

This is Exhibit "A" referred to in the Affidavit of  
CHRISTOPHER EMMOTT sworn May 25, 2012



Commissioner for Taking Affidavits (or as may be)

CANADA

PROVINCE OF ONTARIO

NOTARIAL CERTIFICATE

I, Suhuyini Abudulai, a Notary Public in and for the Province of Ontario, by Royal Authority duly appointed, residing in the City of Toronto in the Province of Ontario, do certify and attest that attached hereto as Schedule "A" is a true and complete copy of the Certificate of Incorporation of Pinnacle Capital Resources Limited incorporated on February 4, 2011 issued by the Registrar of Corporate Affairs of the British Virgin Islands.

In testimony whereof I have hereto subscribed my name and affixed my notarial seal of office at Toronto, Ontario this 17<sup>th</sup> day of May, 2012.



A Notary Public in and for  
the Province of Ontario

Suhuyini Abudulai  
2100 SCOTIA PLAZA, 40 King St W  
Toronto, ontario  
M5H 3C2

**SCHEDULE "A"**

See Attached

TERRITORY OF THE BRITISH VIRGIN ISLANDS  
BVI BUSINESS COMPANIES ACT, 2004

CERTIFICATE OF INCORPORATION  
(SECTION 7)

The REGISTRAR of CORPORATE AFFAIRS, of the British Virgin Islands HEREBY CERTIFIES, that pursuant to the BVI Business Companies Act, 2004, all the requirements of the Act in respect of incorporation having been complied with,

**Pinnacle Capital Resources Limited**

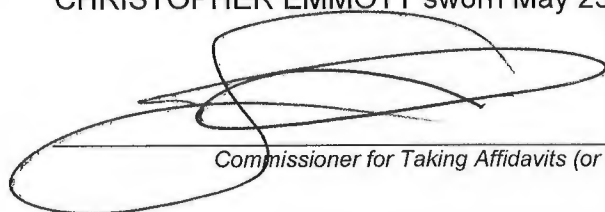
**BVI COMPANY NUMBER: 1630613**

is incorporated in the BRITISH VIRGIN ISLANDS as a BVI BUSINESS COMPANY, this 4th day of February, 2011.



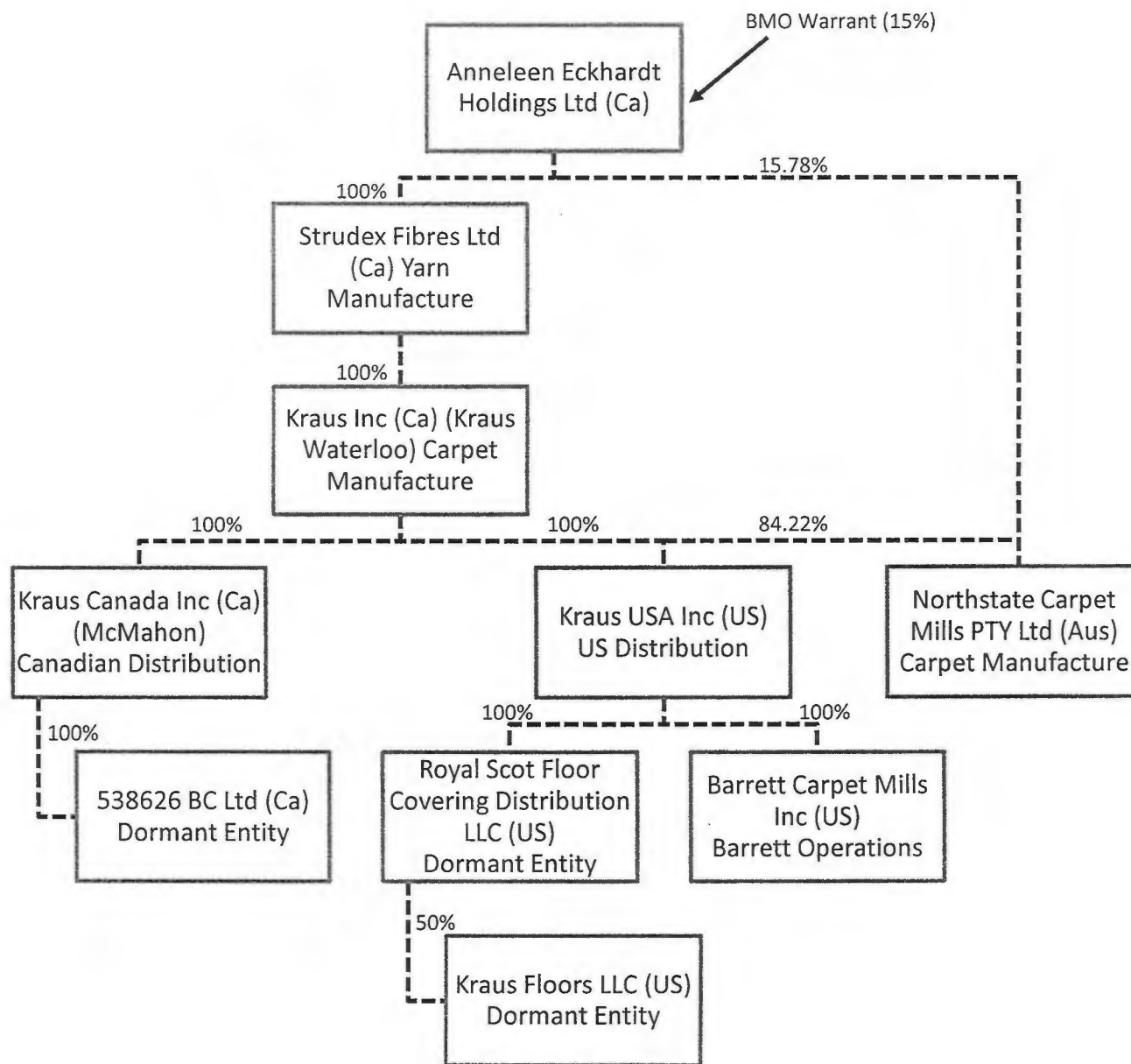
for REGISTRAR OF CORPORATE AFFAIRS  
4th day of February, 2011

This is Exhibit "B" referred to in the Affidavit of  
CHRISTOPHER EMMOTT sworn May 25, 2012



Commissioner for Taking Affidavits (or as may be)

## Kraus Group Structure



This is Exhibit "C" referred to in the Affidavit of  
CHRISTOPHER EMMOTT sworn May 25, 2012



Commissioner for Taking Affidavits (or as may be)

# ACQUISITION OPPORTUNITY

## Manufacturer and Distributor of Flooring Products

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### COMPANY OVERVIEW

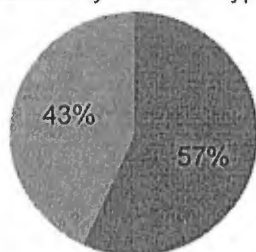
The Company is a leading manufacturer of carpet and a distributor of carpet and flooring products with operations across North America and in Oceania. A key success factor for the Company is its vertical integration both backward into carpet fiber production and forward into flooring distribution. Its ability to produce its own fiber enables it to differentiate its carpet products by adding certain styling features. By controlling its distribution network, the Company is able to push higher margin products through the sales channels while maintaining a high level of customer service and responsiveness.

### PRODUCT AND CHANNEL OVERVIEW

The Company has both a diversified product line and the geographic presence to help insulate it against changes in customer preferences and regional economic conditions. Its strategy is focused on manufacturing value-added niche products while providing superior customer service, which allows it to charge premium pricing on many of its product lines.

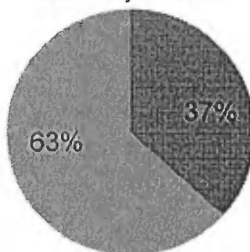
- Almost 60% of the Company's revenue is achieved through the sale of carpet. Carpet sales translate into the highest profit margins for the Company due to the vertically integrated production process. To provide a comprehensive product offering to its customers, the Company also sells a vast array of private label and branded laminate, hardwood, cork and other products.
- Approximately 40% of the Company's products are designed for the commercial market which helps to partially offset cyclicity in the residential segment. The Company has a diverse customer mix that includes both independent stores as well as big box retailers. The Company is not economically dependent on any one customer.
- The Company's sales are geographically diversified with Canada accounting for approximately 52% of sales, the US accounting for 42% of sales with the remaining 6% in Oceania.

