agreed, subject to separate court approvals by the Ontario Superior Court, the B.C. Supreme Court and the Quebec Superior Court, to discontinue their proceedings as against the companies and to fully and forever release any of the companies' current or former officers, employees, agents, shareholders, or owners from any and all liability in this and potentially related matters.

28. The settlement agreement provided for an assignment by the Applicants of proceeds from the US Polyol litigation (described in more detail below) of up to \$200,000.00. The assignment is made expressly subject to any Order of this Honourable Court. Under the terms of the settlement, the class action plaintiffs have agreed to bear any risk relating to the validity or enforceability of the assignment. Attached hereto and marked as **Exhibit "C"** is a copy of the Assignment and Assumption Agreement made as of January 10, 2012. The proposed settlement also provides for the payment of \$1.2 million by certain individuals who are parties to the settlement agreement. The \$200,000.00 and the \$1.2 million will be held by our personal counsel, Robert Tanner pursuant to an escrow agreement entered into between the Applicants, the class action plaintiffs and the individual settling parties.

29. The implementation of the settlements was delayed for some time as a result of a carriage dispute in Quebec. It appears that the dispute has been resolved and the class action plaintiffs are proceeding with the implementation of the class settlement. As a result of certain issues arising in the claims process, the settlement agreement required amendments. The Applicants are continuing to cooperate in the implementation of the settlement.

30. In accordance with the settlement agreements and the Claims Process Order, the various class action claimants in Canada have filed proofs of claim in these proceedings. The claims were disallowed, but are subject to discussion and negotiation as described below. The claims total \$97.5 million.

STATUS OF FUNDS

31. As a result of completing the transactions and consolidating the remaining bank accounts and other amounts outstanding, the Applicants have significant funds available for distribution to the creditors.

32. In particular, the Monitor holds funds in approximately the following amounts as at February 20, 2013:

Valle Foam	\$5,456,530.90
Domfoam	\$3,449,570.33
A-Z	\$913,869.79

In Re: Urethane Antitrust Litigation

33. The Applicants are each claimants in a US class action proceeding that relates to price fixing for a product known as "Polyether Polyol". The Applicants as purchasers of that product are part of the litigation class, and are entitled to payment from the settlements in that litigation. To date there have been two separate settlements approved by the United States District Court for the District of Kansas, for which distributions have been made. The first relating to a settlement by Bayer AG and its subsidiaries (collectively "**Bayer**") was made back in 2008. A subsequent settlement was reached with BASF Corporation ("**BASF**") and Huntsman International LLC ("**Huntsman**"). This settlement was approved by the United States District Court for the District of Kansas by Order of Judge Lungstrum dated December 12, 2012. Attached hereto and marked as **Exhibit "D"** is a copy of the Order approving the Huntsman and BASF

Settlement dated December 12, 2012. The BASF and Huntsman settlements provide for payment in three annual instalments.

34. The Applicants entered into an agreement with a US entity known as Refund Recovery Services, LLC (“RRS”) in 2008. The agreement appointed RRS as the Applicants’ exclusive agent to assist in filing the necessary documents to secure its share of the settlement funds. A copy of the agreement is attached hereto as **Exhibit “E”**.

35. In accordance with the terms of the BASF and Huntsman settlements, the Applicants received the first instalments in the amount of \$225,128.65 directly from RRS with respect to the claims of A-Z Foam and Domfoam. The Valle Foam share in the amount of \$331,928.29 was received from an entity known as Enterprise Law Group. The Domfoam and A-Z payments are net of the fees owing to RRS. The Valle Foam settlement is a gross amount.

36. The Applicants, in discussion with the Monitor, are in the process of verifying the entitlement of Enterprise Law Group to the fees payable under the Services Agreement.

37. In addition, I am advised by David Ullmann that one of the defendants, The Dow Chemical Company in the US Polyol litigation has refused to settle. A trial

is proceeding with that defendant. It is anticipated that there could either be a substantial settlement, or a substantial award made in respect of that remaining defendant, which could result in further funds being payable to the Applicants.

38. Counsel for the Applicants are in communication with RRS in order to monitor the process and advise the Applicants with respect to this matter.

Intercompany Accounts

39. As previously reported in my earlier affidavits, Domfoam entered into a loan agreement with Valle Foam which allowed Valle Foam to make advances to Domfoam to assist it during the CCAA process. Valle Foam was granted a charge to secure these advances in the Initial Order.

40. There may be monies owed from A-Z Foam to either of the other Applicants in respect of fees incurred during the CCAA process.

41. The Monitor and the Applicants are in the process of reconciling the various intercompany accounts to determine how to address these intercompany debts. This issue will have to be reconciled before any distribution is made to the creditors.

CLAIMS PROCESS

42. The Claims Process Order established a process to identify pre and post-filing claims against the Applicants and/or their officers and directors. The process was meant to solicit claims from all parties, including the Crown and the various Class Action claimants in Canada and in the United States. Claims were due by August 31, 2012.

43. The Monitor received claims in the aggregate amount of approximately \$900 million, of which approximately \$810,000.00 were post-filing claims.

44. At this time, the significant claims are as follows: i) Revenu Quebec in the amount of \$2.9 million against Domfoam; ii) Competition Bureau in the amount of \$6 million against each of Domfoam and Valle Foam; and iii) the Canadian class actions in the amount of \$97.5 million.

45. The class action claims were filed in the same amount against each of the three companies. In discussion with the class plaintiffs' counsel we have confirmed that their total claim is \$97.5 million against the Applicants on a joint and several basis.

46. The extent of the anticipated distribution by the Applicants will be determined once the negotiation and/or adjudication of the claims have been completed.

Contested Claims

47. As reported in my last affidavit in these proceedings, the Monitor has, in accordance with the Claims Process Order, disallowed the claims of Revenu Quebec and the class action creditors.

Class Action Creditors

48. With respect to the class action creditors, the claims were disallowed on the following basis:

- The claim was filed on behalf of a proposed class, but there was not yet any court order or agreement authorizing the filing as a class;
- The claims were in an amount “to be ascertained” and the claims process required that claimants put a value on the claim.

49. After receipt of the Notices of Dispute from the disallowances from the class action plaintiffs, the Applicants’ counsel and the Monitor have entered into preliminary discussions to determine whether there is a quantum of the claims of

the class action plaintiffs that could be accepted on a consensual basis, in order to avoid protracted proceedings as contemplated by the Claims Process Order. The class action plaintiffs have provided a confidential without prejudice expert report to substantiate their claims. The report and other relevant background information are currently being reviewed by class action counsel for the Applicants. The class action plaintiffs are, by far, the largest creditor class of the Applicants.

50. As part of the discussions with the class action plaintiffs' counsel, the issue of the authority of counsel to act on behalf of the class and the certification of the class was raised. The class action plaintiffs' counsel are now proceeding to expedite a hearing of a partial certification order along with a multi-jurisdictional case management order in the Courts of British Columbia, Quebec and Ontario. We have been advised by the class action plaintiffs' counsel that they are in the process of arranging for a joint video conference hearing involving each of the judges case managing the class actions, Madam Justice Leitch in Ontario, Mr. Justice Bowden in British Columbia and Mr. Justice Lalonde in Quebec.

Revenu Quebec

51. Revenu Quebec issued Notices of Assessment in connection with Quebec Sales Tax and GST after the date of the Initial Order and Claims Process Order. In July 2012, it filed a proof of claim against Domfoam in accordance with the Claims Process Order.

52. The claims of Revenu Quebec were disallowed by the Monitor based on advice from the Applicants that the claim by Revenu Quebec was inaccurate and based on an incomplete review of the Applicants' books and records. The Applicants' were also able to produce executed intercompany acknowledgements which reduce a significant amount of the claim.

53. On October 5, 2012 a Notice of Dispute of this disallowance was received from Revenu Quebec in accordance with the Claims Process Order.

54. Revenu Quebec principally took the position in its Notice of Dispute that Domfoam was required to file a Notice of Objection under the *Quebec Taxation Act* and the *Excise Tax Act* to the Notices of Assessment from which the claims arose, and had failed to do so.

55. On November 1, 2012, the Monitor advised Revenu Quebec of the Monitor's position that Revenu Quebec was obliged to have its claim determined in accordance with the Claims Process Order. Attached hereto and marked as **Exhibit "F"** is a copy of that letter. There was no response.

56. Domfoam, in consultation with the Monitor, on November 8, 2012 filed a Notice of Objection to the assessment. A copy of the Notice of Objection (without appendices) is attached hereto as **Exhibit "G"**.

57. The Notice of Objection asserts, among other things, that the vast majority of the amount claimed was not in fact due and owing. This position is supported by certain elections made by the Applicants and accounting records now located which were not available to the Revenu Quebec at the time of their review. It also asserts that Revenu Quebec was bound by the process set out in the Claims Process Order.

58. On December 20, 2012, Domfoam was advised that its Notice of Objection was out of time. Attached hereto and marked as **Exhibit "H"** is a copy of that letter. The letter provided that Domfoam could apply for an extension of time to file the Notice of Objection and set a deadline of January 21, 2013 for filing such an application.

59. On January 18, 2013, Domfoam filed an appeal to extend the time for filing the Notice of Objection. A copy of that appeal (without appendices) is attached hereto as **Exhibit "I"**.

60. No decision has as yet been provided on the request for an extension.

61. As set out in its appeal, Domfoam is of the view that the Initial Order and the Claims Process Order govern this situation and that the stay of proceedings applies to Revenu Quebec from taking any action against Domfoam in respect of the claimed debt. Further, Revenu Quebec filed a claim within the claims process and the Notice of Disallowance was delivered within the time period for filing a Notice of Objection.

62. Domfoam is confident that, if the claim of Revenu Quebec were to be determined in accordance with the Claims Process Order, the majority of the claim would be disallowed on the basis that it is not in fact due and owing (as argued in the Notice of Objection). I am advised that the Monitor shares this analysis.

63. The Applicants and the Monitor are engaged in further review with respect to this issue. In the event a resolution cannot be reached with Revenu Quebec, the Applicants may bring a motion before this Court to resolve this issue, as permitted by the Claims Process Order.

PROPOSED EXTENSION

64. The Applicants propose that the stay of the proceeding be extended from February 28, 2013 to July 31, 2013.

65. The extension sought herein will provide the Applicants with the time necessary to attend to the resolution of the claims filed by the class action claimants, to allow for a resolution of the disputed claim with Revenu Quebec, to collect outstanding amounts owed to Valle Foam, to attend to the collection of the further instalments of the US Polyol settlement funds, and otherwise attend to the possible development of a plan for the distribution of the sale proceeds.

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

67. No cash flow is being provided with this affidavit as the Applicants have limited expenses and no employees, nor are they purchasing any further goods or services other than professional services. I am confident that the Applicants each

have sufficient funds on hand to meet these obligations on a go forward basis for the period of the proposed extension.

68. I have been advised that the Monitor will support the proposed extension of the stay to July 31, 2013.

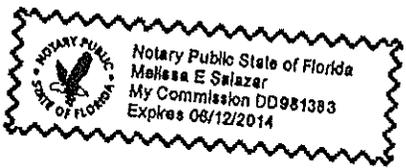
69. The Applicants are operating with good faith and with due diligence.

70. This affidavit is sworn in support of the Applicants' motion and for no other improper purpose.

SWORN before me at the City)
of Tampa , in the State of)
Florida, this 22nd day of)
February, 2013.)


TONY VALLECOCCIA

A Notary Public 
#2001726 | 4079509



TAB E

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF 3113736 CANADA LTD., 4362063
CANADA LTD., and A-Z SPONGE & FOAM PRODUCTS LTD.

(the "Applicants")

**AFFIDAVIT OF TONY VALLECOCCIA
(sworn July 11, 2013)**

I, **TONY VALLECOCCIA**, of the City of Brampton, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the President and CEO of 3113736 Canada Ltd. formerly known as Valle Foam Industries (1995) Inc. and of 4362063 Canada Ltd. formerly known as 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 3113736 Canada Ltd. (“**Valle Foam**”), and its affiliated companies, 4362063 Canada Ltd. (“**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 July 31, 2013 to December 31, 2013; ii) to report to the Court on the status of the claims process; and iii) to report to Court on the status of the Class Action Claims against the Applicants.

3. As a result of the sale of assets of the Applicants, Valle Foam changed its name to 3113736 Canada Ltd. and Domfoam changed its name to 4362063 Canada Ltd. The style of cause of this proceeding was changed by Order of Justice Brown dated June 15, 2012 to reflect the change of names. For the purpose of this affidavit, the said Applicants will still be referred to as Valle Foam, Domfoam and A-Z.

BACKGROUND and STATUS OF THE COMPANIES

4. 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**”).

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

6. As reported in my previous affidavits in this proceeding, 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.

7. All three of the Applicants have completed court approved going concern sales of their businesses.

DOMFOAM

8. The transaction for the sale of the assets of Domfoam to 8032858 Canada Inc. closed on March 26, 2012. The entire purchase price payable has been provided to the Monitor.

9. Certain administrative steps have been taken since my last affidavit to close the remaining Domfoam bank accounts and consolidate all funds with the Monitor.

