

**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

**MOTION RECORD
(Returnable April 23, 2019)
(Distribution to Secured Creditor and Termination of CCAA Proceedings)**

April 10, 2019

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**ONTARIO
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**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
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Applicants

I N D E X

TAB	DOCUMENT
1	Notice of Motion, returnable April 23, 2019
	Schedule "A" – List of Kraus Group Partnerships
	Schedule "B" – Draft Order
2	Affidavit of Christopher Emmott sworn April 9, 2019
A	Exhibit A: Kraus Group Partnerships
B	Amended and Restated Initial Order, dated September 18, 2018
C	Distribution Order, as amended, dated October 9, 2018

Tab 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
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**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
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Applicants

**NOTICE OF MOTION
(returnable April 23, 2019)
(Distribution to Secured Creditor and Termination of CCAA Proceedings)**

Kraus Brands Inc., Kraus Canada Ltd., Kraus Carpet Inc., Kraus Properties Inc., Kraus USA Inc., and Strudex Inc. (collectively, the "**Applicants**", with the partnerships listed in Schedule "A" hereto, collectively, the "**Kraus Group**"), the Applicants in these proceedings, will make a motion to the Court on **Tuesday, April 23, 2019 at 10:00 a.m.**, or as soon after that time as the motion can be heard, at the Court House at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR an Order substantially in the form attached hereto as Schedule "B" ("**CCAA Discharge Order**"), *inter alia*:

- (a) if necessary, abridging the time for service and filing of this notice of motion and the motion record and dispensing with further service thereof;

- (b) authorizing and directing the Kraus Group to distribute to secured creditor Red Ash II Capital Partners Limited Partnership ("**Red Ash**") such residual realizations as may become available in partial repayment of amounts owing by the Kraus Group to Red Ash;
- (c) approving the Third Report of Deloitte Restructuring Inc. ("**Deloitte**"), in its capacity as Monitor of the Kraus Group ("**Monitor**"), to be served ("**Third Report**"), and the activities of the Monitor as set out therein;
- (d) approving the fees and disbursements of the Monitor and its counsel, Miller Thomson LLP, as set out in the Third Report;
- (e) terminating these CCAA proceedings and discharging the Monitor;
- (f) authorizing 2328708 LP (f/k/a Kraus Canada LP), 2328708 Ontario Ltd. (f/k/a Kraus Canada Ltd.), 2328709 LP (f/k/a Kraus Carpet LP), 2328709 Ontario Inc. (f/k/a Kraus Carpet Inc.), Strudex LP and Strudex Inc. to file assignments in bankruptcy; and
- (g) such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

Background

- (a) The Kraus Group is a Waterloo, Ontario based manufacturer of premium carpet for the commercial and residential markets ("**Broadloom Business**"). It is also a distributor across North America of flooring products produced by other manufacturers ("**TPS Business**").

- (b) On September 11, 2018, the Applicants were granted creditor protection and related relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**"), and Deloitte was appointed Monitor of the Kraus Group in the CCAA proceedings ("**Initial Order**").
- (c) On September 12, 2018, the United States Bankruptcy Court (District of Delaware) ("**US Bankruptcy Court**") granted a provisional order recognizing the within CCAA proceedings as a foreign main proceeding, and granting a stay of execution against the Kraus Group's assets. The provisional order was made a final order by order of the US Bankruptcy Court dated October 1, 2018.
- (d) On September 18, 2018, the Applicants sought and obtained an approval and vesting order (i) approving a certain asset purchase agreement made between Kraus Canada LP, Kraus Carpet LP, Kraus Properties LP and Kraus USA Inc. (collectively the "**Vendors**") and Q.E.P. Co., Inc. and Roberts Company Canada, Ltd. (together the "**Purchaser**"), dated September 10, 2018 ("**Purchase Agreement**"), (ii) authorizing the Kraus Group to complete the sale of the Purchased Assets (as defined in the Purchase Agreement); and (iii) vesting title in and to the Purchased Assets to the Purchaser ("**Sale Approval and Vesting Order**").
- (e) The Sale Approval and Vesting Order was recognized by the US Bankruptcy Court on October 1, 2018.

- (f) The sale of the TPS Business closed on October 5, 2018, and the Purchased Assets vested in the Purchaser free and clear of claims and encumbrances.
- (g) On October 9, 2018, the Applicants sought and obtained an order authorizing and directing the Monitor to distribute approximately \$32.3 million to the Kraus Group's senior secured lender, Wells Fargo Capital Finance Corporation Canada ("**Wells Fargo**") in repayment of amounts owed by the Kraus Group to Wells Fargo ("**Distribution Order**").
- (h) The Distribution Order also authorized and approved an agreement (the "**Asset Marketing Agreement**") for the marketing and sale of certain assets of the Broadloom Business (the "**Broadloom Assets**").
- (i) Substantially all of the Broadloom Assets were sold as of December 13, 2018.

Distribution to Red Ash

- (j) Red Ash is a second-ranking secured creditor of the Kraus Group (after Wells Fargo).
- (k) The Kraus Group's indebtedness to Wells Fargo has been fully repaid.
- (l) As of April 1, 2019, the Kraus Group owes Red Ash over \$100,000,000.
- (m) The Monitor obtained a legal opinion from its independent legal counsel stating that, subject to the usual qualifications and assumptions, Red

Ash's security with respect to the Kraus Group's indebtedness to Red Ash is valid and enforceable.

- (n) The Monitor recommends that the Kraus Group be authorized to distribute all remaining realizations from its assets to Red Ash, in partial repayment of the secured debt owing to Red Ash. In no circumstances will the realizations be sufficient to fully repay Red Ash what it is owed.
- (o) In the above circumstances it is appropriate that the Kraus Group distribute to Red Ash such amounts as may become available in repayment of amounts owing by the Kraus Group to Red Ash.