Sales by Product Type



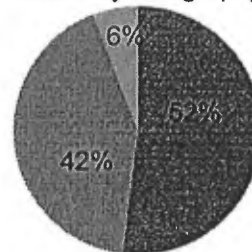
■ Carpet ■ Flooring

Sales by Market



■ Commercial ■ Residential

Sales by Geography

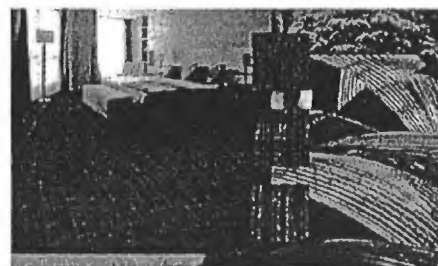


■ Canada ■ US ■ Oceania

### OPERATIONS

The Company's primary manufacturing facility is one of the largest in the industry and allows it to capitalize on economies of scale. The facility is outfitted with equipment that utilizes leading technology and includes extrusion lines, a backing line, as well as finishing, dyeing and tufting equipment. The Company's equipment and manufacturing capabilities are critical to supporting its product development and premium pricing strategy.

In addition to its core facility, the Company has a second manufacturing plant which represents approximately 10% of its production. The Company also maintains 8 distribution facilities across North America which enhances its speed to market and enables it to stock products suited for local tastes.





# ACQUISITION OPPORTUNITY

## Manufacturer and Distributor of Flooring Products

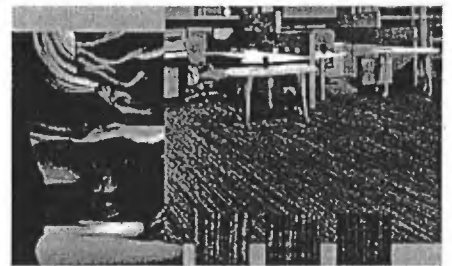
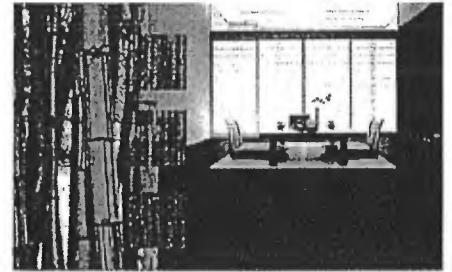
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### FINANCIAL INFORMATION

The Company is currently generating approximately \$200 million in annual revenue.

Over the last several years, the flooring industry has been under pressure, driven primarily by the prolonged recession and credit crisis that began in 2008 and has negatively impacted volumes and margins in both residential and commercial markets across North America. To address the downturn in market demand, the Company has implemented a number of profitability enhancement initiatives, including:

- Increased emphasis on product development with the launch of several new specialty products in fiscal 2011.
- Product development has been supported by continued investment in technology to improve manufacturing capabilities.
- Restructuring and centralization of certain manufacturing and distribution operations, including the closure of one manufacturing facility, centralizing call centre operations and rationalizing warehouse space where appropriate.
- Headcount reductions in administration and warehousing and replacement and reduction in sales personnel.



### INVESTMENT HIGHLIGHTS

- ✓ Turn-key, world class manufacturing operations with significant potential to achieve economies of scale
- ✓ Excellent product development capabilities with expertise in highly engineered and stylish specialty products
- ✓ Sizeable in-house distribution network catering to both residential and commercial markets
- ✓ Strong management team with a long history in the carpet and flooring industry
- ✓ Diversified customer base across multiple geographies, product lines and channels
- ✓ Lean cost structure driven by recent operational enhancements
- ✓ Well positioned to capitalize on future growth driven by a market recovery and flooring market "catch up" resulting from renovation deferrals that have occurred during the housing downturn

### PROCESS OVERVIEW

The Company is reviewing its strategic alternatives and is seeking either a partner or an acquirer of the Company to position it for growth. **Non-binding expressions of interest are due by December 7, 2011.** More detailed information will be made available to those who execute a Confidentiality Agreement. To obtain a Confidentiality Agreement, or to discuss specific questions regarding this opportunity, please contact the Company's exclusive financial advisor in this matter.

### PRICEWATERHOUSECOOPERS CORPORATE FINANCE INC.

PwC Tower  
18 York Street, Suite 2600  
Toronto, ON M5H 0B2

Eric Castonguay  
Managing Director  
☎ 416 815 5094  
✉ eric.castonguay@ca.pwc.com

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Director  
☎ 416 941 8342  
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☎ 416 815 5194  
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This is Exhibit "D" referred to in the Affidavit of  
CHRISTOPHER EMMOTT sworn May 25, 2012



Commissioner for Taking Affidavits (or as may be)

## MASTER ASSIGNMENT AGREEMENT

This Master Assignment Agreement (the "**Agreement**") is dated as of May 7, 2012.




**WHEREAS** reference is made to the Credit and Guarantee Agreement dated as of June 28, 2007, among Strudex Fibres Limited (the "**Company**"), Kraus Inc. and Kraus Canada Inc. 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) and Bank of Montreal (as U.S. Administrative Agent) and the financial institutions party thereto as lenders (as amended, restated, supplemented or otherwise modified from time to time, the "**Senior Credit Agreement**"). All capitalized terms used herein but not defined shall have the meanings given thereto in the Senior Credit Agreement;

**AND WHEREAS** each of the Lenders has agreed to assign its respective Assigned Interest (as defined below) to Red Ash Capital Partners II Limited Partnership (in such capacity, together with its successors and assigns, the "**Assignee**"), on the terms and conditions specified herein;

**AND WHEREAS** pursuant to a separate agreement of even date herewith among the Borrowers, the Guaranteeing Parties, the Parent Entities, the Agents and Assignee (the "**Agent Resignation and Appointment Agreement**"), the Assignee has agreed to replace the Agents as the administrative agent under the Senior Credit Agreement (in such capacity, the "**Successor Agent**"), and the Agents have agreed to transfer to the Successor Agent all of their rights, titles and interests in and to the Senior Credit Agreement and the other Credit Documents (and by execution of this Agreement each of the Lenders hereby irrevocably and unconditionally authorizes and directs the Agents to so transfer to the Successor Agent all of such rights, titles and interests);

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### 1. Purchase Price

- (a) The aggregate purchase price (the "**Purchase Price**") payable by the Assignee to the Lenders for the Assigned Interests (as defined below)   

- (b) The Assignee shall pay to each of the Lenders on the date hereof, by wire transfer of immediately available funds, such Lender's share of the Cash Amount, as identified on Schedule "B" hereto (in each case in accordance with the wire instructions for each such Lender specified in Schedule "B").
- (c) 

(k)

## 2. Assignment and Assumption

- (a) Each of the Lenders hereby irrevocably and unconditionally sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from each of the Lenders, subject to and in accordance with the terms and conditions hereof, as of March 30, 2012 (the "**Effective Date**") each Lender's respective rights and obligations in its capacity as a Lender under the Senior Credit Agreement and the other Credit Documents (including, but not limited to, the documents listed in Schedule "A" hereto) (the rights and obligations of any Lender sold, assigned, purchased and assumed pursuant to foregoing being referred to herein as such Lender's "**Assigned Interest**" and all such rights and obligations so sold, assigned, purchased and assumed pursuant to the foregoing being referred to herein as the "**Assigned Interests**"). The sale, assignment, purchase and assumption of the Assigned Interests is at the Assignee's own risk and without recourse to any of the Lenders and, except as expressly provided in this Agreement, without representation or warranty, legal or conventional, by any of the Lenders.
- (b) Each of the Lenders hereby represents and warrants to the Assignee, severally as to itself and not jointly or jointly and severally, as of the date hereof, that: (i) the principal amount of its Assigned Interest is accurately stated in Schedule "B" hereto; (ii) it has not sold, assigned, pledged, syndicated or encumbered its respective Assigned Interest to or in favour of any third party, in whole or in part; and (iii) it has full power and authority, and has taken all necessary action, to execute and deliver this Agreement and to consummate the transactions contemplated hereby.
- (c) The Assignee: (i) represents and warrants that (A) it has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and to consummate the transactions contemplated hereby and to become a Lender under the Documents, (B) it meets all requirements of an Eligible Assignee under the Senior Credit Agreement, and (C) it has received a copy of the Senior Credit Agreement, together with copies of the most recent financial statements, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement and to purchase and assume the Assigned Interests on the basis of which it has made such analysis and decision independently and without reliance on any of the Agents, the Lenders or any other Person; and (ii) agrees that (A) it has and will, independently and without reliance on any of the Agents, the Lenders or any other Person, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Senior Credit Agreement and the other Credit Documents, (B) from and after the

