

**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 PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT WITH RESPECT TO
KRAUS BRANDS INC., KRAUS CANADA LTD., KRAUS CARPET INC., KRAUS
PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.**

**THIRD AND FINAL REPORT OF THE MONITOR
APRIL 22, 2019**

A. INTRODUCTION AND PURPOSE OF THE MONITOR'S REPORT

1. On September 11, 2018 (the "**Filing Date**"), Kraus Brands Inc., Kraus Canada Ltd., Kraus Carpet Inc., Kraus Properties Inc., Kraus USA Inc., and Strudex Inc. (collectively, the "**Applicants**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Pursuant to the Order of this Court granted September 11, 2018 (the "**Initial Order**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as the Monitor in these proceedings (the "**Monitor**"). The Initial Order provided for a stay of proceedings against the Applicants through October 11, 2018 and extended the relief under the Initial Order to the partnerships (the "**Partnerships**" and together with the Applicants, the "**Kraus Group**" or the "**Company**") listed in Appendix "A" in the Pre-Filing Report (defined below). The proceedings commenced by the Applicants under the CCAA will be referred to herein as the "**CCAA Proceedings**".

2. On September 10, 2018, Deloitte filed the Pre-Filing Report of the Proposed Monitor (the “**Pre-Filing Report**”) which, among other things, described certain background information about the Kraus Group, its 13-week cash flow, and the current status of the Kraus Group’s operations.
3. A more detailed description of the Kraus Group’s business operations and background in its restructuring proceedings in the period prior to the Filing Date was provided in the Affidavit of Chris Emmott sworn September 10, 2018 (“**Emmott Affidavit**”) and the Pre-Filing Report.
4. On September 17, 2018, Deloitte filed the First Report of the Monitor (the “**First Report**”) which, among other things, provided the Court with information and/or updates on the Monitor’s activities to date, the TPS Purchase Agreement (as defined below), proposed cash disbursements in respect of pre-filing liabilities and proposed amendments to the Initial Order, as well as the Kraus Group’s bankruptcy proceedings in the United States (“**U.S. Proceedings**”).
5. At the hearing for the Initial Order, a comeback hearing in respect of the Initial Order was set by the Court for September 18, 2018 (the “**Comeback Hearing**”). At the Comeback Hearing, the Applicants were granted an order, among other things, approving an agreement of purchase and sale dated September 10, 2018 (the “**TPS Purchase Agreement**”) between Q.E.P. Co., Inc. and Roberts Company Ltd. (collectively the “**Purchaser**” or “**QEP**”) and certain Applicants, as vendors (collectively the “**Vendor**”), and an Order vesting the Purchased Assets (as that term is defined in the TPS Purchase

Agreement, "**Purchased Assets**") in the Purchaser free and clear of liens and/or other encumbrances upon delivery of the Monitor's Certificate (defined below).

6. On October 4, 2018, Deloitte filed the Second Report of the Monitor (the "**Second Report**") which among other things, provided the Court with information and/or updates on the Monitor's activities to date, the proposed distribution of proceeds from the TPS Purchase Agreement to the Applicant's first secured lender, Wells Fargo Capital Finance Corporation Canada ("**Wells Fargo**"), and an overview of the proposed asset marketing agreement (the "**Asset Marketing Agreement**") between the Applicants and Hilco Industrial Acquisitions Canada ULC ("**Hilco Industrial**") regarding the auction and sale of certain machinery and equipment assets of the Kraus Group.
7. On October 9, 2018, the Court made an order which, amongst other things, authorized the Monitor to make distributions to Wells Fargo, approved the Asset Marketing Agreement, authorized Hilco Industrial to conduct the sale of the Assets (as defined in the Asset Marketing Agreement) and extended the stay to and including January 9, 2019.
8. The Applicants did not seek to extend the stay and, on January 9, 2019, the stay lapsed.
9. Copies of the Pre-Filing Report, the Initial Order, the Amended Initial Order (defined below), the First Report, the Second Report, the service list in respect of the CCAA Proceedings, and all other materials filed in these CCAA Proceedings are available on the Monitor's website at <http://www.insolvencies.deloitte.ca/en-ca/kraus>.

10. The purpose of this Third and Final Report (the “**Third Report**”) is to provide the Court with updates and the Monitor’s observations and recommendations on the following:

- The Kraus Group’s actual cash flow results for the 29-week period from September 11, 2018 to March 31, 2019 (defined below), including a breakdown of pre-filing and post-filing cash disbursements;
- An update with respect to the closing of TPS Purchase Agreement, the distribution of the Holdback Amount (as defined below) and distributions to Wells Fargo;
- An update with respect to the Broadloom Business, including liquidation efforts including the finished goods sales, accounts receivable collections, results of the Asset Marketing Agreement and an update with respect to the eventual realization on the Waterloo Premises (defined below);
- Description of the secured indebtedness owing to Red Ash Capital Partners II Limited Partnerships (“**Red Ash**”) and reporting the results of the independent legal opinions on the validity and enforceability of the security granted to Red Ash by the Kraus Group. Red Ash is also the majority shareholder of the Kraus Group;
- Overview of unsecured creditors including trade payables, employees and landlords;
- Summary of the forecast shortfall on secured indebtedness;
- The termination of the CCAA Proceedings in Canada and the US and the Applicants’ anticipated bankruptcy filing;
- Status of the U.S. Proceedings;

- The fees and costs of the Monitor and its independent legal counsel for the periods September 22, 2018 to March 31, 2019 and October 1, 2018 to February 28, 2019, respectively, together with estimates for future fees and costs until discharge of the Monitor and its independent legal counsel, (the “**Professional Fees**”) and seeking the approval of the Court of the Professional Fees;
- The release of documents previously ordered under Court seal related to the marketing and sale of the TPS Business; and,
- The Monitor’s observations and recommendations in respect of the Kraus Group’s motion returnable April 23, 2019 seeking discharge of the Monitor and certain other relief (the “**Discharge Order**”).

B. REPORT RESTRICTIONS AND SCOPE LIMITATIONS

11. In preparing this Third Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Kraus Group, and discussions with management of the Applicants (“**Management**”) (collectively, the “**Information**”).
12. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Generally Accepted Assurance Standards (“**Canadian GAAS**”) pursuant to the *Chartered Professional Accountants Canada*

Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under Canadian GAAS in respect of the Information.

13. Some of the information referred to in this Third Report consists of financial projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
14. Future oriented financial information referred to in this Third Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
15. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars. All terms not defined herein shall have the meanings ascribed to them in the Emmott Affidavit, the Pre-Filing Report, the First Report, the Second Report, the Asset Marketing Agreement, or the TPS Purchase Agreement.

C. ACTUAL RECEIPTS AND DISBURSEMENTS

16. Summarized in the following table are the Kraus Group's cash receipts and disbursements for the period September 11, 2018 to March 31, 2019 (the "**Third Report Reporting Period**").

Kraus Group Consolidated Cash Flow Summary Summary of Actual Receipts and Disbursements For the Period from Sept 11, 2018 to Mar 31, 2019 Prepared on a Consolidated Basis Unaudited CAD (000's)		
	Actual	Notes
Receipts		
A/R collection & inventory sales	52,077	<i>a</i>
Less: Allocation to QEP and other adjustments	<u>(23,979)</u>	<i>h</i>
Net A/R collection and inventory sales	28,098	
Proceeds from the machinery and equipment auction	2,931	<i>b</i>
Other receipts	-	
Proceeds from the TPS Transaction	<u>34,045</u>	<i>g</i>
Total Receipts	65,074	
Disbursements:		
Pre-Filing inventory and inventory-related disbursements	(9,642)	<i>c</i>
Employee related expenses	(5,328)	<i>d</i>
Utilities and facilities	(1,504)	<i>e</i>
Other pre-filing disbursements	(39)	
Restructuring costs & bank fees	(1,667)	<i>f</i>
Interest & forbearance fees	-	
Intercompany	<u>(12)</u>	
Total Disbursements	(18,193)	
Net cash flow before distributions to Wells Fargo	46,881	
Distribution to Wells Fargo from the TPS Transaction	(32,189)	<i>g</i>
Net Distributions to Wells Fargo from other realizations	(16,808)	<i>h</i>
Difference attributable to FX	<u>23</u>	
Net surplus (deficit) of receipts over disbursements	(2,092)	
Opening cash balance as at September 11, 2018	<u>3,554</u>	
Closing cash balance as at March 31, 2019	<u>1,462</u>	

17. Additional detail for certain receipts and disbursements for the Third Report Reporting Period are noted below:

- a) Receipts during the Third Report Reporting Period include the collection of accounts receivable from the TPS and Broadloom Businesses. The distribution of receipts between the Applicants and the Purchaser is described in detail in **Section F** below. Receipts excluding TPS collections after the sale of the TPS Business totalled \$28.1 million;

- b) As discussed in further detail below, Hilco Industrial sold substantially all of the equipment of the Applicants for gross proceeds of \$2.9 million;
- c) Pursuant to the Amended and Restated Initial Order dated September 18, 2018 (“**Amended Initial Order**”), the Kraus Group was authorized to make up to \$10.0 million in disbursements in respect of pre-filing liabilities necessary to ensure an uninterrupted supply of goods and services to the Kraus Group that were material to the continued operation of the TPS Business. During the Third Report Reporting Period, there were \$9.6 million in inventory and inventory-related disbursements related to such expenses;
- d) Employee related disbursements include salary and wage payments to employees who transferred to QEP from the Filing Date to October 5, 2018 and salary and wage payments to Broadloom Business employees necessary for the orderly liquidation of the business, amongst other employee related disbursements;
- e) Utilities and facilities disbursements include costs related to the general upkeep of the property, plant and equipment, insurance and other facility based payments;
- f) Restructuring Costs, and Interest and Forbearance Fees include professional fees paid to the Monitor, the Monitor’s independent Canadian and US legal counsel, and Cassels (defined below);
- g) Total proceeds from the TPS Purchase Agreement were \$34.0 million, comprised of \$32.2 million of cash received and distributed to reduce the Wells Fargo senior

secured indebtedness (the “**Wells Fargo Indebtedness**”) and funds held in escrow and distributed by the Monitor of \$1.8 million. The full distribution of funds held in escrow by the Monitor is described in greater detail in **Section E** below; and

- h) The Wells Fargo Indebtedness was further reduced by \$16.8 million through daily cash flow sweeps of accounts receivable collections less allocated to QEP due to the accounts receivable distribution process further described in **Section F** below as well as other daily adjustments.

D. FORECAST CASH FLOW AND SHORTFALL ON SECURED INDEBTEDNESS

- 18. The following table sets out the forecast receipts and disbursements for the period subsequent to March 31, 2019 and the anticipated shortfall on the secured indebtedness of the Kraus Group.

Kraus Group Actual and Forecast Receipts and Disbursements CAD (000's)	Total Actual as at March 31, 2019	Forecast Future Receipts and Disbursements	Total Actual and Forecast
Cash	3,554	-	3,554
Receipts			
A/R collection & inventory sales	52,077	239	52,316
Less: Allocation to QEP and other adjustments	(23,979)	-	(23,979)
Proceeds from the TPS Transaction	34,045	-	34,045
Machinery and equipment	2,931	-	2,931
Gross proceeds from the sale of Waterloo Premises	-	40,000	40,000
Other	-	1,379	1,379
	65,074	41,618	106,692
Disbursements			
Pre-Filing inventory and inventory-related disbursements	(9,642)	-	(9,642)
Employee related expenses	(5,328)	-	(5,328)
Utilities and facilities	(1,504)	(50)	(1,554)
Other pre-filing disbursements	(39)	-	(39)
Restructuring costs & bank fees	(1,667)	(50)	(1,717)
Interest & forbearance fees	-	-	-
Bankruptcy and other administrative costs	-	(100)	(100)
Intercompany	(12)	-	(12)
	(18,193)	(200)	(18,381)
Net surplus available for repayment of secured indebtedness	50,435	41,418	91,866
Repayment of the Wells Fargo Credit Agreement	(48,997)	-	(48,997)
Net surplus available for repayment of Red Ash secured indebtedness	1,438	41,418	42,085
FX adjustment	23	-	23
	1,462	41,418	42,880
Repayment of the Red Ash Credit Facility	-	(42,880)	(42,880)
Net surplus (deficit) to end of CCAA Administration	1,462	(1,462)	-
Red Ash Credit Facility secured indebtedness as at Sept 11, 2018 (before interest and costs)			99,941
Estimated shortfall on Red Ash Credit Facility secured indebtedness			57,061

19. From the Table above, Management forecasts that there will be a shortfall on the Red Ash Indebtedness (defined below) of approximately \$57 million.

20. The following assumptions were used to calculate the estimated shortfall on the Red Ash Indebtedness (defined below):

- \$239,000 in realizations from the remaining accounts receivable from the Broadloom Business;
 - Estimated gross proceeds of \$40.0 million from the future rezoning, improvement and eventual sale of the Waterloo Premises (defined below);
 - \$1.4 million in other receipts arising from duty refunds;
 - \$50,000 in utilities costs for the Waterloo Premises;
 - \$50,000 in professional fees, including those incurred but not billed; and
 - \$100,000 for bankruptcy and other administrative costs to fund an assignment in bankruptcy.
21. The Forecast Cash Flow and Shortfall on Secured Indebtedness schedule has been prepared solely for the purposes described above, and readers of this Third Report are cautioned that it may not be appropriate for other purposes.

E. GOING CONCERN SALE OF THE TPS BUSINESS

Closing of the TPS Purchase Agreement

22. On September 18, 2018, the Applicants sought and obtained an Approval and Vesting Order, among other things: (i) approving the TPS Purchase Agreement made between certain of the Applicants and the Purchaser, (ii) authorizing the Kraus Group to complete

the sale of the Purchased Assets; and (iii) vesting title in and to the Purchased Assets to the Purchaser subject to the filing of the Monitor's Certificate (defined below).

23. On October 5, 2018 the Monitor filed a certificate with the court (the "**Monitor's Certificate**"), certifying the following (unless otherwise indicated herein, terms with initial capitals have the meaning set out in the TPS Purchase Agreement):

- The Purchaser's payment of the Purchase Price for the Purchased Assets pursuant to the Purchase Agreement and the Land Purchase Agreement, subject to the Holdbacks under the Purchase Agreement and the Escrow Agreement;
- The satisfaction of the conditions to Closing as set out in the Purchase Agreement; and,
- The completion of the Transaction to the satisfaction of the Monitor.

24. With the filing of the Monitor's Certificate on October 5, 2018, the Purchased Assets vested in the Purchaser free and clear of all claims and encumbrances.

25. The Monitor, as escrow agent to the TPS Purchase Agreement, received the holdback amount of \$3.3 million on October 5, 2018 and invested these funds in a one year Guaranteed Investment Certificate with the Royal Bank of Canada.

26. On October 9, 2018, the Court made an order which authorized the Company to make distributions to Wells Fargo as permanent reductions of its secured indebtedness from the proceeds of the Purchase Agreement up to the amount of the Wells Fargo Indebtedness.

On October 9, 2018, the Company distributed the available proceeds from the TPS Purchase Agreement of \$32.2 million to Wells Fargo.

27. The Monitor acted as payment agent for the TPS Purchase Agreement closing.
28. On March 22, 2019, the Monitor distributed the holdback amount of \$3.3 million, plus interest, according to instructions agreed to by the Purchaser and the Seller as part of the general agreement by said parties to resolve any and all amounts owing or held in respect of the TPS Purchase Agreement (hereafter redefined as the “**Settlement Agreement**”) as further discussed in the Affidavit of Christopher Emmott sworn April 9, 2019 (“**Fourth Emmott Affidavit**”). The Settlement Agreement also included a one-time payment of \$2.2 million from the Applicants to QEP to settle any outstanding monies owed. The distributions of the holdback amount were as follows:
 - \$1.4 million to QEP on account of post-closing adjustments; and,
 - The remaining funds of \$1.8 million plus interest to Cassels Brock & Blackwell LLP (“**Cassels**”), in Trust, to be used to satisfy the Kraus Group’s due and outstanding post-filing payables, and, if approved by the Court, distributed to Red Ash in partial satisfaction of amounts owed to Red Ash.
29. On March 22, 2019, the Monitor resigned as the escrow agent in accordance with Section 5.1 of the Escrow Agreement (as defined in the TPS Purchase Agreement).

F. STATUS OF THE BROADLOOM BUSINESS

Sales and liquidation to date

30. As described in the Second Report, the Broadloom Business ceased operations on September 8, 2018 due to its dire financial circumstances and the lack of a potential going concern sale transaction for the Broadloom Business.

Inventory

31. The Kraus Group has continued to liquidate its Broadloom Business inventory during the course of these CCAA Proceedings. The Monitor notes that the Company increased commissions related to this inventory without reducing sales prices as a means of maximising sales.
32. As at November 30, 2018, all Broadloom Business inventory had been sold with final deliveries occurring up to December 21, 2018. Since the Filing Date, approximately \$11.3 million of Broadloom Business inventory was sold, representing a 56% recovery of the \$20.1 million book value of this asset.

Accounts Receivable Collections and Process with Wells Fargo and QEP

33. Pursuant to the TPS Purchase Agreement, as accounts receivable were collected, a portion of the funds were distributed to Wells Fargo with the remainder distributed to the Purchaser. Funds allocated to Wells Fargo were used either for the repayment of the Wells Fargo Indebtedness or available for working capital for the Applicants. Management

advised the Monitor that the Applicants and Purchaser performed a weekly reconciliation of the actual cash receipts, with true-up payments made to the appropriate party at the end of each calendar month following the sale of the TPS Business.

34. On March 22, 2019, as part of the Settlement Agreement, the Applicants agreed to pay the Purchaser \$2.2 million from the collections of accounts receivable in exchange for the Purchaser agreeing to release any claim to the remaining amounts held by the Monitor as part of the holdback amount (as described above) and as the final true-up payment for monies owed as a result of the accounts receivable reconciliation noted above.
35. For the period October 5, 2018 to March 31, 2019, accounts receivable collections totalled \$37.2 million. Of this, \$13.2 million was attributable to the Broadloom Business, representing 35% of total collections.

Machinery and Equipment

36. The Broadloom Business utilized machinery and equipment that has been dormant since operations ceased on September 8, 2018. This machinery and equipment was valued by Gordon Brothers, a global advisory and investment firm, on April 7, 2016 at approximately \$3.6 million on a forced liquidation basis.
37. As described in paragraphs 42 to 48 of the Second Report, the Applicants and Hilco Industrial entered into the Asset Marketing Agreement. On October 9, 2018, the Court approved the Asset Marketing Agreement.

38. On December 13, 2018, Hilco Industrial held an auction both in-person at the Waterloo Premises (defined below) and online. Hilco Industrial was able to sell substantially all of the equipment for gross proceeds of approximately \$2.1 million USD or \$2.9 million.

Real Property in Waterloo

39. As described in the Pre-Filing Report, Kraus Brands LP owns the 850,000 square foot carpet manufacturing mill is located in Waterloo Ontario (the “**Waterloo Premises**”). Red Ash holds a \$177.5 million second ranking mortgage charge over the Waterloo Premises, behind the first ranking mortgage charge of \$50.0 million in favour of Wells Fargo.
40. The Monitor has been informed by the Company that there are no imminent plans to sell the Waterloo Premises. The Company has started a lengthy process of receiving environmental certification from the Municipality of Waterloo. Once completed, the Company plans to seek a re-zoning of the property so that the location can be developed into a mix of retail and residential buildings.
41. The Monitor has reviewed a copy of an appraisal report prepared by Cushman & Wakefield Ltd., a global real estate valuation/advisory firm, dated November 30, 2015, which valued the Waterloo Premises in its then current state and use at \$27.6 million. The Monitor understands that the Waterloo Premises have not been materially improved since this date.
42. For the purpose of the calculation of the forecast shortfall on the secured indebtedness owing by the Kraus Group, the Company has loosely assumed a gross value of \$40.0 million for the Waterloo Premises.

43. While it is possible that the recovery from the sale of the Waterloo Premises could be enhanced by the re-zoning and re-purposing of the site, this will require significant time, money and effort, and the Monitor cautions that the estimated value noted above is highly speculative.

G. SECURED CREDITORS

Wells Fargo Indebtedness

44. As of the Filing Date, the Wells Fargo Indebtedness was \$48.7 million.
45. In the Second Report on pages 16 to 17, the Monitor reported on the independent legal opinions of Canadian and US counsel on the validity and enforceability of the Wells Fargo charges against the Kraus Group. From these opinions, the Monitor concluded that, subject to the usual qualifications and assumptions, the Wells Fargo security is valid and enforceable in respect of the collateral defined within the security documents. The Monitor also reviewed a Subordination Agreement dated August 6, 2013, along with multiple amendments, where Red Ash agreed to postpone and subordinate its indebtedness and security in favour of the Wells Fargo debt.
46. The Wells Fargo Indebtedness was fully repaid as at January 31, 2019 as a result of the daily cash sweeps described herein.

Red Ash Credit Facility

47. As at the Filing Date, the total indebtedness under the Red Ash Credit Agreement was \$99,940,956 (the “**Red Ash Indebtedness**”).
48. Red Ash is the second secured creditor, as well as the majority shareholder, of the Kraus Group. The Monitor described in detail the arrangements of the two promissory notes which were issued and amended by the predecessors of the Kraus Group and companies within the Kraus Group to Red Ash (“**Red Ash Credit Facilities**”) on Page 11 and 12 of the Pre-Filing Report.
49. Since the Filing Date, there have been no repayments of the Red Ash Credit Facilities.
50. The Monitor has received opinions from its independent counsel, Miller Thomson LLP in Canada as to Canadian law issues, and Sheppard, Mullin, Richter & Hampton LLP as to U.S law issues. These opinions state that subject to the usual qualifications and assumptions, the Red Ash security is valid and enforceable in respect of the collateral described in the relevant security documents, which includes all of the assets of Northfield Properties (GP) Inc. (formerly Kraus Brands Inc.), Northfield Properties LP (formerly Kraus Brands LP), Kraus Holdings Company ULC, Kraus Properties Inc. and Kraus Properties LP. The Miller Thomson and Sheppard Mullin Security Opinion Documents (collectively, the “**Red Ash Security Opinions**”) are attached as **Exhibit A** and **Exhibit B**, respectively.

H. UNSECURED CREDITORS

Trade Payables

51. Following the sale of the TPS Business, the Company owed approximately \$9.6 million in non-related party trade accounts payable.

Employee Matters

52. The Monitor understands that the following employee amounts have been paid since the Filing Date:

- employees' pre-filing wages, overtime pay, and commissions;
- employee benefits, pension plan contributions and union dues deducted from employee wages up to the Filing Date;
- vacation pay owed to employees who were not transferred to QEP for the six months prior to the Filing Date, which is entitled, under certain conditions, to priority of up to \$2,000 per employee (as described in detail below); and,
- vacation pay accrued for those employees that transferred to QEP.

53. Vacation pay for employees not transferred to QEP accrued during the six-month period immediately prior to the Filing Date was paid on February 21, 2019 when cheques were mailed to each employee. The total amount paid was \$70,281 (the "**Vacation Amount**"). As described in the Fourth Emmott Affidavit, Management calculated the Vacation

Amount by taking the total amount of vacation pay earned from March 12, 2018 to September 11, 2018 and subtracting (i) any amounts paid to each employee on account of vacation pay during this period; and (ii) any amounts no longer owed as a result of vacation time taken by the employees, up to a maximum of \$2,000.

54. Severance and termination pay for terminated employees remains unpaid. The Monitor has determined with Management that approximately \$8.4 million of termination and severance obligations are owing to Canadian and US employees that were not transferred to QEP, being \$7.7 million owing to Canadian employees and \$750,000 to US employees.

Landlords

55. The Kraus Group also operated out of a number of leased premises throughout North America. During the CCAA Proceedings and as part of the TPS Purchase Agreement, some leases were transferred as part of the TPS Purchase Agreement and some leases were abandoned.
56. The Monitor has been advised by Management that following the settlement with the landlord of the Vancouver facility, all leases have now been assigned to QEP or abandoned. Any residual lease liabilities from the abandonment of any remaining term of lease have not been estimated.

Monitor's Recommendation

57. As set out in the Forecast Cash Flow and Shortfall on Secured Indebtedness schedule, even after the realizations on all of the assets of the Kraus Group, there will remain an estimated

shortfall on the repayment of the secured indebtedness of the Kraus Group exceeding \$57 million. Accordingly, there will be no funds available to repay unsecured creditors.

58. In light of the foregoing, the Monitor recommends that the Court authorize the Company to distribute all remaining realizations from the assets of the Kraus Group to Red Ash, up to the amount of the Red Ash Indebtedness.