Settlement with Purchaser

- (p) The Kraus Group entered into several related agreements to facilitate the TPS Transaction. In addition to the Purchase Agreement, the Vendors and the Purchaser entered into an agreement for the transfer of certain accounts receivable collected by the Vendors to the Purchaser, a transition services agreement, and an escrow agreement whereby the Monitor acted as escrow agent for a portion of the purchase price that was deposited in escrow ("**Escrow Amount**") to reserve for certain post-closing adjustments (collectively the "**Transaction Agreements**").
- (q) On or about March 22, 2019, the Vendors and the Purchaser resolved their respective claims related to the Purchase Agreement and the Transaction Agreements (the "**Settlement Agreement**"). Pursuant to the

terms of the Settlement Agreement, the Vendors have agreed to pay the Purchaser \$3.6 million. In exchange, the Purchaser has agreed to release any claims it may have to the remaining Escrow Amount (“**Settlement Amount**”).

- (r) The Settlement Amount will be used to satisfy the Kraus Group’s post-filing payables and, subject to Court approval, to partially satisfy the \$100,377,877 indebtedness owing to Red Ash.

Approval of Monitor’s Activities and Fees

- (s) The Applicants also seek approval of the Monitor’s Third Report and its activities as set out therein.
- (t) As set out in the Third Report, the Monitor and its counsel, Miller Thomson LLP, have incurred fees in the course of their respective duties as Monitor and counsel, and such fees ought to be approved.

Termination of CCAA Proceedings

- (u) Following the sale of substantially all of the Broadloom Assets, the Applicants have no ongoing business operations.
- (v) The CCAA proceedings have been effective in accomplishing the stated objective of maximizing value by facilitating the going concern sale of the TPS Business and the orderly liquidation and wind-down of the Broadloom Business.

- (w) Upon the completion of the within CCAA proceedings, it is intended that 2328708 LP, 2328708 Ontario Ltd., 2328709 LP, 2328709 Ontario Inc., Strudex LP and Strudex Inc. will file assignments in bankruptcy for the benefit of their creditors.
- (x) The CCAA Discharge Order seeks appropriate relief in connection with the termination of these proceedings including review and approval of the Monitor's activities, fees and disbursements, and the release and discharge of the Monitor.

Other Grounds

- (y) The grounds set out in the Affidavit of Christopher Emmott, sworn April 9, 2019 ("**Fourth Emmott Affidavit**") and the exhibits thereto;
- (z) The grounds set out in the Third Report, and the appendices thereto, filed;
- (aa) The provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
- (bb) Rules 1.04, 1.05, 2.01, 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (cc) Such further and other grounds as counsel may advise and this Court may permit.

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

- (a) The Fourth Emmott Affidavit and the exhibits thereto;
- (b) The Third Report and the appendices thereto; and
- (c) Such other material as counsel may advise and this Honourable Court may permit.

April 10, 2019

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Schedule "A" – Partnerships

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

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

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

Strudex LP

Schedule "B"

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

THE HONOURABLE) TUESDAY, THE 23rd
JUSTICE PENNY) DAY OF APRIL, 2019

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
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Applicants

ORDER

(Distribution to Secured Creditor and Termination of CCAA Proceedings)

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

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

SERVICE AND DEFINED TERMS

1. **THIS COURT ORDERS** that the time for service of the notice of motion, the motion record, and the Third Report is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that capitalized terms used and not defined herein shall have the meanings given to them in the initial order, dated September 11, 2018, as amended and restated on September 18, 2018 ("**Initial Order**").

DISTRIBUTION TO RED ASH

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

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

APPROVAL OF FEES AND DISBURSEMENTS

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

6. **THIS COURT ORDERS** that the fees and disbursements of the Monitor from the period September 22, 2018 until ●, 2019, and its counsel, for the period from October 7, 2018 until ●, 2019, as set out in the Fee Affidavits, are hereby approved.

TERMINATION OF CCAA PROCEEDINGS

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

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

DISCHARGE OF MONITOR

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

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

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

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

BANKRUPTCY

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

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

GENERAL

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

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

SCHEDULE "A"

Partnerships

Kraus Brands LP

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

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

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

Strudex LP

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KRAUS BRANDS INC., KRAUS CANADA LTD., KRAUS CARPET INC., KRAUS PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.

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

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

Proceeding commenced in Toronto

DISCHARGE ORDER

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Lawyers for the Applicants

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

CV-18-604759-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDINGS COMMENCED AT TORONTO

NOTICE OF MOTION
(returnable April 23, 2019)

Cassels Brock & Blackwell LLP
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Lawyers for the Applicants

Tab 2

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
KRAUS BRANDS INC., KRAUS CANADA LTD., KRAUS CARPET INC.,
KRAUS PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.**

Applicants

**AFFIDAVIT OF CHRISTOPHER EMMOTT
(sworn April 1, 2019)**

I, Christopher Emmott, of the City of London, in the United Kingdom, MAKE OATH

AND SAY:

1. I am a Director of Kraus Carpet Inc., one of the applicants herein. I have knowledge of the matters hereinafter deposed, which knowledge is either personal to me, obtained from a review of the documents referred to herein or, where indicated, based on information and belief upon being advised by others, in which case I verily believe such information to be true.

