

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

*MAP*

THE HONOURABLE *Dev* )  
JUSTICE *Penny* )

TUESDAY, THE 23rd  
DAY OF APRIL, 2019

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  
KRAUS BRANDS INC., KRAUS CANADA LTD., KRAUS CARPET INC.,  
KRAUS PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.

Applicants

ORDER

(Distribution to Secured Creditor and Termination of CCAA Proceedings)

**THIS MOTION**, made by the Applicants and the partnerships listed in Schedule "A" hereto (collectively, the "**Kraus Group**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**"), for an order, among other things, (i) authorizing and directing the Kraus Group to make a distribution to Red Ash II Capital Partners Limited Partnership ("**Red Ash**"); (ii) approving the Third Report of Deloitte Restructuring Inc., in its capacity as Monitor of the Kraus Group ("**Monitor**"), dated April 22, 2019 ("**Third Report**") and the activities of Monitor as set out therein; (iii) approving the fees and disbursements of the Monitor and its counsel; (iv) authorizing 2328708 LP (f/k/a Kraus Canada LP), 2328708 Ontario Ltd. (f/k/a Kraus Canada Ltd.), 2328709 LP (f/k/a Kraus Carpet LP), 2328709 Ontario Inc. (f/k/a Kraus Carpet Inc.), Strudex LP and Strudex Inc.; and (iv) terminating these CCAA proceedings and discharging the Monitor was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Christopher Emmott sworn April 9, 2019 (the "**Fourth Emmott Affidavit**"), the Third Report and the fee affidavits of the Monitor and the Monitor's counsel (the "**Fee Affidavits**"), and on hearing the submissions of counsel for the Applicants and counsel for the Monitor, no one else appearing although properly served as appears from the affidavit of service, filed;

### **SERVICE AND DEFINED TERMS**

1. **THIS COURT ORDERS** that the time for service of the notice of motion, the motion record, and the Third Report 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 used and not defined herein shall have the meanings given to them in the initial order, dated September 11, 2018, as amended and restated on September 18, 2018 ("**Initial Order**").

### **DISTRIBUTION TO RED ASH**

3. **THIS COURT ORDERS** that the Kraus Group be and is hereby authorized and directed to distribute to Red Ash such additional amounts as may become available in partial repayment of amounts owing by the Kraus Group to Red Ash pursuant to the Red Ash Debt Agreements (as defined and described in the Affidavit of Christopher Emmott sworn September 10, 2018) ("**Red Ash Distribution**").
4. **THIS COURT ORDERS** that, notwithstanding:
  - (a) the pendency of these proceedings;
  - (b) any application for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("**BIA**") in respect of the Kraus Group or any part thereof and any bankruptcy order issued pursuant to any such applications; and
  - (c) any assignment in bankruptcy made in respect of the Kraus Group or any part thereof;

the Red Ash Distribution shall be binding on any trustee in bankruptcy that may be appointed in respect of the Kraus Group and shall not be void or voidable by creditors of the Kraus Group, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation and shall, upon the receipt thereof by Red Ash, be free of all claims, liens, security interests, charges or encumbrances granted by or relating to the Kraus Group.

#### **APPROVAL OF FEES AND DISBURSEMENTS**

5. **THIS COURT ORDERS** that the Third Report and the activities of the Monitor described therein, be and are hereby approved.

6. **THIS COURT ORDERS** that the fees and disbursements of the Monitor from the period September 22, 2018 until March 31, 2019, and its counsel, for the period from October 1, 2018 until February 28, 2019, as set out in the Fee Affidavits, are hereby approved.

#### **TERMINATION OF CCAA PROCEEDINGS**

7. **THIS COURT ORDERS** that the within CCAA proceedings be and hereby terminated.

8. **THIS COURT ORDERS** that the Directors' Charge and the Administration Charge (each as defined in the Initial Order) shall be and are hereby terminated, released and discharged.

#### **DISCHARGE OF MONITOR**

9. **THIS COURT ORDERS** that effective as of the date of this order the Monitor is hereby discharged as Monitor and shall have no further duties, obligations or responsibilities as Monitor from and after the date of this order.

10. **THIS COURT ORDERS AND DECLARES** that, in addition to the protections in favour of the Monitor as set out in the CCAA, the Initial Order, any other Order of this Court in these proceedings or otherwise, all of which are expressly continued and confirmed, the Monitor shall not be liable for any act or omission on the part of the Monitor, including with respect to any reliance thereof, including without limitation, with respect to any information disclosed, any act or omission pertaining to the discharge of the Monitor's duties in these proceedings or with respect to any other duties or obligations of the Monitor under the CCAA or otherwise, save and except for any claim or liability arising out of any gross negligence or wilful misconduct on the part of the Monitor. Subject to the foregoing, and in addition to the protections in favour of the Monitor as set out in the CCAA, the Initial Order, any other Order of this Court in these proceedings or otherwise, any claims against the Monitor in connection with the performance of its duties as Monitor be and are hereby released, stayed, extinguished and forever barred and the Monitor shall have no liability in respect thereof.

11. **THIS COURT ORDERS** that, notwithstanding any provision of this Order, the termination of these proceedings, and the discharge of the Monitor, nothing herein shall affect, vary, derogate from, limit or amend, and the Monitor shall continue to have the benefit of, any of the rights, approvals and protections in favour of the Monitor at law or pursuant to the CCAA, the Initial Order, any other Order of this Court in these proceedings or otherwise, all of which are expressly continued and confirmed.

12. **THIS COURT ORDERS** that no action or other proceeding may be commenced against the Monitor in any way arising from or related to its capacity or conduct as Monitor in these proceedings except with prior leave of this Court and on prior written notice to the Monitor.

#### **BANKRUPTCY**

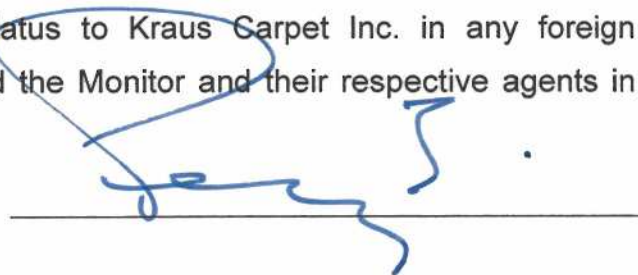
13. **THIS COURT ORDERS** that 2328708 LP, 2328708 Ontario Ltd., 2328709 LP, 2328709 Ontario Inc., Strudex LP and Strudex Inc. (collectively, the "**Bankruptcy Applicants**") are authorized to file assignments into bankruptcy. Deloitte is hereby

authorized to act as trustee in bankruptcy (in such capacity, the "Trustee") in respect of the Bankruptcy Applicants.

### GENERAL

13. **THIS COURT ORDERS** that the Applicants or the Monitor may apply to the Court as necessary to seek further orders and directions to give effect to this Order.

14. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, or in any other foreign jurisdiction, 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 Kraus Carpet Inc. in any foreign proceeding or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.



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

APR 23 2019

PER / PAR: *RW*

**SCHEDULE "A"**

**Partnerships**

Kraus Brands LP

2328708 LP (f/k/a Kraus Canada LP)

2328709 LP (f/k/a Kraus Carpet LP)

2328710 LP (f/k/a Kraus Properties LP)

Strudex LP

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 KRAUS BRANDS INC., KRAUS CANADA LTD., KRAUS CARPET INC., KRAUS PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.

Court File No.: CV-18-604759-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced in Toronto

**DISCHARGE ORDER**

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