I. NAME CHANGE

59. As discussed in detail in the Fourth Emmott Affidavit, as part of the TPS Purchase Agreement, all entities with the name "Kraus" were to be changed to remove the name "Kraus". Effective February 5, 2019, the following Kraus Group entities had their names changed:

- a) Kraus Canada Ltd. To 2328708 Ontario Ltd.;
- b) Kraus Canada LP to 2328708 LP;
- c) Kraus Carpet Inc. to 2328709 Ontario Inc.
- d) Kraus Carpet LP to 2328709 LP;
- e) Kraus Properties Inc. to 2328710 Ontario Inc.; and,
- f) Kraus Properties LP to 2328710 LP.

60. As discussed in detail in the Fourth Emmott Affidavit, Kraus Brands Inc. and Kraus Brands LP changed their respective names to Northfield Properties (GP) Inc. and Northfield Properties LP effective October 10, 2018.

J. ANTICIPATED BANKRUPTCY FILING

61. The Monitor understands that upon the completion of these CCAA proceedings, the Applicants intend to be considering filing an assignment in bankruptcy for 2328708 LP, 2328708 Ontario Ltd., 2328709 LP, 2328709 Ontario Inc., Strudex LP, and Strudex Inc. to properly wind-up these estates on an orderly basis.

K. COURT PROCEEDINGS AND ORDERS IN THE UNITED STATES

62. As discussed in the Second Report, on October 1, 2018, the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) entered:

- an Order Granting Motion of Kraus Carpet Inc. (the “**Foreign Representative**”) for Entry of an Order (I) Recognizing and Enforcing the Approval and Vesting order (II) Authorizing the Sale of the Debtors' TPS Business Free and Clear of Any and All Liens, Claims, Encumbrances, and Other Interests, and (III) Granting Related Relief (“**Sale Order**”); and,

- a Final Order Granting Recognition of Foreign Main Proceeding and Certain Related Relief (“**Recognition Order**”).
63. On October 9, 2018, a Notice of Distribution of Sale Proceeds was filed informing the Bankruptcy Court of the impending distribution of proceeds from the Sale Order to Wells Fargo.
64. The Monitor understands that the Foreign Representative will be filing a motion in the Bankruptcy Court to recognize the Discharge Order and to terminate the U.S Proceedings.

L. APPROVAL OF FEES, REPORTS AND ACTIVITIES

65. The Monitor and Miller Thomson have maintained detailed records of their professional time and costs. The Monitor now requests approval of its fees and disbursements for the period from September 22, 2018 to March 28, 2019 and the fees and disbursements of its legal counsel for the period from October 1, 2018 to February 28, 2019, plus estimates for future fees and costs until discharge.
66. The total fees and disbursements of the Monitor for the period from September 22, 2018 to March 28, 2019 total \$263,990.34, including fees in the amount of \$210,275.00, expenses of \$23,344.71 and Harmonized Sales Tax (“**HST**”) of \$30,370.63, as detailed in the Affidavit of Paul Casey sworn April 22, 2019 (the “**Casey Affidavit**”), a copy of which has been attached as **Exhibit C**.

67. The total fees and disbursements of Miller Thomson for the period from October 7, 2018 to February 28, 2019 total \$42,033.35, including fees in the amount of \$34,515.00, disbursements in the amount of \$2,693.00, and HST in the amount of \$4,825.35, as detailed in the Affidavit of Shallon Garrafa sworn April 18, 2019 (the “**Garrafa Affidavit**”), a copy of which has been attached as **Exhibit D**.
68. The Monitor notes that fees related to unbilled work (not included in either the Casey Affidavit or the Garrafa Affidavit) has occurred and that there will be future fees for work performed to discharge. The Monitor and its independent counsel have estimated these unbilled and future fees at \$25,000 and \$20,000, respectively (the “**Fee Estimates**”).
69. The Monitor respectfully submits that the fees and disbursements of the Monitor and its counsel, as set out in the Casey Affidavit and the Garrafa Affidavit (together, the “**Fee Affidavits**”) and the Fee Estimates, are reasonable in the circumstances and have been validly incurred in accordance with the provisions of the Initial Order. Accordingly, the Monitor respectfully requests the approval of the fees and disbursements of the Monitor and its counsel, as set out in the Fee Affidavits and the Fee Estimates.
70. The activities and conduct of the Monitor in connection with the CCAA Proceedings are described in the First Report, the Second Report and this Third Report. The Monitor is requesting approval of the Third Report and the activities and conduct of the Monitor as described herein.

M. MONITOR'S OBSERVATIONS AND RECOMMENDATIONS

71. The CCAA Proceedings have been effective in facilitating the going concern sale of the TPS Business, and the realization of the assets of the Broadloom Business, thereby maximizing recoveries for the creditors.
72. In the Monitor's opinion, the Kraus Group has and is acting in good faith and with due diligence in accordance with the terms of the Initial Order in an effort to maximise the return to its creditors. To date, the sale of the TPS Business has been completed after a lengthy sale process, the Company has diligently sold or disposed of its finished goods inventory from the Broadloom Business, has collected substantially all accounts receivables of the Broadloom Business and has completed the sale of fixed assets through the Asset Marketing Agreement.
73. The Monitor is of the opinion that it is appropriate for the CCAA Proceedings to be terminated through the Discharge Order for the following reasons:
 - realization activities taken during the CCAA Proceedings having been substantially completed;
 - there is limited ongoing benefit of the CCAA Proceedings to the two remaining secured creditors due to the estimated shortfall on the repayment of the secured indebtedness of the Kraus Group exceeding \$50 million and the lack of any prospect for recovery to unsecured creditors; and,

- an anticipated bankruptcy filing for 2328708 LP, 2328708 Ontario Ltd., 2328709 LP, 2328709 Ontario Inc., Strudex LP, and Strudex Inc.

74. The Kraus Group is seeking the Court's approval of:

- the distribution in an aggregate amount of up to the amount of the Red Ash Indebtedness of net proceeds from the TPS Purchase Agreement, the Asset Marketing Agreement, and other realizations, to Red Ash as permanent repayments of amounts owing by the Kraus Group relating advances made under the Red Ash Credit Agreement; and,
- the Discharge Order, including the discharge of the Monitor and the approval of the activities and conduct of the Monitor described in this Third Report, and the fees and disbursements of the Monitor and its counsel to date.

75. For the reasons outlined herein, the Monitor recommends that the Court grant the relief sought by the Applicants.

All of which is respectfully submitted this 22nd day of April, 2019.

**Deloitte Restructuring Inc.,
solely in its capacity as Court-appointed Monitor
of the Kraus Group and not in its personal capacity**

Per: 
Paul M. Casey, CPA, CA, FCIRP, LIT
Senior Vice-President

Exhibit "A"

Miller Thomson Security Opinion – Red Ash Capital Partners II
Limited Partnership



January 10, 2019

Via Email & REGULAR MAIL

Deloitte Restructuring Inc., in its capacity as
Monitor of the Kraus Group
Bay Adelaide East
8 Adelaide Street, West, Suite 200
Toronto, ON M5H 0A9

Attention: Paul Casey

Dear Sir / Madam:

Re: Security Opinion / Kraus Group

You have requested our opinion regarding the security held by Red Ash Capital Partners II Limited Partnership by its general partner Pinnacle Capital Resources Limited (the “**Lender**”) granted by the Kraus Group (as defined in **Appendix “A**” hereto) in Provinces of Alberta, British Columbia, Manitoba, Ontario, and Nova Scotia (the “**Applicable Provinces**”).

Documents Reviewed

Security Documents

In reaching the opinions set out herein, we have reviewed and considered copies of the documents listed in **Appendix “B**” hereto (collectively, the “**Security Documents**”) granted in connection with:

1. an amended and restated credit agreement dated as of November 23, 2012 (the “**Junior Credit Agreement**”), among Kraus Inc. (“**KI**”), as borrower, Strudex Fibres Limited (“**Strudex**”), as guaranteeing party, and BMO Capital Corporation (“**BMOCC**”), as lender, as assigned to the Lender under a master assignment agreement dated May 7, 2012 (the “**Junior Master Assignment Agreement**”, between the Lender, as assignee, and Bank of Montreal, as assignee of all rights, entitlements and interests of BMOCC, as assignor;
2. a credit and guarantee agreement dated as of June 28, 2007 (the “**Senior Credit Agreement**”), among Strudex, KI and Kraus Canada Inc. (“**KCI**”), as Canadian borrowers and guaranteeing parties, Barrett Carpet Mills, Inc. and Kraus USA, Inc. as U.S. borrowers and guaranteeing parties, the other guaranteeing parties thereto, National Bank of Canada, as Canadian administrative agent, Bank of Montreal, as U.S. administrative agent, and the financial institutions party thereto as lenders, as assigned

to the Lender under a master assignment agreement dated May 7, 2012 (the “**Senior Master Assignment Agreement**”), among Bank of Montreal, assignor, and the Lender, as assignee; and

3. an amended and restated promissory note dated as of November 23, 2010 (the “**Kraus Promissory Note**”), issued by Strudex in favour of Nelson Kraus Holdings Limited (“**NKHL**”), in the principal amount of \$32,843,743.26, as assigned to Nelson Kraus (“**NK**”), and further assigned to the Lender under a master assignment agreement dated May 7, 2012 (the “**Kraus Master Assignment Agreement**”), among NKHL and NK, as assignors, and the Lender, as assignee.

Other Documents

We have also been provided with, and have reviewed and considered, copies of the additional documents listed in **Appendix “C”** hereto.

Searches

In reaching the opinions set out herein, we have reviewed and considered the search results described in **Appendix “D”** hereto.

Opinion

Based on the foregoing and subject to the usual assumptions and qualifications set out at **Appendix “E”** hereto, it is our opinion that the Security Documents:

1. have been registered in all public offices provided for under the laws of the Applicable Provinces and under the federal laws of Canada where such registration is necessary to preserve, protect or perfect the security interests created by the each of the Security Documents in the collateral described therein; and
2. are valid and enforceable in accordance with their terms.

This opinion is provided to you in connection with the subject matter hereof and is not to be used or relied upon by any other person or for any other purpose without our prior written consent.

We trust that the foregoing is satisfactory.

Yours truly,

MILLER THOMSON LLP



APPENDIX “A” – OBLIGORS

Northfield Properties (GP) Inc. (formerly Kraus Brands Inc.)
Kraus Holdings Company ULC
Kraus Properties Inc.

collectively the foregoing companies are referred to herein as the “**Kraus Companies**”.

Northfield Properties LP (formerly Kraus Brands LP)
Kraus Properties LP

collectively the foregoing partnerships are referred to as the “**Kraus Partnerships**”.

The Kraus Companies and the Kraus Partnerships are collectively referred to herein as the “**Kraus Group**”.

The Kraus Group are sometimes collectively referred to as the “**Obligors**” and each is an “**Obligor**”.

APPENDIX “B” – SECURITY DOCUMENTS

1. General Security Agreement dated as of June 11, 2012 granted by Kraus Brands LP by its general partner, Kraus Brands Inc. in favour of the Lender, as agent, made in respect to the Senior Credit Agreement.
2. General Security Agreement dated as of June 11, 2012 granted by Kraus Brands LP by its general partner, Kraus Brands Inc. in favour of the Lender, as agent, made in respect to the Junior Credit Agreement.
3. Share Pledge Agreement dated as of June 11, 2012 granted by Kraus Brands LP by its general partner, Kraus Brands Inc. in favour of the Lender, as administrative agent under the Senior Credit Agreement, and lender under the Junior Credit Agreement.
4. General Security Agreement dated as of June 11, 2012 granted by Kraus Brand Inc. in favour of the Lender, as agent, made in respect to Senior Credit Agreement.
5. General Security Agreement June 11, 2012 granted by Kraus Brand Inc. in favour of the Lender, made in respect to the Junior Credit Agreement.
6. Partnership Interest Pledge Agreement dated as of June 11, 2012 granted by Kraus Brands Inc. in favour of the Lender, as administrative agent under the Senior Credit Agreement, and lender under the Junior Credit Agreement.
7. General Security Agreement dated as of June 11, 2012 granted by Kraus Properties LP by its general partner, Kraus Properties Inc. in favour of the Lender, as agent, made in respect to the Senior Credit Agreement
8. General Security Agreement dated as of June 11, 2012 granted by Kraus Properties LP by its general partner, Kraus Properties Inc. in favour of the Lender, made in respect to the Junior Credit Agreement
9. Partnership Interest Pledge Agreement dated as of June 11, 2012 granted by Kraus Properties Inc. in favour of the Lender, as administrative agent under the Senior Credit Agreement, and lender under the Junior Credit Agreement.
10. General Security Agreement dated as of June 11, 2012 granted by Kraus Properties Inc. in favour of the Lender, as agent, made in respect to the Senior Credit Agreement
11. General Security Agreement dated as of June 11, 2012 granted by Kraus Properties Inc. in favour of the Lender, made in respect to the Junior Credit Agreement
12. Partnership Interest Pledge Agreement dated as of June 11, 2012 granted by Kraus Holdings Company ULC in favour of the Lender, as administrative agent under the Senior Credit Agreement, and lender under the Junior Credit Agreement.

13. Share Pledge Agreement dated as of June 29, 2012 granted Kraus Holdings Company ULC in favour of the Lender, as administrative agent under the Senior Credit Agreement, and lender under the Junior Credit Agreement.
14. General Security Agreement dated as of June 11, 2012 granted by Kraus Holding Company ULC in favour of the Lender, as agent, made in respect to the Senior Credit Agreement.
15. General Security Agreement dated as of June 11, 2012 granted by Kraus Holding Company ULC in favour of the Lender, made in respect to Junior Credit Agreement.
16. Charge / Mortgage of Land registered June 27, 2007 as Registration Number WR305984 and originally against PIN 22280-0071 (LT) in the principal amount of \$165,000,000.00 granted by Strudex Fibres Limited in favour of the National Bank of Canada, as assigned to Pinnacle Capital Resource Limited, in its capacity as general partner of Red Ash Capital Partners II Limited Partnership pursuant to a transfer of charge dated May 7, 2012 as Registration Number WR687890. PIN 22280-0071 (LT) was split and is no longer active; the foregoing mortgage remains registered as Registration Number WR305984 against PIN 22280-0322 (LT).
17. Charge / Mortgage of Land registered July 23, 2007 as Registration Number WR312710 and originally against PIN 22280-0071 (LT) in the principal amount of \$12,500,000.00 granted by Strudex Fibres Limited in favour of the BMO Capital Corporation as assigned to Pinnacle Capital Resource Limited, in its capacity as general partner of Red Ash Capital Partners II Limited Partnership pursuant to a transfer of charge dated May 7, 2012 as Registration Number WR687891. PIN 22280-0071 (LT) was split and is no longer active; the foregoing mortgage remains registered as Registration Number WR312710 against PIN 22280-0322 (LT).

APPENDIX “C” – ADDITIONAL DOCUMENTS

1. The Junior Master Assignment Agreement.
2. The Junior Credit Agreement.
3. The Senior Master Assignment Agreement.
4. The Senior Credit Agreement.
5. The Kraus Master Assignment Agreement.
6. The Kraus Promissory Note.
7. Guarantee dated June 11, 2012 granted by Kraus Brands LP by its general partner, Kraus Brands Inc. in favour of the Lender, as agent, made in respect to the Senior Credit Agreement
8. Guarantee dated June 11, 2012 granted by Kraus Brands Inc. in favour of the Lender, as agent, made in respect to the Senior Credit Agreement
9. Guarantee dated June 11, 2012 granted by Kraus Brands Inc. in favour of the Lender, made in respect to the Junior Credit Agreement.
10. Guarantee dated June 11, 2012 granted by Kraus Properties LP by its general partner, Kraus Properties Inc. in favour of the Lender, as agent, made in respect to the Senior Credit Agreement.
11. Guarantee dated June 11, 2012 granted by Kraus Properties LP by its general partner, Kraus Properties Inc. in favour of the Lender, made in respect to the Junior Credit Agreement.
12. Guarantee dated June 11, 2012 granted by Kraus Properties Inc. in favour of the Lender, as agent, made in respect to the Senior Credit Agreement.
13. Guarantee dated June 11, 2012 granted by Kraus Properties Inc. in favour of the Lender, made in respect to the Junior Credit Agreement.
14. Guarantee dated June 11, 2012 granted by Kraus Holdings Company ULC in favour of the Lender, as agent, made in respect to the Senior Credit Agreement.
15. Guarantee dated June 11, 2012 granted by Kraus Holdings Company ULC in favour of the Lender, made in respect to the Junior Credit Agreement.
16. Promissory Note dated May 9, 2012 granted by Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills Inc. and Kraus USA Inc. in favour of the Lender.

17. Amended and Restated Promissory Note dated June 29, 2012 granted by Kraus Brands LP by its general partner, Kraus Brands Inc. and Kraus USA Inc. in favour of the Lender.
18. Subordinated Promissory Note dated July 25, 2014 granted by Kraus Canada LP, Strudex LP, Kraus Carpet LP, Kraus USA Inc. and Barrett Carpet Mills Inc. in favour of the Lender.
19. Amended and Restated Subordinated Promissory Note dated December 30, 2014 granted by Krause Canada LP, Strudex LP, Kraus Carpet LP, Kraus USA Inc. and Barrett Carpet Mills Inc. granted in favour of the Lender.
20. Second Amended and Restated Subordinated Promissory Note dated March 31, 2015 granted by Kraus Canada LP, Strudex LP, Kraus Carpet LP, Kraus USA Inc. and Barrett Carpet Mills Inc. in favour of the Lender.
21. Third Amended and Restated Subordinated Promissory Note dated December 29, 2015 granted by Kraus Canada LP, Strudex LP, Kraus Canada LP, Kraus USA Inc. and Barrett Carpet Mills Inc. in favour of the Lender.
22. Asset Purchase Agreement dated June 11, 2012 among Pricewaterhousecoopers Inc., as receiver, and Kraus Brands LP, as purchaser.
23. Assignment and Assumption Agreement dated June 11, 2012 among Pricewaterhousecoopers Inc., as receiver, and Kraus Brands LP, as purchaser.
24. Secured Debt Assignment and Assumption Agreement dated June 11, 2012 among Pricewaterhousecoopers Inc., as receiver, and Kraus Brands LP, as purchaser.
25. General Assignment of Intellectual Property dated as of June 11, 2012 among Pricewaterhousecoopers Inc., as assignor, and Krause Brands LP, as assignee.
26. Trademark Assignment dated June 11, 2012 granted by Pricewaterhousecoopers Inc., as assignor, and Kraus Brands LP, as assignee.
27. Agreement to Assume Charges dated as of June 11, 2012 between, Kraus Brands LP by and through its general partner, Kraus Brands Inc., as purchaser, Strudex Fibres Limited by Pricewaterhousecoopers Inc., solely in its capacity as court-appointed receiver of the assets, property and undertaking of Strudex Fibres Limited, as original mortgagor, and Red Ash Capital Partners II Limited Partnership by and through its general partner, Pinnacle Capital Resources Limited, as chargee.
28. Assignment and Assumption Agreement dated as of June 30, 2012 among Kraus Brands LP, as vendor, and Kraus Carpet LP, as purchaser.

29. Confirmation of Security dated May 30, 2018 from, *inter alios*, the Obligors to the Lender.
30. Transfer of Charge dated May 7, 2012 between National Bank of Canada, as Canadian Administrative Agent, as assignor, and the Lender, as assignee.
31. Transfer of Charge dated May 7, 2012 between Bank of Montreal, as assignor, and the Lender as assignee.

APPENDIX “D” – SEARCHES

1. Ontario Corporate Profile Report dated December 20, 2018 in respect of each of the Kraus Companies, other than Kraus Holdings Company ULC.
2. Ontario Business Names Report dated December 20, 2018 in respect of each of the Kraus Partnerships.
3. Nova Scotia Online Profile search dated December 20, 2018 in respect of Kraus Holdings Company ULC.

collectively the foregoing searches are referred to herein as the “**Corporate Searches**”.

4. Parcel Register (Abbreviated) dated December 27, 2018 for Property Identifier 22280-0071 (LT) (inactive);
5. Parcel Register (Abbreviated) dated December 27, 2018 for Property Identifier 22280-0322 (LT);
6. ONCorp Enquiry Response Certificates under the *Personal Property Security Act* (Ontario) (the “**ON PPSA**”) current to December 19, 2018 against each Kraus Group entity (other than Northfield Properties Inc. and Northfield Properties LP)
7. ONCorp Enquiry Response Certificates under the ON PPSA current to January 8, 2019 against each of Northfield Properties (GP) Inc. and Northfield Properties LP.
8. Personal Property Registry Search Results Report under the *Personal Property Security Act* (Alberta) (the “**AB PPSA**”) current to December 20, 2018 against each Kraus Group entity (other than Northfield Properties (GP) Inc. and Northfield Properties LP).
9. Personal Property Registry Search Results Report under the AB PPSA current to January 8, 2019 against each of Northfield Properties (GP) Inc. and Northfield Properties LP).
10. BC OnLine PPRS Search Result under the *Personal Property Security Act* (British Columbia) (the “**BC PPSA**”) current to December 20, 2018 against each Kraus Group entity (other than Northfield Properties (GP) Inc. and Northfield Properties LP).
11. BC OnLine PPRS Search Result under the BC PPSA current to January 9, 2019 against each of Northfield Properties (GP) Inc. and Northfield Properties LP.
12. Manitoba Property Registry online search under the *Personal Property Security Act* (Manitoba) (the “**MB PPSA**”) current to December 20, 2018 against each Kraus Group entity (other than Northfield Properties (GP) Inc. and Northfield Properties LP).

13. Manitoba Property Registry online search under the MB PPSA current to January 8, 2019 against each of Northfield Properties (GP) Inc. and Northfield Properties LP.
14. Nova Scotia PPRS Search Result Report under the *Personal Property Security Act* (Nova Scotia) (the “**NS PPSA**”) current to December 20, 2018 against each Kraus Group entity (other than Northfield Properties (GP) Inc. and Northfield Properties LP).
15. Nova Scotia PPRS Search Result Report under the NS PPSA current to January 8, 2019 against each of Northfield Properties (GP) Inc. and Northfield Properties LP.

The ON PPSA, AB PPSA, BC PPSA, MB PPSA and NS PPSA are collectively referred to as the “**PPSAs**” and each is a “**PPSA**”.