2. I swear this affidavit in support of a motion brought by Kraus Brands Inc., Kraus Canada Ltd., Kraus Carpet Inc., Kraus Properties Inc., Kraus USA Inc., and Strudex Inc. (collectively, the "**Applicants**", with the partnerships listed in **Exhibit "A"** hereto, collectively, the "**Kraus Group**") for an Order ("**CCAA Discharge Order**"), among other things:

- (a) authorizing and directing the Kraus Group to distribute to Red Ash II Capital Partners Limited Partnership ("**Red Ash**") such amounts as may become available in repayment of amounts owing by the Kraus Group to Red Ash ("**Red Ash Distribution**");
- (b) approving the Third Report of the Monitor dated January 15, 2019 ("**Third Report**") and the activities of Monitor as set out therein;
- (c) approving the Monitor's fees and disbursements and those of the Monitor's counsel, Miller Thomson LLP, as set out in the Third Report;
- (d) terminating these CCAA proceedings and discharging the Monitor; and
- (e) authorizing 2328708 LP (f/k/a Kraus Canada LP), 2328708 Ontario Ltd. (f/k/a Kraus Canada Ltd.), 2328709 LP (f/k/a Kraus Carpet LP), 2328709 Ontario Inc. (f/k/a Kraus Carpet Inc.), Strudex LP and Strudex Inc. to file assignments in bankruptcy.

I. Background

3. The Kraus Group is a Waterloo, Ontario based manufacturer of premium residential and commercial broadloom carpet ("**Broadloom Business**"). It is also a distributor across North America of flooring products produced by other manufacturers. ("**TPS Business**").

4. The Kraus Group's financial decline and insolvency is attributable to a variety of factors including relatively significant fixed costs associated with maintaining manufacturing facilities in Waterloo, Ontario ("**Waterloo Premises**") and a North

American-wide distribution network. Those fixed costs could not be reduced or downsized to correspond with a change in consumer preferences and an overall decline in market demand.

5. The Applicants were granted creditor protection and related relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") on September 11, 2018 ("**Initial Order**"). Pursuant to the Initial Order, Deloitte was appointed monitor of the Kraus Group in the CCAA proceedings.

6. The Initial Order was amended and restated by the Amended and Restated Initial Order of the Honourable Mr. Justice Penny dated September 18, 2018. Attached and marked as **Exhibit "B"** is a copy of the Amended and Restated Initial Order.

7. On September 12, 2018, the United States Bankruptcy Court (District of Delaware) ("**US Bankruptcy Court**") granted a provisional order recognizing the CCAA proceedings as a foreign main proceeding, and granting a stay of execution against the Kraus Group's assets ("**US Provisional Order**").

8. The US Provisional Order became a final order by order of the US Bankruptcy Court, dated October 1, 2018 ("**Final Recognition Order**").

9. On September 18, 2018, the Court granted an order (i) approving an asset purchase agreement ("**Purchase Agreement**") between Kraus Canada LP, Kraus Properties LP, Kraus Carpet LP, and Kraus USA Inc. (collectively, the "**Vendors**") and Q.E.P. Co., Inc. and Roberts Company Canada, Ltd. (together the "**Purchaser**"), (ii) authorizing the sale ("**TPS Transaction**") of the Purchased Assets (as defined in the

Purchase Agreement); and (iii) vesting title in and to the Purchased Assets to the Purchaser.

10. After the TPS Transaction closed, the Applicants sought and obtained an order, dated October 9, 2018, authorizing and directing the Monitor to distribute approximately \$32.3 million to the Kraus Group's senior secured lender, Wells Fargo Capital Finance Corporation Canada ("**Wells Fargo**") in repayment of amounts owed by the Kraus Group to Wells Fargo ("**Distribution Order**"). A copy of the Distribution Order is attached and marked as **Exhibit "C"**.

11. The Distribution Order also authorized and approved an agreement (the "**Asset Marketing Agreement**") for the marketing and sale of certain assets of the Broadloom Business (the "**Broadloom Assets**").

12. Substantially all of the Broadloom Assets were sold as of December 13, 2018.

13. Further details regarding the background of these CCAA proceedings are set out in the Affidavit of Christopher Emmott, sworn September 10, 2018 ("**First Emmott Affidavit**").

II. Developments Since the Distribution Order

A. Corporate Name Change

14. The Purchased Assets include all of the intellectual property that the Kraus Group used in connection with the TPS Business. Accordingly, section 8.06 of the Purchase Agreement requires the Kraus Sellers to change their names to ones that do not include the name "Kraus".

15. Certain members of the Kraus Group changed their names effective February 5, 2019, to remove the name "Kraus" as follows:

- (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.

16. Kraus Brands Inc. and Kraus Brands LP changed their respective names to Northfield Properties (GP) Inc. and Northfield Properties LP effective October 10, 2018.

B. Corporate Dissolutions

17. The Kraus Group has also made applications for the dissolution of Kraus Systems Inc. and 2328710 Ontario Inc. (formerly known as Kraus Properties Inc.). This was appropriate given that the companies never had any operations; the companies never had any assets, employees or liabilities.

18. Kraus Systems Inc. and 2328710 Ontario Inc. requested the consent of the Ministry of Finance to dissolve on February 1 and February 26, 2019, respectively. Consents to the dissolutions were received on February 22, 2019 for Kraus Systems Inc. and March 15, 2019 for 2328710 Ontario Inc.

19. Articles of dissolution of Kraus Systems Inc. and 2328710 Ontario Inc., and declarations of dissolution for Kraus Systems LP and 2328710 LP were filed on April 4, 2019.

C. Amounts Owed to Employees

20. The Kraus Group has paid all of its employees' pre-filing wages, overtime pay and commissions, as well as those amounts owed on account of employee benefits, pension plan contributions and union dues. The Kraus Group has also paid accrued vacation pay for those employees who were transferred to the Purchaser.

21. However, for those employees who were not transferred to the Purchaser ("**Former Kraus Group Employees**"), there was accrued vacation pay that remained outstanding.

