

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

(the "Applicants")

MOTION RECORD OF THE APPLICANTS
(returnable February 8, 2012)

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

(the "Applicants")

NOTICE OF MOTION
(returnable February 8, 2012)

THE APPLICANTS will make a motion to a judge presiding over the Commercial List on Wednesday, February 8, 2012 at 10:00 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

THIS MOTION IS FOR:

1. An Order (substantially in the form of the draft attached as Schedule "A"):
 - (a) if necessary, abridging the time for service of this Notice of Motion and Motion Record, declaring that the motion is

properly returnable on February 8, 2012, and validating service of this Notice of Motion and Motion Record;

- (b) extending the stay of proceedings from the Initial Order of Justice Newbould dated January 12, 2012 (the “Initial Order”) to and until March 30, 2012;
- (c) approving the Second Report of Deloitte & Touche Inc. (the “Monitor”) and conduct of the Monitor as set out therein.

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

THE GROUNDS FOR THE MOTION ARE:

1. On January 12, 2012, the Applicants sought and were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) pursuant to the Order of Justice Newbould (the “Initial Order”).
2. The Applicants collectively operate as one of Canada’s largest manufacturers and distributors of flexible polyurethane foam products from facilities located in Ontario, Quebec and British Columbia.

3. 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.

4. Pursuant to the Order of Justice Brown dated January 27, 2012, the Applicants were authorized and directed to proceed with the Sale Process to facilitate the sale of the Applicants as a going concern.

5. The Applicants are in the midst of the Sale Process. Pursuant to the terms of the Sale Process offers are due on February 22, 2012 and transactions will close on or before mid-April 2012.

6. The Applicants have filed updated cash flows which indicate that subject to the assumptions set out therein and the qualifications set out in the Affidavit, the Applicants anticipate having sufficient funds to operate during the period of the proposed extension.

7. The cash flow for Valle Foam differs significantly from the cash flow filed with the initial application in these proceedings given the expenses of continuing to operate the business of Valle Foam in order to

proceed with the Court approved sale process. The previous cash flow had been based on the immediate shut down of Valle Foam.

8. The Applicants continue to believe that the operation of the Sale Process will facilitate the best result for the stakeholders of the Applicants.

The Applicants require an extension in order to attend to that Sale Process.

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

10. The Monitor supports the proposed extension.

11. Section 11.02(2) of the CCAA.

12. Such further and other grounds set out in the Affidavit of Tony Vallecoccia sworn February 7, 2012.

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

	DATE	DESCRIPTION
1.	February 7, 2012	Affidavit of Tony Vallecoccia and the exhibits attached thereto.

- | DATE | DESCRIPTION |
|---------------------|---------------------------------------------------------------------------------|
| 2. February 7, 2012 | The Second Report of the Monitor, filed separately. |
| 3. January 12, 2012 | Initial Order of Justice Newbould. |
| 4. January 27, 2012 | Order of Justice Brown. |
| 5. | Such other material as counsel may advise and this Honourable Court may permit. |

February 7, 2012

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#1850722 | 4079509

SCHEDULE "A"

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 8th DAY
)
 JUSTICE NEWBOULD) OF FEBRUARY, 2012

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

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

(the "Applicants")

**ORDER
(Extension Order)**

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

ON READING the affidavit of Tony Vallecoccia sworn February 7, 2012, and the exhibits thereto (the "Vallecoccia Affidavit"), the Second Report of Deloitte & Touche Inc., in its capacity as Court-appointed monitor of the Applicants (the "Monitor") dated February 7, 2012, and the appendices attached

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

, and no one appearing for anyone else on the Service List, although properly served as appears from the affidavit of service of Victoria Stewart sworn February 7, 2012,

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that capitalized terms not otherwise defined in this Order shall have the meanings ascribed thereto in the Second Report.
3. **THIS COURT ORDERS** that the Stay Period (as defined in paragraph 13 of the Order of Justice Newbould in these proceedings dated January 12, 2012) is hereby extended from February 10, 2012 to March 30, 2012.
4. **THIS COURT ORDERS** that the Second Report and the actions, decisions and conduct of the Monitor as set out in the Second Report are hereby approved.
5. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and its legal counsel, as set out in the Second Report and the Bougie Affidavit and the Moffat Affidavit attached as exhibits thereto, are hereby authorized and approved.
6. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to pay the fees and disbursements of the Monitor and of its legal counsel and agents in the amounts set out in the Second Report.

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

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

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

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

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**ORDER
(Approval of Sale Process)**

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

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

(the "Applicants")

AFFIDAVIT OF TONY VALLECOCCIA
(sworn February 7, 2012)

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

MAKE OATH AND SAY:

1. I am the President of Valle Foam Industries (1995) Inc., the Chief Executive Officer 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. 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**").

3. 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**") to seek an extension of the stay granted pursuant to the Initial Order from February 10, 2012 to March 30, 2012.

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

5. As described in greater detail in my affidavit of January 11, 2012 in these proceedings (the "**First Affidavit**"), as a result of declining sales, fines imposed by the Competition Bureau of Canada, and class action lawsuits commenced against the Applicants in Canada and the United States, the Applicants required protection under the CCAA.

Activities Since CCAA Filing

6. As reported in my Affidavit sworn January 25, 2012 in these proceedings (the “**Second Affidavit**”) all three of the Applicants continue to operate their business in the ordinary course, subject to the restrictions imposed by the Initial Order, and subject to the following, with respect to Valle Foam.

7. Although Valle Foam is continuing to operate, it has engaged in some immediate downsizing. It has mainly closed one of its locations, being the one on Orenda Road. The staff from the Finley location has been moved to West Drive. It has shut down the night shift at Orenda. It has suspended manufacturing of its underlay products.

Sale Process

8. Pursuant to the Order of Justice Brown dated January 27, 2012, the Applicants were authorized and directed to proceed with the sale process which the Applicants outlined in the Second Affidavit and in the Monitor’s First Report dated January 26, 2012. A copy of the outline of the Sale Process is attached here to as **Exhibit “A”** (the “**Sale Process**”).

9. In accordance with that Order, the Applicants have placed an ad in The Globe & Mail on Tuesday January 31, 2012. In addition, the Applicants, in conjunction with the Monitor, are in the process of contacting various likely purchasers and have entered into Non-Disclosure Agreements with several such prospective purchasers. A confidential list of the parties who have executed the Non-Disclosure Agreements to date can be made available to the Court for review at the hearing of the motion if required.

10. As outlined in the Sale Process, the date for submitting offers is February 22, 2012. Pursuant to the Sale Process, bids are to be held open until March 6, 2012. The successful bid or bids are then to close within 45 days. Assuming that all of the time provided is used, it is anticipated that the sale process may not be completed until mid April, 2012. However, the Applicants will likely have a good understanding of the likely outcomes from the Sale Process by the middle of March.