APPENDIX "E" – ASSUMPTIONS AND QUALIFICATIONS

ASSUMPTIONS

We have assumed:

1. the genuineness of all signatures, the identity and the necessary legal capacity at all times of all individuals, the authenticity of all documents and instruments submitted to us as originals, the conformity to originals and completeness of all documents and instruments submitted to us as photocopies thereof to the originals, the authenticity of the originals of such photocopies, that each of the Security Documents, including any dated "as of" a particular date, were executed on the date appearing on each such document and that none of such documents have been amended, restated or supplemented and that all relevant individuals had full legal capacity at all relevant times;
2. that all constating documents or charter documents for each Obligor and any amendments thereto were properly filed;
3. that each Obligor was duly incorporated and validly subsisting at the time the Security Documents were executed by it and that each Obligor continues to be validly subsisting as of the date of this letter;
4. that the Corporate Searches are conclusive evidence that each applicable Obligor is incorporated, amalgamated or existing, under the laws of its applicable jurisdiction at all material times, has not been dissolved or terminated under such jurisdiction, and the names appearing on the Corporate Searches are true, full and accurate and names as the same would appear on such Obligor's articles, partnership, or charter documents, including the accuracy of the name of any general partner for the Kraus Partnerships;
5. that, at the time of the execution of the Security Documents and the additional documents listed in Appendix C hereto, each Obligor had the requisite power, capacity and authority to enter into, execute, deliver and perform its rights and obligations under each of the Security Documents and such additional documents and that each of the Security Documents and each such additional document was duly authorized, executed and delivered by each Obligor and that no provision of the articles of incorporation, charter documents or other documents by which Borrower was incorporated or continued or any by-laws or any unanimous shareholders agreement was violated by the execution, delivery or performance of any of the Security Documents or any such additional document;
6. that the Security Documents are governed by the laws of the Province of Ontario and that where the choice of law of an individual Security Document is the Province of

Ontario, it will be given effect to in any legal proceeding, and that the principal place of business for each Obligor was, at all material times, Ontario;

7. that the validity and enforceability of the obligations purporting to be secured by each of the Security Documents, that valid consideration has been given by the Lender to each Obligor in respect of which the security was granted, that the obligations secured have not been repaid, or complied with, and remain outstanding, and that all conditions precedent contained in each of the Security Documents, if any, were satisfied or waived;
8. that there are no agreements, facts or understandings, written or oral, (such as duress, mistake of fact, undue influence, unconscionability, oppressive conduct, misrepresentations or bad faith) or usage of trade or course of prior dealings between the parties affecting or concerning any of the Security Documents or the various principal obligations in respect of which the Security Documents were granted that were not apparent from our review of the Security Documents and that would or might affect the execution and delivery, validity, legality, binding effect or enforceability of any of the Security Documents, at law or in equity, or that would or might discharge, release, subordinate, surrender or assign any security interest granted to Lender or have provisions that are inconsistent with the provisions of the Security Documents;
9. that the identity and capacity of all individuals acting or purporting to act as public officials, the accuracy and completeness of the records maintained by offices of public record and of all representations, statements and other matters of fact set out or referred to in such searches and documents, the reliability of all search results obtained by electronic transmission, the accuracy of the results of any printed or computer search of offices of public record and that the applicable filings, registrations or recordings referred to in the searches conducted relate to the Security Documents and continue to be effective and unchanged as of the date of this letter;
10. that each of the Security Documents and the additional documents listed in Appendix A hereto has been duly authorized, executed and delivered by each of the parties thereto, other than the Obligors, and constitutes a legal, valid and binding obligation of each of the parties thereto, other than the Obligors, enforceable against it in accordance with their terms;
11. that the conduct of the parties to the Security Documents has complied with any requirement of good faith, fair dealing and conscionability, and that the Lender, and any agent acting for the Lender, in connection with the Security Documents, has acted in good faith and without notice of any defence against the enforcement of any rights created by, or adverse claim to, any property or security interest transferred, or created, as part of, the Security Documents;

12. no Obligor was insolvent, unable to pay its debts in full or on the eve of insolvency at the time the security interests were granted pursuant to the Security Documents and no Obligor was rendered insolvent by the grant of such security interest;
13. no Obligor has a legal defence against the Lender, for, without limitation, absence of legal capacity, fraud, misrepresentation, undue influence or duress;
14. that any documents referred to in the Security Documents are valid and enforceable;
15. that since the date of our searches, none of the financing statements registered on behalf of Lender pursuant to the PPSAs have been discharged and no event or circumstance has occurred which would require action to be taken in order to maintain the perfection of the security interest granted to Lender by the Obligors pursuant to the PPSAs;
16. that, to the extent that this letter references or quotes from any other document and uses square parenthesis to replace pronouns used within the quoted document, the party identified in square parenthesis within a quotation accurately describes the party intended by such quoted document;
17. for the purposes of any opinion relating to the validity, perfection or effect of perfection or non-perfection of any security interest in any personal property, that:
 - (i) the PPSA applies to such personal property and security interest;
 - (ii) value has been given (as interpreted under the applicable PPSA) by the Lender;
 - (iii) the Lender has not agreed to postpone the time for attachment of any of the security interests created by the Security Documents and that attachment, within the meaning of the applicable PPSA, of the security interests constituted by the Security Documents, has occurred;
 - (iv) such personal property does not constitute “consumer goods” as defined in the PPSAs;
 - (v) all personal property collateral, except such collateral as is described and dealt with in the body of this letter, comprises tangible personal property situated in the Applicable Provinces, both at the time the security interests created by the Security Documents attached, and at the date of this letter; and
 - (vi) the Obligors have rights in its personal property.
18. We have not undertaken any independent investigation to verify the correctness of any of the foregoing assumptions.

QUALIFICATIONS

1. The enforceability of the Security Documents and the rights and remedies set out therein or any judgment arising out of or in connection therewith may be limited by any applicable bankruptcy, insolvency, winding-up, reorganization, arrangement, moratorium, fraudulent preference, fraudulent conveyance, oppression or other laws affecting the Lender's rights generally. We express no opinion as to whether the Security Documents could be attacked under any such legislation or in any manner, including:
 - (a) the costs of and incidental to a proceeding to enforce a Security Document are in the discretion of a court of competent jurisdiction, and such court may determine by whom and to what extent the costs shall be paid;
 - (b) section 347 of the Criminal Code (Canada) prohibits the payment of "interest" at a "criminal rate" (as such terms are defined therein);
 - (c) any action on any Security Document may be barred by the Limitations Act, 2002 (Ontario) after the applicable limitation period has expired; and
 - (d) a judgment by a court for the payment of an amount of money may only be awarded in Canadian currency and may be based on a rate of exchange in existence on a date other than the date of payment.
2. We express no opinion regarding the enforceability of any provision of the Security Documents which purports to provide that any portion thereof which is unenforceable may be severed without affecting the enforceability of the remaining provisions.
3. We express no opinion as to the legal or beneficial right, title or interest of an Obligor or any other person to any of the personal property, lease of personal property or any of the collateral subject to any of the Security Documents and such title has been assumed to the full extent necessary to express the opinions herein contained.
4. We express no opinion as to the ranking or priority of any security interest, lien, hypothec or security interest expressed to be created by or under the Security Documents, except as set out explicitly in this letter and only to the extent that any such security interest has been registered under the PPSA. We note that the order or registration of a security interest under the PPSA is not absolutely indicative of priority by registration, including, but not limited to, the cases of investment property, purchase money security interests, interests not governed by or subject to the PPSA and unregistered government claims.
5. We express no opinion regarding the creation, validity, enforceability or perfection of any security interest, lien, hypothec or other interest in, or the enforceability of, the Security Documents insofar as it relates to any:

- (a) real property (including crops that have been planted but are not growing crops as contemplated within the definition of “goods” under the PPSA), fixtures, claims or rights, or a lease of real property, or any interest in real property or right to payment that arises in connection with an interest in land;
 - (b) policy of insurance or contract of annuity;
 - (c) trade-mark, copyright, industrial design, patent, patent application, licence, approval, privilege, quota, franchise, permit or any other intellectual property, regulatory authorizations or other similar property which is not personal or movable property;
 - (d) consumer goods (as such item is defined in the PPSAs);
 - (e) interest in a right to damages in tort or at law;
 - (f) debt owing to an Obligor by the Crown or any agent thereof; and
 - (g) any property that is an interest in an unearned right to payment under a contract to a transferee who is to perform the transferor's obligations under the contract.
6. We express no opinion regarding the attachment, validity or enforceability of Lender’s security interest in crops that become such one year after the execution of the Security Documents.
7. We express no opinion as to the enforceability of any provisions of the Security Documents, which:
- (a) purport to directly or indirectly exclude unwritten variations, waivers or consents of, to or under the Security Documents or restrict their effect;
 - (b) provide for agreement at a later date;
 - (c) purport to restrict the access to, waive or purport to waive the benefit or protection of any legal or equitable rights, remedies or defences, or principle of statutory protection based on public policy, including any rights to notices, including notices of enforcement;
 - (d) provide for obligations, rights or remedies which are inconsistent with any other provisions of the Security Documents or subject or subordinate to, or overridden by, other provisions in the Security Documents;
 - (e) provide for evidentiary standards as being conclusive and binding;
 - (f) purport to bind or affect, or confer a benefit upon, persons who are not parties to the Security Documents;

- (g) purport to establish evidentiary standards, such as provisions stating that certain determinations, calculations, requests or certificates will be conclusive or binding; or
 - (h) appoint or constitute any person as attorney for an Obligor to execute any document or do any other act on behalf of such Obligor.
8. Each of the Security Documents may be subject to:
- (a) the Court's powers to stay proceedings and execution of judgments;
 - (b) any notices or documents required pursuant to the Farm Debt Mediation Act, SC 1997, c 21;
 - (c) applicable laws regarding limitation of actions;
 - (d) the Court's discretion to decline to hear any action or give effect to any obligation if to do so would be contrary to public policy; and
 - (e) implied obligations of good faith, fair dealing and reasonableness in the performance of a contract.
9. Provisions providing for the recovery of fees and expenses may be restricted by a Court to a reasonable amount and counsel fees may be subject to taxation;
10. No opinion is expressed concerning the applicability of any equitable remedy, nor concerning equitable limitations on, and defences against, the availability of remedies and equitable principles of application to proceedings at law or in equity;
11. No opinion is expressed as to the creation, validity, enforceability, attachment or perfection of any mortgage, charge, hypothec, security interest or other interests expressed to be created by or under any of the Security Documents with respect to any property of an Obligor or any proceeds of such property that are not identifiable or traceable;
12. No opinion is expressed as to the maintenance of the perfection of any security interest created by any of the Security Documents.
13. Notwithstanding that, subject to attachment, registration under the PPSAs will perfect a secured party's security interest in all forms of personal property to the extent that such statute applies to such personal property, only perfection by either:
- (a) possession by or on behalf of the secured party of chattel paper and instruments (including certain types of letters of credit and advances of credit and negotiable documents of title), and

- (b) control by or on behalf of the secured party of Investment Property (within the meaning of the PPSA),

is sufficient to defeat the interests of certain specified parties as provided for under the PPSAs.

14. A security interest perfected by registration of a financing statement under the PPSA will only remain perfected by such registration until the expiry date shown in respect of that registration, unless renewed before that date by the filing of a financing change statement properly completed in the manner prescribed under such PPSA. Any change in corporate name of, or the adoption or change of a French form of the name of, or a transfer to any third party of any of its property subject to the security interests created in favour of the holder of any Security Document would require timely registration of a financing change statement properly completed in the manner prescribed under the PPSA to preserve the priority and perfection of the security interests therein.
15. No opinion is expressed as to whether any registrations made under the PPSA are effective to perfect a security interest in collateral in respect of which the federal laws of Canada require that notices, filings or registrations be made, that other steps or actions be taken in order to perfect or enforce a security interest in such collateral, or whether such federal laws otherwise prohibit or prevent the granting of any such security interest.
16. Any security interest expressed to be created under any of the Security Documents in any collateral acquired by an Obligor after the execution and delivery of the relevant Security Document will not attach to such collateral (and will not be enforceable against third parties or perfected) until such Obligor acquires rights in such collateral.
17. The views expressed in this letter are limited to the PPSAs and therefore do not address:
 - (a) laws of jurisdictions other than the Applicable Provinces;
 - (b) Ontario law, British Columbia law, Alberta law, Manitoba law, or Nova Scotia law, except for the PPSAs;
 - (c) collateral of a type not subject to the PPSAs; and
 - (d) the creation or perfection of any security interest with respect to property for which, pursuant to applicable conflicts rules (including, without limitation, the conflicts rules of the PPSA) the validity, perfection and effect of perfection or non-perfection or enforcement are governed by the laws of a jurisdiction other than Ontario, Manitoba, Nova Scotia, British Columbia or Alberta.
18. Any views expressed with respect to the personal property security held by Lender is based solely upon a review of the information provided to us by counsel to the Lender,

Cassels Brock & Blackwell LLP, and the specific documentation described in this letter. We express no opinion with respect to:

- (a) any subordination or postponement agreements; or
 - (b) any unregistered or unperfected claims of third parties whether now existing or arising in the future, including legislative super-priority claims, liens, charges or trusts, which may, in the absence of any registration or other means of perfection, rank in priority to, or take precedence over, the security interests of Lender.
19. With respect to the security interests created under the Security Documents:
- (a) acceleration, enforcement and realization under the Security Documents may be limited or conditioned by statutory conditions contained in the PPSAs;
 - (b) a security interest in certain classes of collateral being "instruments", "securities", "chattel paper", "letters of credit", "advances of credit", and "negotiable documents of title" may be perfected by registration, but will be defeated by certain claimants obtaining possession or control of such property in the circumstances described in the PPSAs, *Securities Transfer Act* (Ontario), *Securities Transfer Act* (British Columbia), *Securities Transfer Act* (Alberta), *Securities Transfer Act* (Nova Scotia), *The Securities Transfer Act* (Manitoba) or the *Bills of Exchange Act* (Canada), as applicable;
 - (c) a security interest in a debt or account will not be binding on a third person to the extent that such debt or account is paid or otherwise discharged before notice of the assignment is given to the third person, together with a direction to pay the same to the Lender, and is subject to the terms of the contract between the Obligors and their account debtors and any defence or claim of the account debtor accruing before the account debtor has knowledge of the security interest;
 - (d) a security interest in goods will be defeated by certain claimants to whom an Obligor sells, leases or encumbers those goods in the ordinary course of business, in the circumstances described in the PPSA;
 - (e) where VIN numbers are not included by a secured party in the designated place on the registered financing statement, good faith buyers or lessors of a motor vehicle that is proceeds and is classified as consumer goods may be free of any security interests, and, to the extent any motor vehicle is construed to be equipment, buyers out of the ordinary course of business may be able to take such vehicle free from any security interest therein given by an Obligor, even though it is perfected by registration;

- (f) no opinion is expressed with respect to any security interest in collateral that is transformed in such a way that it is not identifiable or traceable or in any proceeds of collateral that are not identifiable or traceable;
 - (g) a security interest may not attach in crops that become such more than one year after the security agreement has been executed, except in certain circumstances described in the applicable PPSA;
 - (h) any security interest purported to be created by the Security Documents in any of the property described in Section 4 of the applicable PPSA, in respect of which such PPSA is stated to have no application. For greater certainty, you should be aware that Subsections 4(c) and (c.1) of the BC PPSA and AB PPSA, and 4.1(c) of the Ontario PPSA provide that each PPSA does not apply to a transfer of any interest or claim in or under any policy of insurance or contract of annuity;
 - (i) with respect to “serial numbered goods” as defined in the regulations under the BC PPSA and the AB PPSA, a security interest in such goods is not perfected to the fullest extent attainable by law where such goods are used as “equipment” (in contrast to “inventory”), each as defined in the applicable PPSA, unless the registration in respect of such goods includes a description by serial number in accordance with the applicable PPSA and its regulations. We note that no serial number is set out in the PPSA registrations in favour of the Lender.
20. The enforceability of a Security Document and the security interest created by the Security Documents is subject:
- (a) to the powers of a court to grant relief from forfeiture or to stay proceedings before it and to stay executions and judgements, the powers of a court under the BC PPSA to grant relief from the consequences of default;
 - (b) to the detailed provisions of the BC PPSA which set out procedures for the enforcement of security agreements and impose duties with respect to the exercise of rights or remedies thereunder, including special procedures applicable where the collateral includes consumer goods and a duty to exercise or discharge rights, remedies, duties and obligations in good faith and in a commercially reasonable manner. Such procedures and duties are in most cases applicable notwithstanding waivers or contrary terms in the Security Documents; and
 - (c) to any estoppel based on incorrect information given in response to a demand for information made pursuant to Section 18 of the BC PPSA
21. A receiver or receiver and manager appointed pursuant to any Security Document may, for certain purposes, be treated by the Court as being the agent of a Lender and

not solely the agent of an Obligor (and such Lender may not be deemed to be acting as the agent or attorney of an Obligor in making such appointment), notwithstanding any provision in any of the Security Documents to the contrary.

22. The PPSAs impose certain obligations on secured creditors which cannot be varied by contract. The PPSAs may also affect the enforcement of certain rights and remedies contained in the Security Documents to the extent that those rights and remedies are inconsistent with or contrary to the applicable PPSA including, without limitation, sections 16, 17, 17.1 and 39 and Part V of the ON PPSA and sections 16, 17, 17.1 and 33 and Part V of the BC PPSA and AB PPSA.
23. We express no opinion with respect to provisions in any Security Document to the effect that the Lender is not responsible to an Obligor for its own misconduct or negligence, or the misconduct or negligence of any agent, receiver or receiver and manager appointed by a Lender.
24. The effectiveness of provisions of any Security Document which purport to relieve a person from a liability or duty otherwise owed may be limited by law, and provisions requiring indemnification or reimbursement may not be enforced by the Court to the extent they relate to the failure of such person to have performed such duty or liability.
25. The fixed and specific security interests expressed to be created by any Security Document may be ineffective in respect of any collateral not in existence on, or acquired by an Obligor, after the date of delivery of any Security Document, or not described with sufficient particularity therein, with the result that such collateral will be subject to a security interest which is not in the nature of a fixed and specific security interest.
26. No opinion is expressed in this letter as to whether it may be necessary in connection with the enforcement of any Security Document for Lender or any other persons proposing to acquire, own or operate all or any part of the property secured thereunder, to give any notice or obtain or effect any licence, franchise, permit, consent, approval, registration or other authorization or exemption in connection therewith.
27. We have not conducted any searches in respect of any trade-marks, trade names, industrial designs, patents, copyrights or other intellectual property interests and no opinion is expressed with respect to the validity or effectiveness of the security interest of Lender.
28. A security interest in:
 - (a) a trade mark, copyright, industrial design, patent, patent application, license, or
 - (b) any goods purchased under any licence;

- (c) an approval, privilege, quota, franchise, permit or lease; and
- (d) an instrument, contract, account, receivable or agreement,

may not be perfected, valid, binding or enforceable because of the nature or terms of such property or agreement, or to the extent the nature or terms of such property or agreement or any statute or regulation require a consent, approval, acknowledgement, notice or other authorization or registration, as a condition of assignability, which has not been given or made.

29. Our opinions do not address any of the following matters:
- (a) any required registration, filing, recording or notice in respect of any fixtures, or goods that may become fixtures;
 - (b) any required caution filing which may be required in certain circumstances where goods are intended to be brought or are brought into Ontario; or
 - (c) any required registration, filing, recording or notice in respect of any real property rights or interests of any of the Security Documents.
30. Enforcement by the Lender under the Security Documents is limited to the actual amount of the indebtedness of an Obligor to the Lender under the Security Documents notwithstanding the aggregate principal amount secured by the Security Documents may exceed such indebtedness.
31. All opinions which expressly, or by necessity, relate to the validity and enforceability of each of the Security Documents may be subject to any of the foregoing matters and limitations.
32. To the extent any opinions contained herein extend to the laws of the Province of Nova Scotia or Province of Manitoba (including the NS PPSA and MB PPSA), we provide those opinions solely relying on the opinions of McInnes Cooper (attached as Appendix "F" hereto) and Fillmore Riley LLP (attached as Appendix "G" hereto) ("Additional Opinions"). We refer you to the Additional Opinions and the assumptions and qualifications set out therein in respect of such matters, which are incorporated herein by reference. We have assumed the correctness of the assumptions made therein as at the date thereof and are relying upon such in providing our opinions herein.

APPENDIX “F” – NOVA SCOTIA OPINION

See attached.

Our File: 170952

January 9, 2019

Miller Thomson LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON M5H 3S1

Dear Sirs,

Re: Review of the registration and enforceability of Red Ash Capital Partners II Limited Partnership's financing statements in the Nova Scotia Personal Property Registry for Deloitte Restructuring Inc. as CCAA Monitor in the matter of a plan of compromise or arrangement of Kraus Brands Inc., Kraus Canada Ltd., Kraus Canada Carpet Inc., Kraus Properties Inc., Kraus USA Inc. and Strudex Inc.

We have acted as counsel in the Province of New Brunswick for Miller Thomson LLP in connection with the review of the enforceability and registration of Red Ash Capital Partners II Limited Partnership by its general partner, Pinnacle Capital Resources Limited's (the "**Lender**") financing statements referred to below (individually, the "**Financing Statement**" and collectively the "**Financing Statements**") in the Nova Scotia Personal Property Registry (the "**PPR**") established under the *Personal Property Security Act* (Nova Scotia) (the "**PPSA**").

The Financing Statements relate to the security interest created by:

1. the Master Assignment Agreement (the "**Junior Assignment Agreement**") dated May 7, 2012, made by Bank of Montreal ("**BMO**"), as assignee of all rights, entitlements and interests of BMOCC in favour of the Lender, with respect to that certain amended and restated credit agreement dated as of November 23, 2012 (the "**Junior Credit Agreement**");
2. the Master Assignment Agreement (the "**Senior Assignment Agreement**") dated May 7, 2012, made by BMO and National Bank of Canada in favour of the Lender, with respect to that certain credit and guarantee agreement dated as of June 28, 2007 (the "**Senior Credit Agreement**");
3. the Master Assignment Agreement (the "**Kraus Assignment Agreement**") dated May 7, 2012, made by Nelson Kraus Holdings Limited and Nelson Kraus, as assignors, in favour of the Lender, with respect to that certain amended and restated promissory note dated as of November 23, 2010;

4. the general security agreement (the "**KBLP Senior GSA**") dated June 11, 2012 made by Kraus Brands LP ("**KBLP**") by its general partner Kraus Brands Inc. ("**KBI**") in favour of the Lender, made with respect to the Senior Credit Agreement;
5. the general security agreement (the "**KBLP Junior GSA**") dated June 11, 2012 made by KBLP by its general partner KBI in favour of the Lender, made with respect to the Junior Credit Agreement;
6. the share pledge agreement (the "**Pledge Agreement**") dated June 11, 2012, made by KBLP by its general partner KBI in favour of the Lender;
7. the general security agreement (the "**KBI Senior GSA**") dated June 11, 2012, made by KBI in favour of the Lender, with respect to the Senior Credit Agreement;
8. the general security agreement (the "**KBI Junior GSA**") dated June 11, 2012, made by KBI in favour of the Lender, with respect to the Junior Credit Agreement;
9. the partnership interest pledge (the "**KBI Pledge Agreement**") dated June 11, 2012, made by KBI in favour of the Lender;
10. the general security agreement (the "**KPLP Senior GSA**") dated June 11, 2012, made by Kraus Properties LP ("**KPLP**") by its general partner Kraus Properties Inc. ("**KPI**") in favour of the Lender, with respect to the Senior Credit Agreement;
11. the general security agreement (the "**KPLP Junior GSA**") dated June 11, 2012, made by KPLP by its general partner KPI in favour of the Lender, with respect to the Junior Credit Agreement;
12. the partnership interest pledge (the "**KPI Pledge Agreement**") dated June 11, 2012, made by KPI in favour of the Lender;
13. the general security agreement (the "**KPI Senior GSA**") dated June 11, 2012, made by KPI in favour of the Lender, with respect to the Senior Credit Agreement;
14. the general security agreement (the "**KPI Junior GSA**") dated June 11, 2012, made by KPI in favour of the Lender, with respect to the Junior Credit Agreement;
15. the partnership interest pledge agreement (the "**KHCULC Pledge Agreement**") dated June 11, 2012, made by Kraus Holdings Company ULC ("**KHCULC**") in favour of the Lender;
16. the general security agreement (the "**KHCULC Senior GSA**") dated June 11, 2012, made by KHCULC in favour of the Lender, with respect to the Senior Credit Agreement;

17. the general security agreement (the "**KHCULC Junior GSA**") dated June 11, 2012, made by KHCULC in favour of the Lender, with respect to the Junior Credit Agreement;

1. Definitions

In this opinion letter, "**Collateral**" refers to personal property subject to the security interest created by the Junior Assignment Agreement, Senior Assignment Agreement, Kraus Assignment Agreement, KBLP Senior GSA, KBLP Junior GSA, Pledge Agreement, KBI Senior GSA, KBI Junior GSA, KBI Pledge Agreement, KPLP Senior GSA, KPLP Junior GSA, KPI Pledge Agreement, KPI Senior GSA, KPI Junior GSA, KHCULC Pledge Agreement, KHCULC Senior GSA and the KHCULC Junior GSA of a type or category in which a security interest may be created under the PPSA. The above referenced agreements are hereinafter individually referred to as a "Transaction Document" and collectively as the "Transaction Documents".

2. Applicable Laws

The opinions expressed herein are limited to the laws of the Nova Scotia and the federal laws of Canada applicable therein (collectively the "**NS Laws**") and no opinion is expressed herein with respect to the laws of any other jurisdiction. In particular, no opinion is expressed with respect to the laws of any other jurisdiction to the extent those laws may govern the validity, perfection, effect of perfection or non-perfection or enforcement of the security interest created by the Transaction Documents as a result of the application of the conflict of laws rules in Nova Scotia including, without limitation, the provisions of the PPSA.

3. Scope of Review

We have reviewed executed copies of the Transaction Documents for the sole purpose of providing this opinion.

4. Verification Statements

We have enclosed copies of the following:

- (a) PPR search results confirming the registration in the NS PPR on June 21, 2007 of financing statement No. 12601589 against KBI, as amended on January 24, 2008, May 10, 2012 and June 12, 2012, renewed on May 3, 2018, and as amended on January 8, 2019, to change the name of the Debtor to Northfield Properties (GP) Inc. ("**Northfield GP**"), in favour of the Lender in respect of the Collateral described therein;
- (b) PPR search results confirming the registration in the NS PPR on June 21, 2007 of financing statement No. 12601613 against KBI, as amended on January 24, 2008, May 10, 2012 and June 12, 2012, renewed on May 3, 2018, and as amended on January 8, 2019, to change the name of the Debtor to Northfield GP, in favour of the Lender in respect of the Collateral described therein;
- (c) PPR search results confirming the registration in the NS PPR on June 21, 2007 of financing statement No. 12601589 against KBLP, as amended on January 24, 2008, May 10, 2012 and June 12, 2012, renewed on May 3, 2018, and as amended on January 8, 2019, to change the name of the Debtor to Northfield

Properties LP ("**Northfield LP**"), in favour of the Lender in respect of the Collateral described therein; and

- (d) PPR search results confirming the registration in the NS PPR on June 21, 2007 of financing statement No. 12601613 against KBLP, as amended on January 24, 2008, May 10, 2012 and June 12, 2012, renewed on May 3, 2018, and as amended on January 8, 2019, to change the name of the Debtor to Northfield LP, in favour of the Lender in respect of the Collateral described therein.