22. The total vacation pay owed to the Former Kraus Group Employees for the six months prior to the Initial Order, which is entitled to priority under the CCAA, is \$70,281 ("**Vacation Amount**"). The Vacation Amount is comprised of the following amounts:

Kraus Group Entity	Union/Non-Unionized	Amount Owed
Kraus Carpet LP	Unionized	\$19,649
	Non-Unionized	\$19,587
Strudex LP	Unionized	\$6,923
	Non-Unionized	\$5,803
Kraus Canada LP	Non-Unionized	\$14,745
	Unionized	\$3,574

23. The Kraus Group 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 Former Kraus Group Employees on account of vacation pay during this period; and (ii) any amounts no longer owed as a result of vacation time taken by Former Kraus Group Employees, up to a maximum of \$2,000.

24. On February 21, 2019, the Kraus Group authorized the mailing of cheques for the Vacation Amount to the Former Kraus Group Employees. Accordingly, the Vacation Amount has been paid to the Former Kraus Group Employees.

II. Distribution to Red Ash

25. As described in the First Emmott Affidavit, Red Ash has a second-ranking security interest in present and after-acquired real and personal property of the Kraus Group, after Wells Fargo.

26. The Kraus Group's indebtedness to Wells Fargo has been fully repaid.

27. As of April 1, 2019, the Kraus Group owes Red Ash approximately \$100,377,877.

28. As foretold in the First Emmott Affidavit, the actual realized value of the Kraus Group's assets was substantially less than the amount of the secured indebtedness of Wells Fargo and Red Ash.

29. The Kraus Group's only remaining material asset is the 850,000 square foot carpet manufacturing mill in Waterloo Ontario ("**Waterloo Premises**"). As discussed in the Third Report, the realizable value of the Waterloo Premises is estimated to be but a fraction of the approximately \$100 million the Kraus Group owes to Red Ash.

30. Given that Red Ash will inevitably sustain a very significant shortfall, there are no funds available to make a distribution to lower ranking *Personal Property Security Act*, R.S.O. 1990, c. P. 10 secured creditors, or unsecured creditors.

31. With the support of the Monitor, the Kraus Group is seeking court approval for the Red Ash Distribution.

32. The Monitor has obtained a legal opinion from its independent counsel stating that, subject to the typical qualifications and assumptions, Red Ash's security with respect to the indebtedness of the Kraus Group to Red Ash is valid and enforceable.

III. Settlement Agreement

33. In connection with the Purchase Agreement, the Vendors and the Purchaser entered into three additional agreements to effectuate the TPS Transaction: (i) the QEP Transaction Proceeds Agreement, dated October 4, 2018 ("**Transaction Proceeds Agreement**"); (ii) the Transition Services Agreement, dated October 5, 2018 ("**Transition Services Agreement**"); and (iii) the Escrow Agreement, dated October 5, 2018 ("**Escrow Agreement**", with the Transaction Proceeds Agreement and Transition Services Agreement, collectively, the "**Transaction Agreements**").

34. The Transaction Proceeds Agreement provides for the timely transfer of account receivable collections from the Vendors' bank accounts ("**AR Account**") to the Purchaser after closing of the TPS Transaction.

35. Pursuant to the Transition Services Agreement, the Kraus Sellers and the Purchaser agreed to provide certain services to the other party to ensure the effective transition of the Purchased Assets to the Purchaser.

36. Finally, pursuant to the Purchase Agreement, the parties agreed to reserve a portion of the purchase price to address post-closing adjustments in connection with the TPS Transaction ("**Escrow Amount**"). The Escrow Amount was deposited into an escrow account and the Monitor acted as escrow agent pursuant to the terms of the Escrow Agreement, which agreement was approved by the Court on September 18, 2018.

37. The Kraus Sellers and the Purchaser performed their obligations under the Transaction Agreements and, as a result, are owed certain amounts under the terms of the agreements. The precise amounts owed by each of the Kraus Sellers and the Purchaser to the other were the subject of extensive discussions between the parties.

38. On March 22, 2019, the Kraus Sellers and the Purchaser agreed to resolve their respective claims related to the Purchase Agreement and the Transaction Agreements pursuant to a settlement and mutual release ("**Settlement Agreement**"). Pursuant to the terms of the Settlement Agreement, the Kraus Sellers have agreed to pay the Purchaser \$3.6 million: \$1.424 million on account of post-closing adjustments from the Escrow Amount and \$2.176 million from the AR Account. In exchange, the Purchaser has agreed to release any claim to any remaining amounts held by the Monitor, as escrow agent, under the Escrow Agreement.

39. The Kraus Sellers received approximately \$1,856,065 million from the remaining Escrow Amount ("**Settlement Amount**"). The Settlement Amount will be used to satisfy the Kraus Group's due and outstanding post-filing payables and, subject to court approval, distributed to Red Ash in partial satisfaction of the \$100,377,877 owed to Red Ash.

IV. Termination of CCAA Proceedings

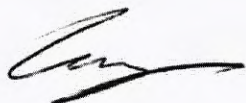
40. As the going concern sale and liquidation of substantially all of the assets of the business is now complete, the Kraus Group does not have any ongoing business operations.

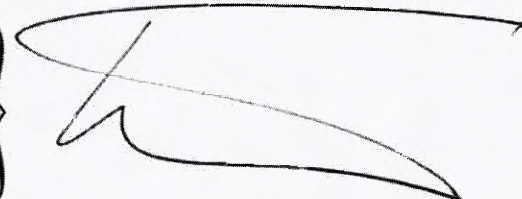
41. Upon the completion of the within CCAA proceedings it is intended that 2328708 LP, 2328708 Ontario Ltd., 2328709 LP, 2328709 Ontario Inc., Strudex LP, and Strudex Inc. will file assignments in bankruptcy for the benefit of their creditors.