VALLE FOAM

10. The Valle Foam transaction to sell its assets to Fybon Industries Limited (“Fybon”) closed in escrow on March 30, 2012, with escrow released on April 10, 2012 upon the filing of the Monitor’s Certificate.

11. Fybon was exclusively empowered to collect the receivables owing to Valle Foam for a period of 90 days after closing.

12. Following the expiration of the 90 day period, Valle Foam was thereafter entitled to collect the outstanding amounts.

13. The total amount of the receivables is in excess of \$2 million. In conjunction with the Monitor, we have compiled a list of the material receivables which remain outstanding.

14. Valle Foam’s counsel made demand on the ten largest receivables in respect of which the aggregate amount owing was about \$1.5 million.

15. In order to pursue the larger accounts, it was decided, in conjunction with the Monitor, that Valle Foam would commence legal proceedings. Valle Foam has issued 10 Statements of Claim in respect of same. Two of the defendants did not file any defences and have been noted in default. One defendant which retained counsel was to file a defence on July 8, 2013. However, no defence on

that matter has been received as at the present date. The remainder of the defendants have filed defences.

16. In one case, the defendant responded with a Defence and Counterclaim. Counsel for Valle Foam has advised this party that any counterclaim is either barred by the stay imposed by the Initial Order, or is extinguished by the June 15, 2012, by Order of Justice Brown (the "**Claims Process Order**"), which established that claims not made by August 31, 2012 would be barred and extinguished.

A-Z FOAM

17. The A-Z transaction closed on April 2, 2012. There are no remaining issues on the A-Z transaction. The proceeds of sale have been paid to the Monitor.

COMPETITION ACT ISSUE

18. Both Domfoam and Valle Foam were charged with, and on January 5, 2012, pled guilty to certain offences relating to a price fixing conspiracy under the *Competition Act*, R.S.C. 1985, c C.34 (the "**Competition Act**"). Through agreement with the Director of Public Prosecutions, the resolution of the charges under the *Competition Act* included A-Z.

19. Domfoam was fined a total of \$6 million and Valle Foam was fined a total of \$6.5 million. Valle Foam paid \$500,000.00 in partial payment of the fines imposed against it. The details of the plea were set out in my previous affidavits.

20. Full disclosure of the Applicants' financial difficulties was made to the Crown prior to finalizing the statement of admissions and the entry of the pleas. The Crown was specifically advised of the Applicants' intention to file for protection under the provisions of the CCAA.

21. As part of the plea arrangement, certain officers and directors, including myself, agreed to cooperate with the continuing investigations being undertaken by the Competition Bureau. Interviews by counsel for the Competition Bureau were undertaken with the assistance of criminal counsel for the Applicants.

CLASS ACTIONS

22. Class counsel in the U.S. and Canada initiated a number of proposed class proceedings against the Applicants on behalf of purchasers of polyurethane foam and products containing polyurethane foam products. Some or all of the Applicants have been named as a defendant in at least five class action lawsuits in Canada, and over two dozen class action lawsuits in the United States (together, the "**Class Actions**"). These actions have been stayed as a result of the Initial

Order.

STATUS OF U.S. LITIGATION

23. Immediately prior to the Initial Order, our lawyers in New York, Skadden, Arps, successfully negotiated on behalf of the Applicants a settlement with the three different groups of class action plaintiffs in the United States which are part of a multi-district litigation proceedings styled in Re Polyurethane Foam Anti Trust litigation in the United States District Court for the Northern District of Ohio.

24. The agreements specifically provided that they were contingent upon the Applicants filing for creditor protection. No payment was contemplated by the settlements. The settlements did provide that the class action plaintiffs reserved the right to file claims in these proceedings. No such claims have been filed by the U.S. class action claimants. Certain officers and employees of the Applicants agreed to provide information in connection with the issues raised in the litigation.

25. The class settlements have been approved by the court. Attached hereto and marked as **Exhibit "A"** is a copy of Judge Zouhary's Order dated June 21,

2013. The class action plaintiffs have voluntarily dismissed Domfoam and Valle Foam from the lawsuits.

26. The Applicants, through the Monitor, sought and received recognition of the CCAA proceeding in the United States Bankruptcy Court for the Northern District of Ohio. Attached hereto and marked as **Exhibit "B"** to this my affidavit is a copy of the Recognition Order of Judge Whipple dated February 24, 2012. The Order recognizes the CCAA proceedings as a forum main proceeding pursuant to the U.S. Bankruptcy Code. The Order of Judge Whipple also provides that any extension or amendment of the Canadian Orders will be given full force and effect in the United States to the same extent that it is given effect in Canada.

27. As part of the implementation of the settlement agreements, various officers and employees of the Applicants have been examined by the class action plaintiffs' counsel. Among those examined were myself, John Howard, Dean Brayiannis, Robert Vale and Fred Zickmantel. The examinations involved over a dozen counsel for the class action plaintiffs.

STATUS OF CANADIAN LITIGATION

28. There are currently five class action proceedings in Canada that are pending before the courts in Ontario, Quebec and British Columbia. The Applicants have been named (or one or more of the Applicants have been named) in four of these class proceedings. The claims allege that the Applicants and the other manufacturers are jointly and severally liable for damages to the proposed class members for price-fixing under the *Competition Act*. They seek in excess of \$100 million dollars of damages along with other relief.

29. A proposed national class settlement on behalf of the Applicants with the class action plaintiffs in respect of all of the Canadian Class Proceedings has been reached. The settlement agreement was executed by the Applicants and the class action plaintiffs prior to the Initial Order and anticipated that the Applicants would file these proceedings.

30. In exchange for cooperation from certain current representatives of the Applicants (in the form of interviews, depositions, and testimony), and the production of certain available documents by the companies (to the extent practicable), the class action plaintiffs have agreed to discontinue their proceedings as against the Applicants and to fully and forever release any of the

Applicants' current or former officers, employees, agents, shareholders, or owners.

31. The settlement agreement provided for an assignment by the Applicants of a portion of the proceeds from the U.S. polyol litigation (described in more detail below) of up to \$200,000.00. The assignment is made expressly subject to any Order of this Honourable Court. The class action plaintiffs have agreed to bear any risk relating to the validity or enforceability of the assignment. Attached hereto and marked as **Exhibit "C"** is a copy of the Settlement Agreement made as of January 10, 2012. The proposed settlement also provides for the payment of \$1.2 million by certain individuals who are parties to the settlement agreement. The individual payments have been made to the escrow agent and the Monitor holds the \$200,000.00 U.S. polyol settlement proceeds.

32. The implementation of the settlements was delayed for some time as a result of a carriage dispute in Quebec.

33. The class plaintiffs have brought their motions for certification of the proposed settlement class before the Ontario, Quebec and B.C. Courts. On June 28, 2013, the parties convened a joint hearing before Justice Leitch of the Ontario Superior Court and Justice Bowden of the B.C. Supreme Court. The non-settling defendants confirmed that they did not oppose the proposed certification order,

and the two courts did not express any concern in respect of the proposed order. The courts did request certain changes to the proposed class notice and the plan for dissemination of the notice. On July 8, 2013, the class plaintiffs filed further materials including an amended notice and an amended dissemination plan with the Ontario and B.C Courts. The parties are still waiting to obtain final orders from the Ontario and B.C. Courts. On July 8, 2013, the class plaintiffs also convened their hearing before Justice Lalonde of the Quebec Superior Court. The non-settling defendants opposed certain aspects of the order, and the parties made submissions. Following those submissions, the Quebec Superior Court approved a modified order, and approved the amended notice and the amended dissemination plan, with a more formal judgment and reasons to follow.

34. The Applicants expect that they will receive final orders from the three courts within the next 7-10 days, and that the class notice will be published shortly after that. Under the amended dissemination plan, the Applicants will be required to engage best efforts to locate a list of customers for the class period, and to the extent a list is located, the plaintiffs will complete a direct mailing to historical purchasers of the Applicants. The Quebec Superior Court has scheduled a final settlement approval hearing for September 24, 2013, and Justice Lalonde has indicated that he would prefer not to conduct a joint hearing. The Applicants

expect that the Ontario and B.C. Courts will likely schedule their settlement approval hearings in late September or early October 2013.

35. The various class action claimants in Canada have filed proofs of claim in these proceedings. The claims were disallowed, but are subject to discussion and negotiation as described below. The claims total \$97.5 million.

STATUS OF FUNDS

36. As a result of completing the transactions and consolidating the remaining bank accounts and other amounts outstanding, the Applicants have significant funds available for distribution to the creditors.

37. In particular, the Monitor holds funds in approximately the following amounts as at July 11, 2013:

Valle Foam	\$5,661,222.92
Domfoam	\$3,309,411.09
A-Z	\$882,086.66

Urethane Antitrust Litigation

38. The Applicants are each claimants in a U.S. class action proceeding that relates to price fixing for a product known as "Polyether Polyol" ("**Polyol**").

39. The Applicants, as purchasers of the Polyol product are part of the litigation class, and are entitled to payment from that litigation. To date there have been two separate settlements approved by the United States District Court for the District of Kansas. The first relating to a settlement by Bayer AG and its subsidiaries (collectively "**Bayer**") was made back in 2008. A subsequent settlement was reached with BASF Corporation ("**BASF**") and Huntsman International LLC ("**Huntsman**"). This settlement was approved by the United States District Court for the District of Kansas by Order of Judge Lungstrum dated December 12, 2012. The BASF and Huntsman settlements provide for payment in instalments. The first instalment described below has been paid. The balance is expected in late 2013 or early 2014.

40. I am advised by David Ullmann that there has now been a trial in respect of one of the defendants, The Dow Chemical Company ("**Dow**"), in which a judgment has been rendered against Dow in the amount of \$1.2 Billion. This judgment will be appealed. The Applicants could receive a further significant payment from this judgment, or any related settlements.

41. The right to receive the amounts due with respect to the Polyol claims remains an asset of the Applicants' estates.

42. The first \$200,000.00 of the Polyol claims was assigned in the Class Action Settlement. The Polyol claims were not marketed for sale in the sale process conducted in these proceedings. The Polyol claims were not listed as an asset available for sale in the sale process conducted by the Applicants and the Monitor.

43. The Polyol claims were not included as an asset to be acquired by any purchaser in any of agreements of purchase and sale with the Applicants.

44. In the case of the transaction for the sale of the Domfoam business Assets, the Polyol claims were specifically excluded from the assets being acquired by the purchaser of Domfoam. In the case of the Valle Foam and A-Z transactions, the Polyol claims were not addressed nor valued in the respective purchase agreements as neither the Applicants, nor to my knowledge the purchasers, intended for it to form part of the assets being purchased or sold.

45. Following the completion of the sale of the Polyol claims remain an asset of the Applicants and are anticipated to be part of the proceeds available to be distributed to the creditors of the Applicants.

46. The Applicants entered into an agreement with a U.S. entity known as Refund Recovery Services, LLC (“RRS”) in 2008 with respect to the administration of the claim. The agreement appointed RRS as the Applicants’ exclusive agent to assist in filing the necessary documents to secure its share of the U.S. Polyol settlement funds. RRS facilitated the payment of the Bayer settlement at that time.

47. The Applicants received the first instalments of the BASF and Huntsman Settlements in the amount of U.S. \$196,802.78 and U.S. \$26,325.87 with respect to the claims of Domfoam and A-Z, respectively, and U.S. \$331,928.29 with respect to Valle Foam. The Domfoam and A-Z payments are net of the fees owing to RRS. The Valle Foam settlement was a gross amount.

48. The Monitor had some questions with respect to the entitlement of RRS and its related entities to these fees. Counsel for the Applicants and the Monitor conducted an investigation into the agreements under which the fee entitlements arise.

49. I am advised that the Monitor has now satisfied itself as to the entitlement of RRS, RRS’s related entity, “Enterprise Law Group”, and its counsel, to the fees payable. Payment of the fees owing with respect to the Valle Foam settlement have now been made to Enterprise Law Group.

50. Counsel for the Applicants are in communication with RRS in order to monitor the progress of the U.S. Polyol litigation.

CLAIMS PROCESS

51. The Claims Process Order established a process to identify pre and post-filing claims against the Applicants and/or their officers and directors. The process was meant to solicit claims from all parties, including the Crown and the various Class Action claimants in Canada and in the United States. Claims were due by August 31, 2012.

52. The Monitor received claims in the aggregate amount of approximately \$900 million, of which approximately \$810,000.00 were post-filing claims.

53. At this time, the significant claims are as follows: i) Revenu Quebec in the amount of \$2.9 million against Domfoam; ii) Competition Bureau in the amount of \$6 million against each of Domfoam and Valle Foam; and iii) the Canadian class actions in the amount of \$97.5 million.

54. The class action claims were filed in the same amount against each of the three companies. In discussion with the class plaintiffs' counsel we have confirmed that their total claim is \$97.5 million against the Applicants on a joint and several basis.

55. The extent of the anticipated distribution by the Applicants will be determined once the negotiation and/or adjudication of the claims have been completed.

Contested Claims

56. As reported in my last affidavit in these proceedings, the Monitor has, in accordance with the Claims Process Order, disallowed the claims of Revenu Quebec and the class action creditors.

Class Action Creditors

57. With respect to the class action creditors, the claims were disallowed on the following basis:

- The claim was filed on behalf of a proposed class, but there was not yet any court order or agreement authorizing the filing as a class;
- The claims were in an amount “to be ascertained” and the claims process required that claimants put a value on the claim.