5. Assumptions

For the purposes of the opinions expressed herein, we have, without independent investigation or verification, assumed:

- (a) with respect to all documents examined by us, the genuineness of all signatures, the legal capacity of individuals signing any documents, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified or telecopies, as copies or as facsimiles;
- (b) the accuracy, currency and completeness of the indices, filing systems and records maintained at the PPR and at other public offices where searches or inquiries have been conducted or caused to have been conducted, and the printed results of those searches and inquiries;
- (c) that Northfield LP, Northfield GP, KPLP, KPI and KHCULC (collectively the "**Debtors**") are duly organized, existing and in good standing under the laws of its governing jurisdiction and has all requisite power and authority to execute and deliver the Transaction Documents;
- (d) that the Transaction Documents have been duly authorized, executed and delivered by each of the parties thereto under all relevant laws and are legal, valid and binding obligations of each of the parties thereto enforceable against each of them in accordance with their respective terms;
- (e) that the Transaction Documents have been physically delivered by each of the parties thereto or its agent to each of the other parties or its agent, and has not been delivered subject to any condition or escrow which has not been satisfied;
- (f) that the Collateral does not include consumer goods or crops (each as defined in the PPSA);
- (g) that the description of the Collateral in the Transaction Documents is accurate;
- (h) that the Lender has given value and the Debtors have not agreed orally or in writing with the Lender to postpone the time for attachment of the security interest referred to in the Transaction Documents;
- (i) that the validity, perfection and effect of perfection or non-perfection of the security interests in the Collateral created by the Transaction Documents and the registration and re-registration requirements in respect thereof are governed by

the PPSA without giving effect to those provisions of the PPSA that would apply laws other than Nova Scotia Laws to any such matters;

- (j) neither the entering into by the Debtors of the Transaction Documents nor the performance of its obligations thereunder will contravene or result in a violation of or a breach or default under the constating documents of the Debtors or any laws including, without limitation, Nova Scotia Laws applicable to it; and
- (k) that insofar as any obligation under the Transaction Documents is to be performed in any jurisdiction outside Nova Scotia, its performance will not be illegal or unenforceable by virtue of the laws of that other jurisdiction.

6. Opinions

Based and relying upon the foregoing and subject to the qualifications set out below, we are of the opinion that:

1. The Financing Statements registered against Northfield GP in the NS PPR perfects by registration under the NS PPSA the security interest created by the KBI Senior GSA, KBI Junior GSA and KBI Pledge Agreement against the Collateral of KBI.
2. The Financing Statements registered against Northfield LP in the NS PPR perfects by registration under the NS PPSA the security interest created by the KBLP Senior GSA, KBLP Junior GSA and Pledge Agreement against the Collateral of KBLP.
3. All registrations, filings and recordings have been made in all public offices provided for under Nova Scotia Laws to protect, preserve and perfect under the PPSA the validity, enforceability or priority of the security interest granted by Northfield GP and Northfield LP referred to in the Transaction Documents in respect of the Collateral of the Debtors the particulars of which registrations and filings are as noted above.

7. Searches

We also conducted the searches noted in Schedule "A" hereto against the Debtors including any prior names, predecessor names or business names therein noted. The results of the searches are noted in Schedule "A". We have not conducted any other searches or made any other investigations against the Debtors or its predecessors, if any.

8. Qualifications

Our opinions herein are also subject to the following qualifications, limitations and restrictions:

- (a) if any of the personal property of Debtors made subject to a security interest under the Security Agreement now or hereafter includes serial numbered goods (which is defined under the PPSA to include a motor vehicle, trailer, mobile home by Regulations, aircraft, boat or outboard motor for a boat) situate in Nova Scotia, the security interest in such assets must be registered against the applicable serial number description in order to maintain, in certain

circumstances, the priority of such security interest. We have not been informed that the Collateral includes such serial numbered;

- (b) the registrations in the PPR must be renewed by filing a renewal prior to June 21, 2024 for Northfield GP and Northfield LP, otherwise the registrations will expire. Renewal is the responsibility of the Lender as we do not send reminders in this regard. We therefore recommend that the Lender maintain an appropriate reminder diary system to ensure that its security interests are preserved and protected by all appropriate registrations for as long as may be necessary. If the Lender requires our assistance to complete or file a renewal, please do not hesitate to contact us at an appropriate time before the registrations expire;
- (c) if the Debtors change their names or transfer all or any part of their rights in the Collateral in circumstances where the Lender wants to preserve its registered security interests in the Collateral, an amendment will have to be filed under the relevant PPR:
 - (i) within fifteen (15) days of the Lender becoming aware of any such change of name;
 - (ii) within fifteen (15) days of the Lender consenting to the transfer, or
 - (iii) within fifteen (15) days of the Lender becoming aware of any such transfer and the information required to register an amendment;
- (d) no registrations have been made against any specialty property of the Debtor including no registrations under the *Patent Act (Canada)*, the *Trademarks Act (Canada)*, the *Industrial Designs Act (Canada)*, the *Integrated Circuit Topography Act (Canada)*, the *Copyright Act (Canada)*, the *Plant Breeders Rights Act (Canada)* or the *Canada Shipping Act*. If the Lender determines that the Debtor has any intellectual property or other specialty assets (for example, ships, rolling stock) against which you would like us to register the Lender's security, please let us know;
- (e) if the personal property made subject to a security interest under the Security Agreement or any proceeds thereof includes goods or crops that become affixed to land located in Nova Scotia, a notice will be required to be registered in the appropriate land registration or registry office;
- (f) we have not verified the existence of any of the Collateral and express no opinion as to ownership of or title to any of it;
- (g) we express no opinion as to:
 - (i) the rank or priority of the security interests referred to in the Transaction Documents or in the Financing Statements;
 - (ii) the enforceability of the Transaction Documents;
 - (iii) the enforceability of, nor the manner in which a court in Nova Scotia would interpret and apply, any provision of the Transaction Documents

which refers to, incorporates by reference, or requires compliance with, the laws or provisions of the laws of any jurisdiction other than Nova Scotia;

- (iv) whether a security interest may be created in property consisting of a receivable, licence, approval, privilege, franchise, permit, quota, lease or agreement to the extent that the terms of such property or any applicable law prohibit its assignment or require, as a condition of its assignability, a consent, approval or other authorization or registration which has not been made or given;
 - (v) the creation, validity or perfection of a security interest in any property in respect of which there is applicable federal legislation which is paramount over provincial legislation relating to security interests in real or personal property including ships, copyrights, trademarks, patents and industrial designs, and we express no opinion as to the enforceability of any obligation to do so that may be contained in the Transaction Documents;
 - (vi) the creation, validity or perfection of any security interest in any personal property of the Debtors which is of a type or category that would not be governed by the PPSA;
 - (vii) any licences, permits or approvals that may be required in connection with the enforcement of the Transaction Documents by the Lender or by a person on its behalf, whether such enforcement involves the operation of the business of the Debtors or the sale, transfer or disposition of their property and assets; and
- (h) the enforceability of the security interest in the Transaction Documents is subject to:
- (i) applicable bankruptcy, re-organization, insolvency, preference and other laws affecting the rights of creditors generally including without limitation, the PPSA and laws regarding limitations of actions; and
 - (ii) general equitable principles, including the fact that the availability of equitable remedies such as specific performance and injunctive relief is in the discretion of a court;
- (i) to the extent that a security interest created by the Security Agreement:
- (i) attaches intangibles (as defined by the PPSAs), including accounts receivable;
 - (ii) attaches goods which are of a type that are normally used in more than one jurisdiction, if such goods are classified as equipment (as defined by the PPSAs) or are inventory (as defined by the PPSAs), leased or held for lease by the Debtor to others; or

- (iii) is a non-possessory security interest in a security, chattel paper, a negotiable document of title, an instrument or money (as such terms are defined by the PPSAs),

the validity, perfection and effect of perfection or non-perfection of the security interest is governed by the laws of the jurisdiction where the Debtor has its place of business when the security interest attaches. If at such time a Debtor has more than one place of business, the PPSAs deem the Debtor to be located at its chief executive office;

- (j) any debts due or accruing due from the federal Crown or of an obligation owed by the federal Crown may not be enforceable against the federal Crown unless the provisions of the *Financial Administration Act* (Canada) are met;
- (k) the security interest created by the Transaction Documents may not be enforceable in respect of proceeds that are not identifiable or traceable;
- (l) the priority of the security interest created by the Security Agreement is subject to the operation of Nova Scotia Laws in effect from time to time creating statutory liens and trusts having priority over registered mortgages, charges and security interests such as those contained in the Transaction Documents;
- (m) if the Lender makes advances to the Debtors after receipt of notice of registration of a judgment against the Debtors in any PPR, the rights of the Lender with respect to such further advances may be subordinate to the rights of the holder of the judgment;
- (n) we have not conducted any searches or made any inquiries in respect of any statutory liens or deemed trusts that may arise against the property of the Debtor in priority to registered security interest created by the Security Agreement. Such liens or deemed trusts may arise under several statutes including the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the *Canada Pension Plan* and the *Employment Insurance Act* (Canada);
- (o) an assignment of intangible or chattel paper will not be binding upon the account debtor to the extent that the intangible or chattel paper is paid or otherwise discharged before a notice of the assignment is, in fact, given to the account debtor together with a direction to pay same to the Lender;
- (p) the Transaction Documents and the security interest in them do not give the Lender security on any interests in land, including any land that the Debtors may acquire in the future, interests in rights to payment in respect of an interest in land (including mortgage and rent payments), or in respect of any contract of annuity or policy of insurance except money or other value payable under a policy of insurance as indemnity or compensation for loss of or damage to collateral; and
- (q) the opinions herein do not relate or apply to any property or assets while located outside Nova Scotia or to the perfection of the security interest in the Transaction Documents as it relates to any such property, or in circumstances in which, under

Nova Scotia Laws, the validity and perfection of security interests over property or assets is determined by the laws of a jurisdiction other than Nova Scotia.

The opinions expressed herein are given solely for the benefit of the Deloitte Restructuring Inc., its successors and assigns (including its counsel, Miller Thomson LLP), in connection with the matter of a plan of compromise or arrangement of Kraus Brands Inc., Kraus Canada Ltd., Kraus Canada Carpet Inc., Kraus Properties Inc., Kraus USA Inc. and Strudex Inc., and may not, in whole or in part, be relied upon by or shown or distributed to any other person.

Yours very truly,

McINNES COOPER

A handwritten signature in cursive script that reads "McInnes Cooper".

Schedule "A"

We have conducted or caused to be conducted the following searches and inquiries against the following entities:

- Kraus Brands Inc.;
- Northfield Properties (GP) Inc.
- Kraus Holdings Company ULC;
- Kraus Properties Inc.;
- Kraus Brands LP;
- Northfield Properties LP;
- Kraus Properties LP.

<u>Searches Conducted</u>	<u>Results</u>
1. Nova Scotia Personal Property Registry up to and including 09:53 (Atlantic time) on 2018-12-21 for Kraus Brands Inc.	The following registrations were on record: <ul style="list-style-type: none">• Attached
2. Nova Scotia Personal Property Registry up to and including 09:53 (Atlantic time) on 2018-12-21 for Northfield Properties (GP) Inc.	The following registrations were on record: <ul style="list-style-type: none">• Attached
3.	
4.	
5. Nova Scotia Personal Property Registry up to and including 09:56 (Atlantic time) on 2018-12-21 for Kraus Holdings Company ULC.	The following registrations were on record: <ul style="list-style-type: none">• Attached
6. Nova Scotia Personal Property Registry up to and including 09:57 (Atlantic Time) on 2018-12-21 for Kraus Properties Inc.	The following registrations were on record: <ul style="list-style-type: none">• Attached
7.	•
8.	•
9.	•
10. Nova Scotia Personal Property	The following registrations were on record:

Searches Conducted

Results

Registry up to and including 10:01 (Atlantic Time) on 2018-12-21 for Kraus Brands LP.

• Attached

11. Nova Scotia Personal Property Registry up to and including 10:01 (Atlantic Time) on 2018-12-21 for Northfield Properties LP.

The following registrations were on record:

• Attached

12.

•

13.

•

14. Nova Scotia Personal Property Registry up to and including 10:04 (Atlantic Time) on 2018-12-21 for Kraus Properties LP.

The following registrations were on record:

• Attached

15.

•

16.

•

APPENDIX "G" – MANITOBA OPINION

See attached.

TIMOTHY S. DEWART
Direct Tel (204) 957-8312
Direct Fax (204) 954-0312
timdewart@fillmoreriley.com

January 10, 2019

LEGAL ASSISTANT
Nicole Dubois
Tel (204) 956-2970 ext. 212
ndubois@fillmoreriley.com
Our File Number: 413612-29/TSD

Miller Thomson LLP
Scotia Plaza, 40 King Street West
Suite 5800, P.O. Box 1011
Toronto, Ontario M5H 3S1

Dear Sirs:

Re: Deloitte Restructuring Inc., Kraus Brands LP, et al

We have acted on your behalf in connection with your request that we review the filing, registration or recording in the Province of Manitoba of financing statements and financing change statements for or on behalf of Red Ash Capital Partners II Limited Partnership (the "**Secured Party**") with respect to security agreements (the "**Agreements**") given by the companies listed in Schedule "A" hereto (collectively, the "**Companies**") in favour of the Secured Party.

Scope of Inquiry

For the purpose of our opinions, we have made such investigations and examined such certificates of public officials and such other certificates, documents and records as we have considered necessary or relevant for the purposes of our opinions. We have also considered such laws, statutes and regulations in the Province of Manitoba and of Canada applicable in such Province as we have considered necessary as a basis for our opinions.

Assumptions

For the purposes of our opinions we have made the following assumptions:

- (a) For the purposes of any opinion relating to the validity, perfection or effect of perfection or non-perfection of any security interest in any personal property, the Companies have rights in such personal property, value has been given, and that the parties to the Agreement have not agreed to postpone the time for attachment of such security interest;
- (b) The indices and filing systems maintained at the public offices where we have conducted searches or made inquiries as set forth herein, are accurate and current;
- (c) The names of each of the Companies are correctly set out in Schedule "A" hereto and none of the Companies has a French version/form of its name; and

- (d) The general partner of the each limited partnership business debtor is included in the list of Companies described in Schedule "A".

Applicable Law

The opinions provided herein are limited to the laws of the Province of Manitoba and the laws of Canada applicable therein. To the extent that the laws of the Province of Manitoba would require the application of the laws of any other jurisdiction, no opinion is expressed as to the laws of such other jurisdiction.

Opinions

Based upon and relying on the foregoing and subject to the qualifications outlined below, we are of the opinion that:

1. Notice of the Agreements was initially filed by way of Financing Statements in the Manitoba Personal Property Security Registry (the "PPSR") on June 21, 2007 at 2:35:16pm as registration no. 200711376800 and on June 21, 2007 at 2:42:56pm as registration no. 200711379206 (collectively, the "**Registrations**").
2. Notice of the security interests created by the Agreements has been registered, filed or recorded in all places of public registrations, filing or recording in the Province of Manitoba necessary in such Province to perfect the security interests created under the Agreements in the personal property of the Companies to which *The Personal Property Security Act (Manitoba)* (the "**PPSA**") applies.
3. Financing change statements concerning the Registrations giving notice of a change in name of the Companies to Northfield Properties (GP) Inc. and Northfield Properties LP were filed in the PPSR on January 8, 2019 at 3:00:39pm as registration no. 201900412210 to amend original registration no. 200711376800 and at 2:57:57pm as registration no. 201900411915 to amend original registration no. 200711379206.
4. No further or other filing, registration or recording of the Agreements is necessary or desirable in the Province of Manitoba, except:
 - (a) the filing of a renewal financing statement properly completed in the manner prescribed in the PPSA on or before the expiry of June 21, 2024; and
 - (b) any changes in the name of any of the Companies or transfers by any of the Companies to any third party of any of its respective property subject to the security interest in favour of the Secured Party require timely registration of a Financing Change Statement properly completed and filed in the manner and within the time periods prescribed under the PPSA to preserve the priority and perfection of the security interests therein in favour of the Secured Party.

Qualifications

The opinions expressed in this opinion letter are subject to the following qualifications:

1. An assignment of debts or accounts will not be binding on account debtors in respect of debts or accounts paid or otherwise discharged before notice of the assignment is, in fact, given to such third party together with a direction to pay the Secured Party. Any such assignment will be subject to the equities that exist at the time of assignment between the Companies and the third party debtors;
2. We have not conducted searches in any land registry office or under any land registry statutes even though the Agreements may create a security interest in any of the Companies' real property or leases of real property in Manitoba, or in property which is now or may hereafter become a fixture or a right to payment under a lease, mortgage or charge of real property in Manitoba and as such our opinion does not address the possible requirement to make registrations in a land registry office or under any land registry statutes;
3. We do not express any opinion with respect to the possible requirement to make registrations:
 - (a) under the appropriate federal laws of Canada, where applicable, of the security interests of the Secured Party under the Agreement in any trademarks, patents, copyrights, industrial designs or other intellectual property of the Companies;
 - (b) under the *Canada Shipping Act* in respect of any vessel which is registered or recorded under that statute; or
 - (c) under the *Canada Transportation Act* in respect of any rolling stock to which this statute may apply;
4. We have not considered and do not express any opinion on whether notices to or obtaining acknowledgements from a government body as prescribed in the *Financial Administration Act* (Canada) relating to the assignment of Federal Crown debts or to obtain the acknowledgement of the Government of Manitoba under *The Law of Property Act* (Manitoba) related to the assignment of any monies due or accruing due or to be payable by the Government of Manitoba ("Provincial Crown Debts") are required. An assignment of Federal Crown debts that does not comply with the *Financial Administration Act* (Canada) is ineffective as between the assignor and the assignee and as against the Crown. An assignment of Provincial Crown Debts that does not comply with *The Law of Property Act* (Manitoba) is ineffective as between the assignor and the assignee and as against the Government of Manitoba;
5. We have not considered and do not express any opinion on whether registrations at the International Registry created pursuant to the Convention On International Interests In Mobile Equipment made at Cape Town on November 16, 2001, as implemented by the *International Interests in Mobile Equipment (aircraft equipment) Act* (Canada) and by *The International Interests in Mobile Equipment (Aircraft Equipment) Act* (Manitoba) should be made. To the extent that any collateral charged by the Agreement constitutes "aircraft objects", as defined in those statutes, registration under the PPSA may not be effective to fully protect the

security interests constituted thereby and further steps may be required or be advisable;

6. Notwithstanding that registration under the PPSA may perfect a security interest in all forms of collateral to which the PPSA applies, perfection by control (within the meaning of *The Securities Transfer Act* (Manitoba) and/or the PPSA) or by possession of certain types of collateral as provided for in the PPSA, may provide additional rights and/or priorities to a secured party;
7. We express no opinion on the priority of the Registrations made under the PPSA and in particular draw to your attention one or more prior financing statement registrations made by other secured parties against some of the Companies; and
8. Items of collateral by serial number have not been listed in the Registrations and therefore no opinion is expressed regarding the perfection of any security interest with respect to collateral of the Companies which is serial numbered goods (as defined in the PPSA or the regulations pursuant thereto).

This opinion is being provided to you and is solely for your benefit in connection with your engagement by Deloitte Restructuring Inc., the CCAA Monitor in the matter of a plan of compromise or arrangement of Kraus Brands Inc., Kraus Canada Ltd., Kraus Canada Carpet Inc., Kraus Properties Inc., Kraus USA Inc. and Strudex Inc. and for which this opinion has been requested. This opinion is not to be used, circulated, quoted, relied upon or otherwise referred to by any other person or for any other purpose, without our prior written consent in each instance. This opinion is limited to the matters expressly stated herein, and no opinion is implied or may be inferred beyond the matters expressly herein stated.

This opinion is given to you as of the date hereof, and we assume no obligation (and hereby disclaim any obligation) to advise you of any future changes in the facts or law relating to the matters covered by this opinion.

Yours Truly,

Fillmore Riley LLP

SCHEDULE "A"

Kraus Brands Inc. (with name change to Northfield Properties (GP) Inc.)
Kraus Brands LP (with name change to Northfield Properties LP)

Exhibit "B"

Sheppard, Mullin, Richter & Hampton LLP Security Opinion –
Red Ash Capital Partners II Limited Partnership

December 28, 2018

VIA FEDEX

Deloitte Restructuring Inc.
Bay Adelaide East
8 Adelaide Street West, Suite 200
Toronto, Ontario
Canada M5H 0A9

Re: Security Opinion re: Kraus USA Inc., a Delaware corporation (“Borrower”)

Ladies and Gentlemen:

In your capacity as Canadian Court-appointed Monitor (in such capacity, the “**Monitor**”) in the bankruptcy of Kraus Brands Inc., Kraus Canada Ltd., Kraus Carpet Inc., Kraus Properties Inc., Borrower and Strudex Inc., you have requested our opinion on the validity and enforceability of the security held by Red Ash Capital Partners II Limited Partnership (“**Lender**”) against Borrower.

As you are aware, we did not participate in the preparation or filing of the Loan Documents (defined below), and our familiarity with the Loan Documents arises solely from our engagement as independent counsel to the Monitor. To render the opinions set forth herein, we have examined only the documents and filings listed on the attached Schedule 1 (collectively, the “**Loan Documents**”), which include those UCC-1 financing statements listed as items 10 through 15 on such Schedule 1 (collectively, the “Filed Documents”).

We have relied, without independent investigation, upon the representations and warranties of Borrower set forth in the Loan Documents, all of which we assume to be true, correct and complete; provided, however, we advise you that no facts have come to our attention that would give us actual knowledge that any such representation or warranty is inaccurate or contrary to the matters set forth in this opinion.

In rendering the opinions herein contained, we have reviewed and relied on the Loan Documents and such other documents as we have deemed reasonably necessary in connection with delivering the opinions set forth in this letter, and we have not undertaken any examination of any public records, including civil litigation action indices in any jurisdiction, nor have we examined the financial books or records of Borrower. Further, we have otherwise reviewed such matters of law as we have deemed reasonably necessary with respect to delivery of this opinion letter.

In rendering the opinions herein contained, we have assumed:

- (1) The legal capacity of each natural person (including, without limitation, the absence of any mental impairment or other impairment or impediment of or to the legal capacity of each natural person);
- (2) The legal existence and good standing of all parties to the transaction;
- (3) The power and authority of each person or entity to execute, deliver and perform each document executed and delivered and to do each other act done or to be done by such person or entity;
- (4) The due authorization, execution and delivery of each of the Loan Documents by each person or entity that is a party thereto;
- (5) The legality and enforceability as to each person or entity of each of the Loan Documents to which it is a party;
- (6) That there have been no undisclosed written modifications of any provision of any of the Loan Documents reviewed by us in connection with the rendering of this opinion and no undisclosed prior waiver of any right or any remedy contained in any of the Loan Documents;
- (7) The genuineness of each signature;
- (8) The completeness and authenticity of each document reviewed by us, the conformity to the original of each of the Loan Documents reviewed by us as a copy and the authenticity of the original of each of the Loan Documents received by us as a copy;
- (9) That Lender has complied with all laws applicable to it in its state, country or province of organization that affect the transaction that is the subject of this opinion letter;
- (10) The Loan Documents will be enforced in circumstances and in a manner which are commercially reasonable;
- (11) That there has been no mutual mistake of fact, fraud or duress with respect to the Loan Documents or the transaction that is the subject matter of this opinion letter; and
- (12) The constitutionality and validity of all relevant Laws (as such term is hereinafter defined), regulations and agency actions, unless a reported case has otherwise held or widespread concern has been expressed by commentators as reflected in materials that lawyers routinely consult.

To our knowledge, none of the foregoing assumptions are inaccurate.

We have not made or undertaken to make any investigation of and do not express any opinion as to (i) the ownership of, or title to, any real or personal property or the descriptions thereof related to or contained in the Loan Documents or (ii) except as expressly set forth in Paragraph 8 or

otherwise in this letter, the creation, perfection, validity, attachment, priority or enforceability of any lien or security interests purported to be granted pursuant to any of the Loan Documents.

Based on the foregoing, and subject to the assumptions, qualifications, exceptions and limitations stated in this opinion letter, we are of the opinion that:

1. The Filed Documents were in an acceptable form for filing with the Secretary of State of the State of Delaware (the “**Filing Office**”) as of the date of their filing. As of the date each of the Filed Documents were filed with the Filing Office, and provided the Filing Office received all necessary and required fees in connection with such filing:

(a) The security interest of Lender and the rights of Borrower in the personal property described in the Financing Statement (the “**Personalty**”) were perfected (or remained perfected) under Article 9 of the Delaware UCC (defined below) to the extent such security interest can be perfected by the filing of the Financing Statement under the Delaware UCC (specifically excluding any portion of the Personalty constituting fixtures).