42. As indicated, I understand that the Monitor and Red Ash support the relief sought on this application.

43. I swear this affidavit in support of the motion for the CCAA Discharge Order and for no other or improper purpose. *90 NEW BOND STREET, LONDON, W1K 1SD*

SWORN BEFORE ME at _____
on the 9 day of April, 2019


GIDEON RIX
Commissioner for Taking Affidavits
Solicitor (or as may be)


CHRISTOPHER EMMOTT

Brecher LLP
Solicitors
4th Floor, 64 North Row
London
W1K 7DA

EXHIBIT A

This is Exhibit "A" referred to in the Affidavit of Christopher Emmott sworn April 9, 2019



GIDEON RIX

Commissioner for Taking Affidavits (or as may be)

Solicitor

Brecher LLP
Solicitors
4th Floor, 64 North Row
London
W1K 7DA

Exhibit "A" – Partnerships

Kraus Brands LP

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

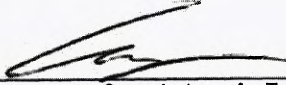
2328709 LP (f/k/a Kraus Carpet LP)

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

Strudex LP

EXHIBIT B

This is Exhibit "B" referred to in the Affidavit of Christopher Emmott sworn April 9, 2019


GIDEON RIX

Commissioner for Taking Affidavits (or as may be)
Solicitor

Brecher LLP
Solicitors
4th Floor, 64 North Row
London
W1K 7DA

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)

JUSTICE PENNY)

TUESDAY, THE 11TH
DAY OF SEPTEMBER, 2018

as amended and restated on
TUESDAY, THE 18TH
DAY OF SEPTEMBER, 2018



**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

AMENDED AND RESTATED INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Christopher Emmott sworn September 10, 2018, and the exhibits thereto ("**Initial Affidavit**"), and the pre-filing report of the proposed monitor, Deloitte Restructuring Inc. ("**Monitor**"), dated September 10, 2018 ("**Pre-Filing Report**"), and on hearing the submissions of counsel for the Applicants and the partnerships listed in Schedule "A" hereto ("**Partnerships**") and counsel for the Monitor, and counsel for Wells Fargo Capital Finance Corporation Canada ("**Wells Fargo**") such other counsel as were present and wished to be heard, no one appearing for any other

party although duly served as appears from the affidavits of service, filed, and on reading the consent of Deloitte Restructuring Inc. to act as the Monitor,

SERVICE

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

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies. Although not Applicants, the Partnerships (together with the Applicants, the "**Kraus Group**") shall enjoy the benefits of the protections and authorizations provided by this Order.

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Kraus Group shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof ("**Property**"). Subject to further Order of this Court, the Kraus Group shall continue to carry on business in a manner consistent with the preservation of its business ("**Business**") and Property. The Kraus Group is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Kraus Group shall be entitled to continue to utilize the cash management system currently in place as described in the Initial Affidavit or replace it with another substantially similar cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Kraus Group of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Kraus Group, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

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

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
 - (b) the fees and disbursements of any Assistants retained or employed by the Kraus Group in respect of these proceedings, at their standard rates and charges; and
 - (c) amounts owing to vendors determined by the Kraus Group to be necessary in order to ensure an uninterrupted supply of goods and/or services to the Kraus Group that are material to the continued operation of the Business, provided that such payments shall not exceed in an aggregate amount of \$10 million and are approved in advance by the Monitor.
-

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

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Kraus Group on or after the date of this Order.

8. THIS COURT ORDERS that the Kraus Group shall remit, in accordance with legal requirements, or pay:

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

claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Kraus Group.

9. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Kraus Group shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Kraus Group and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

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

RESTRUCTURING

11. THIS COURT ORDERS that the Kraus Group shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its Business or operations, and to dispose of redundant or non-material assets not exceeding \$250,000 in any one transaction or \$1 million in the aggregate in any series of related transactions;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and

- (c) pursue all avenues of restructuring of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Kraus Group to proceed with an orderly restructuring of the Business (the "Restructuring").

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

13. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Kraus Group and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Kraus Group in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE KRAUS GROUP OR THE PROPERTY

14. THIS COURT ORDERS that until and including October 11, 2018, or such later date as this Court may order ("**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Kraus Group or the Monitor, or affecting the Business or the Property, except with the written consent of the Kraus Group and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Kraus Group or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Kraus Group or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Kraus Group and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Kraus Group to carry on any business which the Kraus Group is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

17. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Kraus Group or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Kraus Group, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Kraus Group, and that the Kraus Group shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Kraus Group in accordance with normal payment practices of the Kraus Group or such other practices as may be agreed upon by the supplier or service provider and each of the Kraus Group and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Kraus Group with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Kraus Group whereby the directors or officers

are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Kraus Group, if one is filed, is sanctioned by this Court or is refused by the creditors of the Kraus Group or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. THIS COURT ORDERS that the Kraus Group shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Kraus Group after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

21. THIS COURT ORDERS that the directors and officers of the Kraus Group shall be entitled to the benefit of and are hereby granted a charge ("**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$1 million, as security for the indemnity provided in paragraph 20 of this Order. The Directors' Charge shall have the priority set out in paragraphs 32 and 34 herein.

22. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Kraus Group's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

APPOINTMENT OF MONITOR

23. THIS COURT ORDERS that Deloitte Restructuring Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Kraus Group with the powers and obligations set out in the CCAA or set forth herein and that the Kraus Group and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Kraus Group pursuant to this Order, and shall co-operate fully with the Monitor in the

exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

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

- (a) monitor the Kraus Group's receipts and disbursements;
 - (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
 - (c) assist the Kraus Group, to the extent required by the Kraus Group, in its dissemination to Wells Fargo of financial and other information as required by the Forbearance Agreement (as defined in the Initial Affidavit);
 - (d) advise the Kraus Group in its development of the Plan and any amendments to the Plan;
 - (e) assist the Kraus Group, to the extent required by the Kraus Group, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
 - (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Kraus Group, to the extent that is necessary to adequately assess the Kraus Group's business and financial affairs or to perform its duties arising under this Order;
 - (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
 - (h) perform such other duties as are required by this Order or by this Court from time to time.
-

25. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

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

27. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Kraus Group with information provided by the Kraus Group in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Kraus Group is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Kraus Group may agree.