58. The Applicants, with the assistance of the Monitor and its counsel have entered into preliminary discussions to determine whether there is a quantum of the class action claims that could be accepted on a consensual basis. This would

avoid protracted proceedings as contemplated by the Claims Process Order. The class action plaintiffs have provided a confidential without prejudice expert report to substantiate their claims. The report and other relevant background information are currently being reviewed by counsel for the Applicants and the Monitor.

Revenu Quebec

59. Revenu Quebec issued Notices of Assessment in connection with Quebec Sales Tax and GST after the date of the Initial Order and Claims Process Order. In July 2012, it filed a proof of claim against Domfoam in accordance with the Claims Process Order seeking payment of those amounts.

60. The claims of Revenu Quebec were disallowed by the Monitor, which disallowance was contested by Revenu Quebec which filed a Notice of Dispute.

61. Revenu Quebec took the position that Domfoam was required to file a Notice of Objection under the *Quebec Taxation Act* and the *Excise Tax Act* to the Notices of Assessment from which the claims arose, and had failed to do so.

62. On November 1, 2012, the Monitor advised Revenu Quebec of the Monitor's position that Revenu Quebec was obliged to have its claim determined in accordance with the Claims Process Order.

63. Domfoam, in consultation with the Monitor, on November 8, 2012 filed a Notice of Objection to the assessment. A copy of the Notice of Objection (without appendices) is attached hereto as **Exhibit "D"**.

64. The Notice of Objection asserts, among other things, that the vast majority of the amount claimed was not in fact due and owing. This position is supported by certain elections made by the Applicants and accounting records now located which were not available to the Revenu Quebec at the time of their review. It also asserts that Revenu Quebec was bound by the process set out in the Claims Process Order.

65. On December 20, 2012, Domfoam was advised that its Notice of Objection was out of time.

66. On January 18, 2013, Domfoam filed an appeal to extend the time for filing the Notice of Objection.

67. On May 10, 2013 the appeal to extend time was granted. Following the granting of the appeal, Domfoam received further correspondence from Revenu Quebec setting out further arguments in opposition to the position taken by Domfoam in its Notice of Objection. It required a response by June 26, 2013. A copy of that correspondence is attached hereto as **Exhibit "E"**.

68. The correspondence from Revenu Quebec does not address the position taken by the Applicants and the Monitor with respect to the proper forum in which to resolve this matter.

69. Domfoam was granted a further extension to August 30, 2013 by Revenu Quebec. Domfoam reserved its position that the CCAA proceeding is the proper forum for this matter.

70. The Applicants and the Monitor are engaged in further review with respect to this issue. In the event a resolution cannot be reached with Revenu Quebec on or before August 30, 2013, the Applicants may bring a motion before this Court to resolve this issue.

PROPOSED EXTENSION

71. The Applicants propose that the stay of the proceeding be extended from July 31, 2013 to December 31, 2013.

72. The extension sought herein will provide the Applicants with the time necessary to attend to the resolution of the claims filed by the class action claimants, to allow for a resolution of the disputed claim with Revenu Quebec, to collect outstanding amounts owed to Valle Foam, to attend to the collection of the

further instalments of the Polyol settlement funds, and otherwise to attend to the possible development of a plan for the distribution of the sale proceeds.

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

74. No cash flow is being provided with this affidavit as the Applicants have limited expenses and no employees. I am confident that the Applicants each have sufficient funds on hand to meet these obligations on a go forward basis for the period of the proposed extension.

75. I have been advised that the Monitor will support the proposed extension of the stay.

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

77. This affidavit is sworn in support of the Applicants' motion and for no other improper purpose.

SWORN before me at the City)
)
of Brampton, in the Province of)
)
Ontario, this 11th day of)
)
July, 2013.)

Commissioner for Taking Affidavits



TONY VALLECOCCIA

#2001726 | 4079509

Pauline Erna Leltgeb, a Commissioner, etc.,
Province of Ontario, for Minden Gross LLP,
Barristers and Solicitors.
Expires July 4, 2015.

TAB F

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF 3113736 CANADA LTD., 4362063
CANADA LTD., and A-Z SPONGE & FOAM PRODUCTS LTD.

(the "Applicants")

**AFFIDAVIT OF TONY VALLECOCCIA
(sworn December 12, 2013)**

I, **TONY VALLECOCCIA**, of the City of Brampton, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the President and CEO of 3113736 Canada Ltd. formerly known as Valle Foam Industries (1995) Inc. and of 4362063 Canada Ltd. formerly known as 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 3113736 Canada Ltd. ("**Valle Foam**"), and its affiliated companies, 4362063 Canada Ltd.

(“**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 December 31, 2013 to April 30, 2014; ii) to report to the Court on the status of the claims process; iii) to report to the Court on the ongoing collection efforts of the Applicants; and iv) to report to Court on the proposed settlement of the Class Action Claims against the Applicants.

3. As a result of the sale of assets of the Applicants, Valle Foam changed its name to 3113736 Canada Ltd. and Domfoam changed its name to 4362063 Canada Ltd. The style of cause of this proceeding was changed by Order of Justice Brown dated June 15, 2012 to reflect the change of names. For the purpose of this affidavit, the said Applicants will still be referred to as Valle Foam, Domfoam and A-Z.

BACKGROUND and STATUS OF THE COMPANIES

4. 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**”).

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

6. As reported in my previous affidavits in this proceeding, 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.

7. All three of the Applicants have completed court approved going concern sales of their businesses.

DOMFOAM

8. The transaction for the sale of the assets of Domfoam to 8032858 Canada Inc. closed on March 26, 2012. The entire purchase price payable has been provided to the Monitor.

9. Other than matters related to the collection of funds, minor administrative filings (such as attending to annual corporate filings) and the review of outstanding claims (in particular with respect to certain tax claims discussed below), there are no further ongoing activities of Domfoam.

VALLE FOAM

10. The Valle Foam transaction to sell its assets to Fybon Industries Limited (“Fybon”) closed in escrow on March 30, 2012, with escrow released on April 10, 2012 upon the filing of the Monitor’s Certificate.

11. Fybon was exclusively empowered to collect the receivables owing to Valle Foam for a period of 90 days after closing.

12. Following the expiration of the 90 day period, Valle Foam was thereafter entitled to collect the outstanding amounts.

13. Since the date of my last affidavit, Valle Foam has also pursued further collection efforts. In total, including the ten largest receivables noted above, 26 separate collection files have been opened by our counsel.

14. Valle Foam is aggressively pursuing all of these claims. Several defences or other defence filings or responses are due from the various defendants in the next few weeks. Valle Foam intends to pursue judgment in these matters if such filings are not made and to otherwise continue to push these matters forward.

A-Z FOAM

15. The A-Z transaction closed on April 2, 2012. There are no remaining issues on the A-Z transaction. The proceeds of sale have been paid to the Monitor.

COMPETITION ACT ISSUE

16. Both Domfoam and Valle Foam were charged with, and on January 5, 2012, pled guilty to certain offences relating to a price fixing conspiracy under the *Competition Act*, R.S.C. 1985, c C.34 (the "*Competition Act*"). Through agreement with the Director of Public Prosecutions, the resolution of the charges under the *Competition Act* included A-Z.

17. Domfoam was fined a total of \$6 million and Valle Foam was fined a total of \$6.5 million. Valle Foam paid \$500,000.00 in partial payment of the fines imposed against it. The details of the plea were set out in my previous affidavits.

18. Full disclosure of the Applicants' financial difficulties was made to the Crown prior to finalizing the statement of admissions and the entry of the pleas. The Crown was specifically advised of the Applicants' intention to file for protection under the provisions of the CCAA.

19. As part of the plea arrangement, certain officers and directors, including myself, agreed to cooperate with the continuing investigations being undertaken by the Competition Bureau. Interviews by counsel for the Competition Bureau were undertaken with the assistance of criminal counsel for the Applicants.

CLASS ACTIONS

20. Class counsel in the U.S. and Canada initiated a number of proposed class proceedings against the Applicants on behalf of purchasers of polyurethane foam and products containing polyurethane foam products. Some or all of the Applicants have been named as a defendant in at least six class action lawsuits in Canada, and over two dozen class action lawsuits in the United States (together, the “**Class Actions**”). The Canadian actions have been stayed as a result of the Initial Order.

21. The Applicants, through the Monitor, sought and received recognition of the CCAA proceeding in the United States Bankruptcy Court for the Northern District of Ohio. Attached hereto and marked as **Exhibit “A”** to this my affidavit is a copy of the Recognition Order of Judge Whipple dated February 24, 2012. The Order recognizes the CCAA proceedings as a forum main proceeding pursuant to the U.S. Bankruptcy Code. The Order of Judge Whipple also provides that any extension or amendment of the Canadian Orders will be given full force and effect in the United States to the same extent that it is given effect in Canada.

STATUS OF U.S. LITIGATION

22. Immediately prior to the Initial Order, our lawyers in New York, Skadden, Arps, successfully negotiated on behalf of the Applicants a settlement with the three different groups of class action plaintiffs in the United States.

23. The agreements specifically provided that they were contingent upon the Applicants filing for creditor protection. No payment was contemplated by the settlements. The settlements did provide that the class action plaintiffs reserved the right to file claims in these proceedings. No such claims have been filed by the U.S. class action claimants. Certain officers and employees of the Applicants agreed to provide information in connection with the issues raised in the litigation.

24. The class settlements have been approved by the court. Attached hereto and marked as **Exhibit "B"** is a copy of Judge Zouhary's Order dated June 21, 2013. The class action plaintiffs have voluntarily dismissed Domfoam and Valle Foam from the lawsuits.

25. As part of the implementation of the settlement agreements, various officers and employees of the Applicants have been examined by the class action plaintiffs' counsel. Among those examined were myself, John Howard, Dean

Brayiannis, Robert Vale and Fred Zickmantel. The examinations involved over a dozen counsel for the class action plaintiffs.

STATUS OF CANADIAN LITIGATION

26. There are currently six class action proceedings in Canada that are pending before the courts in Ontario, Quebec and British Columbia. The Applicants have been named (or one or more of the Applicants have been named) in each of these class proceedings. The claims allege that the Applicants and the other manufacturers are jointly and severally liable for damages to the proposed class members for price-fixing under the *Competition Act*. They seek in excess of \$100 million dollars of damages along with other relief.

27. On January 10, 2012, shortly before the Initial Order, the Applicants and various current and former officers and employees of the Applicants including myself (the “**Individual Settling Parties**”), entered into a settlement agreement with the Canadian class action plaintiffs. Attached hereto and marked as **Exhibit “C”** is a copy of the Settlement Agreement made as of January 10, 2012.

28. The settlement agreement provided that the Applicants would provide some cooperation in the form of documentary production, and that the Individual Settling Parties would provide cooperation in the forms of interviews, depositions and testimonies. Under the settlement agreement, and subject to court approval,

the class action plaintiffs agreed to discontinue the proceedings against the Applicants, and to provide certain releases and other protections in favour of the Individual Settling Parties.

29. Certain of the Individual Settling Parties, including myself, paid a total of \$1.2 million as part of the settlement. The settlement agreement also provided for the proposed assignment by the Applicants of a portion of the proceeds of certain U.S. class action settlements of up to \$200,000.00, described in more detail below.

30. In July 2013, each of Courts of Ontario, Quebec and British Columbia certified the Canadian class actions for the purposes of implementing the settlement agreement.

31. On October 28, 2013, Justice Lalonde of the Quebec Superior Court approved the settlement. A hearing was held on December 9, 2013, jointly of the Ontario Superior Court and the British Supreme Court to approve the settlement. The decision is under reserve.

32. The various class action claimants in Canada have filed proofs of claim in these proceedings. The claims were disallowed, but are subject to discussion and negotiation as described below. The claims against each of the Applicants total \$97.5 million.

STATUS OF FUNDS

33. As a result of completing the transactions and consolidating the remaining bank accounts and other amounts outstanding, the Applicants have significant funds available for distribution to the creditors.

34. In particular, the Monitor holds funds in approximately the following amounts as at December 6, 2013:

Valle Foam	\$5,492,596.48
Domfoam	\$3,149,125.40
A-Z	\$846,757.23

Urethane Antitrust Litigation

35. The Applicants are each claimants in a U.S. class action proceeding that relates to price fixing for a product known as "Polyether Polyol" ("Polyol").

36. The Applicants, as purchasers of the Polyol product are part of the litigation class, and are entitled to payment from that litigation. To date there have been two separate settlements approved by the United States District Court for the District of Kansas. The settlements provide for payment in instalments.

37. The first instalment has been paid. By order dated November 7, 2013, the U.S. Court authorized a second distribution of settlement funds. If that order is

not appealed, we anticipate receipt of the second distribution by the end of December 2013.

38. I am advised by David Ullmann that there has now been a trial in respect of one of the defendants, The Dow Chemical Company (“Dow”), in which a judgment has been rendered against Dow in the amount of \$1.2 Billion. The Applicants could receive a further significant payment from this judgment, or any related settlements. Dow is appealing the jury verdict and the judgment.