(b) No opinion is expressed herein with respect to the relative priority of the security interests set forth in this Paragraph 1, however.

The opinions and other matters in this opinion letter are qualified in their entirety and subject to the following:

A. We are admitted to practice in the law in the State of New York; however, we are not admitted to practice law in the State of Delaware. We express no opinion as to the Laws of any jurisdiction other than the Included Laws (as hereinafter defined) and the effect of such Laws on the transactions contemplated in the Loan Documents. We have made no special investigation or review of any published constitutions, treaties, laws, rules or regulations or judicial or administrative decisions (collectively, “**Laws**”), other than a review of (i) the Uniform Commercial Code of the State of Delaware (the “**Delaware UCC**”), (ii) the Federal Laws of the United States of America and (iii) the Laws of the State of New York (including the Uniform Commercial Code of the State of New York (the “**New York UCC**”). For purposes of this opinion letter, the term “Included Laws” means the items described in clauses (i), (ii) and (iii), of the preceding sentence that are, in our experience, customarily applicable to transactions of the type contemplated in the Loan Documents. The term “Included Laws” specifically excludes (a) the Laws of any territory, county, city, town, municipality and special political subdivision and any agency thereof, (b) Laws relating to land use, zoning and building code issues, taxes, environmental issues, intellectual property Laws, antitrust issues, Federal Reserve Board margin regulation issues and securities and “blue-sky” Laws and issues, and (c) pension and employee benefit Laws and regulations such as ERISA, taxation and USA PATRIOT Act and other anti-terrorist Laws and issues. For purposes of this opinion letter, the phrase “transactions of the type contemplated in the Loan Documents” as referenced above and similar phrases mean the performance by Borrower of its obligations under the Loan Documents.

B. By their terms, certain parts of the Loan Documents are governed by laws of the Province of Ontario and the laws of Canada applicable therein (collectively, the “**Canadian Laws**”). We express no opinion as to the Canadian Laws or on rights and remedies of Lender governed by the Canadian Laws or the effectiveness of that choice of law.

C. When any opinion or confirmation of fact set forth in this opinion letter is qualified by the words “to our knowledge,” “of which we are aware” or words of similar import, the quoted words mean the actual, current conscious knowledge and awareness of the lawyers in this firm providing substantive legal representation with respect to the transaction referred to in this opinion. Those lawyers are Blanka Wolf, Esq. and Anthony Roselle, Esq. Except as otherwise expressly set forth herein, we have not undertaken any independent investigation to determine the accuracy of any such statement, and any limited inquiry undertaken by such attorneys during the preparation of this opinion letter should not be regarded as such an investigation; no inference as to our knowledge or awareness of any matters bearing on the accuracy of any such statement should be drawn from the fact of our representation of the Monitor, and we advise you that no facts have come to our attention that would give us actual knowledge or notice that any opinion or other matters are not accurate or are contrary to the matters set forth in our opinion.

D. This opinion letter and the matters addressed herein are as of the date hereof and we undertake no, and hereby disclaim any, obligation to advise you of any change in any matter set forth herein, whether based on a change in the law, a change in any fact relating to Borrower, or any other circumstance after the date hereof. This opinion letter is limited to the matters expressly stated herein and no opinions are to be inferred or may be implied beyond the opinions expressly set forth herein.

E. We express no opinion as to the enforceability of any provisions contained in the Loan Documents (i) purporting to retain liability against Borrower for any deficiency after the sale of collateral to the extent that such sales are not conducted in accordance with applicable provisions of the Uniform Commercial Code of any jurisdiction and United States Federal Laws; (ii) purporting to grant Lender an irrevocable power of attorney or to permit Lender to treat any portion of the collateral as if Lender owned it prior to foreclosure, including, without limitation, the exercise of voting rights and the compromise and settlement of claims; (iii) purporting to grant to Lender rights and remedies afforded by the applicable Uniform Commercial Code of any jurisdiction with respect to collateral to which such other applicable Uniform Commercial Code does not apply; (iv) purporting to permit Lender to purchase or acquire collateral at a private sale thereof in contravention of the applicable Uniform Commercial Code of any jurisdiction or other applicable law; (v) pursuant to which Borrower has waived any rights of equity of redemption in any collateral or other claims, damages or demands such persons may have against Lender arising out of the exercise by Lender of remedies under the Loan Documents; (vi) purporting to permit any set-off or application of monies without prior written notice to Borrower; (vii) purporting to preserve and maintain the liability of any guarantor despite the fact that the guaranteed obligation is unenforceable due to illegality; (viii) purporting to provide for specific performance, injunctive

relief or liquidated damages; or (ix) purporting to covenant to take actions, the taking of which is discretionary with or subject to the approval of a third party or which are otherwise subject to contingency, the fulfillment of which is not within the control of the party bound by such covenant. In addition, we express no opinion as to any provision contained in the Loan Documents purporting to provide that a specific number of days constitutes reasonable notice under the Included Laws. We note generally that the rights and remedies of Lender are further subject to or limited by any applicable requirements of the applicable Uniform Commercial Code.

F. We express no opinion with respect to the fairness of the Loan Documents and in rendering the opinion expressed herein, we have assumed, with your consent, that a court of competent jurisdiction would find all such matters to be fair. We have assumed that no fraud, dishonesty, forgery, coercion, duress or breach of fiduciary duty exists or will exist with respect to any of the Loan Documents or matters relevant to the opinions expressed in this opinion letter.

G. We express no opinion as to (i) except as expressly set forth in the opinions above (and subject to the assumptions, qualifications and limitations herein), the compliance of the transactions contemplated by the Loan Documents with any regulations or governmental requirements applicable to any party; (ii) the financial condition or solvency of Borrower; (iii) the ability (financial or otherwise) of Borrower or any other party to meet their respective obligations under the Loan Documents; (iv) the compliance of the Loan Documents or the transactions contemplated thereby, or as to the effect of any of the foregoing, with antifraud provisions of the Federal and state securities Laws, rules and regulations or the Canadian Laws, rules and regulations; (v) the value of any security provided to secure the payment of obligations contemplated by Loan Documents; and (vi) the conformity of the Loan Documents to any term sheet or commitment letter.

H. We do not express any opinion as to (x) the rights of the Lender with respect to any collateral in possession of a purchaser or holder in due course or (y) the rights of the Lender against any person claimed under a right of set-off.

I. We express no opinion as to the applicability of Section 548 of the Federal Bankruptcy Code (Title 11, United States Code) or of any provisions of any state fraudulent conveyance statute or law to the transactions contemplated by the Loan Documents.

J. We express no opinion as to the enforceability of any provisions contained in any of the Loan Documents insofar as they purport to be present assignments rather than assignments as collateral security.

K. Any security interests in any collateral or proceeds of any collateral is limited to the extent set forth in any applicable Uniform Commercial Code provision.

L. Other than to the extent set forth in any applicable Uniform Commercial Code provision, we express no opinion as to the enforceability of any security interests insofar as such security interests purport to secure obligations other than for the payment of money.

M. We express no opinion regarding any security interest in any of the collateral consisting of claims against any government or governmental agency (including without limitation the United States of America or any state thereof or any agency or department of the United States of America or any state thereof).

N. We call your attention to the fact that enforcement of any security interests may be subject to the rights of account debtors and other persons party to any agreement subject to such security interests and any claims or defenses of such account debtors or other persons arising under or outside any such agreement between the parties thereto.

O. Except with respect to the opinion set forth in Paragraph 1 hereof, we express no opinion with respect to the validity, attachment, creation or perfection of any security interest in any collateral governed by Article 9 of the New York UCC, the Delaware UCC, or any applicable Uniform Commercial Code of any other jurisdiction (including, without limitation, as expressly excluded from applicability of the applicable Uniform Commercial Code of any jurisdiction, pursuant to Section 9-109 or similar provisions thereof) or governed by any other Laws or Canadian Laws.

P. The opinions herein expressed are qualified to the extent that: (i) the characterization of, and the enforceability of any rights or remedies in, any agreement or instrument may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, equitable subordination, or similar laws and doctrines affecting the rights of creditors generally and general equitable principles; (ii) the availability of specific performance, injunctive relief or any other equitable remedy is subject to the discretion of a court of competent jurisdiction; and (iii) the provisions of any document, agreement or instrument that (a) may require indemnification or contribution for liabilities under the provisions of any Federal or state securities or other laws (including Canadian Laws) or in respect to the neglect or wrongful conduct of the indemnified party or its representatives or agents, (b) intentionally omitted, or (c) waive any right granted by common or statutory law, may be unenforceable as against public policy; and (iv) any provisions of the Loan Documents granting so called "self-help" or extrajudicial remedies may not be enforceable.

Q. We direct Lender's attention to the following: (i) in the case of proceeds, continuation of perfection of a security interest in collateral is limited as set forth in the Delaware UCC; (ii) as to all collateral for which Section 9-502 of the Delaware UCC (referring to the perfection of a security interest in fixtures by the recordation of a mortgage) is inapplicable, Article 9 of the Delaware UCC requires the filing of a continuation statement within six months prior to the expiration of each consecutive five-year period beginning on the date of filing of the initial financing statement in order to maintain the effectiveness of such filing; (iii) in the case of property

that becomes collateral after the date hereof, Section 552 of the Federal Bankruptcy Code (Title 11, United States Code) limits the extent to which property acquired by a debtor after the commencement of a case under the Federal Bankruptcy Code may be subject to a security interest arising under a security agreement entered into by the debtor before the commencement of such case; and (iv) the perfection of the security interests in collateral will be terminated as to any collateral acquired by a debtor more than four months after such debtor changes its name, identity or organizational structure so as to render the financing statements pertaining to such debtor seriously misleading, unless new appropriate financing statements indicating the new name, identity or corporate structure of such debtor is/are properly filed before the expiration of such four months.

R. We express no opinion herein as to the law of any jurisdiction other than the Included Laws. The foregoing opinions are also subject to the qualification that we express no opinion as to the rights in or title to any collateral of Borrower, nor, except for the opinions expressed in Paragraph 1 above, do we express any opinion as to the creation, attachment, validity, perfection of any security interests in any collateral or the priority of any security interest.

This opinion is made for the benefit of the Monitor, and may not be circulated, delivered to or relied upon by any other party or in any other transaction. This opinion is limited to the matters stated herein as of the date hereof. We disavow any obligation to update this opinion or advise you or any other person of any changes in applicable laws or facts becoming effective after the date hereof or if additional or newly discovered information is brought to our attention after the date hereof. This opinion is provided to you as a legal opinion only and not as a guaranty or warranty of the matters discussed herein or in the documents referred to herein. No opinion may be inferred or is implied beyond the matters expressly stated herein.

Very truly yours,


SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

Schedule 1

Loan Documents

1. Credit and Guarantee Agreement dated as of June 28, 2007, between Strudex Fibres Limited, Kraus Carpet Mills Limited (now Kraus Inc.), W.G. McMahon Canada Ltd. (now Kraus Canada Inc.), Barrett Carpet Mills, Inc. and Kraus Orders Inc., Sound Floor Coverings, Inc., McMahon Holdings Inc. and Sorce Incorporated (collectively, now Kraus USA, Inc.), the subsidiaries of Strudex Fibres Limited party thereto, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, the lenders party thereto, National Bank of Canada, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner and Bank of Montreal, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner.
2. Credit and Guarantee Agreement Amending Agreement No. 1 dated as of August 30, 2007, between Strudex Fibres Limited, Kraus Carpet Mills Limited (now Kraus Inc.), W.G. McMahon Canada Ltd. (now Kraus Canada Inc.), Barrett Carpet Mills, Inc. and Kraus Orders Inc., Sound Floor Coverings, Inc., McMahon Holdings Inc. and Sorce Incorporated (collectively, now Kraus USA, Inc.), the subsidiaries of Strudex Fibres Limited party thereto, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, the lenders party thereto, National Bank of Canada, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner and Bank of Montreal, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner.
3. Credit and Guarantee Agreement Amending Agreement No. 2 dated as of January 26, 2009, between Strudex Fibres Limited, Kraus Inc, Kraus Canada Inc., Barrett Carpet Mills, Inc. Kraus USA, Inc., the subsidiaries of Strudex Fibres Limited party thereto, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, the lenders party thereto, National Bank of Canada, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner and Bank of Montreal, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner.
4. Credit and Guarantee Agreement Amending Agreement No. 3 dated as of May 21, 2009, between Strudex Fibres Limited, Kraus Inc, Kraus Canada Inc., Barrett Carpet Mills, Inc. Kraus USA, Inc., the subsidiaries of Strudex Fibres Limited party thereto, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, the lenders party thereto, National Bank of Canada, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner and Bank of Montreal, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner.
5. Credit and Guarantee Agreement Amending Agreement No. 4 dated as of November 23, 2010, between Strudex Fibres Limited, Kraus Inc, Kraus Canada Inc., Barrett Carpet Mills,

Inc. Kraus USA, Inc., the subsidiaries of Strudex Fibres Limited party thereto, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, the lenders party thereto, National Bank of Canada, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner and Bank of Montreal, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner

6. Credit and Guarantee Agreement Amending Agreement No. 5 dated as of March 7, 2011, between Strudex Fibres Limited, Kraus Inc, Kraus Canada Inc., Barrett Carpet Mills, Inc. Kraus USA, Inc., the subsidiaries of Strudex Fibres Limited party thereto, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, the lenders party thereto, National Bank of Canada, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner and Bank of Montreal, as Co-Lead Arranger, as Co-Syndication Agent and Joint Bookrunner.
7. Master Assignment Agreement dated May 7, 2012, among Bank of Montreal, as assignor, and Red Ash Capital Partners II Limited Partnership, as assignee, made with respect to that certain credit and guarantee agreement dated as of June 28, 2007, among certain other borrowers and guaranteeing parties and Kraus USA, Inc., as a U.S. borrower and guaranteeing party.
8. Promissory Note from Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills Inc. and Kraus USA Inc. dated as of May 9, 2012 in the amount of up to \$15,000,000 for the benefit of Red Ash Capital Partners II Limited Partnership as amended and restated by that certain Amended and Restated Promissory Note from Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills Inc. and Kraus USA Inc. dated as of June 29, 2012 in the amount of up to \$25,000,000 for the benefit of Red Ash Capital Partners II Limited Partnership.
9. Subordinated Promissory Note from Kraus Canada LP, Strudex LP, Kraus Carpet LP, Kraus USA Inc. and Barrett Carpet Mills Inc. dated as of July 25, 2014 in the amount of up to \$10,000,000 CAD for the benefit of Red Ash Capital Partners II Limited Partnership as amended and restated by that certain Third Amended and Restated Subordinated Promissory Note from Kraus Canada LP, Strudex LP, Kraus Carpet LP, Kraus USA Inc. and Barrett Carpet Mills Inc. dated as of December 29, 2015 in the amount of up to \$16,000,000 CAD for the benefit of Red Ash Capital Partners II Limited Partnership.

Filed Documents

10. UCC Financing Statement filed on June 28, 2007 as filing number 2007 2475126 with the Debtor thereunder being described as McMahan Holdings Inc. and the Secured Party thereunder being described as Bank of Montreal, as U.S. Administrative Agent (the “**Initial Financing Statement**”).

11. UCC Financing Statement Amendment filed on February 20, 2008 as amendment number 2008 0624658 amending the Initial Financing Statement to describe Kraus USA, Inc. as the Debtor.
12. UCC Financing Statement Amendment filed on June 15, 2009 as amendment number 2009 1893830 amending the collateral description of the Initial Financing Statement.
13. UCC Financing Statement Amendment filed on May 10, 2012 as amendment number 2012 1812751 assigning the Initial Financing Statement from Bank of Montreal, as U.S. Administrative Agent to Red Ash Capital Partners II Limited Partnership.
14. UCC Financing Statement Amendment filed on May 14, 2012 as amendment number 2012 1845629 as a continuation of the Initial Financing Statement.
15. UCC Financing Statement Amendment filed on January 4, 2017 as amendment number 2017 0047176 as a continuation of the Initial Financing Statement.

Exhibit "C"

Affidavit of Paul Casey

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

Applicants

AFFIDAVIT OF PAUL CASEY
(Sworn April 22, 2019)

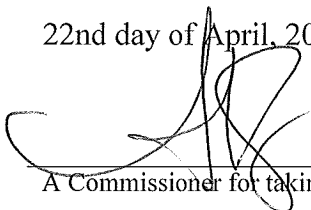
I, Paul Casey, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND**

SAY:

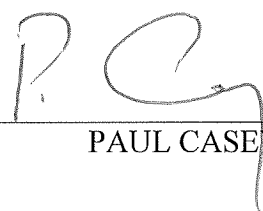
1. I am a Senior Vice-President of Deloitte Restructuring Inc. ("**Deloitte**"), in its capacity as Court-appointed Monitor of Kraus Brands Inc., Kraus Canada Ltd., Kraus Carpet Inc., Kraus Properties Inc., Kraus USA Inc., Strudex Inc., and the Partnerships listed on Schedule "A" of the Initial Order dated September 11, 2018 (collectively, the "**Applicants**"), and as such, have knowledge of the matters hereinafter deposed to.
2. Attached hereto as **Exhibit "A"** is a true copy of the invoices issued to Kraus Group by Deloitte for fees and disbursements incurred by Deloitte in the course of the proceedings between September 23, 2018 and March 28, 2019 (the "**Period**"). The total fees charged by Deloitte during that period were \$210,275.00, plus disbursements of \$23,344.71 plus Harmonized Sales Tax (HST) in the amount of \$30,370.63 for a total of \$263,990.34.

3. Accordingly, I verily believe that the total fees, disbursements and HST of Deloitte in its capacity as CCAA Monitor of the Applicants for this period are \$263,990.34.
4. Attached hereto as **Exhibit "B"** is a summary of all invoices rendered by Deloitte to the Applicants for fees and disbursements incurred by Deloitte in the course of the CCAA proceedings during the Period.
5. To the best of my knowledge, the rates charged by Deloitte throughout the course of this proceeding are comparable to those charged by other firms in Toronto for the provision of similar services.
6. The hourly billing rates outlined in in Exhibit "A" to this affidavit are comparable to the hourly rates charged by Deloitte for services rendered in similar proceedings.
7. I make the affidavit in support of a motion by the Applicants for, among other things, approval of the fees and disbursements of the Monitor.

SWORN BEFORE ME at the City of Toronto this
22nd day of April, 2019.



A Commissioner for taking Affidavits (or as may be)



PAUL CASEY

**Anna Koroneos, a Commissioner, etc.,
Province of Ontario
for Deloitte Restructuring Inc.,
Licensed Insolvency Trustee.
Expires June 3, 2019.**

This is Exhibit "A" referred to in the Affidavit of Paul Casey sworn April 22, 2019



Commissioner for Taking Affidavits (or as may be)

**Anna Koroneos, a Commissioner, etc.,
Province of Ontario
for Deloitte Restructuring Inc.,
Licensed Insolvency Trustee,
Expires June 3, 2019.**



Invoice 8000250490

Deloitte Restructuring Inc.

Bay Adelaide Centre
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9

ATTN: Messrs. Chris Emmott and Matthew Holt
Kraus Carpet
65 Northfield Dr W
Waterloo ON N2L 0A8
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Date: October 04, 2018
Client No.: 1168189
WBS#: HIL00047
Engagement Partner: Paul Casey
HST Registration: 12289 3605

For professional services rendered

Fees

For work performed in Canada from September 22, 2018 to September 30, 2018 in connection with the appointment of Deloitte Restructuring Inc. by the Ontario Superior Court of Justice [Commercial List] as Monitor of the Kraus Group.

Please see the attached appendices for details.

HST applicable 42,695.00

Expense

Out of pocket expenses

HST applicable 1,256.61

Administrative Expense 2,988.65

Sales Tax

HST at 13.00% 6,102.23

Total Amount Due (CAD) 53,042.49

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.



Invoice Number 8000250490

October 04, 2018

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Kraus Carpet	1168189	8000250490	53,042.49	Payment for invoice 8000250490

Contact:

Please send payment confirmation by email to: receivablesdebitours@deloitte.ca, and reference the invoice number(s) paid.

Payment Options

1. EFT Payments(remittance email mandatory):**Preferred Method**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1590219

For USD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1363514

2. Wire Payment:

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

Account Number: 476961590219

Swift Code: NOSCCATT

For USD Dollar (\$) Payments, pay:

Account Number: 476961363514

Swift Code: NOSCUS33

3. Online Payment:

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

Please note we do not accept Interac e-Transfers.

4. Cheque payments, please mail to:**For CAD Dollar (\$) Payments, pay:**

DELOITTE MANAGEMENT SERVICES LP
c/o T04567C
PO Box 4567, Stn A
Toronto ON M5W 0J1

For USD Dollar (\$) Payments, pay:

DELOITTE MANAGEMENT SERVICES LP
c/o T04567U
PO Box 4567, Stn A
Toronto ON M5W 0J1



Appendix # 1

Summary of Fees

Professional	Position	Hours	Rate	Fees
Casey, Paul	Partner	7.7	\$700	\$ 5,390.00
Ambachtsheer, Todd	Senior Manager	1.2	\$525	630.00
Page, Graham	Senior Manager	40.5	\$525	21,262.50
Chu, Jonathan	Senior	25.5	\$325	8,287.50
Watson, Devin	Analyst	31.5	\$225	7,087.50
Brown, Rose	Consultant	0.3	\$125	37.50
Total Hours and Professional Fees		106.7		42,695.00
Expenses				
Meals				208.56
Mileage				971.13
Parking				28.57
Taxi				48.35
				1,256.61
Total Fees and Expenses				43,951.61



Appendix # 2

Date	Professional	Hours	Narrative
9/23/2018	Page, Graham	0.5	Email correspondence related to Monday's union issues.
9/24/2018	Ambachtsheer, Todd	0.5	Respond to creditor and union calls.
9/24/2018	Chu, Jonathan	6.0	Attendance onsite; classification of bank statement transactions for cash flow statements; reconciliation of bank statements; review of employee spreadsheets.
9/24/2018	Page, Graham	7.5	On site in Waterloo; discussions with HR regarding union; supplier and employee questions; working through bank statements and cash reporting file from prior week.
9/24/2018	Watson, Devin	8.0	Out at the client site in Waterloo: respond to creditors and supplier, vendors; obtain bank statements, reformat and reclassify to use in Deloitte cash flow.
9/25/2018	Ambachtsheer, Todd	0.7	Review supplier contract and discuss same.
9/25/2018	Brown, Rose	0.3	Review update to website page, copy and save newspaper ad to Q Drive.
9/25/2018	Casey, Paul	0.4	Various emails, creditors; prospective purchaser; employee communications.
9/25/2018	Chu, Jonathan	1.5	Categorize cash transactions for cash flow statement; review and begin consolidation of employee data.
9/25/2018	Page, Graham	3.5	Supplier and employee contact; framing Monitor's Second report.
9/25/2018	Watson, Devin	6.0	Cash Flow Reporting work
9/26/2018	Casey, Paul	3.0	Review reports from Hilco, Emmott; review outline for Second Court Report; review cash flow reports; attend status call with Emmott, Holt, Whitcomb and Deloitte team; follow up status and staffing call with G. Page; other CCAA activities; emails to US counsel.
9/26/2018	Chu, Jonathan	7.5	Consolidate employee data from salary, vacation, and spreadsheets; produce Deloitte cash flow statement using Hilco model and bank statements.
9/26/2018	Page, Graham	8.5	On site in Waterloo; cash flow reporting work; discussions with Hilco; weekly disbursement review; update call and discussions with P. Casey; supplier and employee correspondence.
9/26/2018	Watson, Devin	4.5	On site in Waterloo: cash flow reporting work.
9/27/2018	Casey, Paul	1.0	Emails to US counsel regarding security opinions; account correspondence; review Notice of Motion.
9/27/2018	Chu, Jonathan	5.5	Review of cash flows for the week ending September 21, 2018; create outline for the Monitor's Second Report; draft language on cash sections of the Monitor's Second Report.

Date	Professional	Hours	Narrative
9/27/2018	Page, Graham	5.5	Supplier and employee correspondence; writing Second Monitor report.
9/27/2018	Watson, Devin	8.0	Cash Flow Reporting work; supplier and creditor correspondence
9/28/2018	Casey, Paul	0.3	Emails G. Page regarding October 9 motion; other emails.
9/28/2018	Chu, Jonathan	5.0	Tasks for the Monitor's Second Report; scrub-through and proof-read; complete language draft for cash flow sections; edit and format CF graphs for charts and appendices.
9/28/2018	Page, Graham	10.5	Second Monitor's Report writing; summarize cash flows and cash flow forecast.
9/28/2018	Watson, Devin	5.0	Finalize cash flow for court report; creditor and employee correspondence.
9/29/2018	Page, Graham	3.0	Drafting of Second Monitor's report.
9/30/2018	Casey, Paul	3.0	Review draft Monitor's Report and US motions and orders; comments and open points to G. Page; review cash flow results and new forecast; emails Mingie regarding Delaware attendance.
9/30/2018	Page, Graham	1.5	Draft Second Monitor's report.