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

29. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Kraus Group shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Kraus Group as part of the costs of these proceedings. The Kraus Group is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a monthly basis and, in addition, the Kraus Group is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Kraus Group, retainers in the aggregate amount of \$100,000 to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

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

31. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and the Kraus Group's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$1 million, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 32 and 34 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

First – Administration Charge (to the maximum amount of \$1 million); and

Second – Directors' Charge (to the maximum amount of \$1 million).

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

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

35. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Kraus Group shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges unless the Kraus Group also obtains the prior written consent of the Monitor, and any other Persons entitled to the benefit of the Charges ("**Chargees**"), or further Order of this Court.

36. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings,

incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

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

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

SERVICE AND NOTICE

38. THIS COURT ORDERS that the Monitor shall (a) without delay, publish in the Globe and Mail a notice containing the information prescribed under the CCAA, (b) within five days after the date of this Order, (i) make this Order publicly available in the manner prescribed under the CCAA, (ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the Kraus Group of more than \$1,000, and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

39. THIS COURT ORDERS that the E-Service Protocol of the Commercial List ("Protocol") is approved and adopted by reference herein and, in this proceeding, the

service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL www.insolvencies.deloitte.ca/en-ca/Kraus ("**Website**").

40. THIS COURT ORDERS that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding ("**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the Website, provided that the Monitor shall have no liability in respect of the accuracy or timeliness of making any changes to the Service List.

41. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Kraus Group and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Kraus Group's creditors or other interested parties at their respective addresses as last shown on the records of the Kraus Group and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

42. THIS COURT ORDERS that the Kraus Group and the Monitor and their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Kraus Group's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or

judicial obligation, and notice requirements within the meaning of clause 3(c) of the Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS).

GENERAL

43. THIS COURT ORDERS that the Kraus Group or the Monitor may from time to time apply to this Court for advice and directions regarding the discharge of their respective powers and duties hereunder or the interpretation of this Order.

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

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

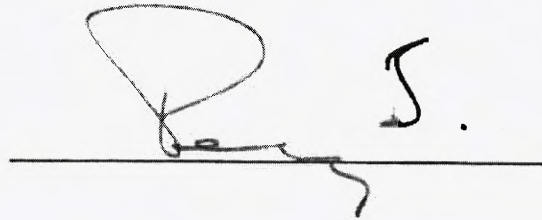
46. THIS COURT ORDERS that each of the Kraus Group and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that Kraus Carpet Inc. is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

47. THIS COURT ORDERS that any interested party (including the Kraus Group and the Monitor) may apply to this Court to vary or amend this Order on not less than seven

(7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

48. THIS COURT ORDERS that Confidential Exhibit "A" to the Initial Affidavit and Appendix "D" to the Pre-Filing Report, as well as Exhibits C and E to the Affidavit of Susan Mingie, sworn September 10, 2018, attached as Appendix "C" to the Pre-Filing Report, be sealed, kept confidential and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.

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



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

SEP 18 2018

PER / PAR: *RW*

Schedule "A" – Partnerships

Kraus Brands LP

Kraus Canada LP

Kraus Carpet LP

Kraus Properties LP

Strudex LP

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KRAUS BRANDS INC., KRAUS CANADA LTD., KRAUS
CARPET INC., KRAUS PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.**

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
PROCEEDING COMMENCED AT
TORONTO**

AMENDED AND RESTATED INITIAL ORDER

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Lawyers for the Applicants

EXHIBIT C

This is Exhibit "C" referred to in the Affidavit of Christopher Emmott sworn April 9, 2019



GIDEON RIX

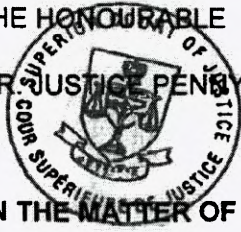
Commissioner for Taking Affidavits (or as may be)

Solicitor

Brecher LLP
Solicitors
4th Floor, 64 North Row
London
W1K 7DA

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

THE HONOURABLE) TUESDAY, THE 9TH
MR. JUSTICE PENNY) DAY OF OCTOBER, 2018



**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

**AMENDED ORDER
(Distribution to Wells Fargo, Approval of Liquidation Agreement
and CCAA Stay Extension)**

THIS MOTION, made by the Applicants and the partnerships listed in Schedule "A" hereto (collectively, the "**Kraus Group**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**"), for an order, among other things, (i) authorizing and directing Deloitte Restructuring Inc. ("**Deloitte**"), in its capacity as court-appointed monitor of the Kraus Group ("**Monitor**"), to make a distribution to Wells Fargo Capital Finance Corporation Canada ("**Wells Fargo**"), in partial satisfaction of its secured claim against the Kraus Group; (ii) approving the asset marketing agreement ("**Asset Marketing Agreement**"), made between certain of the Applicants ("**Broadloom Vendors**") and Hilco Industrial Acquisitions Canada ULC ("**Agent**") and dated as of October 2, 2018 in the form attached as Exhibit B to the