Cash Flow Forecast

11. Attached hereto and marked as **Exhibit "B"** is a cash flow forecast for the period of January 28, 2012 to March 30, 2012.

12. As set out therein, it is anticipated that the Applicants will have sufficient funds in order to fund their operations during the proposed cash flow period, subject to the assumptions set out in the cash flow.

13. As noted in my Second Affidavit, given that Valle Foam has decided to remain operational while it seeks a buyer during the CCAA process, the cash available at the end of the projected period is less than had been projected in the cash flow filed in my First Affidavit. This reduced cash is as a result of the costs of operations, the reduced sales volumes due to downsizing, and the requirement to lend money to Domfoam.

14. In the Initial Order, Valle Foam was authorized to loan up to \$1 million to Domfoam, which loan would be secured by a court ordered first priority charge (subject to the Administration Charge and Directors and Officers charge as described in the Initial Order) on the assets of Domfoam (the "**Valle Charge**").

15. Since January 12, 2012, Valle Foam has advanced \$62,600.00 to Domfoam.

16. Attached hereto as **Exhibit "C"** is a promissory note from Domfoam as evidence of this debt, which is secured by a form of General Security Agreement, a copy of which is attached hereto as **Exhibit "D"**. It is my understanding that

the advances made by Valle Foam to Domfoam since January 12, 2012, which are evidenced by the Promissory Note are now secured by the Valle Charge. A financing statement is also being registered under the *Personal Property Security Act* (Ontario) in respect of same.

17. I note that the cash flow identifies the requirement that Valle Foam provide further loans to Domfoam in the amounts set out therein. Valle Foam intends to provide those loans provided that Valle Foam has available cash to do so. The cash flows support that Valle Foam anticipates having more than ample cash to do so.

Plan of Arrangement

18. I continue to believe that completing the Sale Process will provide the best possible result for the various stakeholders of the Applicants, especially given the level of interest which has been expressed by potential purchasers since the CCAA process was commenced.

19. The Applicants require the extension of the stay period in order to provide stability while the Sale Process is concluded.

20. The Applicants intend to work with the Monitor to put forward a plan of arrangement in order to distribute the proceeds from the restructuring to the creditors of the Applicants. Given the absence of any material secured creditor debt, it is anticipated that there will be funds available to the unsecured creditors which could then be dealt with through a plan, which could address the various categories of creditors.


21. The Applicants have acted and are acting in good faith and with due diligence.

22. This affidavit is sworn in support of the Applicants' application for an extension of the stay to March 30, 2012 and for no improper purpose.

SWORN before me at the City)
)
of Toronto, in the Province of)
)
Ontario, this 7th day of)
)
February, 2012.)




TONY VALLECOCCIA


Commissioner For Taking Affidavits

#1849696 | 4079509

**Robert Symon Wilkes Parker, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires August 18, 2014.**

This is Exhibit "A" referred to
in the Affidavit of Tony Vallecoccia
Sworn this 7th
day of February, 2012.


A Commissioner for Taking Affidavits

**Robert Symon Wilkes Parker, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires August 18, 2014.**

SALE PROCESS

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

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

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

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

CONDITIONS OF SALE

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

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

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

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

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

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

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

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

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

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

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

(d) the costs of obtaining mechanical fitness certificates, if necessary, for any motor vehicle(s).

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

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

shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation. It shall be the Purchaser's sole responsibility to obtain, at its own expense, any consents to such transfer and any further documents or assurances which are necessary or desirable in the circumstances. Without limiting the generality of the foregoing, any and all conditions, warranties and representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) do not apply to the sale of the Purchased Assets and have been waived by the Purchaser.

25. Deloitte & Touche Inc. acts solely in its capacity as the Court-appointed Monitor of the Vendors in the proceeding bearing Court file no. CV-12-9545-00CL and shall have no personal or corporate liability hereunder, under the Sale Process or under any Offer, Offeror Sale Agreement or Approved Sale Agreement.
26. The highest or any Offer will not necessarily be accepted.
27. The acceptance of any Offer and any Offeror Sale Agreement entered into by the applicable Vendor shall be subject to the condition that the sale and the terms thereof be approved by the Court.
28. No Offeror shall be at liberty to withdraw, vary or countermand an Offer once received by the Vendor. Each Offer shall be irrevocable until March 6, 2012
29. Each of the Vendors, at its sole discretion, may waive or vary any or all of the terms and conditions hereof as such relates to its Property. The terms and conditions contained herein shall not merge on the Closing of the transaction contemplated by any Approved

Sale Agreement but shall survive such closing and remain in full force and effect and be binding on the Purchaser thereafter.

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

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

FORM OF OFFER

To: **Valle Foam Industries (1995) Inc.**
 Domfoam International Inc.
 A-Z Sponge & Foam Products Ltd.
[check applicable box]

1. _____
(Name of Offeror)

2. _____
(Address of Offeror)

3. _____
(Telephone Number) (Facsimile Number) (email address)

4. I/We hereby submit this offer for the purchase of the parcels indicated below for the total purchase price of \$ _____, excluding applicable taxes:

Parcel 1 Valle Foam Industries (1995) Inc.
\$ _____ (CDN)

Parcel 2 Domfoam International Inc.
\$ _____ (CDN)

Parcel 3 A-Z Sponge & Foam Products Ltd.
\$ _____ (CDN)

4. This Offer is an "en bloc" offer to purchase the following listed parcels (i.e. Vendor can accept all, but not less than all, of the offer for the following parcels):

_____	_____
_____	_____
_____	_____

5. We/I agree, that in the event this offer is accepted, to be bound by the Conditions of Sale dated January 1, 2012 which shall form part of this offer.
6. This Offer is irrevocable and shall remain open for the consideration of the Vendor until 12:00 o'clock noon Eastern Time on March 6, 2012.
7. Warranty - We/I represent and warrant to the Vendor that we/I am/are not a non-eligible person as defined by the *Investment Canada Act*.
8. Enclosed is our/my certified cheque payable to Deloitte & Touche Inc., as a deposit in the amount of \$ _____ , representing 10% of the total amount of our/my Offer submitted herein.

DATED at _____ this _____ day of _____, 2012.

By: _____

Name: ●

Title: ●

By: _____

Name: ●

Title: ●

I/We have authority to bind the Corporation.

CONFIDENTIAL

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

Attention Tony Vallecoccia

Re: Valle Foam Industries (1995) Inc. (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").

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, except for Domfoam International Inc. and A-Z Sponge & Foam Products Ltd., 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 and the Corporation 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 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 of 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 who are informed in writing by the Interested Party of the ownership and strict confidential nature of the Confidential Information 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 business address and telephone number 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.

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 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 written 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.

- 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, rights of set off, equities and rights to and against the strict enforcement thereof by the Corporation and its Representatives.