106.7



Invoice 8000255510

Deloitte Restructuring Inc.

Bay Adelaide Centre
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9

ATTN: Messrs. Chris Emmott and Matthew Holt
Kraus Carpet
65 Northfield Dr W
Waterloo ON N2L 0A8
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Date: October 10, 2018
Client No.: 1168189
WBS#: HIL00047
Engagement Partner: Paul Casey
HST Registration: 12289 3605

For professional services rendered

Fees

For work performed in Canada from October 1 to 7, 2018 in connection with the appointment of Deloitte Restructuring Inc. by the Ontario Superior Court of Justice [Commercial List] as Monitor of the Kraus Group.

Please see the attached appendices for details.

Expense

Sales Tax

HST applicable	32,970.00
HST applicable	619.58
Administrative Expense	2,307.90
HST at 13.00%	<u>4,666.67</u>
Total Amount Due (CAD)	<u>40,564.15</u>

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.



Invoice Number 8000255510

October 10, 2018

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Kraus Carpet	1168189	8000255510	40,564.15	Payment for invoice 8000255510

Contact:

Please send payment confirmation by email to: receivablesdebiturs@deloitte.ca, and reference the invoice number(s) paid

Payment Options

1. EFT Payments(remittance email mandatory):**Preferred Method**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1590219

For USD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1363514

2. Wire Payment:

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

Account Number: 476961590219

Swift Code: NOSCCATT

For USD Dollar (\$) Payments, pay:

Account Number: 476961363514

Swift Code: NOSCUS33

3. Online Payment:

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

Please note we do not accept Interac e-Transfers.

4. Cheque payments, please mail to:

For CAD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567C
PO Box 4567, Stn A
Toronto ON M5W 0J1

For USD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567U
PO Box 4567, Stn A
Toronto ON M5W 0J1



Appendix # 1

Summary of Fees

Professional	Position	Hours	Rate	Fees
Casey, Paul	Partner	18.1	\$700	\$ 12,670.00
Page, Graham	Senior Manager	26.5	\$525	13,912.50
Chu, Jonathan	Senior	10.5	\$325	3,412.50
Watson, Devin	Analyst	12.0	\$225	2,700.00
Brown, Rose	Consultant	2.2	\$125	275.00
Total Hours and Professional Fees		69.3		32,970.00
Expenses				
Car Rental				249.97
Meals				369.61
				619.58
Total Fees and Expenses				33,589.58



Appendix # 2

Date	Professional	Hours	Narrative
10/1/2018	Casey, Paul	4.0	Review and update draft Second Report of Monitor; review Asset Marketing Agreement and comment to Hilco and counsel; review US Court Orders; emails and retention letter with US Counsel; discussion of open points with G. Page.
10/1/2018	Page, Graham	4.5	Review of Monitor Second Report; discussion with P. Casey; responses to creditor questions.
10/1/2018	Watson, Devin	2.0	Respond to creditors and suppliers through the Deloitte/Kraus mailbox.
10/2/2018	Brown, Rose	0.9	Update website with documents and text; prepare wire instruction sheet.
10/2/2018	Casey, Paul	1.0	Emails Mingie regarding QEP status; review Motion materials and Emmott affidavit; execute JBBG engagement letter.
10/2/2018	Casey, Paul	2.5	Further information and update Monitor's Second Report; prepare fee Affidavit; teleconference with Cassels Brock; attend update call with US Counsel and Miller Thomson regarding security opinions; discussions G. Page regarding open points and priorities.
10/2/2018	Chu, Jonathan	2.5	Update forecast CF for Monitor's Second Report; categorization of transactions per bank statements.
10/2/2018	Page, Graham	5.5	Further drafting of Second Report; call with Miller Thomson regarding security opinions; calls with US Counsel.
10/2/2018	Watson, Devin	8.0	Respond to creditors and suppliers through the Deloitte/Kraus mailbox; create the reporting cash flow for week 3 using bank statements from all Kraus entities.
10/3/2018	Casey, Paul	6.1	Emails and discussions counsel re security opinions, amendments to Second Report; teleconferences G. Page; follow up on employee and cash flow forecast matters; other Monitoring activities, executive escrow agreement and discuss process for receipt of QEP Proceeds.
10/3/2018	Chu, Jonathan	8.0	On-site attendance; categorization of transactions per bank statements; review of updated CF model; inquiries and discussions with Kraus Staff.
10/3/2018	Page, Graham	8.5	On site in Waterloo; final edits to the Monitor's Second Report; cash flow review with J. Chu; disbursement discussion; creditor and employee questions.
10/3/2018	Watson, Devin	2.0	Prepare Court Report appendices.
10/4/2018	Casey, Paul	2.0	Emails from US Counsel and finalize, issue Monitor's Second Report; coordination re escrow arrangements; correspondences with counsel and Hilco.
10/4/2018	Page, Graham	3.5	Supplier responses; finalization of Second Report.
10/5/2018	Brown, Rose	1.3	Trust banking; wire confirmation and liaison with bank to confirm.
10/5/2018	Page, Graham	4.5	Supplier responses; closing transaction related items included confirming wire payments, discussions with counsel and various communications.

Date	Professional	Hours	Narrative
10/5/2018	Casey, Paul	2.5	QEP closing matters; confirm closing and 5 wire transfers; execute Monitor Certificate; discussion J. Sleeth regarding 30 day goods claim.

69.3



Invoice 8000264816

Deloitte Restructuring Inc.

Bay Adelaide Centre
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9

ATTN: Messrs. Chris Emmott and Matthew Holt
Kraus Carpet
65 Northfield Dr W
Waterloo ON N2L 0A8
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Date: October 18, 2018
Client No.: 1168189
WBS#: HIL00047
Engagement Partner: Paul Casey
HST Registration: 12289 3605

For professional services rendered

Fees

For work performed in Canada from October 8 to 14, 2018 in connection with the appointment of Deloitte Restructuring Inc. by the Ontario Superior Court of Justice [Commercial List] as Monitor of the Kraus Group.

Please see the attached appendices for details.

Sales Tax

HST applicable	15,862.50
Administrative Expense	1,110.38
HST at 13.00%	<u>2,206.47</u>
Total Amount Due (CAD)	<u>19,179.35</u>

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.



Invoice Number 8000264816

October 18, 2018

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Kraus Carpet	1168189	8000264816	19,179.35	Payment for invoice 8000264816

Contact:

Please send payment confirmation by email to: receivablesdebitors@deloitte.ca, and reference the invoice number(s) paid

Payment Options

1. EFT Payments(remittance email mandatory):**Preferred Method**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1590219

For USD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1363514

2. Wire Payment:

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

Account Number: 476961590219

Swift Code: NOSCCATT

For USD Dollar (\$) Payments, pay:

Account Number: 476961363514

Swift Code: NOSCUS33

3. Online Payment:

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

Please note we do not accept Interac e-Transfers.

4. Cheque payments, please mail to:

For CAD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567C
PO Box 4567, Stn A
Toronto ON M5W 0J1

For USD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567U
PO Box 4567, Stn A
Toronto ON M5W 0J1



Appendix # 1

Summary of Fees

Professional	Position	Hours	Rate		Fees
Casey, Paul	Partner	10.5	\$700	\$	7,350.00
Page, Graham	Senior Manager	10.0	\$525		5,250.00
Chu, Jonathan	Senior	9.0	\$325		2,925.00
Watson, Devin	Analyst	1.0	\$225		225.00
Faria, Cecilia	Consultant	0.9	\$125		112.50
Total Hours and Professional Fees		31.4			15,862.50



Appendix # 2

Date	Professional	Hours	Narrative
10/9/2018	Casey, Paul	4.5	Prepare and attend Superior Court for extension hearing; facilitate first distribution to Wells Fargo; various emails to counsel, Hilco; meeting G. Page regarding Monitoring activities.
10/9/2018	Chu, Jonathan	1.0	Categorization of bank statement transactions; begin CF consolidation; QA forms.
10/9/2018	Faria, Cecilia	0.9	Posted to Kraus website: 1) Distribution Order of Penny J; Service List and E-mail Service List; Create a ticket in Service Now.
10/9/2018	Page, Graham	5.5	Preparation and attendance in court; supplier questions; discussions with P. Casey.
10/10/2018	Casey, Paul	1.0	Meeting G. Page regarding Monitoring activities; agenda for 11 October site attendance; Service List communications and posting.
10/10/2018	Chu, Jonathan	1.0	Categorization of bank statement transactions; begin CF consolidation with D. Watson.
10/10/2018	Page, Graham	1.5	Discussions with creditors; preparation for site visit of P. Casey.
10/10/2018	Watson, Devin	1.0	Categorization of bank statement transactions; begin CF consolidation with J. Chu.
10/11/2018	Casey, Paul	1.0	AMA; real property; investment instructions regarding escrow deposit; email US counsel.
10/11/2018	Casey, Paul	4.0	On-site attendance in Waterloo; meeting Wagner regarding plant decommissioning; meeting J. Chu regarding cash flow results and variance analysis; other monitoring activities; agenda and meeting with Hilco to discuss restructuring activities; QEP.
10/11/2018	Chu, Jonathan	7.0	On-site attendance; CF compilation; inquiries to Kraus staff; discussion with Casey re updated NRV.
10/11/2018	Page, Graham	1.0	Email correspondence with creditors and staff re on-site activities.
10/12/2018	Page, Graham	2.0	Correspondence with creditors; review of cash flow materials.



Invoice 8000270025

Deloitte Restructuring Inc.

Bay Adelaide Centre
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9

ATTN: Messrs. Chris Emmott and Matthew Holt
Kraus Carpet
65 Northfield Dr W
Waterloo ON N2L 0A8
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Date: October 23, 2018
Client No.: 1168189
WBS#: HIL00047
Engagement Partner: Paul Casey
HST Registration: 12289 3605

For professional services rendered

Fees

For work performed in Canada from October 15 to 19, 2018 in connection with the appointment of Deloitte Restructuring Inc. by the Ontario Superior Court of Justice [Commercial List] as Monitor of the Kraus Group.

Please see the attached appendices for details.

Sales Tax

HST applicable	10,082.50
Administrative Expense	705.78
HST at 13.00%	<u>1,402.48</u>
Total Amount Due (CAD)	<u>12,190.76</u>

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.



Invoice Number 8000270025

October 23, 2018

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Kraus Carpet	1168189	8000270025	12,190.76	Payment for invoice 8000270025

Contact:

Please send payment confirmation by email to: receivablesdebiturs@deloitte.ca, and reference the invoice number(s) paid

Payment Options

1. EFT Payments(remittance email mandatory):**Preferred Method**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1590219

For USD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1363514

2. Wire Payment:

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

Account Number: 476961590219

Swift Code: NOSCCATT

For USD Dollar (\$) Payments, pay:

Account Number: 476961363514

Swift Code: NOSCUS33

3. Online Payment:

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

Please note we do not accept Interac e-Transfers.

4. Cheque payments, please mail to:

For CAD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567C
PO Box 4567, Stn A
Toronto ON M5W 0J1

For USD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567U
PO Box 4567, Stn A
Toronto ON M5W 0J1



Appendix # 1

Summary of Fees

Professional	Position	Hours	Rate		Fees
Casey, Paul	Partner	1.5	\$700	\$	1,050.00
Page, Graham	Senior Manager	6.8	\$525		3,570.00
Chu, Jonathan	Senior	14.5	\$325		4,712.50
Watson, Devin	Analyst	3.0	\$225		675.00
Brown, Rose	Consultant	0.6	\$125		75.00
Total Hours and Professional Fees		26.4			10,082.50



Appendix # 2

Date	Professional	Hours	Narrative
10/15/2018	Chu, Jonathan	0.8	Finalize cash flow for the week ended October 5; send to G. Page; provide ERV template PDF to G. Page.
10/15/2018	Page, Graham	1.5	Communication with creditors and review of cash flow materials.
10/15/2018	Watson, Devin	1.0	Responses to creditor inquiries.
10/16/2018	Casey, Paul	1.0	Call G. Page regarding status; open points from site visit; information requests of Company; communication from counsel to insurance funder.
10/16/2018	Chu, Jonathan	0.7	Send template liquidation analysis to G. Page; data request from Dave; bank tie-out for the week ended October 5, 2018.
10/16/2018	Page, Graham	1.0	Data request list to Kraus/Hilco, creditor queries.
10/16/2018	Watson, Devin	0.5	Responses to creditor inquiries.
10/17/2018	Chu, Jonathan	4.5	Correspondence with Dave re receipts discrepancies; compilation of cash flow for the week ended October 12, 2018.
10/17/2018	Page, Graham	0.8	Nylene and First Insurance questions, other creditor questions and phone calls.
10/17/2018	Watson, Devin	0.5	Responses to creditor inquiries.
10/18/2018	Brown, Rose	0.6	Trust Banking Administration - Input incoming and outgoing wire from October 5 and 9; input investment purchase of October 11.
10/18/2018	Casey, Paul	0.5	Email G. Page and teleconference regarding First Insurance; other emails to Company.
10/18/2018	Chu, Jonathan	7.5	Review of updated liquidation; finalize actual cash flow and draft supporting notes; bank reconciliation for the weeks ended October 5 and October 12; draft information requests and inquiries to Hilco; discussions with G. Page.
10/18/2018	Page, Graham	3.5	Review of company liquidation value. Review of cash flow statement for the week ended October 12.
10/18/2018	Watson, Devin	0.5	Responses to creditor inquiries.
10/19/2018	Chu, Jonathan	1.0	Review of supporting documentation to liquidation analysis; update liquidation analysis.
10/19/2018	Watson, Devin	0.5	Responses to creditor inquiries.



Invoice 8000304605

Deloitte Restructuring Inc.

Bay Adelaide Centre
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9

ATTN: Messrs. Chris Emmott and Matthew Holt
Kraus Carpet
65 Northfield Dr W
Waterloo ON N2L 0A8
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Date: November 19, 2018
Client No.: 1168189
WBS#: HIL00047
Engagement Partner: Paul Casey
HST Registration: 122893605RT0001

For professional services rendered

Fees

For work performed in Canada from October 20 to November 4, 2018 in connection with the appointment of Deloitte Restructuring Inc. by the Ontario Superior Court of Justice [Commercial List] as Monitor of the Kraus Group.

Please see the attached appendices for details.

HST applicable 13,875.00

Expense

Out of pocket expenses

HST applicable 1,748.67

Administrative Expense 971.25

Sales Tax

HST at 13.00% 2,157.34

Total Amount Due (CAD) 18,752.26

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.



Invoice Number 8000304605

November 19, 2018

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Kraus Carpet	1168189	8000304605	18,752.26	Payment for invoice 8000304605

Contact:

Please send payment confirmation by email to: receivablesdebitors@deloitte.ca, and reference the invoice number(s) paid

Payment Options

1. EFT Payments(remittance email mandatory):**Preferred Method**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1590219

For USD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1363514

2. Wire Payment:

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

Account Number: 476961590219

Swift Code: NOSCCATT

For USD Dollar (\$) Payments, pay:

Account Number: 476961363514

Swift Code: NOSCUS33

3. Online Payment:

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

Please note we do not accept Interac e-Transfers.

4. Cheque payments, please mail to:

For CAD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567C
PO Box 4567, Stn A
Toronto ON M5W 0J1

For USD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567U
PO Box 4567, Stn A
Toronto ON M5W 0J1



Appendix # 1

Summary of Fees

Professional	Position	Hours	Rate	Fees
Casey, Paul	Partner	5.0	\$700	\$ 3,500.00
Page, Graham	Senior Manager	9.0	\$525	4,725.00
Chu, Jonathan	Senior	16.0	\$325	5,200.00
Watson, Devin	Analyst	2.0	\$225	450.00
Total Hours and Professional Fees		32.0		13,875.00
Administrative Expense				971.25
Expenses				
Car Rental				561.10
Meals				541.11
Mileage				466.02
Parking				116.09
Taxi				64.35
Total Out of Pocket Expenses				1,748.67
Total Fees and Expenses				16,594.92



Appendix # 2

Date	Professional	Hours	Narrative
10/22/2018	Chu, Jonathan	1.0	Draft go-forward info request to Hilco; draft info request based on updated ERV; meeting with G. Page re employee related disbursements.
10/22/2018	Page, Graham	0.5	Creditor phone calls and emails.
10/22/2018	Watson, Devin	0.5	Draft and review bill for work performed the week of October 15, 2018.
10/23/2018	Page, Graham	2.0	Data request list; review of materials sent by Hilco.
10/24/2018	Chu, Jonathan	0.2	Correspondence to Dave; subsequent email to Matt re CF data request.
10/24/2018	Page, Graham	0.5	Creditor questions.
10/25/2018	Casey, Paul	0.5	Email and meeting J. Chu regarding status of weekly cash flow and monitoring; emails G. Page.
10/25/2018	Chu, Jonathan	5.0	Status update meeting with P. Casey; draft of Monitor's reporting memo; draft covering letter for Deloitte's 3 US counsel; create data request tracker.
10/25/2018	Page, Graham	0.5	Creditor questions.
10/25/2018	Watson, Devin	1.0	Responded to creditor and employee questions that came through the Kraus inbox.
10/26/2018	Chu, Jonathan	5.5	Review of bank statements and Kraus CF for the week ended October 19, 2018; Vacation Pay Reconciliation to payroll documents provided by Kraus.
10/26/2018	Page, Graham	1.5	Review of cash flow forecast and data request list.
10/29/2018	Chu, Jonathan	2.0	Review of employee disbursements documents; reconciliation to initial filing figures for vacation and commissions payable.
10/29/2018	Watson, Devin	0.5	Returned voicemail, email from creditors with questions about proof of claim forms and payments owed.
10/30/2018	Casey, Paul	3.0	Review forecast, other reporting materials; meeting G. Page and J. Chu regarding monitoring activities, R&D, forecast; plan agenda for update call with Hilco; instructions counsel regarding lease assignment and insurance premium refund; emails US counsel and invoice.
10/30/2018	Chu, Jonathan	1.5	Update meeting with P. Casey and G. Page; update of data request spreadsheet; draft agenda for update call with Hilco.
10/30/2018	Page, Graham	2.0	Update discussion with P. Casey; review of materials, update discussion with J. Chu and creditor emails.
10/31/2018	Casey, Paul	1.5	Prepare and conference call with Hilco/Holt regarding status; follow up regarding information tracking and various emails; MT correspondence.
10/31/2018	Chu, Jonathan	0.8	Attendance on Hilco call.

Date	Professional	Hours	Narrative
10/31/2018	Page, Graham	1.5	Update discussion with Hilco and Deloitte team.
11/2/2018	Page, Graham	0.5	Email correspondence.

32.0



Invoice 8000309584

Deloitte Restructuring Inc.

Bay Adelaide Centre
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9

ATTN: Messrs. Chris Emmott and Matthew Holt
Kraus Carpet
65 Northfield Dr W
Waterloo ON N2L 0A8
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Date: November 23, 2018
Client No.: 1168189
WBS#: HIL00047
Engagement Partner: Paul Casey
HST Registration: 122893605RT0001

For professional services rendered

Fees

For work performed in Canada from November 5 to November 18, 2018 in connection with the appointment of Deloitte Restructuring Inc. by the Ontario Superior Court of Justice [Commercial List] as Monitor of the Kraus Group.

Please see the attached appendices for details.

HST applicable 8,152.50

Expense

Out of pocket expenses

HST applicable 367.41

Administrative Expense 570.68

Sales Tax

HST at 13.00% 1,181.78

Total Amount Due (CAD) 10,272.37

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.



Invoice Number 8000309584

November 23, 2018

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Kraus Carpet	1168189	8000309584	10,272.37	Payment for invoice 8000309584

Contact:

Please send payment confirmation by email to: receivablesdebiturs@deloitte.ca, and reference the invoice number(s) paid

Payment Options

1. EFT Payments(remittance email mandatory):**Preferred Method**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1590219

For USD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1363514

2. Wire Payment:

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

Account Number: 476961590219

Swift Code: NOSCCATT

For USD Dollar (\$) Payments, pay:

Account Number: 476961363514

Swift Code: NOSCUS33

3. Online Payment:

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

Please note we do not accept Interac e-Transfers.

4. Cheque payments, please mail to:**For CAD Dollar (\$) Payments, pay:**

DELOITTE MANAGEMENT SERVICES LP
c/o T04567C
PO Box 4567, Stn A
Toronto ON M5W 0J1

For USD Dollar (\$) Payments, pay:

DELOITTE MANAGEMENT SERVICES LP
c/o T04567U
PO Box 4567, Stn A
Toronto ON M5W 0J1



Appendix # 1

Summary of Fees

Professional	Position	Hours	Rate	Fees
Page, Graham	Senior Manager	5.0	\$525	\$ 2,625.00
Chu, Jonathan	Senior	15.2	\$325	4,940.00
Watson, Devin	Analyst	2.5	\$225	562.50
Brown, Rose	Consultant	0.2	\$125	25.00
Total Hours and Professional Fees		22.9		8,152.50
Administrative Expense				570.68
Expenses				
Mileage				352.63
Taxi				14.78
Total Out of Pocket Expenses				367.41
Total Fees and Expenses				9,090.59



Appendix # 2

Date	Professional	Hours	Narrative
11/5/2018	Chu, Jonathan	5.0	Review cash flow documents for the week ended October 26, 2018; reconcile opening and closing balances for the weeks ended October 19, 2018 and October 26, 2018; document findings to G.Page.
11/5/2018	Page, Graham	1.0	Review of weekly cash flow; correspondence with vendors.
11/5/2018	Watson, Devin	0.5	Respond to Kraus creditors and employees.
11/6/2018	Chu, Jonathan	1.0	Update data request; analyze employee disbursements for the week ended October 26, 2018.
11/7/2018	Chu, Jonathan	0.1	Bank statement request to Hilco.
11/7/2018	Watson, Devin	0.5	Administrative work.
11/8/2018	Chu, Jonathan	2.2	Draft internal reporting memo for the week ended Nov 2/2018; meeting with G Page on edits.
11/8/2018	Page, Graham	2.0	Review of weekly cash flow; review of internal memo and discussion with J. Chu regarding go forward; review of Wells Fargo letter.
11/9/2018	Chu, Jonathan	1.2	Review Kraus CF Forecast and BB Documents; finalize internal memo as at Nov 2/2018; send outline email to P Casey.
11/9/2018	Watson, Devin	0.5	Respond to Kraus creditors and employees.
11/12/2018	Watson, Devin	1.0	Return phone calls and emails from employees and creditors.
11/13/2018	Brown, Rose	0.2	Website updates.
11/13/2018	Chu, Jonathan	1.2	Updates to P Casey and G Page; update information request listing to November 13, 2018; look-up A/P amounts for UFCW; research of T4 legislation.
11/13/2018	Page, Graham	1.5	Creditor questions and communication with J. Chu regarding cash flow and data requests.
11/14/2018	Page, Graham	0.5	Miscellaneous tasks.
11/16/2018	Chu, Jonathan	4.5	Draft internal reporting memo for the week ended November 9, 2018; review Kraus' Wells BB Package; review insurance premium refund amounts; review Wells QEP receipts split spreadsheet.



Invoice 8000349581

Deloitte Restructuring Inc.

Bay Adelaide Centre
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9

ATTN: Messrs. Chris Emmott and Matthew Holt
Kraus Carpet
65 Northfield Dr W
Waterloo ON N2L 0A8
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Date: December 20, 2018
Client No.: 1168189
WBS#: HIL00047
Engagement Partner: Paul Casey
HST Registration: 12289305RT0001

For professional services rendered

Fees

For work performed in Canada from November 19 to December 14, 2018 in connection with the appointment of Deloitte Restructuring Inc. by the Ontario Superior Court of Justice [Commercial List] as Monitor of the Kraus Group.

Please see the attached appendices for details.

	HST applicable	25,975.00
Expense		
Out of pocket expenses	HST applicable	20.45
	Administrative Expense	1,818.25
Sales Tax	HST at 13.00%	<u>3,615.85</u>
	Total Amount Due (CAD)	<u>31,429.55</u>

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.



Invoice Number 8000349581

December 20, 2018

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Kraus Carpet	1168189	8000349581	31,429.55	Payment for invoice 8000349581

Contact:

Please send payment confirmation by email to: receivablesdebiturs@deloitte.ca, and reference the invoice number(s) paid

Payment Options

1. EFT Payments(remittance email mandatory):**Preferred Method**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1590219

For USD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1363514

2. Wire Payment:

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

Account Number: 476961590219

Swift Code: NOSCCATT

For USD Dollar (\$) Payments, pay:

Account Number: 476961363514

Swift Code: NOSCUS33

3. Online Payment:

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

Please note we do not accept Interac e-Transfers.