Affidavit of Christopher Emmott, sworn October 2, 2018 ("**Third Emmott Affidavit**"); (iii) extending the Stay Period (as defined in paragraph 14 of the order of the Honourable Mr. Justice Penny, dated September 11, 2018 ("**Initial Order**")), as amended and restated by order dated September 18, 2018, to and including January 9, 2019 ("**Stay Extension**"); (iv) approving the First Report of the Monitor, dated September 17, 2018 ("**First Report**"), and the Second Report of the Monitor, dated October 4, 2018 ("**Second Report**") and the activities of the Monitor as set out therein; and (v) approving the Monitor's fees and disbursements and those of the Monitor's counsel, Miller Thomson LLP, as set out in the Second Report was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING, the notice of motion dated October 2, 2018, the Third Emmott Affidavit, the First Report, and the Second Report, and on hearing the submissions of counsel for the Kraus Group, counsel for the Monitor, and counsel for Wells Fargo and no one appearing for any other person on the service list, although properly served as appears from the affidavit of service, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the notice of motion, the motion record, and the Second Report is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that any capitalized term used and not defined herein shall have the meaning ascribed thereto in the Asset Marketing Agreement.

APPROVAL OF ASSET MARKETING AGREEMENT

3. **THIS COURT ORDERS** that the Asset Marketing Agreement be and it is hereby authorized and approved and that the execution of the Asset Management Agreement by the Broadloom Vendors is hereby authorized and approved with such minor amendments as the Broadloom Vendors (with the consent of the Monitor) and the Agent may agree to in writing.

SALE

4. **THIS COURT ORDERS** that the Agent is authorized to market and sell the Assets, free and clear of all liens, claims, encumbrances, security interests, mortgages, charges, trusts, deemed trusts, executions, levies, financial, monetary or other claims, whether or not such claims have attached or been perfected, registered or filed and whether secured, unsecured, quantified or unquantified, contingent or otherwise, whatsoever and howsoever arising, and whether such claims arose or came into existence prior to the date of this Order or came into existence following the date of this Order (in each case, whether contractual, statutory, arising by operation of law, in equity or otherwise) (all of the foregoing, collectively "**Claims**"), including, without limitation the Administration Charge, the Directors' Charge, as such charges are defined in the Initial Order, and any other charges hereafter granted by this Court in these proceedings (collectively the "**CCAA Charges**"), and all Claims, charges, security interests or liens evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal or movable property registration system (all of such Claims, charges (including the CCAA Charges), security interests and liens collectively referred to herein as "**Encumbrances**"), which Encumbrances will attach instead to the Gross Proceeds

and any amounts due and payable by the Agent to the Broadloom Vendors under the Asset Management Agreement, in the same order and priority as they existed on October 9, 2018 ("**Sale Commencement Date**").

5. **THIS COURT ORDERS** that subject to the terms of this Order and the Initial Order, or any greater restrictions in the Asset Marketing Agreement, the Agent shall have the right to enter and use the Location and all related Location services and all furniture, trade fixtures, and equipment located at the Location and other assets of the Broadloom Vendors as designated under the Asset Management Agreement for the purpose of conducting the sale, and for such purposes the Agent shall be entitled to the benefit of the Kraus Group's stay of proceedings provided under the Initial Order, as such stay of proceedings may be extended by further Order of the Court.

6. **THIS COURT ORDERS** that until the earlier of the date the Assets are removed from the Location or March 31, 2019, the Agent shall have the right to use the Kraus Group's trademarks and logos relating to and used in connection with the Assets solely for the purpose of advertising and conducting the sale in accordance with the terms of the Asset Marketing Agreement and this Order.

7. **THIS COURT ORDERS** that upon delivery of a Monitor's certificate to the Agent substantially in the form attached as Schedule "B" hereto ("**Monitor's Certificate**"), and subject to payment in full by the Agent to the Broadloom Vendors of the Gross Proceeds and all other amounts due to the Broadloom Vendors under the Asset Marketing Agreement, all of the Kraus Group's right, title, and interest in and to any Assets shall vest absolutely in the Agent, free and clear of and from any and all Claims,

including without limiting the generality of the foregoing, the Encumbrances, and such Encumbrances will instead attach to the Gross Proceeds, and all other amounts due and payable to the Broadloom Vendors under the Asset Marketing Agreement, in the same order and priority as they existed on the Sale Commencement Date. Nothing in this paragraph 7 shall discharge the obligations of the Agent pursuant to the Asset Marketing Agreement, or the rights or claims of the Broadloom Vendors in respect thereof including, without limitation, the obligations of the Agent to account for and remit the Gross Proceeds to the Broadloom Vendors.

8. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate forthwith after delivery thereof.

AGENT LIABILITY

9. **THIS COURT ORDERS** that the Agent shall act solely as an agent to the Broadloom Vendors and that it shall not be liable for any claims against the Broadloom Vendors other than as expressly provided in the Asset Marketing Agreement (including the Agent's indemnity obligations thereunder). More specifically:

- (a) the Agent shall not be deemed to be an owner or in possession, care, control or management of the Location, of the assets located therein or associated therewith or of the Kraus Group's employees located at the Location or any other property of the Kraus Group;
- (b) the Agent shall not be deemed to be an employer, or a joint or successor employer or a related or common employer or payor within the meaning of any legislation governing employment or labour standards or pension benefits or health and safety or other statute, regulation or rule of law or

equity for any purpose whatsoever, and shall not incur any successorship liabilities whatsoever; and

- (c) the Kraus Group shall bear all responsibility for any liability whatsoever (including without limitation losses, costs, damages, fines or awards) relating to claims of customers, employees and any other persons arising from events occurring at the Location during and after the Term in connection with the sale, except in accordance with the Asset Marketing Agreement.