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:

4 West Drive
Brampton, ON L6T 2H7
Attention: Tony Vallecoccia
Telephone No. (905) 453-8054
Facsimile No. (905) 453-6348

(b) with courtesy copy to:

145 King Street West
Suite 2200
Toronto, ON M5H 4G2
Attention: Raymond M. Slattery
Telephone No. (416) 369-4149
Facsimile No. (416) 864-9223

(c) the Interested Party at:

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

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,

Per: _____

Per: _____

TO:

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

VALLE FOAM INDUSTRIES (1995) INC.

Per: _____

Per: _____

This is Exhibit "B" referred to
in the Affidavit of Tony Vallecoccia
Sworn this 7th
day of February, 2012.



.....
A Commissioner for Taking Affidavits

Robert Symon Wilkes Parker, a
Commissioner etc., Province of Ontario,
while a Student-at-Law,
Expires August 18, 2014.

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

	1	2	3	4	5	6	7	8	9	10	9-Week Total
	2/28/2012	2/11/2012	2/17/2012	2/24/2012	3/2/2012	3/9/2012	3/16/2012	3/23/2012	3/30/2012	4/6/2012	
Cash Receipts	450,000	600,000	1,000,000	800,000	550,000	550,000	900,000	750,000	550,000	-	6,150,000
Collection of Accounts Receivable - Third Party	-	-	-	-	-	-	-	-	-	-	-
Collection of Accounts Receivable - Intercompany	-	-	-	-	-	-	-	-	-	-	-
Other Receipts	450,000	600,000	1,000,000	800,000	550,000	550,000	900,000	750,000	550,000	-	6,150,000
Total Receipts	450,000	600,000	1,000,000	800,000	550,000	550,000	900,000	750,000	550,000	-	6,150,000
Cash Disbursements	380,000	250,000	250,000	200,000	250,000	250,000	250,000	250,000	250,000	250,000	2,330,000
Purchases - Chemicals	35,000	50,000	50,000	40,000	50,000	50,000	50,000	50,000	50,000	50,000	425,000
Purchases - Other Raw Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
Payment of Pre-Filing Accounts Payable (Nov 30, 2011 Onwards COD)	202,000	143,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	1,325,000
Payroll Costs (including agency)	60,000	70,000	90,000	70,000	70,000	90,000	70,000	70,000	70,000	70,000	660,000
Non-Inventory Purchases and Overhead	145,000	-	-	100,000	-	-	-	-	100,000	-	345,000
Sales Taxes	45,000	-	28,000	-	28,000	-	45,000	-	-	-	146,000
Rent	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	405,000
Utilities	-	71,100	65,000	75,000	65,000	65,000	65,000	65,000	65,000	65,000	265,100
Restructuring Professional Fees	-	-	75,000	-	-	-	-	-	-	-	300,000
Legal Fees	-	75,000	-	-	-	75,000	-	-	-	-	150,000
Other Disbursements	10,000	-	-	63,000	-	-	-	63,000	-	-	136,000
Total Disbursements	922,000	704,100	603,000	708,000	583,000	715,000	600,000	758,000	655,000	655,000	6,338,100
Net Cash Flow	(472,000)	(104,100)	397,000	2,000	(33,000)	(165,000)	300,000	(8,000)	(105,000)	(105,000)	(188,100)
Opening Cash Balance	2,442,349	1,970,349	1,886,249	2,283,249	2,031,121	1,901,984	1,522,846	1,848,708	1,026,570	2,442,349	2,442,349
Intercountry Loan to Domfoam - (Advance) Repayment	-	-	-	(234,127)	(96,138)	(214,138)	25,882	(214,138)	244,882	-	(487,817)
Closing Cash Balance	1,970,349	1,866,249	2,283,249	2,051,121	1,901,984	1,522,846	1,848,708	1,628,570	1,766,432	1,766,432	1,766,432

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

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

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

	1	2	3	4	5	6	7	8	9	9-Week Total	
	2/8/2012	2/10/2012	2/17/2012	2/24/2012	3/2/2012	3/9/2012	3/16/2012	3/23/2012	3/30/2012		
Cash Receipts											
Collection of Accounts Receivable - Third Party	420,000	750,000	750,000	750,000	750,000	800,000	800,000	800,000	800,000	6,620,000	Note 1
Collection of Accounts Receivable - Intercompany	-	-	-	-	-	-	-	-	-	190,000	
Other Receipts	-	-	-	-	-	-	-	-	190,000	6,810,000	
Total Receipts	420,000	750,000	750,000	750,000	750,000	800,000	800,000	800,000	990,000		
Cash Disbursements											
Purchases - Chemicals	308,992	75,000	256,000	399,000	291,000	419,000	219,000	419,000	215,000	2,801,992	Note 2
Purchases - Other Raw Materials and Supplies	28,433	135,000	173,996	286,995	261,474	231,474	279,474	261,474	261,474	1,919,795	Note 3
Payment of Pre-Filing Accounts Payable (Nov 30, 2011 Onwards COD)	153,732	162,594	162,594	162,594	141,164	141,164	141,164	141,164	141,164	1,347,333	Note 4
Payroll Costs (including agency)	61,940	45,000	16,000	30,000	27,500	57,500	9,500	27,500	27,500	304,440	Note 5
Non-monetary Purchases and Overhead	-	85,000	-	-	-	-	-	-	75,000	160,000	
Sales Taxes	93,037	100,000	100,000	-	100,000	-	100,000	-	-	393,037	
Rent	-	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	200,000	Note 6
Utilities	-	136,100	25,000	65,000	25,000	65,000	65,000	65,000	-	331,100	Note 6
Restructuring Professional Fees	-	75,000	-	-	-	75,000	-	-	-	300,000	Note 6
Legal Fees	-	-	-	-	-	-	-	-	-	-	
Other Disbursements	-	-	-	-	-	-	-	-	-	-	
Total Disbursements	646,135	739,694	735,590	1,043,590	846,138	1,014,138	774,138	1,014,138	745,138	7,557,697	
Net Cash Flow	(226,135)	11,306	14,410	(293,590)	(96,138)	(214,138)	25,862	(214,138)	244,862	(747,697)	
Opening Cash Balance	259,881	33,746	45,052	59,462	-	-	-	-	-	259,881	
Intercompany Loan from Valle Foam - Advance (Repayment)	-	-	-	234,127	96,138	214,138	(25,862)	214,138	(244,862)	487,917	Note 7
Closing Cash Balance	33,746	45,052	59,462	-	-	-	-	-	-	-	

Notes:

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

Representations

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

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

	1	2	3	4	5	6	7	8	9	0-Week Total
	2/9/2012	2/10/2012	2/17/2012	2/24/2012	3/2/2012	3/9/2012	3/16/2012	3/23/2012	3/30/2012	
Cash Receipts										
Collection of Accounts Receivable - Third Party	114,892	88,750	88,750	88,750	113,750	113,750	113,750	113,750	113,750	962,392
Collection of Accounts Receivable - Intercompany	-	-	-	-	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-	-	-	-	-
Total Receipts	114,892	88,750	88,750	88,750	113,750	113,750	113,750	113,750	113,750	962,392
Cash Disbursements										
Purchases - Chemicals	-	-	-	-	-	19,000	-	-	220,000	239,000
Purchases - Other Raw Materials and Supplies	35,597	35,597	35,597	35,597	29,278	29,278	20,278	20,278	29,278	208,778
Payment of Pre-Filing Accounts Payable (Nov 30, 2011 Onwards COD)	55,000	26,520	55,000	17,000	64,520	17,000	55,000	17,000	64,520	371,560
Payroll Costs (including agency)	3,500	3,500	3,500	3,500	3,750	3,750	3,750	3,750	3,750	32,750
Non-Inventory Purchase and Overhead	4,114	-	-	25,000	-	-	-	-	-	84,114
Sales Taxes	33,000	-	-	-	16,500	-	16,500	-	-	66,000
Rent	6,500	-	-	-	-	-	-	-	6,500	19,500
Utilities	150,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	210,000
Restructuring Professional Fees	1,000	1,000	-	15,000	-	1,000	-	-	-	60,000
Legal Fees	-	-	-	-	-	-	-	-	-	2,000
Other Disbursements	-	-	-	-	-	-	-	-	-	-
Total Disbursements	297,711	96,617	94,087	80,097	145,548	100,028	104,528	300,028	330,048	1,353,792
Net Cash Flow	(172,819)	(7,867)	(5,347)	2,653	(31,798)	13,722	9,222	(186,278)	(42,798)	(391,310)
Opening Cash Balance	412,257	239,438	231,571	228,224	228,877	107,070	210,801	220,023	33,745	412,257
Intercompany Loan from Valle Foam - Advance (Repayment)	-	-	-	-	-	-	-	-	-	-
Closing Cash Balance	239,438	231,571	226,224	228,877	197,079	210,801	220,023	33,745	20,947	20,947

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

Notes:

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

Representations

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

This is Exhibit "C" referred to
in the Affidavit of Tony Vallecoccia
Sworn this 7th
day of January, 2012.



.....
A Commissioner for Taking Affidavits

Robert Symon Wilkes Parker, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires August 18, 2014.

PROMISSORY NOTE

\$62,600

Due: On Demand

FOR VALUE RECEIVED, the undersigned hereby promises to pay ON DEMAND to or to the order of **Valle Foam Industries (1995) Inc.** at 4 West Drive, Brampton, Ontario, or at such other place as the holder may direct in writing, in lawful money of Canada, the principal sum of Sixty-Two Thousand and Six Hundred Dollars, together with interest thereon and on any overdue interest at the rate of 10% per annum accruing from the date hereof, after as well as before maturity, default and judgment, to and until the date of payment in full of the principal sum hereof, such interest to be calculated and compounded annually on each anniversary of the date hereof, and to become payable on the date on which the principal sum hereof becomes payable.

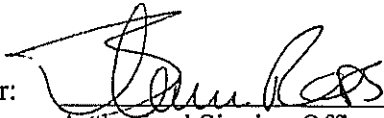
When not in default hereunder, the undersigned shall have the right to prepay, at any time or times, the whole or any part of the principal sum then outstanding together with interest accrued thereon to the date of such prepayment, without notice, penalty or bonus.

The undersigned hereby waives demand for payment, notice of default, presentment for payment, notice of dishonour, protest and notice of protest.

This Promissory Note shall enure to the benefit of the holder, his heirs, executors, legal personal representatives, successors and assigns.

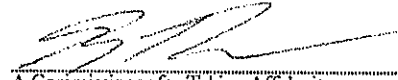
Made as of the 6th day of February, 2012.

DOMFOAM INTERNATIONAL INC.

Per: 
Authorized Signing Officer

#1851427

This is Exhibit "D" referred to
in the Affidavit of Tony Vallecoccia
Sworn this 7th
day of January, 2012.



.....
A Commissioner for Taking Affidavits

**r Robert Symon Wilkes Parker, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires August 18, 2014.**

GENERAL SECURITY AGREEMENT

Debtor: Domfoam International Inc.

Secured Party: Valle Foam Industries (1995) Inc.

GENERAL SECURITY AGREEMENT
(Business Debtor)

PARTIES

Debtor

Name: Domfoam International Inc.
Address: 8785 Langelier Boulevard, Montreal, Quebec

Secured Party

Name: Valle Foam Industries (1995) Inc.
Address: 4 West Drive, Brampton, Ontario

EFFECTIVE DATE

as of January 12, 2012

1. **Grant of Security Interest**

For valuable consideration (the receipt and sufficiency of which each of the parties hereto hereby acknowledges) the Debtor hereby grants to the Secured Party a security interest (to which the *Personal Property Security Act* (Ontario) and the regulations thereto, as the same may be amended from time to time (the “PPSA”) applies) in and grants, mortgages and charges as and by way of a fixed and specific mortgage and charge to and in favour of the Secured Party, all of the Debtor’s rights, title and interests in and to each and every property described or referred to below (collectively, the “**Collateral**”), all pursuant to and in accordance with the provisions of this Agreement.

2. **Description of Collateral**

The Collateral includes all of the following personal property and fixtures, and all of the leasehold interests and other property described in paragraph 2.(j) below:

- (a) all goods now or hereafter comprising part of the inventory of the Debtor and all interests, rights and benefits, both present and future of the Debtor in or to inventory including, without limitation, goods now or hereafter held for sale or lease or furnished or to be furnished under a contract of service or that are raw materials, work in process or materials used or consumed in a business or profession or finished goods;
- (b) all equipment now or hereafter owned by the Debtor and all interests, rights and benefits, both present and future, of the Debtor in or to equipment including, without limitation, office, warehouse and other furniture, fixtures, machinery, tools, rolling stock, vehicles, accessories, spare parts, supplies and other tangible personal property;
- (c) all fixtures now or hereafter owned by the Debtor and all interests, rights and benefits, both present and future, of the Debtor in or to fixtures;
- (d) all chattel paper now or hereafter owned or held by the Debtor and all interests, rights and benefits, both present and future, of the Debtor in, under or to chattel paper;
- (e) each and every document of title now or hereafter owned by the Debtor or of which the Debtor is or becomes a holder, whether negotiable or non-negotiable, including, without limitation, each and every warehouse receipt and bill of lading, and all interests, rights and benefits, both present and future, of the Debtor in, under or to each and every document of title;
- (f) each and every instrument now or hereafter owned by the Debtor or of which the Debtor is or becomes a holder, and all interests, rights and benefits, both present and future, of the Debtor in, under or to each and every instrument;
- (g) all investment property, security certificates and each and every security now or hereafter owned by the Debtor or of which the Debtor is or becomes a holder including, without limitation, all shares, stocks, warrants, bonds, debentures, debenture stock or the like issued by a corporation or other person, or a partnership, association or government, each and every option on futures, clearing house option, every financial asset and all interests, rights and benefits, both present and future, of the Debtor in, under or to each and every one of the foregoing;