39. The right to receive the amounts due with respect to the Polyol claims remains an asset of the Applicants’ estates.

40. The Applicants entered into an agreement with a U.S. entity known as Refund Recovery Services, LLC (“RRS”) in 2008 with respect to the administration of the claim. The agreement appointed RRS as the Applicants’ exclusive agent to assist in filing the necessary documents to secure its share of the U.S. Polyol settlement funds.

41. It is anticipated at this time that, net of fees to RRS, the aggregate of the payments to the Applicants should be approximately \$140,000.00 (A-Z - \$8,000.00, Domfoam - \$58,000.00, Valle Foam - \$73,000.00).

CLAIMS PROCESS

42. The Order in these proceedings of Justice Brown dated June 15, 2012 (the “**Claims Process Order**”), established a process to identify pre and post-filing claims against the Applicants and/or their officers and directors. The process was meant to solicit claims from all parties, including the Crown and the various Class Action claimants in Canada and in the United States. Claims were due by August 31, 2012. Claims not made by August 31, 2012 would be barred and extinguished.

43. The Monitor received claims in the aggregate amount of approximately \$900 million, of which approximately \$810,000.00 were post-filing claims.

44. The significant claims were as follows: i) Revenu Quebec in the amount of \$2.9 million against Domfoam; ii) Competition Bureau in the amount of \$6 million against each of Domfoam and Valle Foam; and iii) the Canadian class actions in the amount of \$97.5 million.

45. The Applicants, with the assistance of the Monitor and its counsel, have engaged in extensive discussions and negotiations with the class action plaintiffs with a view to settling the quantum of the class action claim in these proceedings. The Monitor in its Eighth Report will provide detail of these discussions and the factors that resulted in a tentative agreement, subject to court approval, to accept the class action claims at a total of \$40 million. There will be no set-off for the

amounts paid by the individual defendants, which include myself. The class will waive any claim to the proceeds of the Polyol settlements.

46. There has been one additional significant claim filed in December from Canada Revenue Agency against Valle Foam in the amount of approximately \$310,000.00.

47. The extent of the anticipated distribution by the Applicants will be determined once the negotiation and/or adjudication of the claims have been completed. At this time the claims of Revenu Quebec and Canada Revenue Agency remain outstanding.

Contested Claims

48. As reported in my last affidavit in these proceedings, the Monitor has, in accordance with the Claims Process Order, disallowed the claims of Revenu Quebec.

Venue for Review of Claim

49. Revenu Quebec issued Notices of Assessment in connection with Quebec Sales Tax and GST after the date of the Initial Order and Claims Process Order. In July 2012, it filed a proof of claim against Domfoam in accordance with the Claims Process Order seeking payment of those amounts.

50. The claims of Revenu Quebec were disallowed by the Monitor, which disallowance was contested by Revenu Quebec which filed a Notice of Dispute.

51. Revenu Quebec took the position that Domfoam was required to file a Notice of Objection under the *Quebec Taxation Act* and the *Excise Tax Act* to the Notices of Assessment from which the claims arose, and had failed to do so. Domfoam, in consultation with the Monitor, filed a Notice of Objection to the assessment, without prejudice to its position that the matter should be resolved in these proceedings.

52. The Notice of Objection asserts, among other things, that the vast majority of the amount claimed by Revenu Quebec was not in fact due and owing. This position is supported by certain elections made by the Applicants and accounting records now located which were not available to the Revenu Quebec at the time of their review. It also asserts that Revenu Quebec was bound by the process set out in the Claims Process Order.

53. The Revenu Quebec matter has been assigned to a claims officer at Revenu Quebec. In its letter of May 29, 2013 (a copy of which is attached hereto as **Exhibit "D"**) Revenu Quebec set out its position.

54. Neither that correspondence, nor other subsequent correspondence from Revenu Quebec, addresses the position taken by the Applicants and the Monitor

with respect to the proper forum in which to resolve this matter. That matter remains outstanding. The Applicants have reserved their rights to contest the proper venue for the trial of this matter, if the negotiations become deadlocked.

Issues in Dispute

55. The Applicants and Revenu Quebec have exchanged several letters and have had telephone conversations to attempt to resolve this issue. Documents have been delivered to Revenu Quebec in this regard as recently as December 4, 2013. The matters remain unresolved.

56. Beyond the question of venue, there are three categories of dispute with Revenu Quebec which are:

- a) Intercompany Accounts: Whether or not the Applicants are related parties, and therefore entitled to an exemption with respect to the collection of GST for intercompany accounts
- b) Temp Agencies: Whether or not Domfoam paid GST to various Temp Agencies for services rendered and the nature of those services
- c) Pre-filing Credits: Whether or not Domfoam now owes GST in respect of various GST credits claimed prior to the CCAA filing for goods delivered prior to the CCAA filing but subsequently not paid for due to

the CCAA filing.

Intercompany Accounts

57. Revenu Quebec's claim with respect to this issue amounts to approximately \$1.6 million (before penalties and interest). Domfoam has contested this claim. It is my understanding that, due to elections made by the Applicants, they are exempt from requiring the collection of HST/GST for inter-corporate transactions among the Applicants.

58. Our counsel has provided a variety of materials, including share registries, corporate records, financial reports and my initial affidavit in these proceedings to demonstrate that the parties are related and that this claim by Revenu Quebec should be dismissed.

Temp Agencies

59. Revenu Quebec's claim with respect to this issue is in the amount of approximately \$400,000.00 (before interest and penalties) in relations to GST paid to seven different Temporary Employment Agencies (the "**Temp Agencies**") hired by Domfoam to provide additional labour to Domfoam's operations prior to the CCAA filing.

60. Revenu Quebec has advised that the six of the seven Temp Agencies are

known to Revenu Quebec as “suppliers of false invoices” and that Revenu Quebec is of the view that the Temp Agencies could not have delivered the services in respect of which GST is asserted to have been paid by Domfoam. Domfoam disputes this position.

61. I have reviewed this matter with the former CFO of Domfoam, Mr. Glenn Ross, and he has advised me, and I believe it to be true, that Domfoam hired the Temp Agencies in question to provide the services in question and that those Temp Agencies provided the services to the best of our knowledge. Further, he advised me, and I believe it to be true, that GST was paid in good faith to the Temp Agencies which were hired in the ordinary course.

Pre-Filing Credits

62. With respect to this issue, Revenu Quebec takes the position that Domfoam owes a further approximately \$500,000.00 (before penalties and interest) in respect of GST credits which are now in dispute. This amount arises in respect of GST credits which Domfoam may have applied for in respect of goods or services it ordered and presumably took delivery of prior to the CCAA filing, and in respect of which, due to the prohibition in the Court order to pay those pre-filing debts after the CCAA proceeding commenced, the GST was likely ultimately never paid to Revenu Quebec.

63. At this time, I understand it is undetermined whether or not these amounts, if due, will be payable as a post-filing obligation. We are reviewing how these amounts arose.

Claim against Valle Foam

64. The new claim filed by Canada Revenue Agency against Valle Foam, referenced above, also arises from the same pre-filing credit issue which has been raised by Revenu Quebec against Domfoam.

65. It is my understanding that the Monitor is prepared to accept the new claim from Canada Revenue Agency, with respect to the quantum claimed as owing by Valle Foam. As in the Domfoam case, the question of the priority of this claim is undecided and is not being decided at this time.

66. It is my understanding, that there are no similar claims filed against A-Z. The Monitor has previously reported to the Court that there were post-filing HST amounts owing by A-Z, but that the Monitor intended to pay those amounts.

67. The Applicants and the Monitor are engaged in further review with respect to these claims. In the event a resolution cannot be reached with Revenu Quebec, the Applicants may bring a motion before this Court to resolve this issue.

PROPOSED EXTENSION

68. The Applicants propose that the stay of the proceeding be extended from December 31, 2013 to April 30, 2014.

69. The extension sought herein will provide the Applicants with the time necessary to attend to the finalization of the settlement of the claims filed by the class action claimants, to allow for a resolution of the disputed claim with Revenu Quebec, to collect outstanding amounts owed to Valle Foam, to attend to the collection of the further instalments of the Polyol settlement funds, and otherwise to attend to the possible development of a plan for the distribution of the sale proceeds.

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

71. No cash flow is being provided with this affidavit as the Applicants have limited expenses and no employees. I am confident that the Applicants each have sufficient funds on hand to meet these obligations on a go forward basis for the period of the proposed extension.

72. I have been advised that the Monitor will support the proposed extension of the stay.

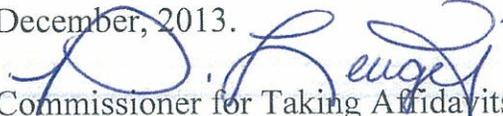
73. The Applicants are operating with good faith and with due diligence.

74. This affidavit is sworn in support of the Applicants' motion and for no other improper purpose.

SWORN before me at the City)
)
of Brampton, in the Province of)
)
Ontario, this 12th day of)
)
December, 2013.)



TONY VALLECOCCIA


Commissioner for Taking Affidavits

#2124655 | 4079509

Pauline Erna Leitgeb, a Commissioner, etc.,
Province of Ontario, for Minden Gross LLP,
Barristers and Solicitors.
Expires July 4, 2015.

TAB G

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 3113736 CANADA LTD., 4362063
CANADA LTD., and A-Z SPONGE & FOAM PRODUCTS LTD.

(the "Applicants")

**AFFIDAVIT OF TONY VALLECOCCIA
(sworn April 22, 2014)**

I, **TONY VALLECOCCIA**, of the City of Brampton, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the President and CEO of 3113736 Canada Ltd. formerly known as Valle Foam Industries (1995) Inc. and of 4362063 Canada Ltd. formerly known as 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 3113736 Canada Ltd. (“**Valle Foam**”), and its affiliated companies, 4362063 Canada Ltd. (“**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 April 30, 2014 to October 30, 2014; ii) to report to the Court on the status of the claims process and, in particular, the dispute with Revenu Quebec; iii) to report to the Court on the ongoing collection efforts of the Applicants; and iv) to report to Court on the proposed settlement of the Class Action Claims against the Applicants.

3. As a result of the sale of assets of the Applicants, Valle Foam changed its name to 3113736 Canada Ltd. and Domfoam changed its name to 4362063 Canada Ltd. The style of cause of this proceeding was changed by Order of Justice Brown dated June 15, 2012 to reflect the change of names. For the purpose of this affidavit, the said Applicants will still be referred to as Valle Foam, Domfoam and A-Z.

BACKGROUND AND STATUS OF THE COMPANIES

4. 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**”).

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

6. As reported in my previous affidavits in this proceeding, 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.

7. All three of the Applicants have completed court approved going concern sales of their businesses.

DOMFOAM

8. The transaction for the sale of the assets of Domfoam to 8032858 Canada Inc. closed on March 26, 2012. The entire purchase price payable has been provided to the Monitor.

9. Other than matters related to the collection of funds, minor administrative filings (such as attending to annual corporate filings) and the review of outstanding claims (in particular with respect to certain tax claims discussed below), there are no further ongoing activities of Domfoam.

VALLE FOAM

10. The Valle Foam transaction to sell its assets to Fybon Industries Limited (“**Fybon**”) closed in escrow on March 30, 2012, with escrow released on April 10, 2012 upon the filing of the Monitor’s Certificate.
11. Fybon was exclusively empowered to collect the receivables owing to Valle Foam for a period of 90 days after closing.
12. Following the expiration of the 90 day period, Valle Foam was thereafter entitled to collect the outstanding amounts.
13. Since the date of my last affidavit, Valle Foam has also pursued further collection efforts. In total, 24 separate collection files have been opened by our counsel.
14. Valle Foam is aggressively pursuing all of these claims. In 13 of the 24 actions, defences have been filed. 7 of the 24 actions have settled. In 4 cases, default judgment has been received and enforcement has begun.
15. In three cases, investigation with the Company determined that the amount owing was below \$5,000.00 and, with the Monitor, the Company determined it was not cost efficient to pursue any action. Our counsel wishes to provide these matters to a collection agency upon discussion with the Monitor.

16. Approximately \$116,000.00 has been collected by Valle Foam from the settlements completed thus far.

17. The approximate aggregate amount of the default judgements obtained total \$378,020.00, plus post judgment interest and costs. We are pursuing collection efforts with respect to these amounts.

18. The total amount outstanding to be collected among the 14 claims in respect of which there have been defences filed is about \$1,182,000.00.

19. Valle Foam intends to continue to vigorously pursue these matters.

A-Z FOAM

20. The A-Z transaction closed on April 2, 2012. There are no remaining issues on the A-Z transaction. The proceeds of sale have been paid to the Monitor.

21. The company has recently undertaken over-the-counter proceedings to provide the filings to the British Columbia government to avoid the dissolution of this mainly inactive company.

COMPETITION ACT ISSUE

22. Both Domfoam and Valle Foam were charged with, and on January 5, 2012, pled guilty to certain offences relating to a price fixing conspiracy under the

Competition Act, R.S.C. 1985, c C.34 (the “*Competition Act*”). Through agreement with the Director of Public Prosecutions, the resolution of the charges under the *Competition Act* included A-Z.

23. Domfoam was fined a total of \$6 million and Valle Foam was fined a total of \$6.5 million. Valle Foam paid \$500,000.00 in partial payment of the fines imposed against it. The details of the plea were set out in my previous affidavits.