4. Cheque payments, please mail to:

For CAD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567C
PO Box 4567, Stn A
Toronto ON M5W 0J1

For USD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567U
PO Box 4567, Stn A
Toronto ON M5W 0J1



Appendix # 1

Summary of Fees

Name	Level	Rate	Hours	Amount
Casey, Paul	Partner	700.00	9.50	6,650.00
Page, Graham	Senior Manager	525.00	16.10	8,452.50
Chu, Jonathan	Senior	325.00	29.30	9,522.50
Watson, Devin	Analyst	225.00	6.00	1,350.00
Total Hours and Professional Fees			60.90	25,975.00

Expenses	Amount
Meals	20.45
Total Out of Pocket Expenses	20.45



Appendix # 2

Date	Professional	Narrative
11/19/2018	Chu, Jonathan	Update data request listing; send request to Hilco; draft covering letter for billings.
11/19/2018	Watson, Devin	Returned creditor calls and emails about money they're owed.
11/20/2018	Watson, Devin	Returned creditor calls and emails about money they're owed; and reviewed the Kraus billing statement.
11/21/2018	Casey, Paul	Meeting G. Page, J. Chu regarding status of CCAA, monitoring activities; information requests; prepare for meeting; email comments to G. Page regarding Union information request.
11/21/2018	Chu, Jonathan	Internal meeting with P. Casey and G. Page.
11/21/2018	Page, Graham	Correspondence with union representatives; internal meeting to discuss updates; review of weekly cash flow from prior week and outstanding list.
11/22/2018	Casey, Paul	Agenda and meeting with Emmott and Holt/Hilco regarding reporting; status of Broadloom liquidation; taxes; employee obligations; future court reporting.
11/22/2018	Chu, Jonathan	Edits to meeting agenda with Hilco; invoice matters.
11/22/2018	Page, Graham	Preparation for meeting with Hilco; meeting with Hilco.
11/26/2018	Chu, Jonathan	Update covering letter and send to G. Page and P. Casey.
11/30/2018	Casey, Paul	Emails G. Page re Insurance settlement; invoice; other open points.
11/30/2018	Page, Graham	Responses to creditor questions, weekly review of status of engagement.
12/3/2018	Casey, Paul	Review correspondence and emails G. Page regarding insurance settlement acknowledgement.
12/3/2018	Page, Graham	Review of weekly cash flow materials. Phone calls with creditors and review of creditor emails for the week of December 3-7.
12/5/2018	Casey, Paul	Email from US counsel and response.
12/6/2018	Chu, Jonathan	Review Kraus CF for the week ended November 23, 2018; reconcile to bank statements; review Wells BB Package and WE disbursements.
12/10/2018	Casey, Paul	Review draft outline for Court report to external CCAA; email discussion G. Page; email from counsel.

Date	Professional	Narrative
12/10/2018	Chu, Jonathan	Finalize internal reporting memo for the WE Nov 30, 2018; draft internal reporting to G. Page; update data request to December 10, 2018.
12/11/2018	Casey, Paul	TCF Ellis, CBO, regarding remaining matters; update J. Chu and schedule further call with counsel.
12/11/2018	Chu, Jonathan	Draft reference notes for discussion with Kraus counsel re CCAA extended stay duration and timing of bankruptcy assignment; review of employee matters, escrow agreement, CF to date, November 30 Wells Fargo BB, A/R and inventory, and property matters.
12/11/2018	Watson, Devin	Respond to emails and voicemails from creditors; unable to access the Kraus email for two weeks so there was a back up of emails/voicemails, hence the increase in time booked to this activity.
12/12/2018	Casey, Paul	Prepare meeting J. Chu; review memo in open points; attend call with counsel; setup further calls with Company and counsel regarding stay extension application.
12/12/2018	Chu, Jonathan	Call with Kraus Counsel; complete analysis on impact of bankruptcy filing on super priority; draft notes on analysis and review; summarize discussion with L Ellis.
12/12/2018	Page, Graham	Review of multiple communications related to employee information, next Monitor's report and weekly update documents from J. Chu.
12/12/2018	Watson, Devin	Respond to emails and voicemails from creditors.
12/13/2018	Casey, Paul	Amend memo regarding open issues and reaper for call with counsel; attend call with Miller Thomson regarding Outline for Court Report and other administration.
12/13/2018	Chu, Jonathan	Review and update reporting memo to Counsel and employee calculation spreadsheet; coordinate site visit with Hugh and Mark; on-site attendance for Machinery and Equipment Auction; discussion and site-tour with Hugh; discussion with Mark.
12/13/2018	Page, Graham	Call with legal counsel; review of employee calculation spreadsheet.
12/14/2018	Chu, Jonathan	Draft update email to G. Page and P. Casey re auction, property matters, and post-transaction close; meeting with G. Page re next steps Third Report of the Monitor.
12/14/2018	Page, Graham	Two phone calls with labour union representatives; prepare first draft of Monitors third report.
12/14/2018	Watson, Devin	Respond to emails and voicemails from creditors.



Invoice 8000427442

Deloitte LLP
Bay Adelaide Centre
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9

ATTN: Messrs. Chris Emmott and Matthew Holt
Kraus Carpet
65 Northfield Dr W
Waterloo ON N2L 0A8
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Date: February 21, 2019
Client No.: 1168189
WBS#: HIL00047
Engagement Partner: Paul Casey
HST Registration: 133245290RT0001

For professional services rendered

Fees

For work performed in Canada from December 15, 2018 to February 1, 2019 in connection with the appointment of Deloitte Restructuring Inc. by the Ontario Superior Court of Justice [Commercial List] as Monitor of the Kraus Group.

Please see the attached appendices for details.

HST applicable 53,205.00

Expense

Out of pocket expenses

HST applicable 4,612.72

Administrative Expense 3,724.35

Sales Tax

HST at 13.00% 8,000.47

Total Amount Due (CAD) 69,542.54

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.



Invoice Number 8000427442

February 21, 2019

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Kraus Carpet	1168189	8000427442	69,542.54	Payment for invoice 8000427442

Contact:

Please send payment confirmation by email to: receivablesdebitors@deloitte.ca, and reference the invoice number(s) paid

Payment Options

1. EFT Payments(remittance email mandatory):**Preferred Method**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1590219

For USD Dollar (\$) Payments, pay:

ABA/Transit Routing: 47696002

Account Number: 1363514

2. Wire Payment:

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:

Account Number: 476961590219

Swift Code: NOSCCATT

For USD Dollar (\$) Payments, pay:

Account Number: 476961363514

Swift Code: NOSCUS33

3. Online Payment:

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

Please note we do not accept Interac e-Transfers.

4. Cheque payments, please mail to:

For CAD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567C
PO Box 4567, Stn A
Toronto ON M5W 0J1

For USD Dollar (\$) Payments, pay:
DELOITTE MANAGEMENT SERVICES LP
c/o T04567U
PO Box 4567, Stn A
Toronto ON M5W 0J1



Appendix # 1

Summary of Fees and Disbursements

Professional	Position	Hours	Rate	Fees
Casey, Paul	Partner	22.0	700	15,400.00
Page, Graham	Senior Manager	36.0	525	18,900.00
Koroneos, Anna	Senior Manager	0.2	525	105.00
Chu, Jonathan	Senior	55.0	325	17,875.00
Watson, Devin	Analyst	4.0	225	900.00
Brown, Rose	Consultant	0.2	125	25.00
Total Hours and Professional Fees		117.4		53,205.00
Administrative Expense				3,724.35
Expenses				
Transportation				121.12
Meals				215.44
Globe and Mail Advertisement				4,276.16
Total Out of Pocket Expenses				4,612.72
Total Fees and Expenses				61,542.07



Appendix # 2

Date	Professional	Hours	Description
12/14/2018	Casey, Paul	2.0	Further review and update of Third & final Court Report; meeting J. Chu and next steps to discharge.
12/17/2018	Casey, Paul	0.2	Emails regarding preparation for update call; G. Page.
12/17/2018	Chu, Jonathan	1.3	Data request for the Monitor's Third Report; review information for the Monitor's Third Report.
12/18/2018	Casey, Paul	1.5	Host update call with Company and counsel; Court Report Outline and planning for discharge; debrief with G. Page.
12/18/2018	Watson, Devin	0.5	Responding to creditor emails and calls.
12/18/2018	Page, Graham	1.0	Call with Hilco and legal counsel.
12/19/2018	Chu, Jonathan	2.0	Discussion with G Page re: vacation pay, report update, and next steps for Bankruptcy filing; Deloitte analysis of vacation super-priority for employees.
12/19/2018	Page, Graham	2.0	Call with Hilco counsel to discuss next steps; edits to Monitor's third report.
12/19/2018	Casey, Paul	0.5	Emails Hilco, J. Chu regarding employee claims; TCF CRA.
12/20/2018	Casey, Paul	0.3	TC G. Page regarding entitlements and other administration.
12/20/2018	Chu, Jonathan	5.0	Review employee calculation spreadsheet; calls with G. Page; initial analysis of A/P reconciliation; review of email to Hilco.
12/20/2018	Watson, Devin	0.5	Responding to creditor emails and calls.
12/20/2018	Page, Graham	6.0	Preparation of Monitor's third report; review and alterations to the employee amounts owing spreadsheet; discussions with Legal counsel regarding definition of Vacation Earned in the BIA and WEPPA.
12/21/2018	Casey, Paul	0.2	Discussion J. Chu regarding report preparation; emails G. Page regarding employee obligations.
12/21/2018	Chu, Jonathan	4.5	Updates to the Third Report, including unsecured creditors, updated ERV, Post-CCAA CF Forecast, and Broadloom business updates; A/P reconciliation analysis of October 29, 2018 to Filing Date.
12/21/2018	Page, Graham	4.0	Review of Third Monitor's report, creditor listing, and WEPPA calculations.
12/22/2018	Chu, Jonathan	2.7	Updates to the Third Report, including actual cash receipts and disbursements and A/R collections to date; finalize draft appendices attached to the Third Report.
12/31/2018	Page, Graham	1.5	Review of Security opinion sent by US Counsel; Review of Third Report.
1/2/2019	Page, Graham	3.5	Review of draft Third Report.
1/3/2019	Casey, Paul	2.0	Review Court Report and instructions G. Page and J. Chu; meeting G. Page regarding employee liabilities.
1/3/2019	Page, Graham	1.5	Employee vacation calculation phone call; review of employee contracts and vacation policy.

Date	Professional	Hours	Description
1/3/2019	Chu, Jonathan	7.0	Attendance on call with MT re vacation pay issue; review bank statements for the WE Nov 2, Nov 16, and Nov 30; categorize receipts and disbursements for received bank statements; update ERV and actual and forecast CF; revise language to Third Report re cash flow sections.
1/4/2019	Casey, Paul	0.5	Further review of Court Report; discussion G. Page.
1/4/2019	Chu, Jonathan	4.5	Revisions to Monitor's Third Report; complete review of bank statements; update ERV analysis and other appendices; review Wells BB for WE Nov 2, Nov 16, and Nov 30; review of Nov monthly reconciliation with QEP.
1/4/2019	Watson, Devin	0.5	Responding to creditor and employee inquiries through the Deloitte mailbox.
1/5/2019	Chu, Jonathan	1.5	Actual + Forecast CF analysis; send to G. Page for review.
1/6/2019	Casey, Paul	1.0	Commence review of updated Report to Court.
1/7/2019	Page, Graham	5.5	Edits and discussions re the Monitor's third report; call regarding Red Ash security opinion.
1/7/2019	Chu, Jonathan	6.0	Actual + forecast cash flows re Monitor's Third Report; edits per P Casey's comments; discussion with G Page re net QEP distributions and treatment.
1/7/2019	Casey, Paul	2.5	Complete review and drafting of Third Report of the Monitor; meeting G. Page & J. Chu; discussion of remaining CCAA requirements and discharge planning.
1/8/2019	Chu, Jonathan	6.5	Finalize actual receipts and disbursements re Monitor's Third Report; edits to the Report per QA comments; waterfall chart re shortfall to the secured indebtedness.
1/8/2019	Watson, Devin	0.5	Responded to Kraus creditors and employees who emailed the Deloitte/Kraus inbox.
1/8/2019	Page, Graham	4.5	Finalizing draft monitor's report.
1/8/2019	Koroneos, Anna	0.2	Review and commission affidavit of fees.
1/8/2019	Casey, Paul	2.0	Meetings G. Page regarding Court Report and scheduling; coordination with counsel; edit and swear affidavit of fees.
1/9/2019	Page, Graham	1.0	Finalizing draft monitor's report.
1/9/2019	Casey, Paul	2.5	Emails and Report review; prepare for conference call with counsel; discussion G. Page regarding open points; discussion G. Page regarding discharge planning and final report preparation.
1/9/2019	Chu, Jonathan	2.0	Definitions check re: Monitor's Third Report; prepare NTD items for Cassels; review legal documents.
1/10/2019	Casey, Paul	2.5	Attend conference call with counsel; prepare and further conference call with Hilco and counsel; review emails to Hilco; instructions J. Chu regarding escrow and other matters; employee liabilities.
1/10/2019	Chu, Jonathan	5.5	Attendance on call with counsel and call with Hilco; draft email to Hilco re call agenda; draft email and send vacation pay spreadsheet to Hilco; update vacation spreadsheet for salaried employees from Hilco's Dec 21, 2018 figures; schedule of professional fees.
1/11/2019	Watson, Devin	0.5	Responded to Kraus creditors and employees who emailed the Deloitte/Kraus inbox.

Date	Professional	Hours	Description
1/11/2019	Chu, Jonathan	1.8	Review of MT and Sheppard Mullin security opinions and add language to Third Report; review of escrow agreement; draft email to Cassels re Escrow Agent Replacement; draft email to Hilco re prof fees.
1/14/2019	Brown, Rose	0.2	Update website page.
1/14/2019	Page, Graham	1.0	Numerous conversations related to next steps with the report and billing.
1/14/2019	Chu, Jonathan	1.5	Edits to the Monitor's third report and accompanying appendices.
1/15/2019	Casey, Paul	1.2	Final review of Third and final Report; meetings J. Chu; emails to Hilco and counsel; emails regarding escrow agreement.
1/15/2019	Chu, Jonathan	2.2	Finalize Monitor's Third Report and appendices per P. Casey's comments; distribute Report to Hilco and counsel; correspondence with MT and SM for updated and estimated billings; process G&M disbursement.
1/16/2019	Page, Graham	0.5	Discussions related to escrow agreement and CCAA termination.
1/16/2019	Casey, Paul	1.0	Email signoff from Hilco; instructions G. Page and J. Chu regarding open matters; sign amended Court Report; forward creditor inquiry.
1/17/2019	Watson, Devin	0.5	Emailing and calling creditors who have questions regarding Kraus status.
1/17/2019	Page, Graham	1.0	Discussions related to escrow agreement and vacation pay related to the CCAA termination.
1/17/2019	Chu, Jonathan	0.5	Billing matters.
1/18/2019	Casey, Paul	0.2	Discussion J. Chu regarding status.
1/18/2019	Chu, Jonathan	0.5	Attendance on call with counsel.
1/21/2019	Watson, Devin	0.5	Responded to creditors and employees who contacted the Deloitte mailbox.
1/21/2019	Page, Graham	0.8	Internal discussion, and discussions with counsel regarding discharge of the monitor
1/21/2019	Casey, Paul	0.2	Meeting G. Page regarding status report; escrow termination letter; next steps.
1/22/2019	Casey, Paul	0.7	Discussion G. Page and emails regarding termination of escrow agency; status of Report finalization and discharge hearing.
1/23/2019	Page, Graham	0.9	Email correspondence and phone calls with counsel to determine next steps for filing materials
1/24/2019	Watson, Devin	0.5	Responded to creditors and employees who contacted the Deloitte mailbox.
1/24/2019	Casey, Paul	1.0	Execution and deliver escrow agency termination letter; tcf CRA; briefing with G. Page.
1/25/2019	Page, Graham	1.3	Responding to multiple creditor inquiries.

117.4



Invoice 8000499182

Deloitte Restructuring Inc.

Bay Adelaide Centre
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9

ATTN: Messrs. Chris Emmott and Matthew Holt
Kraus Carpet
65 Northfield Dr W
Waterloo ON N2L 0A8
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Date: April 02, 2019
Client No.: 1168189
WBS#: HIL00047
Engagement Partner: Paul Casey

HST Registration: 122893605RT0001

For professional services rendered

Fees

For work performed in Canada from March 1, 2019 to March 28, 2019 in connection with the appointment of Deloitte Restructuring Inc. by the Ontario Superior Court of Justice [Commercial List] as Monitor of the Kraus Group.

Please see the attached appendices for details.

Sales Tax

HST applicable	7,457.50
Administrative Expense	522.03
HST at 13.00%	<u>1,037.34</u>
Total Amount Due (CAD)	<u>9,016.87</u>

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.



Invoice Number 8000499182

April 02, 2019

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Kraus Carpet	1168189	8000499182	9,016.87	Payment for invoice 8000499182

Contact:

Please send payment confirmation by email to: receivablesdebitours@deloitte.ca, and reference the invoice number(s) paid

Payment Options

1. EFT Payments(remittance email mandatory):**Preferred Method**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:**ABA/Transit Routing:** 47696002**Account Number:** 1590219**For USD Dollar (\$) Payments, pay:****ABA/Transit Routing:** 47696002**Account Number:** 1363514**2. Wire Payment:**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

For CAD Dollar (\$) Payments, pay:**Account Number:** 476961590219**Swift Code:** NOSCCATT**For USD Dollar (\$) Payments, pay:****Account Number:** 476961363514**Swift Code:** NOSCUS33**3. Online Payment:**

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

Please note we do not accept Interac e-Transfers.

4. Cheque payments, please mail to:**For CAD Dollar (\$) Payments, pay:**

DELOITTE MANAGEMENT SERVICES LP

c/o T04567C

PO Box 4567, Stn A

Toronto ON M5W 0J1

For USD Dollar (\$) Payments, pay:

DELOITTE MANAGEMENT SERVICES LP

c/o T04567U

PO Box 4567, Stn A

Toronto ON M5W 0J1



Appendix # 1

Summary of Fees and Disbursements

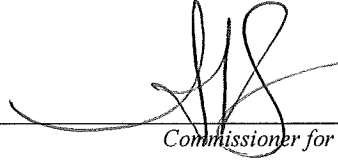
Professional	Position	Hours	Rate	Fees
Casey, Paul	Partner	2.9	700	2,030.00
Page, Graham	Senior Manager	3.1	525	1,627.50
Chu, Jonathan	Senior	11.0	325	3,575.00
Brown, Rose	Consultant	1.8	125	225.00
Total Hours and Professional Fees		18.8		7,457.50
Administrative Expense				522.03
Total Fees and Expenses				7,979.53

Deloitte.

Appendix # 2

Date	Professional	Hours	Narrative
3/4/2019	Casey, Paul	0.4	Teleconference Ministry of Labour regarding employee claims; email G. Page.
3/4/2019	Chu, Jonathan	0.7	Incorporate employee information into Master spreadsheet; send to G. Page for review.
3/5/2019	Chu, Jonathan	1.5	Update employee listing for SINS and data scrub; information request as at March 5, 2019.
3/6/2019	Chu, Jonathan	1.0	Review of employee information for missing addresses; meeting with G. Page re next steps; draft email to Hilco re employee request.
3/7/2019	Page, Graham	0.3	Call with Union counsel.
3/8/2019	Chu, Jonathan	2.0	Incorporate update employee information from Hilco; draft email to Matt re information request on non-employee matters; review ERV analysis; meeting with G. Page re next steps.
3/8/2019	Page, Graham	0.8	Review of employee information and latest cash flow reporting.
3/11/2019	Casey, Paul	0.6	Teleconference employee creditor; instructions J. Chu; confirm employee list.
3/14/2019	Chu, Jonathan	2.5	Review updated information provided by Matt; review and update ERV and CF spreadsheets; update employee master spreadsheet.
3/15/2019	Chu, Jonathan	0.5	Discussion and work-through cash flow spreadsheet with G. Page.
3/19/2019	Casey, Paul	0.8	Account correspondence to Hilco/Red Ash; telephone call Larry Ellis regarding status.
3/20/2019	Casey, Paul	0.5	Meeting G. Page to debrief and instructions; emails.
3/21/2019	Casey, Paul	0.1	Receipt on non-renewal and email to Red Ash.
3/22/2019	Casey, Paul	0.5	Review escrow termination instructions and review, execute wire instructions.
3/22/2019	Page, Graham	2.0	Organization of trust account wire payments, including review of escrow agent termination, phone conversations and wire preparation.
3/25/2019	Brown, Rose	1.1	Executive escrow account wire transfers
3/26/2019	Brown, Rose	0.1	Review emails and print back up for incoming wire.
3/27/2019	Brown, Rose	0.6	Trust banking administration: wire received and prepare cheques.
3/27/2019	Chu, Jonathan	0.8	Union employee vacation pay look-up, compile list of employees not included on Union list.
3/28/2019	Chu, Jonathan	2.0	Compile workbook to send to M. Holt for further clarification; review actual receipts and disbursements for December 2018 and January 2019.

This is Exhibit "B" referred to in the Affidavit of Paul Casey sworn April 22, 2019



Commissioner for Taking Affidavits (or as may be)

**Anna Koroneos, a Commissioner, etc.,
Province of Ontario
for Deloitte Restructuring Inc.,
Licensed Insolvency Trustee.
Expires June 3, 2019.**

Deloitte Restructuring Inc.
Invoice Summary
CCAA Proceedings of the Kraus Group

Invoice #	Date	Fees	Disbursements	Tax	Total
8000250490	4-Oct-18	42,695.00	4,245.26	6,102.23	53,042.49
8000255510	10-Oct-18	32,970.00	2,927.48	4,666.67	40,564.15
8000264816	18-Oct-18	15,862.50	1,110.38	2,206.47	19,179.35
8000270025	23-Oct-18	10,082.50	705.78	1,402.48	12,190.76
8000304605	19-Nov-18	13,875.00	2,719.92	2,157.34	18,752.26
8000309584	23-Nov-18	8,152.50	938.09	1,181.78	10,272.37
8000349581	20-Dec-18	25,975.00	1,838.70	3,615.85	31,429.55
8000427442	21-Feb-19	53,205.00	8,337.07	8,000.47	69,542.54
8000499182	2-Apr-19	7,457.50	522.03	1,037.34	9,016.87
Total		210,275.00	23,344.71	30,370.63	263,990.34

Average Billing Rate \$432.84

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 at Toronto

AFFIDAVIT OF PAUL CASEY
(Sworn April 22, 2018)

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Gregory Azeff LSUC#: 45324C
gazeff@millerthomson.com
Tel: 416.595.2660
Fax: 416.595.8695

Lawyers for the Court- Appointed Monitor,
Deloitte Restructuring Inc.

Exhibit "D"

Affidavit of Shallon Garrafa

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

Applicant

AFFIDAVIT OF SHALLON GARRAFA
(Sworn April 18, 2019)

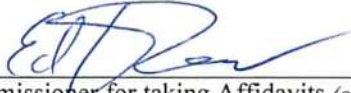
I, SHALLON GARRAFA, of the City of Mississauga, in the Regional Municipality of Peel, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am an assistant with the law firm Miller Thomson LLP ("**MT**"), lawyers for Deloitte Restructuring Inc. ("**Deloitte**") in its capacity as Court-appointed Monitor of Kraus Group and not in its personal capacity, and as such, have knowledge of the matters to which I hereinafter depose. Unless I indicate to the contrary, the facts herein are within my personal knowledge and are true. Where I have indicated that I have obtained facts from other sources, I believe those facts to be true.
2. Attached hereto as **Exhibit "A"** is a true copy of the detailed invoice (the "**Invoice**") issued to Deloitte by MT for fees and disbursements incurred by MT in the course of the proceedings between October 7, 2018 and February 28, 2019 (the "**Appointment Period**"). The total fees charged by MT during the Appointment Period were

\$34,515.00, plus Disbursements in the amount of \$2,693.00, plus Harmonized Sales Tax (HST) in the amount of \$4,825.35 for a total of \$42,033.35.

3. The Invoice is a fair and accurate description of the services provides and the amounts charged by MT.
4. Attached hereto as **Exhibit "B"** is a schedule summarizing the Invoice in Exhibit "A", the total billable hours charged, the total fees charged and the average hourly rate. The average hourly rate during the Appointment Period was \$422.97.
5. Attached hereto and marked as **Exhibit "C"** is a schedule summarizing the billing rates, year of call, total hours and total fees charges for each lawyer and Law Clerk that has completed work on this file during the Appointment Period.
6. Barring unforeseen circumstances, I estimate that the costs to complete all the work relating to these proceedings will not exceed \$2,500.00 (including HST).
7. MT requests that this Honourable Court approve its fees and disbursements as Monitor's counsel for the Appointment Period referenced above along with the above noted estimate.
8. To the best of my knowledge, the rates charged by MT throughout the course of the Appointment Period is comparable to those charged by other law firms in Toronto for the provision of similar services.
9. The hourly billing rates outlined in Exhibit "C" to this affidavit are comparable to the hourly rates charged by MT for services rendered in similar proceedings.
10. I make the affidavit in support of a motion by the Applicants for, among other things, approval of the fees and disbursements of the Monitor's counsel.