- (h) all money of the Debtor and all money hereafter acquired by the Debtor and each and every account, debt, claim and demand of every nature and kind which is now due, owing or accruing due or which may hereafter become due, owing or accruing due to the Debtor, or which the Debtor now has or may hereafter have and all interests, rights and benefits, both present and future of the Debtor in or to each and every account, debt, claim and demand including, without limitation, claims against the Crown and claims under insurance policies;
- (i) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation, environmental technology and biotechnology, confidential information, trade-names, goodwill, copyrights, personality rights, plant breeders' rights, integrated circuit topographies, software and all other forms of intellectual and industrial property, and any registrations and applications for registration of any of the foregoing (collectively, "**Intellectual Property**");
- (j) each and every lease, agreement to lease and leasehold interest of the Debtor and all interests, rights and benefits, both present and future, of the Debtor, in, under or to the same, except the last day of any term of years reserved by any such lease or agreement therefor of which reversion of one day the Debtor shall stand possessed upon trust to assign and dispose of the same as the Secured Party shall direct;
- (k) each and every intangible now or hereafter owned by the Debtor or of which the Debtor is or becomes a holder, and all interests, rights and benefits, both present and future, of the Debtor in, under or to each and every intangible;
- (l) with respect to the property described in each of subparagraphs 2.(a) to 2.(k) inclusive, all substitutions and replacements thereof, improvements, increases, additions and accessions thereto and all interests, rights and benefits, both present and future, of the Debtor in, under or to the same;
- (m) with respect to the property described in each of subparagraphs 2. (a) to 2.(l) inclusive, identifiable or traceable personal property in any form derived directly or indirectly from any dealing with such property or the proceeds therefrom and includes any payment representing indemnity or compensation for loss of or damage to such property or proceeds therefrom; and
- (n) with respect to the property described in each of subparagraphs 2.(a) to 2.(m) inclusive, all books, accounts, invoices, letters, deeds, contracts, security, securities, instruments, bills, notes, writings, papers, documents and records in any form evidencing or relating thereto, and all other rights and benefits to which the Debtor is now or may hereafter become entitled in respect thereof.

In this Agreement, the words “accessions”, “account”, “certificated security”, “chattel paper”, “clearing house option”, “document of title”, “equipment”, “financial asset”, “goods”, “instrument”, “intangible”, “inventory”, “investment property”, “money”, “motor vehicle”, “option on futures”, “personal property”, “proceeds”, “security”, “security certificate”, “security interest”, “uncertificated security” and “vehicle identification number” shall have the same meanings as their defined meanings in the PPSA. In this Agreement, each reference to “Collateral” shall, unless the context otherwise requires, include and be read as “Collateral or any part thereof”. All words not defined in this Agreement, shall have the same meanings as their defined meanings in the PPSA, as the context dictates.

All of the Collateral, insofar as the same is not intangible property, is now and will hereafter be kept at the address set out above or any other location at which the Debtor carries on business.

3. Secured Obligations

The security interests, mortgages and charges granted hereby secure all of the following (collectively, the “**Obligations**”): both the performance and the payment to the Secured Party of all obligations, debts and liabilities (including, without limitation, on account of damages) of the Debtor to the Secured Party, present or future, direct or indirect, absolute or contingent, liquidated or unliquidated, matured or not, wheresoever and howsoever incurred,

- (a) as evidenced by any promissory note between the Debtor and the Secured Creditor,
- (b) whether arising under this or any other agreement (whether written or oral), instrument or writing;
- (c) whether arising from dealings between the Secured Party and the Debtor or from other dealings or proceedings by which the Secured Party may be or become in any manner whatever a creditor, obligee or promisee of the Debtor;
- (d) whether incurred by the Debtor alone or with another or others;
- (e) whether incurred by the Debtor as principal, surety, indemnitor, obligor or promissor; and
- (f) whether such obligations, debts and liabilities are from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again,

all including, without limitation, all interest, commissions, legal and other costs, charges and expenses payable in connection with any and all of the foregoing and, in addition thereto, the Expenses (provided for and defined below).

4. **Attachment**

- (1) Each of the Debtor and the Secured Party acknowledges and confirms that the security interests, mortgages and charges granted hereby shall attach:
 - (a) forthwith upon the Effective Date with respect to each and every property included in the Collateral and in which the Debtor then has rights; and
 - (b) forthwith upon the Debtor first acquiring rights in each and every property included in the Collateral and in which the Debtor first acquires such rights subsequent to the Effective Date.

For greater certainty, without in any way limiting the above, each of the Debtor and the Secured Party acknowledges and confirms that they have not agreed to postpone the time for attachment of the said security interests, mortgages and charges.

- (2) Notwithstanding the provisions of paragraph 4(1) above, it is acknowledged that the attachment of a security interest in investment property, security certificates or any component thereof or any other financial asset may not occur until such time as the parties have complied with the provisions of the PPSA relating to attachment of a security interest to investment property, security certificates or any component thereof or any other financial asset.
- (3) The Debtor hereby agrees with the Secured Party that at any time while any of the Obligations remain outstanding and not satisfied in full by the Debtor, the Secured Party shall have the right to require the Debtor to execute any and all documents necessary or advisable, as determined by the Secured Party, in order to provide for attachment of any or all investment property and security certificates of the Debtor in compliance with the provisions of the PPSA.

5. **Debtor's Warranties**

The Debtor hereby represents and warrants to and covenants with the Secured Party as follows and acknowledges that the Secured Party is, in part, relying upon such representations, warranties and covenants in accepting the security interests, mortgages and charges granted upon the terms of this Agreement:

- (a) **Title to Collateral:** The Debtor is the absolute and beneficial owner of the Collateral and none of the Collateral is held in the name of any person other than the Debtor, whether as agent, trustee or other nominee for the Debtor, and all registrations and filings which may be required to preserve the Debtor's title, rights or other interests in the Collateral vis-a-vis others have been made.