24. Full disclosure of the Applicants’ financial difficulties was made to the Crown prior to finalizing the statement of admissions and the entry of the pleas. The Crown was specifically advised of the Applicants’ intention to file for protection under the provisions of the CCAA.

25. As part of the plea arrangement, certain officers and directors, including myself, agreed to cooperate with the continuing investigations being undertaken by the Competition Bureau. Interviews by counsel for the Competition Bureau were undertaken with the assistance of criminal counsel for the Applicants.

CLASS ACTIONS

26. Class counsel in the U.S. and Canada initiated a number of proposed class proceedings against the Applicants on behalf of purchasers of polyurethane foam and products containing polyurethane foam products. Some or all of the

Applicants have been named as a defendant in at least six class action lawsuits in Canada, and over two dozen class action lawsuits in the United States (together, the “**Class Actions**”). The Canadian actions have been stayed as a result of the Initial Order.

27. The Applicants, through the Monitor, sought and received recognition of the CCAA proceeding in the United States Bankruptcy Court for the Northern District of Ohio. The Order recognizes the CCAA proceedings as a forum main proceeding pursuant to the U.S. Bankruptcy Code. The Order of Judge Whipple also provides that any extension or amendment of the Canadian Orders will be given full force and effect in the United States to the same extent that it is given effect in Canada.

STATUS OF U.S. LITIGATION

28. Immediately prior to the Initial Order, our lawyers in New York, Skadden, Arps, successfully negotiated on behalf of the Applicants a settlement with the three different groups of class action plaintiffs in the United States.

29. The agreements specifically provided that they were contingent upon the Applicants filing for creditor protection. No payment was contemplated by the settlements. The settlements did provide that the class action plaintiffs reserved the right to file claims in these proceedings. No such claims have been filed by

the U.S. class action claimants. Certain officers and employees of the Applicants agreed to provide information in connection with the issues raised in the litigation.

30. The class settlements have been approved by the court. The class action plaintiffs have voluntarily dismissed Domfoam and Valle Foam from the lawsuits.

31. As part of the implementation of the settlement agreements, various officers and employees of the Applicants have been examined by the class action plaintiffs' counsel. Among those examined were myself, John Howard, Dean Brayannis, Robert Vale and Fred Zickmantel. The examinations involved over a dozen counsel for the class action plaintiffs.

STATUS OF CANADIAN LITIGATION

32. There are currently six class action proceedings in Canada that are pending before the courts in Ontario, Quebec and British Columbia. The Applicants have been named (or one or more of the Applicants have been named) in each of these class proceedings. The claims allege that the Applicants and the other manufacturers are jointly and severally liable for damages to the proposed class members for price-fixing under the *Competition Act*. They seek in excess of \$100 million dollars of damages along with other relief.

33. On January 10, 2012, shortly before the Initial Order, the Applicants and various current and former officers and employees of the Applicants including myself (the “**Individual Settling Parties**”), entered into a settlement agreement with the Canadian class action plaintiffs. Attached hereto and marked as **Exhibit “A”** is a copy of the Settlement Agreement made as of January 10, 2012.

34. The settlement agreement provided that the Applicants would provide some cooperation in the form of documentary production, and that the Individual Settling Parties would provide cooperation in the forms of interviews, depositions and testimonies. Under the settlement agreement, and subject to court approval, the class action plaintiffs agreed to discontinue the proceedings against the Applicants, and to provide certain releases and other protections in favour of the Individual Settling Parties.

35. Certain of the Individual Settling Parties, including myself, paid a total of \$1.2 million as part of the settlement. The settlement agreement also provided for the proposed assignment by the Applicants of a portion of the proceeds of certain U.S. class action settlements of up to \$200,000.00, described in more detail below.

36. In July 2013, each of Courts of Ontario, Quebec and British Columbia certified the Canadian class actions for the purposes of implementing the settlement agreement.

37. On October 28, 2013, Justice Lalonde of the Quebec Superior Court approved the settlement. On February 11, 2014, Justice Leitch of the Ontario Superior Court of Justice approved the settlement. Justice Bowden of the British Columbia Court approved the settlement on March 19, 2014. The British Columbia *Class Proceedings Act* provides for a 30 day right of appeal. The settlements become effective on the “Effective Date” being the date on which final approval orders have been received and when any appeals from those orders have been exhausted. The Effective Date for the implementation of the settlement will therefore be April 22, 2014.

38. The various class action claimants in Canada have filed proofs of claim in these proceedings. The claims were disallowed, but are subject to discussion and negotiation as described below. The claims against each of the Applicants total \$97.5 million.

STATUS OF FUNDS

39. As a result of completing the transactions and consolidating the remaining bank accounts and other amounts outstanding, the Applicants have significant funds available for distribution to the creditors.

40. In particular, the Monitor holds funds in approximately the following amounts as at April 21, 2014:

Valle Foam	\$6,211,097.33
Domfoam	\$2,277,755.61
A-Z	\$730,149.56

Urethane Antitrust Litigation

41. The Applicants are each claimants in a U.S. class action proceeding that relates to price fixing for a product known as “Polyether Polyol” (“**Polyol**”).

42. The Applicants, as purchasers of the Polyol product are part of the litigation class, and are entitled to payment from that litigation. To date there have been two separate settlements approved by the United States District Court for the District of Kansas. The settlements provide for payment in instalments.

43. The first instalment has been paid. By order dated November 7, 2013, the U.S. Court authorized a second distribution of settlement funds. The second and final distribution was received in early January 2014 in the following amounts: \$58,640.00 with respect to Domfoam, \$8,440.00 with respect to AZ Foam and \$74,177.00 with respect to Valle Foam.

44. I am advised by David Ullmann that there has now been a trial in respect of one of the defendants, The Dow Chemical Company ("**Dow**"), in which a judgment has been rendered against Dow in the amount of \$1.2 Billion. The Applicants could receive a further significant payment from this judgment, or any related settlements. Dow is appealing the jury verdict and the judgment.

45. The action is complex and is the subject to various appeal and cross appeal motions and motions dealing with costs and bonds. Arguments were heard in the Tenth Circuit US Court in February and March arguing about whether or not the class was properly certified. The matter is pending.

46. The right to receive the amounts due with respect to the Polyol claims remains an asset of the Applicants' estates.

47. The Applicants entered into an agreement with a U.S. entity known as Refund Recovery Services, LLC ("**RRS**") in 2008 with respect to the administration of the claim. The agreement appointed RRS as the Applicants'

exclusive agent to assist in filing the necessary documents to secure its share of the U.S. Polyol settlement funds

48. Our counsel is in communication with RRS with respect to the progress of the Dow matter.

CLAIMS PROCESS

49. The Order in these proceedings of Justice Brown dated June 15, 2012 (the “**Claims Process Order**”), established a process to identify pre and post-filing claims against the Applicants and/or their officers and directors. The process was meant to solicit claims from all parties, including the Crown and the various Class Action claimants in Canada and in the United States. Claims were due by August 31, 2012. Claims not made by August 31, 2012 would be barred and extinguished.

50. The Monitor received claims in the aggregate amount of approximately \$900 million, of which approximately \$810,000.00 were post-filing claims.

51. The significant claims were as follows: i) Revenu Quebec in the amount of \$2.9 million against Domfoam and its officers and directors; ii) Competition Bureau in the amount of \$6 million against each of Domfoam and Valle Foam; and iii) the Canadian class actions in the amount of \$97.5 million.

52. The Applicants, with the assistance of the Monitor and its counsel, have engaged in extensive discussions and negotiations with the class action plaintiffs with a view to settling the quantum of the class action claim in these proceedings. The Monitor in its Eighth Report provided detail of these discussions and the factors that resulted in an agreement, subject to the approval of the Monitor and the court, to accept the class action claims at a total of \$40 million. There will be no set-off for the amounts paid by the individual defendants, which include myself. The class will waive any claim to the proceeds of the Polyol settlements. The Monitor has recommended that the Court approve the proposed agreed valuation of the claims.

53. There has been one additional significant claim filed in December from Canada Revenue Agency against Valle Foam in the amount of approximately \$310,000.00.

54. The extent of the anticipated distribution by the Applicants will be determined once the negotiation and/or adjudication of the claims have been completed. At this time the claims of Revenu Quebec and Canada Revenue Agency remain outstanding.

Contested Claims

55. As reported in my last affidavit in these proceedings, the Monitor has, in accordance with the Claims Process Order, disallowed the claims of Revenu Quebec against Domfoam.

56. There is currently no mechanism to allow the Monitor or the companies to adjudicate claims against the officers and directors.

57. Domfoam's director and officer insurer has been notified of the claim and of the various steps taken in these proceedings. The insurer has confirmed they will provide coverage for the proper amount due and owing in respect of this claim.

Venue for Review of Claim

58. Revenu Quebec issued Notices of Assessment in connection with Quebec Sales Tax and GST after the date of the Initial Order and Claims Process Order. In July 2012, it filed a proof of claim against Domfoam, and the directors and officers of Domfoam, in accordance with the Claims Process Order seeking payment of those amounts.

59. The Claims Process Order provided the Monitor with the authority to value and, if necessary, disallow claims in the CCAA process.

60. The claims of Revenu Quebec were disallowed by the Monitor, which disallowance was contested by Revenu Quebec which filed a Notice of Dispute.

61. Revenu Quebec took the position in its Notice of Dispute that Domfoam was required to file a Notice of Objection under the *Quebec Taxation Act* and the *Excise Tax Act* to the Notices of Assessment from which the claims arose, and had failed to do so. Domfoam, in consultation with the Monitor, filed a Notice of Objection to the assessment, without prejudice to its position that the matter should be resolved in these proceedings.

62. The Notice of Objection asserts, among other things, that the vast majority of the amount claimed by Revenu Quebec was not in fact due and owing. This position is supported by certain elections made by the Applicants and accounting records now located which were not available to the Revenu Quebec at the time of their review. It also asserts that Revenu Quebec was bound by the process set out in the Claims Process Order.

63. To date the issue of the proper forum in which to resolve this matter remains outstanding.

Issues in Dispute

64. Beyond the question of venue, there were three categories of dispute with Revenu Quebec which were:

- a) Intercompany Accounts: Whether or not the Applicants are related parties, and therefore entitled to an exemption with respect to the collection of GST for intercompany accounts
- b) Temp Agencies: Whether or not Domfoam paid GST to various Temp Agencies for services rendered and the nature of those services
- c) Pre-filing Credits: Whether or not Domfoam now owes GST in respect of various GST credits claimed prior to the CCAA filing for goods delivered prior to the CCAA filing but subsequently not paid for due to the CCAA filing.

Intercompany Accounts

65. Revenu Quebec's claim with respect to this issue amounts to approximately \$1.6 million (before penalties and interest). Domfoam contested this claim.

66. Following prolonged negotiations, Domfoam was ultimately able to persuade Revenu Quebec to withdraw this claim. The letter dated March 25, 2014

(with official translation) attached as **Exhibit “B”** constitutes official confirmation that that issue is resolved in Domfoam’s favour.

Temp Agencies

67. Revenu Quebec’s claim with respect to this issue is in the amount of approximately \$400,000.00 (before interest and penalties) in relations to GST paid to seven different Temporary Employment Agencies (the “**Temp Agencies**”) hired by Domfoam to provide additional labour to Domfoam’s operations prior to the CCAA filing.

68. Revenu Quebec has advised that the six of the seven Temp Agencies are known to Revenu Quebec as “suppliers of false invoices” and that Revenu Quebec is of the view that the Temp Agencies could not have delivered the services in respect of which GST is asserted to have been paid by Domfoam. Domfoam disputes this position.

69. As previously set out in my last Affidavit, I believe Revenu Quebec is simply wrong about this issue. Attached as **Exhibit “C”** is a letter dated March 20, 2014 (without attachments) which sets out at length the evidence that our counsel has accumulated to demonstrate the truth of the position asserted by Domfoam.

70. Domfoam has demonstrated that each supplier paid had the correct and valid HST or QST number. Domfoam has produced time cards and Human Resource records, invoices and proof of payment to demonstrate that the temporary workers in question did attend at Domfoam and that the agencies in question were paid. Domofam has offered to produce affidavit evidence of the Domfoam parties involved.

71. As set out in the letter attached at Exhibit "B", Revenu Quebec has not agreed. The matter remains outstanding.

72. Domfoam is awaiting the notice of assessment reflecting the recent letter from Revenu Quebec. I am advised by counsel that Domfoam will have 90 days to appeal that notice of assessment through the requisite tax courts, should it be determined that is the appropriate path for appeal.

Pre-Filing Credits

73. With respect to this issue, Revenu Quebec takes the position that Domfoam owes a further approximately \$500,000.00 (before penalties and interest) in respect of GST credits which are now in dispute. This amount arises in respect of GST credits which Domfoam may have applied for in respect of goods or services it ordered and presumably took delivery of prior to the CCAA filing, and in respect of which, due to the prohibition in the Court order to pay those pre-filing

debts after the CCAA proceeding commenced, the GST was likely ultimately never paid to Revenu Quebec.

74. We have now settled the amount of this claim with Revenu Quebec, as set out in the attached letter.

75. At this time, I understand it is undetermined whether or not these amounts, if due, will be payable as a post-filing obligation.