Effective Date, it shall be bound by the provisions of the Senior Credit Agreement and the other Credit Documents as the sole Agent and Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of the Lenders thereunder, (C) it will perform in accordance with their terms all of the obligations which by the terms of the Senior Credit Agreement and the other Credit Documents are required to be performed by it as a Lender or Agent, (D) it shall not use the name of the Agents and the Lenders for any purpose in connection with the Assigned Interests or name or join any of the Agents or the Lenders as a party defendant or third party to any action in respect of the Assigned Interests or the Credit Documents, (E) it shall not assign or otherwise transfer all or any of the Assigned Interest or the shares or assets of the Borrowers, the Guaranteeing Parties and the Parent Entities (including for greater certainty, the shares or assets of the Borrowers, the Guaranteeing Parties and the Parent Entities acquired by any Assignee Party pursuant to any bankruptcy or insolvency proceeding or similar or related transaction thereto) to any Related Party other than with respect to control rights in connection with, relating to or arising out of collateral assignments by the Assignee, unless such Related Party shall have agreed in writing with the Lenders to be bound by the terms of this Agreement as an "Assignee" [REDACTED]

[REDACTED] and (F) other than with respect to control rights in connection with, relating to or arising out of collateral assignments by the Assignee, it shall cause each Related Party that at any time holds any of the Assigned Interest or the shares or assets of the Borrowers, the Guaranteeing Parties and the Parent Entities (including for greater certainty, the shares or assets of the Borrowers, the Guaranteeing Parties and the Parent Entities acquired by any Assignee Party pursuant to any bankruptcy or insolvency proceeding or similar or related transaction thereto) to be bound by the terms of this Agreement as an "Assignee" (including, without limitation, the agreement to be bound to pay any Net Realized Amount Lender Payment on a joint and several basis with all other Assignees).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. **Conditions Precedent**

The obligation of each Lender to assign its Assigned Interest to the Assignee and of each Agent to transfer to the Successor Agent its right, title and interest in and to the Senior Credit Agreement and the other Credit Documents shall be subject to the following conditions precedent to be fulfilled or performed, on or before the Effective Date, which conditions are for the exclusive benefit of the Agents and the Lenders and may be waived, in their sole discretion, in whole or in part:

(a) payment to each Lender by the Assignee of such Lender's share of the Cash Amount, as identified on Schedule "B" hereto;

(b) *[intentionally deleted]*;

[REDACTED]

(d) termination of all outstanding swap arrangements between National Bank of Canada and/or Bank of Montreal and the Borrowers and the Guaranteeing Parties and/or the Parent Entities;

[REDACTED]

(f) execution and delivery of a release and consent in favour of the Agents and the Lenders from the Borrowers, the Guaranteeing Parties and the Parent Entities substantially in the form attached hereto as Schedule "C"; and

(g) execution and delivery of the agent resignation and appointment agreement substantially in the form attached hereto as Schedule "D".

5. **"As is, where is"**

The Assignee and the Successor Agent hereby acknowledge and agree that, other than in respect of the limited representations and warranties in clause 2(b) above, there are no representations, warranties, collateral agreements or conditions of any kind whatsoever made by any of the Agents or any of the Lenders, whether express or implied, affecting this Agreement, the Assigned Interests, the transfer of the rights, titles and interests of the Lenders and the Agents in and to the Senior Credit Agreement or the other Credit Documents to the Assignee and the Successor Agent, and the assignment of the Assigned Interest to the Assignee, is at Assignee's and the Successor Agent's, respectively, own risk and on an "as is, where is" basis without recourse of any kind to any of the Agents or the Lenders and each of the Agents and the Lenders assumes no responsibility, and shall have no responsibility or liability, with respect to: (i) any statements, warranties or representations made in or in connection with the Senior Credit Agreement or the other Credit Documents; (ii) the execution, legality, validity, publication, perfection, priority, enforceability, genuineness, sufficiency or value of the Senior Credit Agreement or the other Credit Documents or any collateral charged by any security, liens or other encumbrances granted under any of the Senior Credit Agreement or the other Credit Documents (or whether the Senior Credit Agreement or the other Credit Documents or any



security, liens or other encumbrances or registrations in respect thereof are sufficient to create, publish or perfect a security interest or hypothec in the collateral purported to be charged thereby); (iii) the financial condition of the Borrowers, the Guaranteeing Parties and the Parent Entities or any other Person obligated in respect of the Senior Credit Agreement or any other Credit Document; or (iv) the performance or observance by the Borrowers, the Guaranteeing Parties and the Parent Entities or any other Person of any of their respective obligations under the Senior Credit Agreement or any other Credit Document. The Assignee and the Successor Agent acknowledge and agree that they have undertaken their own independent due diligence analysis of the legality, validity, publication, perfection, priority, enforceability, genuineness, transferability, sufficiency, applicability and value of the Senior Credit Agreement and the other Credit Documents and are satisfied with the results thereof without reliance in any manner whatsoever on any of the Agents, the Lenders, any of their respective officers, directors or employees, or any legal counsel thereof.

#### 6. **Releases**

The Assignee hereby releases each Agent and each Lender and each of their respective affiliates and subsidiaries and their respective officers, directors, employees, shareholders, agents, financial advisors, representatives and legal counsel as well as their respective successors and assigns from any and all claims, obligations, rights, causes of action, and liabilities, of whatever kind or nature, whether known or unknown, whether foreseen or unforeseen, arising on, before or after the date hereof, which the Assignee or any of its affiliates ever had, now has or hereafter can, shall or may have for, upon or by reason of any matter, cause or thing whatsoever, which are based upon, arise under or are related to the Senior Credit Agreement and the other Credit Documents. Any such party that is not party to this Agreement shall be deemed to be a third party beneficiary of the foregoing and shall have the benefit of the foregoing as if an original party hereto. Notwithstanding the aforementioned, nothing herein is intended to release the Agents, the Lenders and their respective affiliates and subsidiaries from any breach or cause of action arising under or pursuant this Agreement.

#### 7. **Further Assurances**

The Agents and the Lenders agree that they shall, at the reasonable request and at the expense of the Assignee, do all such further acts and things and execute and deliver such further instruments, documents, security registrations, matters, papers and assurances as are reasonably necessary or desirable for effectuating (a) the assignment of the Assigned Interest to the Assignee, and (b) the transfer by the Agents of their rights, titles and interests under or pursuant to the Agent Resignation and Appointment Agreement. Without limiting the foregoing, if any Agent or Lender receives any proceeds of any insurance policy in respect of the collateral charged by the applicable Assigned Interest, it shall and hereby irrevocably and unconditionally undertakes and agrees to (i) hold any such proceeds in trust for the Assignee, separate and apart from any of its other property and (ii) immediately upon receipt pay those proceeds to the Assignee.

#### 8. **Confidentiality**

The parties hereby agree that they shall not divulge or disclose, and shall hold completely confidential the terms, conditions and nature of this Agreement, including, without limitation, the

Purchase Price, save and except for the existence of this Agreement and except that the parties may disclose the terms of the transaction contemplated herein: (a) to their respective affiliates, attorneys, accountants and other professionals; (b) to other persons as may be required by Applicable Law or a court of competent jurisdiction over the parties hereto; (c) to the extent requested by any regulatory authority or self-regulatory body; (d) to the extent required by any subpoena or similar legal process; (e) to any other party to this Agreement; (f) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; and (g) to the extent such information (i) becomes publicly available other than as a result of a breach of this section, or (ii) becomes available to any party hereto on a non-confidential basis from a source other than any other party hereto.