- (b) No Encumbrances: The Collateral is and shall at all times be kept free and clear of any and all, mortgages, hypothecs, pledges, claims, adverse claims, demands, liens, charges, security interests, encumbrances, agreements, rights and equities of any kind whatsoever other than those given by the Debtor to or in favour of Secured Party.
- (c) Due Authorization: The Debtor has the corporate power and capacity to enter into this Agreement and to do all acts and things as are required or contemplated hereunder to be done, observed and performed by it.
- (d) Right to Grant: The Debtor has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the Debtor shall at all relevant times have the full right, power and authority to perform its obligations hereunder and to grant the security interests, mortgages and charges as herein provided.
- (e) No Default: The entering into of this Agreement and the performance by the Debtor of its obligations hereunder does not and will not contravene, breach or result in any default under any agreement to which the Debtor is a party or by which the Debtor or any of its properties or assets may be bound and will not result in or permit the acceleration of the maturity of any indebtedness, liability or obligation of the Debtor under any such agreement.
- (f) No Litigation: Except as disclosed in writing to the Secured Party, there is no court, administrative, regulatory or similar proceeding (whether civil, quasi-criminal or criminal), arbitration or other dispute settlement procedure, investigation or enquiry by any government body, or any similar matter or proceeding (collectively, "**proceedings**") against or involving the Debtor (whether in progress or threatened) which, if determined adversely to the Debtor, would adversely affect its business, property, financial condition or prospects or its ability to perform any of the provisions of this Agreement. No event has occurred which might give rise to any proceedings and there is no judgment, decree, injunction, rule, award or order of any governmental body outstanding against the Debtor which has or may have an adverse effect on its business, property, financial condition or prospects.
- (g) Re Intellectual Property: All Intellectual Property applications and registrations are valid and in good standing and the Debtor is the owner of each of such applications and registrations.

6. **Debtor's Covenants**

The Debtor covenants and agrees with the Secured Party that:

- (a) **Obligations:** The Debtor shall pay, perform, satisfy, fulfil and discharge the Obligations when due.
- (b) **Possession/Description:** Forthwith upon request by the Secured Party, the Debtor shall deliver possession of the Collateral to the Secured Party and shall, if requested by the Secured Party, deliver forthwith to the Secured Party such further details respecting the Collateral and, if the Collateral includes fixtures or crops, or oil, gas or other minerals to be extracted, or timber to be cut, identification and legal description (in registerable form) of the lands concerned. Such further details and legal description so delivered shall be deemed to be contained in and form part of this Agreement.

7. **Events of Default**

Forthwith upon the occurrence of any of the following events (an “**Event of Default**”), the Obligations will, without the Secured Party being required to give notice or demand, become due and payable in full and, to the extent applicable, be required to be fully performed:

- (a) the failure of the Debtor to pay when due any payment of any of the Obligations;
- (b) the failure of the Debtor to perform any of the Obligations;
- (c) any representation, warranty, statement or report which is false or incorrect in any respect having been made or given by the Debtor to the Secured Party, whether contained herein or in any other agreement (written or oral), instrument or writing;
- (d) the failure or inability of the Debtor to pay any of its debts or liabilities as the same fall due;
- (e) the occurrence of a default by the Debtor under any agreement, instrument or writing entered into by the Debtor with any person(s);
- (f) the Debtor making or agreeing to make an assignment, disposition or conveyance, whether by way of sale or otherwise, of its assets in bulk;
- (g) the abandonment by the Debtor of the Collateral or any part thereof;
- (h) the Debtor ceasing or threatening to cease carrying on its business or any of its businesses;
- (i) the Debtor taking any action or commencing any proceeding or any action or proceeding being taken or commenced by another person or persons against the Debtor in respect of the liquidation, dissolution or winding-up of the Debtor, including without limitation, any action or proceeding under the *Winding Up and*

Restructuring Act, the *Business Corporations Act* (Ontario), the Canada Business Corporations Act or other similar legislation whether now or hereinafter in effect;

- (j) the Debtor taking any action or commencing any proceeding or any action or proceeding being taken or commenced by another person or persons against the Debtor relating to the reorganization, readjustment, compromise or settlement of the debts owed by the Debtor to its creditors where such reorganization, readjustment, compromise or settlement shall affect a substantial portion of the Debtor's assets, including without limitation, the filing of a notice of intention to make a proposal or the filing of a proposal pursuant to the provisions of the *Bankruptcy and Insolvency Act*, the making of an order under the *Companies' Creditors Arrangements Act* or the commencement of any similar action or proceeding by the Debtor or such person or persons;
- (k) the Debtor committing or threatening to commit any act of bankruptcy pursuant to or set out under the provisions of the *Bankruptcy and Insolvency Act*;
- (l) the filing of an application for a bankruptcy order against the Debtor pursuant to the provisions of the *Bankruptcy and Insolvency Act*;
- (m) any execution, sequestration or other process of any court or other tribunal becoming enforceable against the Debtor or a distress or analogous action or proceeding being taken, commenced or issued against the Debtor or levied upon or in respect of the Collateral or any part thereof, or any lien, trust claim or any other right or entitlement against or in respect of the Collateral or any part thereof becoming effective, including, without limitation, a warrant of distress of any rent in respect of any premises occupied by the Debtor or any premises in or upon which the Collateral or any part thereof may at any time be situate;
- (n) a receiver, interim receiver, receiver and manager, agent, liquidator or other similar administrator being appointed in respect of the Collateral or any part thereof or the taking by a secured party, lien claimant, other encumbrancer, judgement creditor or a person asserting similar rights of possession of the Collateral or any part thereof;
- (o) the loss, damage, destruction or confiscation of any part of the Collateral, unless upon such event, the Debtor pays to the Secured Party forthwith such amount as the Secured Party in its absolute and uncontrolled discretion determines is satisfactory;
- (p) the Secured Party in good faith and having commercially reasonable grounds for believing that the ability of the Debtor to pay any monies hereby secured or to perform any requirement of any provision contained in this Agreement or any

other agreement (written or oral), instrument or writing heretofore or hereafter given by the Debtor to the Secured Party is impaired or that the Collateral is in danger of being lost, damaged, destroyed or confiscated; and

- (q) the failure of the Debtor to execute and deliver to the Secured Party any documentation required by the Secured Party from time to time to provide for the attachment of the security interest of the Secured Party with respect to any investment property or security certificates owned by the Debtor or any component thereof or any other financial asset of the Debtor in respect of which the security interest of the Secured Party has not yet attached.

8. **Rights and Remedies**

Forthwith upon the occurrence of an Event of Default, the security interests, mortgages and charges granted herein shall be enforceable and the Debtor and the Secured Party shall have, in addition to any other rights and remedies provided by law, the rights and remedies of a debtor and a secured party respectively under the PPSA and those provided by this Agreement. In addition, the Secured Party may take possession of the Collateral and enforce any rights of the Debtor in respect of the Collateral by any method available in or permitted by law and may require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at any place as may be designated by the Secured Party.