76. There may yet be a dispute with respect to whether or not these are fees in respect of which the Company or the directors and officers have any liability. In the event there is any liability to the directors or officers, I understand there is also a charge in favour of the directors and officers, granted in the Initial Order, which may apply to these outstanding amounts.

77. As noted above, the insurer is also on notice as to this claim and the status of this dispute.

Claim against Valle Foam

78. The recent claim filed by Canada Revenue Agency against Valle Foam, referenced above, also arises from the same pre-filing credit issue which has been raised by Revenu Quebec against Domfoam.

79. It is my understanding that the Monitor has accepted this claim from Canada Revenue Agency, with respect to the quantum claimed as owing by Valle Foam. As in the Domfoam case, the question of the priority of this claim is undecided and is not being decided at this time.

80. There are no similar claims filed against A-Z. The Monitor has previously reported to the Court that there were post-filing HST amounts owing by A-Z, but that the Monitor intended to pay those amounts.

PROPOSED EXTENSION

81. The Applicants propose that the stay of the proceeding be extended from April 30, 2014 to October 30, 2014.

82. The extension sought herein will provide the Applicants and the Monitor to secure clearance certificate, or other arrangements with Canada Revenue Agency and the appropriate provincial tax authorities, to allow for a resolution of the disputed claim with Revenu Quebec, to collect outstanding amounts owed to Valle Foam, and otherwise to attend to the possible development of a plan for the distribution of the sale proceeds.

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

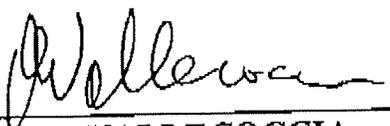
84. No cash flow is being provided with this affidavit as the Applicants have limited expenses and no employees. I am confident that the Applicants each have sufficient funds on hand to meet these obligations on a go forward basis for the period of the proposed extension.

85. I have been advised that the Monitor will support the proposed extension of the stay.

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

87. This affidavit is sworn in support of the Applicants' motion and for no other improper purpose.

SWORN before me at the City)
)
of Brampton, in the Province of)
)
Ontario, this 22nd day of)
)
April, 2014.)
)
Commissioner for Taking Affidavits)



TONY VALLECOCCIA

#2124655 | 4079509

Pauline Erna Leitgeb, a Commissioner, etc.,
Province of Ontario, for Minden Gross LLP,
Barristers and Solicitors.
Expires July 4, 2015.

TAB H

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 3113736 CANADA LTD., 4362063
CANADA LTD., and A-Z SPONGE & FOAM PRODUCTS LTD.

(the "Applicants")

**AFFIDAVIT OF TONY VALLECOCCIA
(sworn October 22, 2014)**

I, **TONY VALLECOCCIA**, of the City of Brampton, in the Province of
Ontario, **MAKE OATH AND SAY:**

1. I am the President and CEO of 3113736 Canada Ltd. formerly known as Valle Foam Industries (1995) Inc. and of 4362063 Canada Ltd. formerly known as 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 3113736 Canada Ltd. (“**Valle Foam**”), and its affiliated companies, 4362063 Canada Ltd. (“**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 October 30, 2014 to and including April 24, 2015; ii) to report to the Court on the status of the claims process and, in particular, the dispute with Revenu Quebec; and iii) to report to the Court on the ongoing collection efforts of the Applicants.

3. As a result of the sale of assets of the Applicants, Valle Foam changed its name to 3113736 Canada Ltd. and Domfoam changed its name to 4362063 Canada Ltd. The style of cause of this proceeding was changed by Order of Justice Brown dated June 15, 2012 to reflect the change of names. For the purpose of this affidavit, the said Applicants will still be referred to as Valle Foam, Domfoam and A-Z.

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6. As reported in my previous affidavits in this proceeding, 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.

7. All three of the Applicants have completed court approved going concern sales of their businesses.

DOMFOAM

8. The transaction for the sale of the assets of Domfoam to 8032858 Canada Inc. closed on March 26, 2012. The entire purchase price payable has been provided to the Monitor.

9. Other than the review of outstanding claims (in particular with respect to certain tax claims discussed below), there are no further ongoing activities of Domfoam.

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11. Valle Foam has pursued further collection efforts of its outstanding receivables. Out of the 24 actions commenced by Valle Foam, twelve are defended actions while the remaining actions have either settled or Valle Foam has obtained default judgment.

12. Valle Foam intends to continue to vigorously pursue these matters.

A-Z FOAM

13. The A-Z transaction closed on April 2, 2012. There are no remaining issues on the A-Z transaction. The proceeds of sale have been paid to the Monitor.

COMPETITION ACT ISSUE

14. Both Domfoam and Valle Foam were charged with, and on January 5, 2012, pled guilty to certain offences relating to a price fixing conspiracy under the *Competition Act*, R.S.C. 1985, c C.34 (the “**Competition Act**”). Through agreement with the Director of Public Prosecutions, the resolution of the charges under the *Competition Act* included A-Z.

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22. The class settlements have been approved by the U.S. court. The class action plaintiffs have voluntarily dismissed Domfoam and Valle Foam from the lawsuits.

23. As part of the implementation of the settlement agreements, various officers and employees of the Applicants have been examined by the class action plaintiffs' counsel. Among those examined were myself, John Howard, Dean Brayannis, Robert Vale and Fred Zickmantel. The examinations involved over a dozen counsel for the class action plaintiffs.

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26. The settlement agreement provided that the Applicants would provide some cooperation in the form of documentary production, and that the Individual Settling Parties would provide cooperation in the forms of interviews, depositions and testimonies. Under the settlement agreement, and subject to court approval, the class action plaintiffs agreed to discontinue the proceedings against the Applicants, and to provide certain releases and other protections in favour of the Individual Settling Parties.

27. Certain of the Individual Settling Parties, including myself, paid a total of \$1.2 million as part of the settlement. The settlement agreement also provided for the proposed assignment by the Applicants of a portion of the proceeds of certain U.S. class action settlements of up to \$200,000.00, described in more detail below.

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32. In particular, the Monitor holds funds in approximately the following amounts as at October 21, 2014:

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33. The Applicants are each claimants in a U.S. class action proceeding that relates to price fixing for a product known as “Polyether Polyol” (“**Polyol**”).

34. The Applicants, as purchasers of the Polyol product are part of the litigation class, and are entitled to payment from that litigation. To date there have been two separate settlements approved by the United States District Court for the District of Kansas. The settlements provide for payment in instalments.

35. By January 2014, all the installments in the original settlements, documented in my earlier affidavits, had been paid. There are no further distributions expected with respect to these settlements.

36. I am advised by David Ullmann, a partner at Minden Gross LLP, that there has been a trial in respect of one of the defendants in the Polyol matter, The Dow Chemical Company (“**Dow**”), in which a judgment has been rendered against Dow in the amount of \$1.06 Billion.

37. I am advised that the U.S. courts trial verdict was upheld by Tenth Circuit Court of Appeals in Denver. However, I understand it is Dow’s public position that they are now going to attempt to appeal the matter to the U.S. Supreme Court.

38. If an appeal to be heard by U.S. Supreme Court is filed, it is my understanding that it may take as much as a year before the Supreme Court decides whether or not to take the appeal. It would then take at least a year from that date for the appeal to be heard.

39. The right to receive the amounts due with respect to the Polyol claims remains an asset of the Applicants' estates.

40. The Applicants entered into an agreement with an U.S. entity known as Refund Recovery Services, LLC ("RRS") in 2008 with respect to the administration of the claim. The agreement appointed RRS as the Applicants' exclusive agent to assist in filing the necessary documents to secure its share of the U.S. Polyol settlement funds.

41. Our counsel is in communication with RRS with respect to the progress of the Dow matter.

42. I am advised by our counsel that, in the event the Dow judgment is upheld and payment is made by Dow in the full amount of the claim, the recovery to the Applicants could be significant.

43. On a rough calculation, the gross amount, before attorney fees, payable in respect of the Applicants' claim in the Polyol proceedings, in the event of a one billion dollar judgment, could be as high as: Valle Foam \$6,000,000.00. Domfoam \$4,900,000.00 and A-Z Foam \$690,000.00.

44. I am cautioned by our counsel that there are many factors which could reduce the amounts actually received by the Applicants, including additional late

filed claims, appeal costs, higher attorney fees approved by the Court, and other unforeseen events or holdbacks.

CLAIMS PROCESS

45. The Order in these proceedings of Justice Brown dated June 15, 2012 (the “**Claims Process Order**”), established a process to identify pre and post-filing claims against the Applicants and/or their officers and directors.

46. The Monitor received claims in the aggregate amount of approximately \$900 million, of which approximately \$810,000.00 were post-filing claims.

47. The significant claims were as follows: i) Revenu Quebec in the amount of \$2.9 million against Domfoam and its officers and directors; ii) Competition Bureau in the amount of \$6 million against each of Domfoam and Valle Foam; and iii) the Canadian class actions in the amount of \$97.5 million.

48. The Applicants, with the assistance of the Monitor and its counsel engaged in extensive discussions and negotiations with the class action plaintiffs to settle the class action claims by accepting the claim for distribution purposes at a compromised amount of \$40 million subject to court approval. Justice Brown approved the settlement by Order dated April 29, 2014.

49. The extent of the anticipated distribution by the Applicants will be determined once the negotiation and/or adjudication of the claims have been completed. At this time the claims of Revenu Quebec and Canada Revenue Agency remain outstanding.

Contested Claims

50. As reported in my last affidavit in these proceedings, the Monitor has, in accordance with the Claims Process Order, disallowed the claims of Revenu Quebec against Domfoam.

51. There is currently no mechanism to allow the Monitor or the companies to adjudicate claims against the officers and directors.

52. Domfoam's director and officer insurer has been notified of the claim and of the various steps taken in these proceedings. The insurer has confirmed they will provide coverage for the proper amount due and owing in respect of this claim.

Issues in Dispute

53. There were originally three categories of dispute with Revenu Quebec which were:

- a) Intercompany Accounts: Whether or not the Applicants are related parties, and therefore entitled to an exemption with respect to the collection of GST for intercompany accounts;
- b) Temp Agencies: Whether or not Domfoam paid GST to various Temp Agencies for services rendered and the nature of those services;
- c) Pre-filing Credits: Whether or not Domfoam now owes GST in respect of various GST credits claimed prior to the CCAA filing for goods delivered prior to the CCAA filing but subsequently not paid for due to the CCAA filing.

Intercompany Accounts

54. Revenu Quebec's claim with respect to this issue amounts to approximately \$1.6 million (before penalties and interest). Domfoam contested this claim.

55. Following prolonged negotiations, Domfoam was ultimately able to persuade Revenu Quebec to withdraw this claim. The letter dated March 25, 2014 (with official translation) attached as **Exhibit "B"** constitutes official confirmation that this issue is resolved in Domfoam's favour.

Temp Agencies

56. Revenu Quebec's claim with respect to this issue is in the amount of approximately \$400,000.00 (before interest and penalties) in relations to GST paid to seven different Temporary Employment Agencies (the "**Temp Agencies**") hired by Domfoam to provide additional labour to Domfoam's operations prior to the CCAA filing.

57. Revenu Quebec has advised that six of the seven Temp Agencies are known to Revenu Quebec as "suppliers of false invoices" and that Revenu Quebec is of the view that the Temp Agencies could not have delivered the services in respect of which GST is asserted to have been paid by Domfoam. Domfoam disputes this position.

58. As previously set out in my last Affidavit, I believe Revenu Quebec is simply wrong about this issue. Attached as **Exhibit "C"** is a letter dated March 20, 2014 (without attachments) which sets out at length the evidence that our counsel has accumulated to demonstrate the truth of the position asserted by Domfoam.

59. Domfoam has demonstrated that each supplier paid had the correct and valid HST or QST number. Domfoam has produced time cards and Human Resource records, invoices and proof of payment to demonstrate that the temporary workers

in question did attend at Domfoam and that the agencies in question were paid. Domofam has offered to produce affidavit evidence of the Domfoam parties involved.

60. As set out in the letter attached at Exhibit "B", Revenu Quebec has not agreed.

Pre-Filing Credits

61. With respect to this issue, Revenu Quebec takes the position that Domfoam owes a further approximately \$525,000.00 (before penalties and interest) in respect of GST credits which are now in dispute. This amount arises in respect of GST credits which Domfoam may have applied for in respect of goods or services it ordered and presumably took delivery of prior to the CCAA filing, and in respect of which, due to the prohibition in the Court order to pay those pre-filing debts after the CCAA proceeding commenced, the GST was likely ultimately never paid to Revenu Quebec.

62. We have now settled the amount of this claim with Revenu Quebec.

63. At this time, I understand it is undetermined whether or not these amounts will be payable as a post-filing obligation.

64. There may yet be a dispute with respect to whether or not these are fees in respect of which the company or the directors and officers have any liability. In the event there is any liability to the directors or officers, I understand there is also a charge in favour of the directors and officers, granted in the Initial Order, which may apply to these outstanding amounts.

65. As noted above, the company's director and officer insurer is also on notice as to this claim and the status of this dispute.

Claim against Valle Foam

66. A recent claim filed by Canada Revenue Agency against Valle Foam, referenced above, also arises from the same pre-filing credit issue which has been raised by Revenu Quebec against Domfoam.