## 9. Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (in this section referred to as a "Notice") shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or e-mail:

(a) in the case of Notice to the Lenders at:

National Bank of Canada / National Bank of Canada, New York Branch  
600, De La Gauchetière Ouest  
9e étage  
Montréal, QC H3B 4L2

Attention: Jean Gosselin  
Fax: (514) 394-8811  
Email: jean.gosselin@bnc.ca

- and -

Bank of Montreal / Bank of Montreal, Chicago Branch  
100 King Street West, 7th Floor  
P.O. Box 1, First Canadian Place  
Toronto, ON M5X 1A1

Attention: Robert Kiefer  
Fax: (416) 643-1653 x282  
Email: robert.kiefer@bmo.com

- and -

Comerica Bank, Canada Branch / Comerica Bank  
411 W. Lafayette  
6th Floor - MC 3205  
Detroit, MI 48226  
United States of America



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Attention: Cynthia Jones  
Fax: (313) 222-5706  
Email: cbjones@comerica.com

- and -

The Royal Bank of Scotland, N.V. (Canada) Branch / The Royal Bank of  
Scotland, N.V.  
600 Washington Blvd., 9th Floor  
Stamford, CT 06901  
United States of America

Attention: David Stack  
Fax: (203) 873-3804  
Email: david.stack@rbs.com

- and -

The Toronto-Dominion Bank / Toronto-Dominion (Texas) LLC  
Canadian Pacific Tower  
100 Wellington Street West, 27th Floor  
Toronto, ON M5K 1A2

Attention: Maurice Moffett  
Fax: (416) 982-7710  
Email: maurice.moffett@td.com

- with a copy to -

Osler, Hoskin & Harcourt LLP  
100 King Street West  
1 First Canadian Place  
Suite 6100, P.O. Box 50  
Toronto, ON M5X 1B8

Attention: Tracy C. Sandler  
Fax: (416) 862-6666  
Email: tsandler@osler.com

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(b) in the case of Notice to the Assignee at:

Pinnacle Capital Resources Limited in its capacity as general partner of Red Ash  
Capital Partners II Limited Partnership  
80 New Bond Street  
London, England  
U.K. W1S 1SB

Attention: Howard Gunn  
Fax: 020-7317-5001  
Email: howard.gunn@hilcouk.com

- with a copy to -

Cassels Brock & Blackwell LLP  
2100 Scotia Plaza  
40 King Street West  
Toronto, ON M5H 3C2

Attention: Marc Mercier  
Fax: (416) 644-9368  
Email: mmercier@casselsbrock.com

Any Notice delivered or transmitted to a party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day, then the Notice shall be deemed to have been given and received on the next Business Day. Any party may, from time to time, change its address by giving Notice to the other parties in accordance with the provisions of this section.

#### 10. Governing Law

This Agreement shall be governed by, interpreted and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party submits to the non-exclusive jurisdiction of any Ontario courts sitting in Toronto in any action, application, reference or other proceeding arising out of or related to this Agreement and agrees that all claims in respect of any such actions, application, reference or other proceeding shall be heard and determined in such Ontario courts.

#### 11. Assignment

No party may assign this Agreement or any rights or obligations under this Agreement other than by collateral assignment by the Assignee without the prior written consent of each of the other parties hereto.

**12. Time of the Essence**

Time is of the essence in the performance of the parties' respective obligations under this Agreement.

**13. Binding Effect and Enurement**

All representations and warranties, covenants, and acknowledgements contained herein shall survive the execution and delivery of this Agreement. This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns.

**14. Entire Agreement**

This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all oral statements and prior writings with respect thereto.

**15. Amendments, Modifications and Waivers**

This Agreement may not be amended or modified except in writing signed by each of the parties hereto. No delay or failure on the part of any party hereto in the exercise of any of its rights, powers or remedies shall operate as a waiver thereof, nor shall any single or partial exercise by any party hereto of any of its rights, powers or remedies preclude the further exercise thereof, or the exercise of any other of its rights, powers or remedies.

**16. Currency**

Unless otherwise specified herein, any references herein to dollars or \$, are expressed in Canadian currency.

**17. No Third Party Rights**

Except as provided in Section 6 and Section 11 herein, no Person is a third-party beneficiary of this Agreement and no trustee in bankruptcy for, or bankruptcy estate of, or unsecured creditor of, the Canadian Borrowers, the U.S. Borrowers or the Guaranteeing Parties will have or acquire or be entitled to exercise any right of the Assignee under this Agreement, whether upon an avoidance or equitable subordination of any lien or encumbrance in favour of the Assignee, or otherwise. None of the Canadian Borrowers, the U.S. Borrowers, the Guaranteeing Parties or any other creditor thereof has any rights hereunder, and none of the Canadian Borrowers, the U.S. Borrowers or the Guaranteeing Parties may rely on the terms hereof. Nothing in this Agreement impairs the obligations of the Canadian Borrowers, the U.S. Borrowers or the Guaranteeing Parties to pay principal, interest, fees, and other amounts as provided in the Senior Credit Agreement and the Documents. Except to the extent expressly provided in this Agreement, no Person will have a right to notice of a modification to, or action taken under, this Agreement or any Document other than as expressly provided for under the Senior Credit Agreement, and then only to the extent expressly provided in the Documents.

18. **Counterparts**

This Agreement may be executed in counterparts and delivered by facsimile or other electronic transmission, and all such counterparts, facsimiles and other electronic transmissions together constitute one and the same agreement.

*[Remainder of page intentionally left blank]*

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IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

RED ASH CAPITAL PARTNERS II  
LIMITED PARTNERSHIP by its general  
partner PINNACLE CAPITAL  
RESOURCES LIMITED, as Assignee

Per: 

Authorized Signing Officer

Per:

Authorized Signing Officer

RED ASH CAPITAL PARTNERS II  
LIMITED PARTNERSHIP by its general  
partner PINNACLE CAPITAL  
RESOURCES LIMITED, as Successor Agent

Per: 

Authorized Signing Officer

Per:

Authorized Signing Officer

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**NATIONAL BANK OF CANADA, as**  
Canadian Administrative Agent

Per: \_\_\_\_\_

Authorized Signing Officer  
**JEAN GODELIN**

Per: \_\_\_\_\_

Authorized Signing Officer  
**RICHARD SIGOUIN**

**BANK OF MONTREAL, as U.S.**  
Administrative Agent

Per: \_\_\_\_\_

Authorized Signing Officer

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NATIONAL BANK OF CANADA, as  
Canadian Administrative Agent

Per: \_\_\_\_\_

Authorized Signing Officer

Per: \_\_\_\_\_

Authorized Signing Officer

BANK OF MONTREAL, as U.S.  
Administrative Agent


Per: \_\_\_\_\_

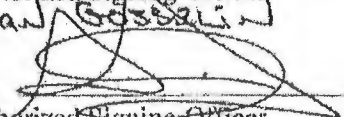
Authorized Signing Officer

Robert Kiefer  
Senior Account Manager

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**NATIONAL BANK OF CANADA, as  
Canadian Revolving Credit Lender, Facility B  
Lender, Facility C Lender, Canadian Letter of  
Credit Lender, Canadian Swingline Lender**

Per:   
Authorized Signing Officer  
Jean Goddard

Per:   
Authorized Signing Officer  
Richard Sigismund

**NATIONAL BANK OF CANADA, NEW  
YORK BRANCH, as U.S. Revolving Lender**

Per: \_\_\_\_\_  
Authorized Signing Officer

Per: \_\_\_\_\_  
Authorized Signing Officer



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**NATIONAL BANK OF CANADA**, as  
Canadian Revolving Credit Lender, Facility B  
Lender, Facility C Lender, Canadian Letter of  
Credit Lender, Canadian Swingline Lender

Per: \_\_\_\_\_

Authorized Signing Officer

Per: \_\_\_\_\_

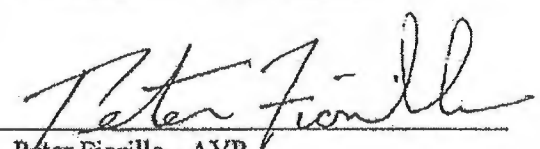
Authorized Signing Officer

**NATIONAL BANK OF CANADA, NEW  
YORK BRANCH**, as U.S. Revolving Lender

Per: \_\_\_\_\_

  
Vincent Lima - Vice President

Per: \_\_\_\_\_

  
Peter Fiorillo - AVP

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*LM Junior Adams*  
*Senior Manager*

**BANK OF MONTREAL**, as Canadian  
 Revolving Credit Lender, Facility B Lender,  
 Facility C Lender

Per: *Robert Kiefer*  
 Authorized Signing Officer  
 Robert Kiefer  
 Senior Account Manager

**BANK OF MONTREAL, CHICAGO  
 BRANCH**, as U.S. Revolving Credit Lender,  
 U.S. Swingline Lender

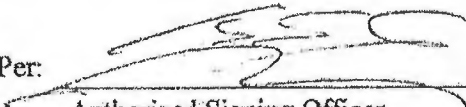
Per: \_\_\_\_\_  
 Authorized Signing Officer