9. **Expenses**

The reasonable costs and expenses of the Secured Party in the preparation, execution and delivery of this Agreement, the registration of this Agreement or of notices, financing statements or other filings in respect thereof, the reasonable costs and expenses of the Secured Party in connection with the preparation or review of waivers, consents, amendments, subordination agreements or other matters pertaining to the subject matter of this Agreement, the reasonable costs and expenses expressly provided for in the PPSA and, in addition thereto, the cost of any insurance, taxes, solicitor's fees, costs and other legal expenses and all other costs, charges and expenses of or incurred (on a scale as between a solicitor and his own client) by the Secured Party in respect of any of the foregoing and in respect of the enforcement of the Obligations, including taking possession, custody, holding, preserving, protecting, repairing, using or operating, collecting, realizing, processing, preparing for disposition and disposing of the Collateral (collectively, the "Expenses") shall be payable by the Debtor to the Secured Party forthwith upon demand, shall be deemed advanced to the Debtor by the Secured Party, shall bear interest at a rate equal to the Prime Rate (defined below) plus 4% per annum calculated, both before and after demand, maturity, default and judgment, from the date each of the Expenses, respectively, was incurred until fully paid by the Debtor and shall be secured by this Agreement.

“Prime Rate” means the annual rate of interest announced from time to time by [Royal Bank of Canada] as a reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada.

The Debtor authorizes the Secured Party to designate, in its sole discretion, any number of years as the registration period in any financing statement or financing change statement filed with respect to this Agreement or any other agreement delivered by the Debtor to the Secured Party (**“Designated Period”**).

The Debtor acknowledges and confirms that:

- (a) all registration costs in connection with the filing of the aforesaid financing statements or financing change statements are and shall be reasonable and shall form part of the Expenses;
- (b) the designation of the number of years comprising the Designated Period shall not constitute an acknowledgement by or commitment or other obligation of the Secured Party to provide financial assistance (whether by loan, agreement or otherwise) to the Debtor at any time or from time to time during the Designated Period; and
- (c) the Secured Party shall be entitled to exercise all of its rights and remedies provided for in this Agreement forthwith upon the occurrence of an Event of Default notwithstanding that such Event of Default may occur prior to the expiration of the Designated Period.

10. **Notice of Disposition**

Unless not required to do so by applicable law, the Secured Party shall give to the Debtor at least 15 days written notice of the Secured Party’s intention to dispose of the Collateral. Such notice may be sent by registered mail to the last known post office address of the Debtor.

11. **Receiver - Appointment**

The Secured Party may take proceedings in any court of competent jurisdiction for the appointment of a receiver, interim receiver or a receiver and manager (the **“receiver”**) of the Collateral or of any part thereof or may by instrument in writing appoint any person to be a receiver of the Collateral or of any part thereof and may remove any receiver so appointed by the Secured Party and appoint another in his stead.

12. **Receiver - Powers**

Any receiver appointed hereunder by instrument in writing shall have power (a) to take possession of the Collateral or any part thereof and, without liability or obligation to the Debtor, to maintain, preserve and protect the same; (b) to carry on or concur in carrying on all or any part of the business or businesses of the Debtor; (c) to borrow money which such receiver, in its sole discretion, determines is required in connection with either or both of the powers provided for in paragraph (a) and (b); and (d) to dispose of the Collateral in whole or in part, and any such disposition may be by public sale (whether by auction, tender or otherwise), private sale, lease or otherwise, and at such time and place and on such terms and for such price and manner of payment thereof, all as such receiver may, in its sole discretion, determine; provided that any such receiver shall be and is deemed to be the agent of the Debtor and the Secured Party shall not in any way be responsible for any misconduct, negligence or nonfeasance of any such receiver.

13. **Proceeds of Disposition/Deficiency**

Any proceeds of any disposition of any of the Collateral shall be applied by the Secured Party firstly on account of the Expenses, and any balance of such proceeds shall be applied by the Secured Party on account of the Obligations (other than the Expenses) in such order of application as the Secured Party may from time to time effect and the same shall not be subject to dispute by the Debtor. If such proceeds fail to satisfy the Obligations, the Debtor shall be liable for the full amount of the deficiency resulting to the Secured Party.

14. **General Provisions**

- (a) Discharge: The Debtor shall not be discharged from the Obligations by any extension of time, additional advances, renewals, amendments or extensions to this Agreement, any waiver by or failure of the Secured Party to enforce any provision of this Agreement or any other agreement, the taking of further security, releasing security, extinguishment of the security interests, mortgages and charges as to all or any part of the Collateral, or any other act except a release or discharge by the Secured Party of the security interests, mortgages and charges granted hereby upon the full payment and performance of the Obligations, at which time the Secured Party shall, at the Debtor's expense, deliver to the Debtor all certificated security, uncertificated security and any other financial asset held by the Secured Party and all necessary discharges and releases of the security interests, mortgages and charges granted hereby.
- (b) Other Security:

- (i) The security constituted by this Agreement is in addition to and not in substitution for any other security, guarantee or right from time to time held by the Secured Party;
 - (ii) The Secured Party may realize upon or enforce all or part of any security, guarantee or right from time to time held by it in any order it desires and any realization by any means upon any security, guarantee or right shall not bar realization upon any other security, guarantee or right; and
 - (iii) The taking of any action or proceeding or refraining from so doing or any other dealings with or in respect of any other security, guarantee or right from time to time held by the Secured Party shall not release or affect the security provided for in this Agreement and the taking of the security hereby granted or any proceedings hereunder for the realization of the security hereby granted shall not release or affect any other security, guarantee or right from time to time held by the Secured Party.
- (c) Waiver, etc.: No failure or delay on the part of the Secured Party to exercise any right provided for in or contemplated by this Agreement and no waiver as to an Event of Default hereunder shall operate as a waiver thereof unless made in writing and signed by the Secured Party and, in that event, such waiver shall operate only as a waiver of the right or Event of Default expressly referred to therein. Nothing in this Agreement and nothing referred to in the Obligations shall preclude any other remedy by action or otherwise for the enforcement of this Agreement or the payment and performance in full of the Obligations.
- (d) Secured Party Assignment: All rights and obligations of the Secured Party hereunder shall be freely assignable in whole or in part without the consent of the Debtor and in any action brought by any assignee to enforce such rights, the Debtor shall not assert against such assignee any claim, defence, right of set-off, or the benefit of any equities which the Debtor now has or may hereafter have against the Secured Party.
- (e) Entire Agreement: This Agreement sets forth the entire intent and understanding of the parties relating to the subject matter hereof and supersedes and replaces all prior agreements and commitments, whether written or oral, made between the parties and all earlier discussions and negotiations between them. The parties are not relying upon and there are no collateral or other representations, warranties, agreements or covenants made by any of the parties hereto which are not contained herein.
- (f) Further Assurances: Each of the parties hereto shall and will, from time to time and at all times hereafter upon every reasonable written request so to do, make, do, execute and deliver, or cause to be made, done, executed and delivered, all

such further papers, acts, deeds, assurances and things as may be necessary or desirable in the opinion of any party or counsel for any party, acting reasonably, for implementing and carrying out more effectually the true intent and meaning of this Agreement including, without limitation, to cause attachment of or to perfect or better perfect the security interests, mortgages and charges of the Secured Party in the Collateral or any part thereof.