SWORN BEFORE ME at the City of Toronto this
18th day of April, 2019.



A Commissioner for taking Affidavits *(or as may be)*

E. POPOV



SHALLON GARRAFA

This is **Exhibit "A"** referred to in the Affidavit of SHALLON GARRAFA sworn April 18th, 2019.



Commissioner for Taking Affidavits (or as may be)

E. POPOV



MILLER THOMSON
AVOCATS | LAWYERS

MILLER THOMSON LLP
SCOTIA PLAZA
40 KING STREET WEST, SUITE 5800
P.O. BOX 1011
TORONTO, ON M5H 3S1
CANADA

T 416 595 8500
F 416 595 8695

MILLERTHOMSON.COM

December 31, 2018

Invoice Number 3278642

Deloitte Restructuring Inc

To Professional Services Rendered in connection with the following matter(s) including:

Re: CCAA Kraus Canada
Our File No. 0235958.0001

Date	Initials	Description	Hours
10/07/2018	GRA	Reviewing Red Ash security package;	2.90
10/12/2018	GRA	Review and consider email from Gus Camelino regarding Premium Finance Agreement; Review and consider PFA; Research regarding status and priority of PFA lender;	0.60
10/15/2018	GRA	Continue reviewing Red Ash security package;	1.80
10/16/2018	GRA	Telephone call with G. Camelino; Telephone call to L. Lellis; Telephone call to P. Casey; Research regarding FIRST issues (i.e., re unearned premiums and cancellation of unnecessary policies); Telephone call with G. Page regarding [REDACTED]; Telephone call to G. Camelino;	0.80
10/17/2018	GRA	Prepare for and attend conference call regarding insurance premium and financing issue; Review and consider email from G. Camelino summarizing issue and discussion; Review and respond to correspondence; Telephone call with L. Ellis; Review and consider [REDACTED]	0.80
10/18/2018	GRA	Prepare for conference call with all parties; Telephone call with G. Page;	0.40

Please return the Account Summary and Remittance Form with your payment.
Terms: Accounts due when rendered. Interest at the rate of 12.0% per annum will be charged on accounts overdue 30 days or more. Any disbursements not posted to your account on the date of this account will be billed later.



Date	Initials	Description	Hours
10/19/2018	GRA	Review and respond to correspondence; Telephone call with G. Apostolatos; Email to G. Apostolatos; Discussion with L.Ellis regarding Waterloo plant and insurance issue;	0.50
10/23/2018	GRA	Review and consider correspondence; Telephone call with L. Ellis; Telephone call with G. Page; Email to L. Ellis;	0.40
10/29/2018	GRA	Review correspondence; Review APA and schedule re leases; Email to clients regarding [REDACTED]	0.30
10/30/2018	GRA	Review and respond to email correspondence;	0.10
10/31/2018	GRA	Review and respond to correspondence; Conference call with L. Ellis and G. Apostolatos regarding insurance issue;	0.60
11/08/2018	GRA	Review and consider correspondence and attachments from G. Apostolatos regarding insurance premium issue;	0.20
11/09/2018	GRA	Review and respond to correspondence; Discussion with L. Ellis regarding various issues;	0.20
11/12/2018	SDC	Review email from counsel to Union regarding calculation of claims amounts; email to G. Azeff and review responding email; email to clients regarding calculation; responding email to counsel to Union;	0.30
11/12/2018	GRA	Review and consider email from UFCW; Discussion with S. De Caria regarding [REDACTED]	0.20
11/14/2018	GRA	Review and consider [REDACTED] Discussion with S. De Caria regarding [REDACTED]	0.20
11/15/2018	SDC	Review email from G. Page regarding [REDACTED]; email to G. Page; various email exchanges with G. Page; responding email to counsel to Union regarding claims list;	0.40
11/15/2018	GRA	Review and respond to correspondence; Discussion with S. De Caria regarding response to email inquiry;	0.20
11/19/2018	GRA	Review and consider correspondence;	0.10
11/20/2018	SDC	Review email from counsel to [REDACTED]; email to Monitor regarding [REDACTED]	0.10



Date	Initials	Description	Hours
11/22/2018	GRA	Telephone discussion with G. Apostolatos; Review endorsements and calculations; Review and revise Release and circulate; Telephone discussion with L. Ellis regarding release;	0.80
11/27/2018	GRA	Discussion with L. Ellis; Review, consider and respond to correspondence;	0.20
12/03/2018	GRA	Prepare execution version of agreement; Review and respond to correspondence;	0.20
12/05/2018	GRA	Review and consider correspondence; Discussion with S. Parekh regarding status of Red Ash security opinion;	0.30
12/10/2018	GRA	Review USB key with Red Ash security documents; Meet with G. Marinangeli regarding opinion letter; Review and respond to correspondence from client;	0.60
12/12/2018	GRA	Review and respond to correspondence;	0.10
12/12/2018	SDC	Review email from P. Casey; Email exchange with clients regarding report and conference call; review third report outline in preparation for call;	0.20
12/13/2018	GRA	Review and consider report outline and summary of issues; Conference call regarding various issues related to completion of file; Summarize discussion and call with S. De Caria;	1.40
12/14/2018	GRA	Review and respond to correspondence;	0.10
12/18/2018	GRA	Prepare for and attend conference call regarding various outstanding issues; Consider notes from call; Review document forwarded by G. Page;	1.10
12/19/2018	GRA	Discussion with G. Marinangeli regarding opinion; Review and consider security documents;	0.30
12/20/2018	SDC	Review email from P. Casey and G. Page regarding [REDACTED] telephone call with L. Goodfellow regarding [REDACTED] email to C. Graham; [REDACTED] review emails from L. Goodfellow [REDACTED] [REDACTED]	0.70
12/20/2018	GRA	Meet with S. De Caria regarding [REDACTED]	0.50



Date	Initials	Description	Hours
		Telephone call with G. Page regarding [REDACTED]; Meet with G. Marinangeli regarding security; Telephone discussion with E. Craddock regarding security package;	
12/20/2018	MC	Request from M. Emmanuel; obtain PPR searches and forward to G. Marinangeli;	1.10
12/20/2018	AI	Conducting Alberta PPR searches;	0.30
12/20/2018	LG	Telephone call from S. DeCaria; emails from and to same and G. Page;	0.20
12/20/2018	KM	Phone conversation with G. Marinangeli and JF Gauvin; analysis and discussion about the mandate;	0.40
12/20/2018	GM	Drafting security opinion; reviewing security documents; correspondence with G. Azeff, T. Dewart, J.F. Gauvin, S. Christie and M. Emmanuel regarding same;	5.20
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Brands Inc. and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Canada Ltd. and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Carpet Inc. and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Holdings Company ULC and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Properties Inc. and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Systems Inc. and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Kraus USA, Inc. and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Strudex Inc. and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Brands LP and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Canada LP and provide same to G. Marinangeli	0.10



Date	Initials	Description	Hours
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Carpet LP and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Properties LP and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Kraus Systems LP and provide same to G. Marinangeli	0.10
12/21/2018	ME	Obtain Corporation Profile Report for Strudex LP and provide same to G. Marinangeli	0.10
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus Brands Inc. and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus Canada Ltd. and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus Carpet Inc. and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus Holdings Company ULC and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus Properties Inc. and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus Systems Inc. and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus USA, Inc. and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Strudex Inc. and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus Brands LP and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search	0.20



Date	Initials	Description	Hours
		against Kraus Canada LP and arrange for PPSA certificate to be delivered to G. Marinangeli;	
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus Carpet LP and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus Properties LP and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Kraus Systems LP and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Conduct Personal Property Securities Act search against Strudex LP and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Strudex LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Strudex LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Strudex LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Systems LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Systems LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Systems LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Properties LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Properties LP and provide same	0.20

Please return the Account Summary and Remittance Form with your payment.
Terms: Accounts due when rendered. Interest at the rate of 12.0% per annum will be charged on accounts overdue 30 days or more. Any disbursements not posted to your account on the date of this account will be billed later.



Date	Initials	Description	Hours
		to G. Marinangeli;	
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Properties LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Carpet LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Carpet LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Carpet LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Canada LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Canada LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Canada LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Brands LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Brands LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Brands LP and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Strudex Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Strudex Inc. and provide same to G.	0.20



Date	Initials	Description	Hours
		Marinangeli;	
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Strudex Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus USA, Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus USA, Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus USA, Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Systems Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Systems Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Systems Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Properties Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Properties Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Properties Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Holdings Company ULC and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Holdings Company ULC and	0.20



Date	Initials	Description	Hours
		provide same to G. Marinangeli;	
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Holdings Company ULC and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Carpet Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Carpet Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Carpet Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Canada Ltd. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Canada Ltd. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Canada Ltd. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Brands Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Brands Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Brands Inc. and provide same to G. Marinangeli;	0.20
12/21/2018	KM	Phone conversation with G. Marinangeli; analysis of the results; conduct searches on REQ and Corporations Canada; analysis of the results; conduct searches on RPMRR; analysis of the results;	2.00
12/21/2018	MC	Request from M. Emmanuel; obtain PPR searches	0.40



Date	Initials	Description	Hours
		and forward same;	
12/21/2018	GM	Continue to draft security opinion; correspondence with K. Moison and Jean Francois Gauvin regarding Quebec registrations; correspondence with T. Dewitt regarding Manitoba opinion; correspondence with S. Christie regarding Nova Scotia opinion; correspondence with N. Virji regarding B.C. PPSA registrations;	4.70
12/21/2018	LG	Emails from and to G. Azeff and G. Page regarding [REDACTED]	0.40
12/22/2018	GM	Continue to draft security opinion; correspondence with D. Reynolds and G. Azeff regarding same;	0.80
12/27/2018	JFG	Reviewing RPMRR and Registry of Quebec for Kraus Canada and other related entities;	1.00
12/27/2018	JFG	Preparing draft security review regarding Quebec registrations of Northfield Properties Inc. (formerly Kraus Brands Inc.), Kraus Holdings Company ULC, Kraus Properties Inc., Northfield Properties LP (formerly Kraus Brands LP) and Kraus Properties LP;	3.00
12/27/2018	GM	Revise security opinion; correspondence with J-Francois Gauvin regarding Quebec review of security and security registrations; correspondence with M. Emmanuel regarding additional searches; correspondence with E. Croddock and G. Azeff regarding security opinion; review draft Nova Scotia opinion; review additional security documents provided by Cassels Brock; correspondence with S. Crisp regarding real estate security; review draft Nova Scotia Opinion;	4.80
12/27/2018	MC	Request from M. Emmanuel; obtain PPR searches and forward same;	0.40
12/27/2018	AI	Order PPR searches;	0.10
12/27/2018	PW	Receive instructions; pull copy of Charge; receive further instructions; pull copy of PINs (inactive and active) to determine current PIN for property; receive further instructions; pull copy of Transfer of Charge; e-mail copies of all documents to G. Marinangeli, as	0.60



Date	Initials	Description	Hours
		requested.	
12/27/2018	ME	Obtain Corporation Profile Report for Kraus Inc. and provide same to G. Marinangeli;	0.10
12/27/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for Kraus Inc. and provide same to G. Marinangeli;	0.20
12/27/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for Kraus Inc. and provide same to G. Marinangeli;	0.20
12/27/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for Kraus Inc. and provide same to G. Marinangeli;	0.20
12/27/2018	ME	Conduct Personal Property Securities Act search against Kraus Inc. and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/27/2018	ME	Obtain Manitoba Personal Property Securities Act Printout for 1029011 Ontario Inc. and provide same to G. Marinangeli;	0.20
12/27/2018	ME	Obtain Saskatchewan Personal Property Securities Act Printout for 1029011 Ontario Inc. and provide same to G. Marinangeli;	0.20
12/27/2018	ME	Obtain Nova Scotia Personal Property Securities Act Printout for 1029011 Ontario Inc. and provide same to G. Marinangeli;	0.20
12/27/2018	ME	Conduct Personal Property Securities Act search against 1029011 Ontario Inc. and arrange for PPSA certificate to be delivered to G. Marinangeli;	0.20
12/27/2018	KM	Email from and to JF Gauvin and G. Marinangeli;	0.50
12/27/2018	NV	Email to G. Marinangeli regarding change statements; considering issues regarding opinion;	0.30
12/27/2018	PW	Receive further instructions; pull copy of Instrument; e-mail a copy to G. Marinangeli, as requested.	0.10
12/28/2018	GM	Review security documents for [REDACTED] [REDACTED] correspondence with G. Azeff regarding status update;	0.70



Date	Initials	Description	Hours
12/28/2018	NV	Considering issues regarding opinion; review of [REDACTED] instructions from G. Marinangeli regarding same;	1.50
Total Hours			60.40

Our Fee: 23,462.50

TK ID	Initials	Name	Title	Rate	Hours	Amount
03836	AI	A. Im	Paraprofessional	\$175.00	0.40	\$70.00
03638	GM	G. Marinangeli	Associate	\$370.00	16.20	\$5,994.00
00991	GRA	G. Azeff	Partner	\$680.00	15.90	\$10,812.00
08737	JFG	J. Gauvin	Partner	\$450.00	4.00	\$1,800.00
08920	KM	K. Moisan	Paralegal	\$215.00	2.90	\$623.50
00884	LG	L. Goodfellow	Partner	\$665.00	0.60	\$399.00
06453	MC	M. Chan	Paraprofessional	\$155.00	1.90	\$294.50
10040	ME	M. Emmanuel	Paraprofessional	\$160.56	14.30	\$2,296.00
06641	NV	N. Virji	Associate	\$280.00	1.80	\$504.00
02560	PW	P. Watson	Paraprofessional	\$155.00	0.70	\$108.50
00994	SDC	S. De Caria	Associate	\$330.00	1.70	\$561.00

Taxable Disbursements

Taxi	40.10	
Agent's Fees	14.00	
Land Registry Office Searches	105.45	
Personal Property Registry Search	50.00	
RPMRR Search	288.00	
Agent's Disbursements	778.00	
Agent's Fees	982.00	
Corporate or Securities file Searches	90.00	
BC Online/ Registry Searches / Corp Rec	153.00	
Total Taxable Disbursements	2,500.55	\$2,500.55

Please return the Account Summary and Remittance Form with your payment.
 Terms: Accounts due when rendered. Interest at the rate of 12.0% per annum will be charged on accounts overdue 30 days or more. Any disbursements not posted to your account on the date of this account will be billed later.



Non-Taxable Disbursements		
Filing Fee	90.00	
Total Non-Taxable Disbursements	<u>90.00</u>	\$90.00
Total Fees and Disbursements		\$26,053.05
Ontario HST 13% (R119440766)		
On Fees		\$3,050.13
On Disbursements		\$325.07
Total Amount Due		<u>\$29,428.25</u>

E.&O.E.



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P.O. BOX 1011
TORONTO, ON M5H 3S1
CANADA

T 416.595.8500
F 416.595.8695

MILLERTHOMSON.COM

Account Summary and Remittance Form

February 28, 2019

Invoice Number 3307950

Deloitte Restructuring Inc
8 Adelaide St W #200
Toronto, ON M5H 0A9

Re: CCAA Kraus Canada
Our File No. 0235958.0001

Fees:	\$11,052.50
Disbursements:	\$102.45
Ontario HST 13% (R119440766)	\$1,450.15
Total Amount Due	<u>\$12,605.10</u>



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F 416.595.8695

MILLERTHOMSON.COM

February 28, 2019

Invoice Number 3307950

Deloitte Restructuring Inc
8 Adelaide St W #200
Toronto, ON M5H 0A9

To Professional Services Rendered in connection with the following matter(s) including:

Re: CCAA Kraus Canada
Our File No. 0235958.0001

Date	Initials	Description	Hours
01/02/2019	LG	Emails from and to G. Page regarding vacation pay; review CBA article on same;	0.30
01/03/2019	GRA	Conference call with Cassels Brock regarding Quebec security and Pinnacle issue;	0.40
01/03/2019	LG	Conference call to G. Page and P. Casey regarding vacation pay issue;	0.30
01/03/2019	GM	Correspondence with G. Azeff regarding outstanding security items in respect to Security Opinion; correspondence with J. Francois Gauvin and P. P. Sullivan regarding Security Opinion;	0.30
01/04/2019	NV	Comparing draft opinion to MT model opinion; review of BC PPSA provisions;	0.50
01/04/2019	GM	Correspondence with E. Craddock regarding outstanding security items;	0.20
01/04/2019	GRA	Review and consider correspondence regarding security documents; Review documents;	0.40
01/07/2019	NV	Considering issues regarding opinion provisions; email to G. Marinangelli regarding form of opinion and proposed amendments to same;	0.50

Please return the Account Summary and Remittance Form with your payment.
Terms: Accounts due when rendered. Interest at the rate of 12.0% per annum will be charged on accounts overdue 30 days or more. Any disbursements not posted to your account on the date of this account will be billed later.



Date	Initials	Description	Hours
01/07/2019	PW	Receive instructions; pull copy of Instrument; locate PIN for property; obtain a copy of inactive PINS; located active PIN for property; review same; pull copy of Transfer of Charge; e-mail copies of all documents to G. Marinangeli, as requested.	0.40
01/07/2019	ASG	Consider issues and instructions to N. Virji re form of opinion;	0.30
01/07/2019	GRA	Prepare for and attend conference call regarding status update; Review and respond to correspondence; Review amendments to opinion;	0.80
01/07/2019	GM	Revising Security opinion; correspondence with G. Azeff, S. Christie, T. Dewart, and counsel from Cassels regarding outstanding issues;	1.40
01/08/2019	NV	Phone call from G. Marinangeli regarding form of opinion; review of model opinion provisions;	0.30
01/08/2019	GRA	Review opinion letter; Multiple discussions with G. Marinangeli; Draft section for Report; Review and redact invoices; Telephone call with B. Wolfe; Telephone call with G. Page; Review draft Report;	1.10
01/08/2019	GM	Correspondence with G. Azeff and E. Craddock regarding outstanding items in connection with security opinion; revise security opinion; add language to paragraph 45 of Third Monitor Report;	1.20
01/09/2019	NV	Email from G. Marinangelli enclosing BC PPR registrations; review of draft opinion; review of same; [REDACTED]; email to G. Marinangelli regarding draft opinion and registrations; [REDACTED]; email from G. Marinangelli enclosing updated registrations correcting corporate name; review of same; email to G. Marinangelli regarding same;	1.40
01/09/2019	MC	Instructions from N. Virji; review PPR search; obtain corporate searches and forward same; request to SWO office re ON and Federal searches;	0.40
01/09/2019	LK	Obtain preliminary name search results for Northfield Properties and provide same to M. Chan;	0.10



Date	Initials	Description	Hours
01/09/2019	GM	Reviewing updated PPSA searches against Northfield Properties (GP) Inc. and Northfield Properties LP; correspondence with BC, Manitoba and Nova Scotia counsels in respect to same; correspondence with C. Azeff regarding draft security opinion;	1.60
01/09/2019	GRA	Review and consider correspondence; Consider registration issue;	0.30
01/10/2019	GM	Finalize security opinion; correspondence with T. Dewart, G. Azeff, and G. Page regarding same;	1.50
01/10/2019	GRA	Prepare for and attend conference calls; Review and consider draft opinion letters; Telephone call with G. Marinangeli regarding opinion letter;	1.80
01/14/2019	GRA	Review and consider correspondence regarding escrow issue;	0.10
01/16/2019	GRA	Review and respond to correspondence; Review form of Order regarding escrow arrangement; Telephone call with G. Page;	0.50
01/18/2019	GRA	Review and respond to correspondence; Review draft Report sections regarding employee payments; Draft	0.70
01/21/2019	GRA	Prepare for, travel to and attend meeting at CBB re discharge order and replacement escrow; Review and revise draft notice of resignation as escrow agent and forward to clients;	2.60
01/22/2019	GRA	Review and consider correspondence regarding termination;	0.10
01/24/2019	GRA	Review, consider and respond to correspondence;	0.20
02/14/2019	GRA	Telephone call with L. Ellis regarding escrow; Discussion with Raj Sahni regarding escrow;	0.30
02/15/2019	GRA	Review escrow agreement; Telephone call to G. Page; Telephone call to P. Casey;	0.30
02/19/2019	GRA	Review and respond to correspondence;	0.10
02/20/2019	GRA	Attend conference call regarding various issues;	0.50
02/22/2019	SDC	Review email from counsel to Union; email to G. Azeff re: email; responding email to G. Page;	0.10
02/28/2019	SDC	Review email from counsel to Union and previous	0.20



Date	Initials	Description	Hours
		correspondence re: employment matters; review emails to G. Azeff and further email to G. Azeff re same;	
Total Hours			21.20

Our Fee: **11,052.50**

TK ID	Initials	Name	Title	Rate	Hours	Amount
06424	ASG	A. Girardin	Partner	\$360.00	0.30	\$108.00
03638	GM	G. Marinangeli	Associate	\$375.00	6.20	\$2,325.00
00991	GRA	G. Azeff	Partner	\$700.00	10.20	\$7,140.00
00884	LG	L. Goodfellow	Partner	\$675.00	0.60	\$405.00
05790	LK	L. Klassen	Paraprofession al	\$180.00	0.10	\$18.00
06453	MC	M. Chan	Paraprofession al	\$160.00	0.40	\$64.00
06641	NV	N. Virji	Associate	\$305.00	2.70	\$823.50
02560	PW	P. Watson	Paraprofession al	\$160.00	0.40	\$64.00
00994	SDC	S. De Caria	Associate	\$350.00	0.30	\$105.00

Taxable Disbursements

Land Registry Office Searches	102.45	
Total Taxable Disbursements	102.45	\$102.45

Total Fees and Disbursements **\$11,154.95**

Ontario HST 13% (R119440766)

On Fees		\$1,436.83
On Disbursements		\$13.32

Total Amount Due **\$12,605.10**



MILLER THOMSON
AVOCATS | LAWYERS

Page 5

Invoice 3307950

E.&O.E.

This is **Exhibit "B"** referred to in the Affidavit of SHALLON GARRAFA sworn April 18th, 2019.

A handwritten signature in blue ink, appearing to be 'E. Popov', written over a horizontal line.

Commissioner for Taking Affidavits (or as may be)

E. POPOV

EXHIBIT “B”

SUMMARY OF FEES

Calculation of Average Hourly Billing Rates of Miller Thomson LLP for the Appointment Period

Invoice No.	Fees	Disbursements	HST	Hours	Average Hourly Rate	Total
3278642	\$23,462.50	\$2,590.55	\$3,375.20	60.40	\$393.05	\$29,428.25
3307950	\$11,052.50	\$102.45	\$1,450.15	21.2	\$521.34	\$12,605.10
TOTAL:	\$34,515.00	\$2,693.00	\$4,825.35	81.6	\$422.97	\$42,033.35

This is **Exhibit "C"** referred to in the Affidavit of SHALLON GARRAFA sworn April 18th, 2019.



Commissioner for Taking Affidavits (or as may be)

E. TOTOV

EXHIBIT "C"

Billing Rates of Miller Thomson LLP for the Appointment Period

<u>TIMEKEEPER</u>	<u>RATE</u>	<u>YEAR OF CALL</u>
A. Girardin	\$360.00	2013
G. Marinangeli	\$375.00	2017
G. Azeff (2018 Rate)	\$680.00	2002
G. Azeff (2019 Rate)	\$700.00	2002
L. Goodfellow (2018 Rate)	\$665.00	1993
L. Goodfellow (2019 Rate)	\$675.00	1993
L. Klassen	\$180.00	n/a
M. Chan (2018 Rate)	\$155.00	n/a
M. Chan (2019 Rate)	\$160.00	n/a
N. Virji (2018 Rate)	\$280.00	2017
N. Virji (2019 Rate)	\$305.00	2017
P. Watson (2018 Rate)	\$155.00	n/a
P. Watson (2019 Rate)	\$160.00	n/a
S. De Caria (2018 Rate)	\$330.00	n/a

S. De Caria (2019 Rate)	\$350.00	2015
A. Im	\$175.00	n/a
J. Gauvin	\$450.00	1991
K. Moisan	\$215.00	n/a
M. Emmanuel	\$160.56	n/a

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 at Toronto

AFFIDAVIT OF SHALLON GARRAFA
(Sworn April 18, 2019)

MILLER THOMSON LLP

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Toronto, ON Canada M5H 3S1

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Lawyers for the Court- Appointed Monitor,
Deloitte Restructuring Inc.