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**BANK OF MONTREAL**, as Canadian  
Revolving Credit Lender, Facility B Lender,  
Facility C Lender

Per: \_\_\_\_\_  
Authorized Signing Officer

**BANK OF MONTREAL, CHICAGO  
BRANCH**, as U.S. Revolving Credit Lender,  
U.S. Swingline Lender


Per:  \_\_\_\_\_  
Authorized Signing Officer

**Larry Allan Swiniarski**  
**Director**  
**Bank of Montreal**  
**Chicago Branch**

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COMERICA BANK, CANADA BRANCH,  
as Canadian Revolving Credit Lender, Facility  
B Lender and Facility C Lender

Per:

  
Authorized Signing Officer  
**CYNTHIA B. JONES**  
**VICE PRESIDENT**

COMERICA BANK, as U.S. Revolving Credit  
Lender

Per:

  
Authorized Signing Officer  
**CYNTHIA B. JONES**  
**VICE PRESIDENT**

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**THE ROYAL BANK OF SCOTLAND, N.V.  
(CANADA) BRANCH** (formerly known as  
**ABN AMRO Bank N.V. Canada**), as  
Canadian Revolving Credit Lender, Facility B  
Lender and Facility C Lender

Per: 

David W. Stack, Senior Vice President

Per: 

Neil J. Bivona, Managing Director

**THE ROYAL BANK OF SCOTLAND N.V.  
(formerly known as ABN AMRO Bank  
N.V.),** as U.S. Revolving Lender

Per: 

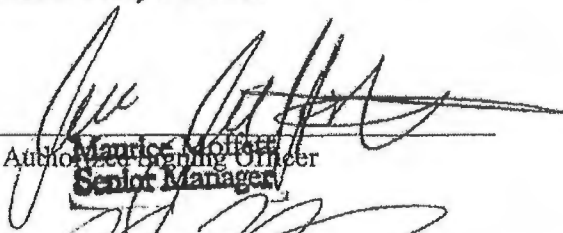
David W. Stack, Senior Vice President

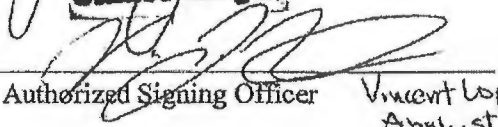
Per: 

Neil J. Bivona, Managing Director

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**THE TORONTO-DOMINION BANK, as**  
**Canadian Revolving Credit Lender, Facility B**  
**Lender and Facility C Lender**

Per:   
 Authorized Signing Officer  
**Maurice Moffatt**  
**Senior Manager**

Per:   
 Authorized Signing Officer  
 Vincent Lopresti  
 Analyst

**TORONTO DOMINION (TEXAS) LLC, as**  
**U.S. Revolving Credit Lender**

Per: \_\_\_\_\_  
 Authorized Signing Officer

Per: \_\_\_\_\_  
 Authorized Signing Officer

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**THE TORONTO-DOMINION BANK, as**  
Canadian Revolving Credit Lender, Facility B  
Lender and Facility C Lender

Per: \_\_\_\_\_  
Authorized Signing Officer

Per: \_\_\_\_\_  
Authorized Signing Officer

**TORONTO DOMINION (TEXAS) LLC, as**  
U.S. Revolving Credit Lender

Per: Robyn Zeller  
Authorized Signing Officer

Per: \_\_\_\_\_  
Authorized Signing Officer

## SCHEDULE "A"

### Credit 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. Assignment and Assumption Agreement dated October 5, 2007, between National Bank of Canada, Bank of Montreal, Comerica Bank, Comerica Bank, Canada Branch and the other signatories party thereto
4. Assignment and Assumption Agreement dated October 30, 2007, between National Bank of Canada, Bank of Montreal, ABM Amro Bank, N.V., ABN Amro Bank N.V., Canada Branch, The Toronto-Dominion Bank and The Toronto-Dominion Bank (Texas) LLC and the other signatories party thereto
5. Joinder Agreement to the Credit Agreement dated as of January 1, 2008, by 538626 B.C. Ltd.
6. Default Notice Letter dated June 9, 2008, sent to Strudex Fibres Limited by National Bank of Canada, as Canadian Administrative Agent, and Bank of Montreal, as U.S. Administrative Agent
7. Forbearance Agreement dated July 30, 2008, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
8. Forbearance Agreement dated September 30, 2008, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
9. Forbearance Agreement dated November 21, 2008, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
10. 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



11. Forbearance Agreement dated April 29, 2009, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
12. 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
13. Limited Purpose Waiver Agreement dated December 2, 2009, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
14. Forbearance Agreement dated December 31, 2009, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
15. Forbearance Agreement dated January 29, 2010, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
16. Forbearance Agreement dated February 12, 2010, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
17. Forbearance Agreement dated March 31, 2010, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
18. Forbearance Agreement dated May 28, 2010, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
19. Forbearance Agreement dated June 30, 2010, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
20. Forbearance Agreement dated July 30, 2010, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
21. Forbearance Agreement dated August 31, 2010, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto

22. E-mail Correspondence dated September 10, 2010, between Osler, Hoskin & Harcourt LLP on behalf of Strudex Fibres Limited, Comerica Bank, Royal Bank of Scotland N.V., and The Toronto-Dominion Bank confirming a week extension of the forbearance period to September 17, 2010
23. Forbearance Agreement dated September 17, 2010, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
24. Forbearance Agreement dated September 30, 2010, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
25. 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
26. Limited Purpose Waiver Agreement dated December 3, 2010, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
27. Limited Purpose Waiver Agreement dated January 31, 2011, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
28. Limited Purpose Waiver Agreement dated February 7, 2011, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
29. Limited Purpose Waiver Agreement dated February 28, 2011, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
30. 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
31. Limited Purpose Waiver Agreement dated September 20, 2011, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
32. Limited Purpose Waiver and Amendment Agreement dated as of November 1, 2011, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as

Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto

33. Limited Purpose Waiver and Amendment Agreement dated as of December 15, 2011, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
34. Limited Purpose Waiver and Amendment Agreement dated as of January 31, 2012, between Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt Holdings Limited, National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and the lenders party thereto
35. Joinder Agreement to the Credit Agreement dated as of January 31, 2012, by Royal Scot Floorcovering Distribution L.L.C.
36. Default Notice Letter dated February 27, 2012, sent to Strudex Fibres Limited by National Bank of Canada, as Canadian Administrative Agent, and Bank of Montreal, as U.S. Administrative Agent
37. Default Notice Letter dated March 13, 2012, sent to Strudex Fibres Limited by National Bank of Canada, as Canadian Administrative Agent, and Bank of Montreal, as U.S. Administrative Agent
38. Default Notice Letter dated April 10, 2012, sent to Strudex Fibres Limited by National Bank of Canada, as Canadian Administrative Agent

#### **Canadian Security Documents**

39. Pledge and Security Agreement dated as of June 28, 2007, granted to National Bank of Canada, as Canadian Administrative Agent, by Strudex Fibres Limited, Kraus Carpet Mills Limited and 1029011 Ontario Inc. (collectively, now Kraus Inc.), W.G. McMahon Canada Ltd. (now Kraus Canada Inc.) and McMahon Holdings Inc. (now Kraus USA, Inc.), 538626 B.C. Ltd. and Royal Scot Floorcovering Distribution L.L.C.
40. Joinder Agreement to the Pledge and Security Agreement dated as of February 5, 2008, by 538626 B.C. Ltd.
41. Joinder Agreement to the Pledge and Security Agreement dated as of January 31, 2012, by Royal Scot Floorcovering Distribution L.L.C.
42. Demand Debenture dated June 28, 2007, granted to National Bank of Canada, as Canadian Administrative Agent, by Strudex Fibres Limited
43. Debenture Delivery Agreement dated as of June 28, 2007, between National Bank of Canada, as Canadian Administrative Agent, and Strudex Fibres Limited
44. Deed of Hypothec and Issue of Debentures dated June 21, 2007, between National Bank of Canada, as Canadian Administrative Agent, and W.G. McMahon Canada Ltd. (now Kraus Canada Inc.)
45. Pledge of Debenture dated June 28, 2007, between National Bank of Canada, as Canadian Administrative Agent, and Bank of Montreal, as U.S. Administrative Agent, and W.G. McMahon Canada Ltd. (now Kraus Canada Inc.)
46. Guarantee dated as of June 28, 2007, granted to National Bank of Canada, as Canadian Administrative Agent, by Anneleen Eckhardt Holdings Limited