- (g) Severability: In the event that any covenant or provision contained in this Agreement is held to be invalid, illegal or unenforceable in whole or in part, the validity, legality and enforceability of the remaining covenants and provisions shall not be affected or impaired thereby and all such remaining covenants and provisions shall continue in full force and effect. All covenants and provisions hereof are declared to be separate and distinct covenants or provisions, as the case may be.
- (h) Headings: All headings and titles in this Agreement are for convenience of reference only and shall not affect the interpretation of the terms hereof.
- (i) Gender, etc.: In construing this Agreement, all words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case require, and the verb agreeing therewith shall be construed as agreeing with the required word and pronoun. Words such as "hereunder", "hereto", "hereof", "herein" and other words commencing with "here" shall, unless the context clearly indicates the contrary, refer to the whole of this Agreement and not to any particular paragraph or part thereof.
- (j) Binding Effect: All rights of the Secured Party hereunder shall enure to the benefit of its successors and assigns and all obligations of the Debtor hereunder shall bind the Debtor, its successors and assigns. Each reference to the Secured Party in this Agreement shall be deemed to include a reference to the Secured Party, its successors and assigns and each reference to the Debtor in this Agreement shall be deemed to include a reference to the Debtor, its successors and assigns.
- (k) Re Liabilities: If more than one person executes this Agreement as Debtor, their obligations under this Agreement shall be joint and several.
- (l) Governing Law: This Agreement shall be governed by, and interpreted and enforced in accordance with, the laws in force in the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract. Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Ontario with respect to any matter arising hereunder or related hereto.

- (m) Notice: Subject to the specific requirements of the PPSA, any demand, notice, request, consent, approval or other communication required or permitted to be made or given by any party hereto to any other party hereto in connection with this Agreement shall be in writing and may be made or given by personal delivery to such party or by transmittal by facsimile transmission or similar electronic means of communication which produces a paper record to such party at the fax number noted on page 1 of this Agreement or, if a corporation, to a director thereof or, if postal services and deliveries are then operating, by mailing the same by prepaid registered post to such party at its address noted on page 1 of this Agreement or at such other address which the party to whom such communication is being given may have designated by notice given in accordance with the provisions of this paragraph. Any communication so delivered or transmitted by electronic means of communication shall be deemed to have been given and received on the day of delivery or transmittal, if a business day, or if not a business day, on the business day next following the day of delivery or transmittal, and any communication so mailed shall be deemed to have been given and received on the fourth business day following and exclusive of the date of mailing. In this paragraph, "business day" means any day except a Saturday, Sunday or statutory holiday in the Province of Ontario. Either party may give notice in writing to the other in the manner provided in this paragraph of any change of fax number or address of the party giving such notice, and from and after the giving of such notice, the fax number or address therein specified shall be deemed to be the fax number or address of such party for purposes of this paragraph.
- (n) Failure to Perfect: The Secured Party shall not be liable or accountable for any negligence or failure to perfect its security interests, mortgages and charges granted herein, seize, collect, realize, sell or obtain payment for the Collateral or any part thereof and shall not be bound to institute proceedings for the purpose of seizing, collecting, realizing or obtaining possession or payment of the same for the purpose of preserving the rights of the Debtor or any other person, firm or corporation in respect of same.
- (o) No Amendment: This Agreement may not be amended, altered or qualified except by a memorandum in writing signed by all of the parties hereto and any amendment, alteration or qualification hereof shall be null and void and shall not be binding upon any party who has not signed such memorandum.
- (p) Power of Attorney: The Secured Party, or any receiver appointed hereunder is hereby irrevocably constituted as the duly appointed lawful attorney of the Debtor in accordance with the *Powers of Attorney Act* (Ontario), with full power to make, do, execute and deliver all such documents, assignments, acts, matters or things on behalf of the Debtor with the right to use the name of the Debtor

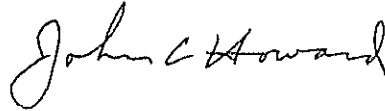
whenever and wherever it may be deemed necessary or expedient. The power of attorney hereby granted is a power coupled with an interest and shall survive the dissolution, liquidation, winding-up or other termination of existence of the Debtor. The Debtor agrees to and does hereby ratify all acts done and all documents executed and delivered by the Secured Party pursuant to the power of attorney hereby granted and the Debtor hereby confirms that the Secured Party and all third parties are entitled to rely upon such ratification.

- (q) Time of Essence: Time shall be strictly of the essence of this Agreement and of every part thereof and no extension or variation of this Agreement shall operate as a waiver of this provision.
- (r) Debtor's Receipt: The Debtor hereby acknowledges receipt of a fully signed copy of this Agreement.

IN WITNESS WHEREOF the Debtor and the Secured Party have executed this Agreement under their respective seals and agree to be bound thereby as of the Effective Date set out above.

Domfoam International Inc.

Per:

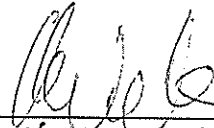


Name:

Title: *General Manager*

Valle Foam Industries (1995) Inc.

Per:



Name:

TONY VALLECOCCIA

Title:

PRESIDENT



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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

(the "Applicants")

INITIAL ORDER

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

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

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

SERVICE

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

APPLICATION

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

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

RESTRUCTURING

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

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

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

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

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

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

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

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

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

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

APPOINTMENT OF MONITOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

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

mt ✓

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

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

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

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

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

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

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

SERVICE AND NOTICE

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

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

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

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

GENERAL

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

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

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

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

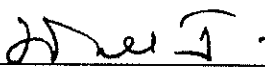
45. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this

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

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


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

#1832803 | 4079509



FILED AT THE COURT OF QUEBEC
BOOK NO.
LE JUDICIAIRE PERQUISITE MOI

JAN 12 2012

LE JUDICIAIRE PERQUISITE MOI: 

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at TORONTO

INITIAL ORDER

MINDEN GROSS LLP

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Lawyers for the Applicants

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

(the "Applicants")

**ORDER
(Approval of Sale Process)**

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

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

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

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

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

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

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

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

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

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

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

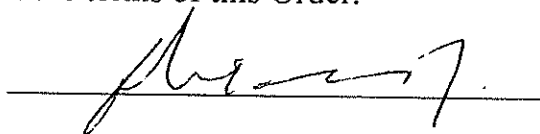
12. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any Court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

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

#1844631 v3 | 4079509

JAN 27 2012

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A handwritten signature in black ink, appearing to be "P. Smith", written over a horizontal line.

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

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**ORDER
(Approval of Sale Process)**

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Lawyers for the Applicants

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ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**MOTION RECORD OF THE APPLICANTS
(returnable February 8, 2012)**

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