AGENT AN UNAFFECTED CREDITOR

10. **THIS COURT ORDERS** that the Asset Marketing Agreement shall not be repudiated, resiliated or disclaimed by the Broadloom Vendors nor shall the claims of the Agent pursuant to the Asset Marketing Agreement be comprised or arranged pursuant to any plan of arrangement or compromise among the Kraus Group and its creditors ("**Plan**"). The Agent shall be treated as an unaffected creditor in these proceedings and under any Plan.

11. **THE COURT ORDERS** that the Broadloom Vendors are hereby authorized and directed to remit, in accordance with the Asset Marketing Agreement, all amounts that become due to the Agent thereunder.

12. **THIS COURT ORDERS** that no Encumbrances shall attach to any amounts payable or to be credit or reimbursed to, or retained by, the Agent pursuant to the Asset Marketing Agreement including, without limitation, any amounts to be reimbursed by the Broadloom Vendors to the Agent pursuant to the Asset Marketing Agreement, and the Broadloom Vendors will pay such amounts to the Agent in accordance with the Asset Marketing Agreement, and at all times the Agent will retain such amounts, free and

clear of all Encumbrances, notwithstanding any enforcement or other process or Claims, all in accordance with the Asset Marketing Agreement.

CLIENT ACCOUNT

13. **THIS COURT ORDERS** that no individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") shall take any action, including any collection or enforcement steps, with respect to the Gross Proceeds and the Gross Proceeds deposited into the Client Account pursuant to the Asset Marketing Agreement.

14. **THIS COURT ORDERS** that the Gross Proceeds deposited in the Client Account by or on behalf of the Agent or Broadloom Vendors pursuant to the Asset Marketing Agreement shall be and be deemed to be held in trust for the Broadloom Vendors and the Agent, as the case may be and, except as otherwise provided in paragraphs 4 and 7 of this Order, no Person shall have any claim, ownership interest or other entitlement in or against such Gross Proceeds including, without limitation, by reason of any claims, disputes, rights of offset, set off, or claims for contribution or indemnity that it may have against or relating to the Kraus Group.

DISTRIBUTION TO WELLS FARGO

15. **THIS COURT ORDERS** that the Monitor be and is hereby authorized and directed to forthwith distribute \$32,334,622 to Wells Fargo, together with such further amounts as may become available, in repayment of amounts owing by the Kraus Group to Wells Fargo relating to advances made under the credit agreement dated August 6,

2013 between Kraus Canada LP, Strudex LP, Kraus Carpet LP and Kraus USA Inc. and Wells Fargo ("**Wells Fargo Distribution**").

16. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any application for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**") in respect of the Kraus Group or any part thereof and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Kraus Group or any part thereof;

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

STAY EXTENSION

17. **THIS COURT ORDERS** that the Stay Period (as defined in paragraph 14 of the Initial Order) be and it is hereby extended until and including January 9, 2019.

APPROVAL OF MONITOR REPORTS

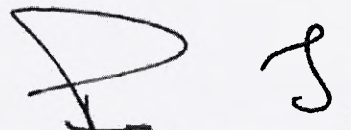
18. **THIS COURT ORDERS** that the First Report and the Second Report, and the activities of the Monitor referred to therein, be and they are hereby approved.

APPROVAL OF FEES

19. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and its counsel, Miller Thomson LLP, as disclosed in the Second Report, be and they are hereby approved.

GENERAL

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



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

OCT 25 2018

PER / PAR:



SCHEDULE "A"

Partnerships

Kraus Brands LP

Kraus Canada LP

Kraus Carpet LP

Kraus Properties LP

Strudex LP

Schedule "B"

Monitor's Certificate

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

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

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
KRAUS BRANDS INC., KRAUS CANADA LTD., KRAUS CARPET INC.,
KRAUS PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.**

Applicants

MONITOR'S CERTIFICATE

RECITALS

A. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the asset marketing agreement ("**Asset Marketing Agreement**"), dated as of October 2, 2018, between certain of the Applicants ("**Broadloom Vendors**") and Hilco Industrial Acquisitions Canada ULC ("**Agent**"), in the form attached as Exhibit B to the Affidavit of Christopher Emmott, sworn October 2, 2018.

B. Pursuant to an Order of the Court dated October 9, 2018, the Court ordered that all of the Assets shall vest absolutely in the Agent, free and clear of and from any and all claims and encumbrances, upon the delivery by the Monitor to the Agent of a certificate certifying that (i) the sale has ended, and (ii) the Gross Proceeds and all other amounts due and payable to the Broadloom Vendors under the Asset Marketing Agreement have been paid in full to the Broadloom Vendors.

C. Deloitte Restructuring Inc., in its capacity as Court-appointed Monitor in the *Companies' Creditors Arrangement Act* proceedings of the Kraus Group certifies that it has been informed by the Agent and the Broadloom Vendors that:

1. The sale has ended; and
2. The Gross Proceeds and all other amounts due and payable to the Broadloom Vendors under the Asset Marketing Agreement have been paid in full to the Broadloom Vendors.

DATED as of this __ day of __, 201__.

DELOITTE RESTRUCTURING INC.,
solely in its capacity as Court-appointed
Monitor of the Kraus Group, and not in its
personal capacity

By: _____
Name:
Title:

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KRAUS BRANDS INC., KRAUS CANADA LTD., KRAUS CARPET INC.,
KRAUS PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.

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

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

Proceeding commenced in Toronto

AMENDED ORDER
(Distribution to Wells Fargo, Approval of
Liquidation Agreement and Stay Extension)

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CARPET INC., KRAUS PROPERTIES INC., KRAUS USA INC., and STRUDEX INC.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
PROCEEDING COMMENCED AT
TORONTO

AFFIDAVIT OF CHRISTOPHER EMMOTT

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED
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Court File No. CV-18-604759-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD

**(Distribution to Secured Creditor and Termination of
CCAA Proceedings)**

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