47. Securities Pledge Agreement dated as of June 28, 2007, granted to National Bank of Canada, as Canadian Administrative Agent, by Anneleen Eckhardt Holdings Limited
48. Confirmation of Guarantee and Security dated as of January 22, 2008, granted to National Bank of Canada, as Canadian Administrative Agent, and Bank of Montreal, as U.S. Administrative Agent, by Kraus Inc., Kraus USA, Inc. and Kraus Canada Inc.
49. Confirmation of Guarantee and Security dated as of January 26, 2009, granted to National Bank of Canada, as Canadian Administrative Agent, and Bank of Montreal, as U.S. Administrative Agent, by Anneleen Eckhardt Holdings Limited

#### U.S. Security Documents

50. Security Agreement dated as of June 28, 2007, granted to Bank of Montreal, as U.S. Administrative Agent, by Barrett Carpet Mills, Inc. and Kraus Orders Inc., Sound Floor Coverings, Inc., Sorce Incorporated and McMahon Holdings Inc. (collectively, now Kraus USA, Inc.)
51. Trademark Collateral Agreement dated as of June 28, 2007, granted to Bank of Montreal, as U.S. Administrative Agent, by Barrett Carpet Mills, Inc.
52. Deed to Secure Debt and Security Agreement dated as of June 26, 2007, granted to Bank of Montreal, as U.S. Administrative Agent, by Barrett Carpet Mills, Inc.
53. Assigned Account Agreement dated July 27, 2007, between Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation (now Bank of Montreal), Kraus Carpet Mills Limited (now Kraus Inc.) and Harris N.A.
54. Assigned Account Agreement dated July 27, 2007, between Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation (now Bank of Montreal), Barrett Carpet Mills, Inc. and Harris N.A.
55. Assigned Account Agreement dated July 27, 2007, between Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation (now Bank of Montreal), McMahon Holdings Inc. (now Kraus USA, Inc.) and Harris N.A.
56. Assigned Account Agreement dated July 27, 2007, between Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation (now Bank of Montreal), Kraus Orders, Inc. (now Kraus USA, Inc.) and Harris N.A.
57. Assigned Account Agreement dated July 27, 2007, between Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation (now Bank of Montreal), Sorce Incorporated (now Kraus USA, Inc.) and Harris N.A.
58. Assigned Account Agreement dated July 27, 2007, between Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation (now Bank of Montreal), Sound Floor Coverings, Inc. (now Kraus USA, Inc.) and Harris N.A.

#### Australian Security Documents

59. Deed of Fixed and Floating Charge dated August 26, 2008, granted to National Bank of Canada, as Canadian Administrative Agent, by Northstate Carpet Mills Pty Ltd.
60. Certificate of Entry of a Charge dated September 24, 2008
61. Mortgage granted to National Bank of Canada, as Canadian Administrative Agent, by Northstate Carpet Mills Pty Ltd. (as executed on September 22, 2008 and September 16, 2008, respectively)

**Subordination Agreements**

62. Subordination and Postponement Agreement dated as of January 26, 2009, between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, Anneleen Eckhardt, Harold Eckhardt and Strudex Fibres Limited
63. Subordination and Postponement Agreement dated as of November 23, 2010, between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, Anneleen Eckhardt Holdings Limited and Kraus Inc.
64. Amended and Restated Subordination Agreement dated as of November 23, 2010, between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, Nelson Kraus Holdings Limited (now Mr. Nelson Kraus), Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
65. Assignment Confirmation dated as of December 2, 2010, from Mr. Nelson Kraus to National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, and BMO Capital Corporation (now Bank of Montreal)
66. Subordination Agreement dated as of July 24, 2007, between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation (now Bank of Montreal), Anneleen Eckhardt Holdings Limited and the other signatories party thereto
67. Amending Agreement dated as of January 26, 2009, between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation (now Bank of Montreal), Anneleen Eckhardt Holdings Limited and the other signatories party thereto
68. Amending Agreement No. 2 dated as of November 23, 2010, between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation (now Bank of Montreal), Anneleen Eckhardt Holdings Limited and the other signatories party thereto
69. Consent and Acknowledgment and Agreement dated as of November 1, 2011, between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation (now Bank of Montreal), Bank of Montreal and the other signatories party thereto

**SCHEDULE "B"**  
**ASSIGNED INTERESTS**  
**(Attached)**



## SCHEDULE "C"

### FORM OF RELEASE AND CONSENT

**TO:** National Bank of Canada, as Canadian Administrative Agent

**AND TO:** Bank of Montreal, as U.S. Administrative Agent

**AND TO:** National Bank of Canada; National Bank of Canada, New York Branch; Bank of Montreal; Bank of Montreal, Chicago Branch; Comerica, Canada Branch; Comerica Bank, The Royal Bank of Scotland, N.V. (Canada) Branch (formerly known as ABN AMRO Bank, N.V. Canada); The Royal Bank of Scotland N.V. (formerly known as ABN AMRO Bank N.V.); and The Toronto-Dominion Bank; Toronto Dominion (Texas) LLC, as Lenders

This release and consent (the "**Release and Consent**") is dated as of May \_\_\_\_, 2012.

**WHEREAS** reference is made to the Credit and Guarantee Agreement dated as of June 28, 2007, among Strudex Fibres Limited, Kraus Inc. and Kraus Canada Inc. 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) and Bank of Montreal (as U.S. Administrative Agent) and the financial institutions party thereto as lenders (as amended, restated, supplemented or otherwise modified from time to time, the "**Senior Credit Agreement**"). All capitalized terms used herein but not defined shall have the meanings given thereto in the Senior Credit Agreement;

**AND WHEREAS** pursuant to a separate agreement of even date herewith (the "**Master Assignment Agreement**"), effective as of March 30, 2012, each of the Lenders agreed to assign all of its right, title and interest in the Commitment and the Accommodations Outstanding and the Credit Documents to Red Ash Capital Partners II Limited Partnership (in such capacity, the "**Assignee**");

**AND WHEREAS** pursuant to a separate agreement of even date herewith among the Borrowers, the Guaranteeing Parties, the Parent Entities, the Agents and Assignee (the "**Agent Resignation and Appointment Agreement**"), the Assignee has agreed to replace the Agents as the administrative agent under the Senior Credit Agreement (in such capacity, the "**Successor Agent**"), and the Agents have agreed to transfer to the Successor Agent all of their rights, titles and interests in and to the Senior Credit Agreement and the other Credit Documents (and by execution of the Master Assignment Agreement, each of the Lenders authorized and directed the Agents to so transfer to the Successor Agent all of such rights, titles and interests);

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Borrowers, the Guaranteeing Parties and the Parent Entities hereby release the Canadian Administrative Agent, the U.S. Administrative Agent and the Lenders and their respective affiliates and subsidiaries and their respective officers, directors, employees, shareholders, agents, financial advisors, representatives and legal counsel as well as their

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respective successors and assigns from any and all claims, obligations, rights, causes of action, and liabilities, of whatever kind or nature, whether known or unknown, whether foreseen or unforeseen, arising on, before or after the date hereof, which the Borrowers, the Guaranteeing Parties and the Parent Entities or any of their respective affiliates ever had, now have or hereafter can, shall or may have for, upon or by reason of any matter, cause or thing whatsoever, which are based upon, arise under or are related to the Senior Credit Agreement and the other Credit Documents. Any such party that is not party to this Release and Consent shall be deemed to be a third party beneficiary of the foregoing and shall have the benefit of the foregoing as if an original party hereto.

2. The Borrowers, the Guaranteeing Parties and the Parent Entities hereby consent to the termination by National Bank of Canada and Bank of Montreal, as applicable, of all outstanding swap arrangements between National Bank of Canada and/or Bank of Montreal and the Borrowers, the Guaranteeing Parties and/or the Parent Entities.

3. This Release and Consent shall be governed by, interpreted and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party submits to the non-exclusive jurisdiction of any Ontario courts sitting in Toronto in any action, application, reference or other proceeding arising out of or related to this Release and Consent and agrees that all claims in respect of any such actions, application, reference or other proceeding shall be heard and determined in such Ontario courts.