67. It is my understanding that the Monitor has accepted this claim from Canada Revenue Agency, with respect to the quantum claimed as owing by Valle Foam for a similar category of claim. As in the Domfoam case, the question of the priority of this claim is undecided and is not being decided at this time.

68. There are no similar claims filed against A-Z. The Monitor has previously reported to the Court that there were post-filing HST amounts owing by A-Z, but that the Monitor intended to pay those amounts.

Current Status of the Tax Claims

69. Revenue Quebec ultimately filed an amended proof of claim on its own behalf and on behalf of Canada Revenue Agency in these proceedings on April 22, 2014. Canada Revenue Agency also provided an amended notice of assessment on April 4, 2014. No such notice has been provided by Revenue Quebec.

70. In the amended Notice of Assessment, Canada Revenue Agency filed a claim for approximately \$398,000.00, inclusive of penalties and interest. This new assessment reflected the fact that the matter with respect to the intercompany amounts had been settled, while the amounts owing in respect of the Temp Agency Issue and the Pre/Post filing issue remains outstanding.

71. The amended proof of claim, advised of claims in the amount \$398,000.00 claimed by Canada Revenue Agency, and approximately \$800,000.00 for Revenue Quebec. A copy of the Amended Claim is attached hereto as **Exhibit "D"**. It also confirms that the intercompany amounts is no longer in issue.

72. In consultation with the Monitor, Domfoam agreed to appeal the assessment with respect to the Temp Agency issue. Accordingly, the amount under appeal is approximately \$400,000.00 with respect to unpaid taxes, and approximately \$200,000.00 in penalties.

73. On June 17, 2014, Domfoam, in consultation with the Monitor, filed notices of appeal in the Tax Court of Canada and the Court of Quebec. Notwithstanding the facts in question in both appeals are identical, Domfoam was required, by Quebec and Federal procedure, to file appeals in two courts, since the amounts in issue were claimed as owing to two different tax authorities. Domfoam has also retained BCF LLP as its Quebec counsel to assist with this matter in Quebec.

74. Domfoam is not contesting the amount calculated for pre-filing credits as noted above. Based on the amended proofs of claim filed in April, the amount in question is approximately \$525,000.00, net of penalties and interest.

75. The matter with respect to the intercompany accounts is also settled, as noted above.

76. The amended claim filed also included an amount of approximately \$68,000.00 in alleged source deductions owing by Domfoam. Neither the Monitor nor Domfoam has any knowledge of these amounts and is reviewing whether these amounts have been properly calculated. This is the first time these amounts have ever been claimed as outstanding.

77. I am advised that it is a matter of convention that the Tax Court proceedings proceed more quickly than the Quebec Court proceedings in matters like this. Revenu Quebec and Canada Revenu Agency are jointly represented by Direction

adjoïnte du contentieux – Montréal – Secteur fiscal from Revenu Québec who has carriage of the matter in both courts.

78. Following the filing of the appeals, counsel for Domfoam corresponded with the assigned counsel from Revenu Quebec to discuss the matter. In order to facilitate a without prejudice settlement meeting, Domfoam, in consultation with the Monitor, consented to an extension of time for the delivery of the reply of Revenu Quebec until October 17, 2014.

79. On October 7, 2014, counsel for Domfoam and counsel for Revenu Quebec, as well as the auditor for Revenu Quebec who originally had carriage of the Domfoam file, had an extended teleconference to discuss the appeal. Unfortunately, no resolution was reached in that meeting.

80. The reply of Revenu Quebec in the Tax Court proceedings was delivered on October 16, 2014. In those pleadings, Revenu Quebec maintains its position that the taxes owing in connection with the Temp Agency issue is correct and that the taxes set out in the notice of assessment remains due and owing. Attached hereto and marked as **Exhibit "E"** is a copy of the Reply to the Notice of Appeal dated October 15, 2014.

81. The reply in the Court of Quebec is due on November 30, 2014.

PROPOSED EXTENSION

82. The Applicants propose that the stay of the proceeding be extended from October 30, 2014 to April 24, 2015.

83. The extension sought herein will provide the Applicants and the Monitor to secure clearance certificate, or other arrangements with Canada Revenue Agency and the appropriate provincial tax authorities, to allow for a resolution of the disputed claim with Revenu Quebec, to collect outstanding amounts owed to Valle Foam, and otherwise to attend to the possible development of a plan for the distribution of the sale proceeds.

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

85. No cash flow is being provided with this affidavit as the Applicants have limited expenses and no employees. I am confident that the Applicants each have sufficient funds on hand to meet these obligations on a go forward basis for the period of the proposed extension.

86. I have been advised that the Monitor will support the proposed extension of the stay.

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

88. This affidavit is sworn in support of the Applicants' motion and for no other improper purpose.

SWORN before me at the City)
of Brampton, in the Province of)
Ontario, this 22nd day of)
October, 2014.)
Pauline Erna Leitgeb)
Commissioner for Taking Affidavits

T. Vallecoccia

TONY VALLECOCCIA

#2260948 v1

Pauline Erna Leitgeb, a Commissioner, etc.,
Province of Ontario, for Minden Gross LLP,
Barristers and Solicitors,
Expires July 4, 2015.

TAB I

25

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 3113736 CANADA LTD., 4362063
CANADA LTD., and A-Z SPONGE & FOAM PRODUCTS LTD.

(the "Applicants")

**AFFIDAVIT OF TONY VALLECOCCIA
(sworn September 25, 2015)**

I, TONY VALLECOCCIA, of the Town of Milton, in the Regional
Municipality of Halton, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the President and CEO of 3113736 Canada Ltd. formerly known as Valle Foam Industries (1995) Inc. and of 4362063 Canada Ltd. formerly known as 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 the Applicants to seek the admission of certain late filed Claims as Prefiling or Postfiling Claims in these

proceedings, a direction that the Monitor make an interim distribution of the Proceeds of Valle Foam and A-Z and other ancillary relief including amending the Directors' Charge granted in the Initial Order in these proceedings, and for an extension of the stay granted pursuant to the Initial Order of Justice Newbould in these *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") proceedings dated January 12, 2012, from September 30, 2015 to and including February 29, 2016.

3. As a result of the sale of assets of the Applicants, Valle Foam changed its name to 3113736 Canada Ltd. and Domfoam changed its name to 4362063 Canada Ltd. The style of cause of these proceedings was changed by the Order of Justice Brown dated June 15, 2012 to reflect the change of names. For the purpose of this affidavit, the said Applicants will still be referred to as Valle Foam, Domfoam and A-Z.

4. Capitalized Terms not defined herein shall have the meaning ascribed to those words in the Claims Solicitation Procedure Order granted on June 15, 2012.

5. Attached hereto as **Exhibit "A"** is my affidavit of April 16, 2015, without exhibits (the "**April Affidavit**"), which sets out the history of this matter and the material events which the Applicants were dealing with leading up to the last extension requested by the Applicants. The balance of this affidavit, other than

the section dealing with the proposed distribution, provides an update on those matters described in the April Affidavit.

VALLE FOAM COLLECTION EFFORTS

6. Valle Foam continues to pursue collection efforts of its outstanding receivables.
7. Since the April Affidavit, four actions have settled.
8. Valle Foam continues to vigorously pursue the remaining actions.

CLASS ACTIONS

9. Prior to the commencement of these CCAA proceedings, class counsel in the U.S. and Canada initiated a number of proposed class proceedings against the Applicants on behalf of purchasers of polyurethane foam and products containing polyurethane foam products (the “**Class Actions**”).
10. There are no further developments with respect to the Class Actions since the April Affidavit other than with respect to the Urethane Antitrust Litigation.

URETHANE ANTITRUST LITIGATION

11. As stated in my April Affidavit, the Applicants are each claimants in a U.S. class action proceeding that relates to price fixing for a product known as “Polyether Polyol” (“**Polyol**”).

12. There has been a trial in respect of one of the defendants in the Polyol matter, The Dow Chemical Company (“**Dow**”), in which a judgment has been rendered against Dow in the amount of \$1.06 billion. The judgment was upheld on appeal.

13. Refund Recovery Services LLC (“**RRS**”), the Applicants’ exclusive agent is retained to assist in filing the necessary documents to secure their share of the Polyol settlement funds.

14. Our counsel has been in communication with RRS and has been advised that a Writ of Certiorari has been filed with the United States Supreme Court and that the Supreme Court has not decided whether it will hear the case.

15. Our counsel has been advised by RRS that in the event the Writ of Certiorari is denied, there will be new claims filed which may decrease the recovery to the Applicants.

16. As stated in my Affidavit in these proceedings sworn October 22, 2014, on a rough calculation, the gross amount, before attorney fees, payable in respect of the Applicants' claim in the Polyol proceedings, in the event of a one billion dollar judgment, could be as high as: Valle Foam \$6,000,000.00. Domfoam \$4,900,000.00 and A-Z Foam \$690,000.00.

17. Again, as stated in my October Affidavit, I am cautioned by our counsel that there are many factors which could reduce the amounts actually received by the Applicants, including additional late filed claims, appeal costs, higher attorney fees approved by the Court, and other unforeseen events or holdbacks.

CLAIMS PROCESS

18. The Order in these proceedings of Justice Brown dated June 15, 2012 (the "**Claims Process Order**"), established a process to identify pre and post-filing claims against the Applicants and/or their officers and directors.

19. The Monitor has provided the following summary of the Prefiling and Postfiling Proofs of Claim received prior to the Claims Bar Date which have been admitted by the Monitor

Company	Prefiling (Admitted)	Postfiling (Admitted)	Pending Resolution	Total
Valle Foam	\$ 27,468,546.57	\$ 129,015.90	\$ nil	\$ 27,597,562.47
Domfoam	\$26,588,931.85	\$ nil	\$709,310.94	\$ 27,298,242.79
A-Z Foam	\$ 4,082,398.29	\$ 125,399.48	\$ nil	\$ 4,207,797.77

20. I am advised by the Monitor that all admitted Postfiling Claims against Valle Foam and A-Z Foam have been paid pursuant to the Initial Order, except as noted in the Monitor's 12th Report.

21. The most significant Proven Claims against the Companies were filed in respect of the Canadian Class Actions in the total amount of CAD \$40,000,000 (allocated to each of Valle Foam and Domfoam in the amount of \$18,000,000 and to A-Z Foam in the amount of \$4,000,000) and by the Competition Bureau against both Valle Foam and Domfoam in the amount of \$6,000,000 respectively.

22. There are no disputed Claims other than the Claim filed by Revenu Quebec against Domfoam, described in more detail below.

23. I am advised that the Monitor has a comprehensive registry of these claims, including contact information so as to enable payments to be made to these creditors once such payments are authorized by the Court.

24. I am advised by the Monitor that there were several smaller claims filed after the Claims Bar Date. These Claims are detailed in the Monitor's Twelfth Report, to be filed in these proceedings.

25. The Monitor summarizes these claims as follows:

Company	Prefiling	Postfiling	Total
Valle Foam	\$ 117,738.58	\$ 270,958.16	\$388,696.74
Domfoam	\$ 74,382.38	\$ nil	\$ 74,382.38
A-Z Foam	\$ 6,504.21	\$ 9,973.11	\$ 16,477.32

26. I support the Monitor's recommendation that these late filed Claims be included as Prefiling or Postfiling Claims, along with other Proven Claims, notwithstanding they were filed after the Claims Bar Date.

UNRESOLVED CLAIMS

27. The sole remaining disputed Claim in the Claims Solicitation Procedure is proceeding before both the Tax Court of Canada and in the Quebec Superior Court. The dispute is with respect to an amount of approximately \$400,000 (before interest and penalties) in relations to GST paid to seven different Temporary Employment Agencies (the "**Temp Agencies**") hired by Domfoam to provide additional labour to Domfoam's operations prior to the CCAA filing.

28. Revenu Quebec has advised that six of the seven Temp Agencies are known to Revenu Quebec as “suppliers of false invoices” and that Revenu Quebec is of the view that the Temp Agencies could not have delivered the services in respect of which GST is asserted to have been paid by Domfoam.

29. Domfoam disputes this position, and, as outlined in the April Affidavit, has provided documentary evidence to support its position.

30. Counsel for Domfoam and counsel for Revenu Quebec attended a status hearing before the Tax Court on May 7, 2015. At that time, the parties set down a litigation schedule which required the exchange of settlement offers (in May for the Domfoam and July for the Canada Revenue Agency) and the scheduling of a settlement conference by September 15, 2015. Attached hereto and marked as **Exhibit “B”** is the Order of Justice Boccock of the Tax Court of Canada dated May 26, 2015.

31. The parties have exchanged the settlement offers as required by the schedule. Neither offer was accepted by the other side. Therefore a settlement conference was required. However, the parties were not able to schedule a settlement conference due to a lack of availability of resources at the Tax Court within the time required in the Order of Justice Boccock.

32. The parties therefore held a further status hearing with the Chief Justice of the Tax Court on August 19, 2015 in an attempt to schedule a settlement conference by September 15, 2015. However, even with the intervention of Court, no time was found to be available prior to the expiry of the current stay of proceedings.

33. The parties held an informal without prejudice meeting by teleconference on September 21, 2015 without the assistance of the Court to canvass the possibility of settlement. However, in the event there is no resolution, it is currently unlikely a formal settlement conference will be held before November, 2015.