4. This Release and Consent may be executed in counterparts and delivered by facsimile or other electronic transmission, and all such counterparts, facsimiles and other electronic transmissions together constitute one and the same agreement.

**STRUDEX FIBRES LIMITED**, as Canadian  
Borrower and Guaranteeing Party

Per:

---

Authorized Signing Officer



- 3 -

**KRAUS INC., as Canadian Borrower and  
Guaranteeing Party**

Per:

\_\_\_\_\_  
Authorized Signing Officer

**KRAUS CANADA INC., as Canadian  
Borrower and Guaranteeing Party**

Per:

\_\_\_\_\_  
Authorized Signing Officer

**BARRETT CARPET MILLS, INC., as U.S.  
Borrower and Guaranteeing Party**

Per:

\_\_\_\_\_  
Authorized Signing Officer

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**KRAUS USA, INC.**, as U.S. Borrower and  
Guaranteeing Party

Per:

---

Authorized Signing Officer

**538626 B.C. LTD.**, as Guaranteeing Party

Per:

---

Authorized Signing Officer

Executed by **NORTHSTATE CARPET  
MILLS PTY LTD.**, as Guaranteeing Party  
in accordance with section 127 of the  
Corporations Act 2001 (Cth):

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Signature of Director

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Full Name of Director

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Signature of Secretary/Director

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Full Name of Secretary/Director

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**ANNELEEN ECKHARDT HOLDINGS  
LIMITED**, as Parent Entity

Per:

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Authorized Signing Officer

**SCHEDULE "D"****FORM OF AGENT RESIGNATION AND APPOINTMENT AGREEMENT**

This Agent Resignation and Appointment Agreement (the "Agreement") is dated as of May \_\_\_\_\_, 2012.

**WHEREAS** reference is made to the Credit and Guarantee Agreement dated as of June 28, 2007, among Strudex Fibres Limited, Kraus Inc. and Kraus Canada Inc. 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) and Bank of Montreal (as U.S. Administrative Agent) and the financial institutions party thereto as lenders (as amended, restated, supplemented or otherwise modified from time to time, the "Senior Credit Agreement"). All capitalized terms used herein but not defined shall have the meanings given thereto in the Senior Credit Agreement;

**AND WHEREAS** effective as of March 30, 2012 each of the Lenders has agreed to assign all of its right, title and interest in the Commitment and the Accommodations Outstanding and the Credit Documents to Red Ash Capital Partners II Limited Partnership (in such capacity, the "Assignee") pursuant to a Master Assignment Agreement dated as of the date hereof;

**AND WHEREAS** the Assignee has agreed to replace the Agents as the administrative agent under the Senior Credit Agreement (in such capacity, the "Successor Agent"), and the Agents have agreed to transfer to the Successor Agent all of their rights, titles and interests in and to the Senior Credit Agreement and the other Credit Documents;

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

- (a) The Agents hereby resign as administrative agents under the Senior Credit Agreement and the other Credit Documents effective as of the date hereof. Notwithstanding anything to the contrary in the Senior Credit Agreement and the other Credit Documents, the Borrowers, the Guaranteeing Parties and the Parent Entities hereby consent to the resignation of the Agents as the administrative agents in accordance with the foregoing sentence.
- (b) Notwithstanding anything to the contrary in the Senior Credit Agreement and the other Credit Documents (including, without limitation, any requirement that the Successor Agent have an office in Toronto, Ontario), the Borrowers, Guaranteeing Parties, Parent Entities and Assignee hereby appoint and consent to the appointment of the Successor Agent as administrative agent under the Senior Credit Agreement and the other Credit Documents effective as of the Effective Date. The Successor Agent hereby accepts the appointment of it as administrative agent pursuant to the Senior Credit Agreement and the other Credit Documents.
- (c) Effective as of the date hereof, and to the extent that the Agents may legally do so (whether by contract, by law or otherwise), the Agents hereby transfer (without

representation, warranty, liability or recourse of any nature or kind) to the Successor Agent and the Successor Agent hereby accepts all of the rights, titles and interests of the Agents in and to the Senior Credit Agreement and the other Credit Documents. The Borrowers, the Guaranteeing Parties and the Parent Entities hereby acknowledge and consent to such assignment.

- (d) The Agents authorize the Successor Agent, its legal counsel, and their respective agents and representatives to register financing change statements or equivalent registration statements to record the transfer to the Successor Agent of all of the rights, titles and interests of the Agents in and to the Senior Credit Agreement and the other Credit Documents. The Agents agree to deliver to the Successor Agent all original share certificates, stock transfer powers, promissory notes and all other original instruments in the Agents' possession.
- (e) The Successor Agent: (i) represents and warrants that (A) it has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and to consummate the transactions contemplated hereby and to become the administrative agent under the Senior Credit Agreement and the other Credit Documents, and (B) it has received a copy of the Senior Credit Agreement, together with copies of the most recent financial statements, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement and to assume the obligations of the Agents under the Senior Credit Agreement and the other Credit Documents on the basis of which it has made such analysis and decision independently and without reliance on any of the Agents, the Lenders or any other Person; and (ii) agrees that (A) it will, independently and without reliance on any of the Agents, the Lenders or any other Person, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Senior Credit Agreement and the other Credit Documents, and (B) from and after the Effective Date, it shall be bound by the provisions of the Senior Credit Agreement and the other Credit Documents as the sole administrative agent thereunder and shall have the obligations of the administrative agent thereunder.
- (f) This Agreement shall be governed by, interpreted and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party submits to the non-exclusive jurisdiction of any Ontario courts sitting in Toronto in any action, application, reference or other proceeding arising out of or related to this Agreement and agrees that all claims in respect of any such actions, application, reference or other proceeding shall be heard and determined in such Ontario courts.
- (g) This Agreement may be executed in counterparts and delivered by facsimile or other electronic transmission, and all such counterparts, facsimiles and other electronic transmissions together constitute one and the same agreement.

*[Remainder of page intentionally left blank]*

**RED ASH CAPITAL PARTNERS II  
LIMITED PARTNERSHIP by its general  
partner PINNACLE CAPITAL  
RESOURCES LIMITED, as Assignee**

Per: \_\_\_\_\_  
Authorized Signing Officer

Per:  
Authorized Signing Officer

**RED ASH CAPITAL PARTNERS II  
LIMITED PARTNERSHIP by its general  
partner PINNACLE CAPITAL  
RESOURCES LIMITED, as Successor Agent**

Per: \_\_\_\_\_  
Authorized Signing Officer

Per:  
Authorized Signing Officer

**NATIONAL BANK OF CANADA**, as  
Canadian Administrative Agent

Per: \_\_\_\_\_  
Authorized Signing Officer

Per: \_\_\_\_\_  
Authorized Signing Officer

**BANK OF MONTREAL**, as U.S.  
Administrative Agent

Per: \_\_\_\_\_  
Authorized Signing Officer

**STRUDEX FIBRES LIMITED**, as Canadian  
Borrower and Guaranteeing Party

Per: \_\_\_\_\_  
Authorized Signing Officer

**KRAUS INC.**, as Canadian Borrower and  
Guaranteeing Party

Per: \_\_\_\_\_  
Authorized Signing Officer

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**KRAUS CANADA INC.,** as Canadian  
Borrower and Guaranteeing Party

Per:

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Authorized Signing Officer

**BARRETT CARPET MILLS, INC.,** as U.S.  
Borrower and Guaranteeing Party

Per:

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Authorized Signing Officer

**KRAUS USA, INC.,** as U.S. Borrower and  
Guaranteeing Party

Per:

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Authorized Signing Officer



538626 B.C. LTD., as Guaranteeing Party

Per:

\_\_\_\_\_  
Authorized Signing Officer

**Executed by NORTHSTATE CARPET  
MILLS PTY LTD., as Guaranteeing Party  
in accordance with section 127 of the  
Corporations Act 2001 (Cth):**

\_\_\_\_\_  
Signature of Director

\_\_\_\_\_  
Signature of Secretary/Director

\_\_\_\_\_  
Full Name of Director

\_\_\_\_\_  
Full Name of Secretary/Director

**ANNELEEN ECKHARDT HOLDINGS  
LIMITED, as Parent Entity**

Per:

\_\_\_\_\_  
Authorized Signing Officer

This is Exhibit "E" referred to in the Affidavit of  
CHRISTOPHER EMMOTT sworn May 25, 2012



Commissioner for Taking Affidavits (or as may be)

**MASTER ASSIGNMENT AGREEMENT**

This Master Assignment Agreement (this "**Agreement**") is dated as of May 7, 2012.