34. The balance of the litigation schedule from the Order of Justice Boccock was adjourned at the August 19th, 2015 status hearing pending the completion of the settlement conference.

35. Given the without prejudice offers which have been exchanged, the Applicants are cautiously optimistic that a settlement is possible.

36. As reported in the April Affidavit, it continues to be anticipated that the Tax Court proceeding will complete itself substantially in advance of the Quebec Court matter and that the Quebec Court matter will likely settle in accordance with the findings of the Tax Court.

Pre-Filing Credits

37. As reported in the April Affidavit, there also remains an issue with Revenu Quebec with respect to approximately \$525,000.00 (before penalties and interest) in respect of GST credits which Revenu Quebec requires be refunded. This amount arises in respect of GST credits which Domfoam may have applied for in respect of goods or services it ordered and took delivery of prior to the CCAA filing, and in respect of which, due to the prohibition in the Court order to pay those pre-filing debts after the CCAA proceeding commenced, the GST was likely ultimately never paid to Revenu Quebec.

38. It is undetermined whether or not these amounts will be payable as a post-filing obligation.

39. There is also a similar claim outstanding in the estate of Valle Foam. In that estate the amount owing is approximately \$186,000. As I reported in my Affidavit sworn October 22, 2014, the question as to whether or not this amount is properly a post-filing or pre-filing amount has not been determined.

40. A conference call was held among counsel for the directors and officers of Domfoam, counsel for the Company and counsel for the Monitor to discuss this issue. No resolution was reached on that call.

41. Counsel for the directors and officers and counsel for the Monitor continue to discuss the treatment of this claim. It is my understanding that the fact that this matter remains unresolved requires that an amount^{AP} equal to the amount in dispute^W be held back from any proposed distribution.

42. The Applicants' directors' and officers' insurer is on notice as to these claims and the status of this dispute. The insurer has advised that given that no claim has as yet been made against the Directors or Officers other than in the Claims Process, that the ~~insurance~~^{AP insurer} need not yet respond. The insurer advised on Sept 18th, 2015 by email to counsel for the Directors and Officers:
^W

We ... would assess coverage in the event that a claim against an Insured Person is made in relation with the circumstances mentioned in our letters of Nov 12, 2012 and of May 21, 2014. If a D&O Claim arising of such circumstances is made, the D&O Claim will be considered haven been made during the policy period in which the circumstances were first reported to the company (policy of Oct 31,2011 to Oct 31, 2012 extended to Oct 31,2015).

INTERIM DISTRIBUTION FOR VALLE AND A-Z ONLY

43. The Monitor has advised that, having finally received comfort letters from the tax authorities who might possibly object to the distribution of funds from the estates of AZ and Valle Foam, that the Monitor is now prepared to recommend the distribution of funds in those estates.

44. At this time it is my understanding that no such clearance certificate or comfort letter is available in Domfoam given the pending dispute with Revenu

Quebec. As such, it is my understanding that the Monitor is not yet ready to recommend a distribution in that estate.

45. Subject to recommended holdbacks, the Monitor is recommending a distribution of funds on an interim basis on a pro rata basis in Valle Foam and A-Z to those with proven claims in the Claims Process.

46. The proposed distribution is an interim Distribution, rather than a final Distribution, as there remains the possibility of significant further funds for all the Applicants from the Polyols settlement, and the possibility of further funds being collected from the Valle Foam estate.

47. The proposed Distribution is to be made to the unsecured creditors of Valle Foam and A-Z as neither the Applicants, nor the Monitor, is aware of any outstanding secured or preferred claims which would rank in priority to the claims of the unsecured creditors (other than amounts owing under any Court ordered charges in these proceedings).

48. I support the Monitor's recommendation for a pro rata distribution of funds to the creditors of A-Z and Valle Foam, subject to the following holdbacks.

49. With respect to Valle Foam, the Monitor is recommending a holdback in the amount of \$200,000 to address the possible post-filing tax liability discussed above. There will also be a holdback in the amount of \$225,000 to fund the

ongoing administration of the estate, including the ongoing pursuit of the litigation claims referred to above. I agree with these proposed holdbacks.

50. With respect to A-Z Foam, the Monitor is recommending a holdback in the amount of \$50,000 to fund the ongoing administration of that estate. I agree with this proposed holdback.

51. I believe distributing to the creditors on an pro rata basis, as recommended by the Monitor, is a fair method. I also believe the creditors have waited a long time to receive these proceeds, and I would like to see the proceeds distributed as soon as possible. But for the delay in receiving clearance certificates from the various tax authorities (as described above) the Applicants would have sought this Distribution sooner.

52. The amount of the Valle Foam proceeds to be distributed, after taking into account the holdback described above amounts to \$5,583,435.92.

53. The amount of the A-Z proceeds to be distributed, after taking into account the holdback described above, amounts to \$623,820.39.

54. It is my understanding, based on calculations done by the Monitor, that it is expected that the creditors of Valle Foam with proven claims will receive, in the proposed interim distribution, amounts equal to approximately \$0.20 on the dollar of their proven claims.

55. It is my understanding, based on calculations done by the Monitor, that it is expected that the creditors of AZ with proven claims will receive, in the proposed interim distribution, amounts equal to approximately \$0.15 on the dollar of their proven claims.

DIRECTORS CHARGE AMENDMENT

56. The Monitor is recommending that the Directors' Charge be amended as a result of the proposed interim Distribution. Given that there are no outstanding claims which were filed in the Claims Process against the Directors and Officers of A-Z, I agree that the Director's Charge can be discharged against the Property of A-Z.

57. In the case of Valle Foam, the Monitor is recommending that Valle Foam only indemnify its own directors and officers for any post-filing liability and that the Directors' Charge on the Valle Foam Property only be for the benefit of the Valle Foam directors and officers. I agree with this recommendation and believe the Directors Charge should remain in the amount of \$200,000 to fund the possible tax liability discussed above, and to fund the director's and officer's counsel in respect of same.

58. In addition, I am of the view that Directors and Officer's counsel's fees, to the extent that they relate, or have related, to the review of this issue and the

applicability of the charge to this issue should be paid in the ordinary course from that charge amount.

59. In the case of Domfoam, the Monitor is recommending that Domfoam only indemnify its own directors and officers for any post-filing liability and that the Directors' Charge on the Domfoam Property only be for the benefit of the Domfoam directors and officers. I agree with that recommendation. Given that there is no distribution being recommend^{ed} at this time, and given that the issues^{with} with respect to the treatment of the Postfiling Claims from Revenu Quebec have not been resolved, I do not recommend any change to the quantum of that charge at this time.

PROPOSED EXTENSION

60. The Applicants propose that the stay of the proceeding be extended from September 30, 2015 to and including February 29, 2016.

61. The extension sought herein will provide the Applicants and the Monitor further opportunity to deal with, among other things, the disputed claim with Revenu Quebec, to collect outstanding amounts owed to Valle Foam, to collect funds from the Polyol proceeding and otherwise to attend to the proposed distribution of the sale proceeds.

40

62. I am not aware of any creditor, or any other party, who is objecting to the proposed continuation of the CCAA process.

63. No cash flow is being provided with this affidavit as the Applicants have limited expenses and no employees. I am confident that the Applicants each have sufficient funds, even after the proposed distribution, on hand to meet these obligations on a go forward basis for the period of the proposed extension.

64. I have been advised that the Monitor will support the proposed extension of the stay.

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

66. This affidavit is sworn in support of the Applicants' motion and for no other improper purpose.

SWORN before me at the Town)
)
of Milton, in the Province of)
)
Ontario, this 25th day of)
)
September, 2015.)
)
Commissioner for Taking Affidavits)



TONY VALLECOCCIA

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 3113736 CANADA LTD., 4362063
CANADA LTD., 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

AFFIDAVIT OF TONY VALLECOCCIA
(sworn September 25, 2015)

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TAB J

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 3113736 CANADA LTD., 4362063 CANADA LTD., and
A-Z SPONGE & FOAM PRODUCTS LTD.

(the “**Applicants**”)

**MEMORANDUM OF LAW IN SUPPORT OF CASE CONFERENCE
SUBMISSIONS OF THE APPLICANTS**

1. The seminal case on the “building blocks” approach to CCAA proceedings is *Re Target Canada Co [Target]*¹. In that case Justice Morawetz explained that restructuring processes constantly develop and are processes built on a foundation that creates expectations. That foundation is then relied upon by creditors and stakeholders in making decisions during the proceeding, who are entitled to rely upon the building blocks established during the proceeding. At paragraph 81, Justice Morawetz stated:

The CCAA process is one of building blocks. In this proceedings [sic], a stay has been granted and a plan developed. **During these proceedings, this court has made number of orders. It is essential that court orders made during CCAA proceedings be respected.** In this case, the Amended Restated Order was an order that was heavily negotiated by sophisticated parties. They knew that they were entering into binding agreements supported by binding orders. Certain parties now wish to restate the terms of the negotiated orders. **Such a development would run counter to the building block approach underlying these proceedings since the outset.**

¹ *Re Target Canada Co [Target]*, 2016 ONSC 316 (SCJ).

(emphasis added)

2. In *Lindsay v Transtec Canada Ltd (1994)*², a creditor in a CCAA plan did not receive notice of the meeting of creditors through inadvertence. After the plan was sanctioned and the case at an end, the creditor sued the company for the full amount owing to him. The Court was satisfied that the claimant had other opportunities to object, and stated at paras. 73-74:

Those who participate in CCAA proceedings **must be assured that there are not others waiting outside them for a mistake to be made of which they can take advantage.** Those who purchase the reorganized companies must be assured of whatever certainty a court can ensure in its supervision of these voluntary proceedings.

While Alberta-Pacific can be criticized in some aspects of its behaviour in these proceedings, Mr. Lindsay had every bit of knowledge he needed to make a decision about whether or not to participate in them. He chose to remain outside the proceedings until December 20, 1991, and thereafter, until it was too late. I do not think it would be fair to Alberta-Pacific or to 8808 for him to be now allowed to participate beyond this application where he had the opportunity to defend the interpretation of the Plan on which he chose to rely in making his decisions. **A CCAA proceeding is not a stage for an individual creditor to try to ensure the best possible position for himself.** Whatever it may have been in past years, it is now a stage where creditors are to participate in the collective enterprise of keeping a company going for the benefit of employees, customers, and the general community, as well as the creditors. **As in bankruptcy proceedings, it is not unfair that a creditor who attempts to gain an advantage for himself should find himself disentitled to recover anything.**

(emphasis added)

3. In *Aveos Fleet Performance Inc.*³ at para. 92, the Court found that the Office of the Superintendent of Financial Institutions had reserved its rights but failed to exercise them in a timely manner:

The Initial Order was renewed six (6) times. The Superintendent has been on the service list. It is not sufficient to reserve one's rights. These rights must be exercised. Where a

² *Lindsay v Transtec Canada Ltd (1994)*, 1994 CanLII 1539 (BCSC)

³ *Aveos Fleet Performance Inc.*, 2013 QCCS 5762.

failure to exercise those rights may cause prejudice to other parties, those rights, though not time barred by statute, **may be subject to an estoppel in virtue of the doctrine of laches in common law or as a result of the doctrine of “fin de non-recevoir” in civil law.**

(emphasis added)

4. In *Re Mid-Bowline Group Corp.*⁴, the Court found that a secured creditor, Catalyst, failed to act in good faith when it asserted a claim against the debtor for breach of an exclusivity agreement just as the debtor sought approval of a plan. The Court found that Catalyst had no good reason to have waited before instituting proceedings, as it had known of the supposed breach since early 2015, and stated at para. 59:

To lie in the weeds until the hearing of the application and assert such a right to stop the plan of arrangement is troubling indeed and not acting in good faith. Waiting and seeing how things are going in the litigation process before springing a new theory at the last moment is not to be encouraged.

(emphasis added)

5. Finally, in *Crystallex International Corp (Re)*, a group of shareholders moved to set aside a series of DIP orders. Justice Hainey found that the moving parties were aware of the CCAA proceedings since 2012, and aware of the Monitor’s website where information concerning the motions and orders was readily available. Justice Hainey held that notice under Rule 37.14 had been effected and criticized the shareholders’ lack of initiative:

The Complaining Shareholders did nothing to be added to the Service List. **The motion material for the Final Orders was served upon everyone on the Service List. The Final Orders provide that no further service is required.**

...

⁴ *Re Mid-Bowline Group Corp.*, 2016 ONSC 669 (SCJ).

Accordingly, the Complaining Shareholders were in a position to obtain the necessary information to advance the allegations now asserted had they exercised modest due diligence in response to the Initial Order or following the dates on which any of the Final Orders were made.

I am, therefore, satisfied that the Complaining Shareholders had sufficient notice concerning the Final Orders.⁵

⁵ *Crystallex International Corp. (Re)*, 2018 ONSC 2443, paras. 21, 24-25, leave to appeal denied.

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 3113736 CANADA LTD., 4362063 CANADA LTD.,
and A-Z SPONGE & FOAM PRODUCTS LTD.

(the "Applicants")

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**CASE CONFERENCE BRIEF OF THE APPLICANTS
(Returnable November 3, 2020)**

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