**WHEREAS** reference is made to the amended and restated credit agreement dated as of November 23, 2010, among Kraus Inc. as Borrower, Strudex Fibres Limited as Guaranteeing Party, and BMOCC ("**BMOCC**") as lender (as amended, restated, supplemented or otherwise modified from time to time, the "**Junior Credit Agreement**"). All capitalized terms used herein but not defined shall have the meanings given thereto in the Junior Credit Agreement;

**AND WHEREAS** BMOCC assigned all of its right, title and interest in the Junior Credit Agreement, including all of the Loan and Credit Documents thereunder, to Bank of Montreal ("**BMO**") on November 1, 2011 pursuant to that certain consent and acknowledgement and agreement among, inter alia, BMOCC and BMO;

**AND WHEREAS** BMO has agreed to assign its respective Assigned Interest (as defined below) to Pinnacle Capital Resources Limited in its capacity as the general partner of Red Ash Capital Partners II Limited Partnership (in such capacity, the "**Assignee**"), on the terms and conditions specified herein;

**AND WHEREAS** the Assignee intends to initiate a reorganization pursuant to which it will acquire in one or more agreements of purchase and sale all or substantially all of the assets and undertaking of the Credit Parties and to operate and finance the business of the Credit Parties through one or more affiliates of the Assignee (collectively, the "**New Kraus**");

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**1. Purchase Price**

- (a) The aggregate purchase price (the "**Purchase Price**") payable by the Assignee to BMO for the Assigned Interests (as defined below) [REDACTED]

- (b) [REDACTED]

- (c) [REDACTED]



2. **Assignment and Assumption**

- (a) BMO hereby irrevocably and unconditionally sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from BMO, subject to and in accordance with the terms and conditions hereof, as of May [4], 2012 (the "Effective Date") BMO's rights and obligations under the Junior Credit Agreement and the other Credit Documents (including, but not limited to, the documents listed in Schedule "A" hereto) (the rights and obligations BMO sold, assigned, purchased and assumed pursuant to foregoing being referred to herein BMO's "Assigned Interest" and all such rights and obligations so sold, assigned, purchased and assumed pursuant to the foregoing being referred to herein as the "Assigned Interests"). The sale, assignment, purchase and assumption of the Assigned Interests is at the Assignee's own risk and without recourse to BMO and, except as expressly provided in this Agreement, without representation or warranty, legal or conventional, by BMO.
- (b) BMO hereby represents and warrants to the Assignee as of the date hereof, that: (i) the principal amount of its Assigned Interest is accurately stated in Schedule "B" hereto; (ii) it has not sold, assigned, pledged, syndicated, encumbered its respective Assigned Interest to or in favour of any third party, in whole or in part; and (iii) it has full power and authority, and has taken all necessary action, to execute and deliver this Agreement and to consummate the transactions contemplated hereby.
- (c) The Assignee: (i) represents and warrants that (A) it has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and to consummate the transactions contemplated hereby in place of BMO under the Documents and (B) it has received a copy of the Junior Credit Agreement, together with copies of the most recent financial statements, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement and to purchase and assume the Assigned Interests on the basis of which it has made such analysis and decision independently and without reliance on BMO or any other Person; and (ii) agrees that (A) it has and will, independently and without reliance on BMO or any other Person, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not

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taking action under the Junior Credit Agreement and the other Credit Documents, (B) it will perform in accordance with their terms all of the obligations which by the terms of the Junior Credit Agreement and the other Credit Documents are required to be performed by it in place of BMO, and (C) it shall not name or join BMO as a party defendant or third party to any action in respect of the Assigned Interests or the Credit Documents.

(a)

(b)

(c)

(d)

(e)

(f)



#### 4. Conditions Precedent

The obligation of BMO to assign its Assigned Interest to the Assignee shall be subject to the following conditions precedent to be fulfilled or performed, on or before the Effective Date, which conditions are for the exclusive benefit of BMO and may be waived, in their sole discretion, in whole or in part the irrevocable and unconditional assignment to the Assignee of all rights, entitlement and interests under or pursuant to the Existing Senior Credit Agreement.

5. **"As is, where is"**

The Assignee hereby acknowledges and agrees that, other than in respect of the limited representations and warranties in Section 2(b) above, there are no representations, warranties, collateral agreements or conditions of any kind whatsoever made by BMO, whether express or implied, affecting this Agreement, the Assigned Interests, the transfer of the rights, titles and interests of BMO, and the assignment of the Assigned Interest to the Assignee is at Assignee's own risk and on an "as is, where is" basis without recourse of any kind to BMO and BMO assumes no responsibility, and shall have no responsibility or liability, with respect to: (i) any statements, warranties or representations made in or in connection with the Junior Credit Agreement or the other Credit Documents; (ii) the execution, legality, validity, publication, perfection, priority, enforceability, genuineness, sufficiency or value of the Junior Credit Agreement or the other Credit Documents or any collateral charged by any security, liens or other encumbrances granted under any of the Junior Credit Agreement or the other Credit Documents (or whether the Junior Credit Agreement or the other Credit Documents or any security, liens or other encumbrances or registrations in respect thereof are sufficient to create, publish or perfect a security interest or hypothec in the collateral purported to be charged thereby); (iii) the financial condition of the Borrower and the Guaranteeing Party or any other Person obligated in respect of the Junior Credit Agreement or any other Credit Document; or (iv) the performance or observance by the Borrower and the Guaranteeing Party or any other Person of any of their respective obligations under the Junior Credit Agreement or any other Credit Document. The Assignee acknowledges and agrees that they have undertaken their own independent due diligence analysis of the legality, validity, publication, perfection, priority, enforceability, genuineness, transferability, sufficiency, applicability and value of the Junior Credit Agreement and the other Credit Documents and are satisfied with the results thereof without reliance in any manner whatsoever on BMO, any of its respective officers, directors or employees, or any legal counsel thereof.

6. **Releases**

The Assignee hereby releases BMO and its respective affiliates and subsidiaries and its respective officers, directors, employees, shareholders, agents, financial advisors, representatives and legal counsel as well as its respective successors and assigns from any and all claims, obligations, rights, causes of action, and liabilities, of whatever kind or nature, whether known or unknown, whether foreseen or unforeseen, arising on, before or after the date hereof, which the Assignee or any of its respective affiliates ever had, now have or hereafter can, shall or may have for, upon or by reason of any matter, cause or thing whatsoever, which are based upon, arise under or are related to the Junior Credit Agreement and the other Credit Documents. Notwithstanding the aforementioned, nothing herein is intended to release BMO and their respective affiliates and subsidiaries from any breach or other cause of action arising under or pursuant to the Agreement.

7. **Further Assurances**

- (a) BMO agrees that it shall, at the reasonable request and at the expense of the Assignee, as applicable, do all such further acts and things and execute and deliver such further instruments, documents, security registrations, matters, papers

and assurances as are reasonably necessary or desirable for effectuating the assignment of the Assigned Interest to the Assignee;

- (b) If BMO receives any proceeds of any insurance policy in respect of the collateral charged by the applicable Assigned Interest, then it shall and hereby irrevocably and unconditionally undertakes and agrees to (i) hold any such proceeds in trust for the Assignee, separate and apart from any of its other property and (ii) immediately upon receipt pay those proceeds to the Assignee.

## 8. Confidentiality

The parties hereby agree that they shall not divulge or disclose, and shall hold completely confidential the terms, conditions and nature of this Agreement, including, without limitation, the Purchase Price, save and except for the existence of this Agreement and except that the parties may disclose the terms of the transaction contemplated herein: (a) to their respective affiliates, attorneys, accountants and other professionals; and (b) to other persons as may be required by Applicable Law or a court of competent jurisdiction over the parties hereto.

## 9. Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement, including, without limitation, a Put Notice or a Call Notice (in this section collectively referred to as a "Notice") shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or e-mail:

- (a) in the case of Notice to Bank of Montreal, as assignee of all rights, entitlements and interests of BMOCC at:

Bank of Montreal  
100 King Street West, 7th Floor  
P.O. Box 1, First Canadian Place  
Toronto, ON M5X 1A1

Attention: Greg Fedoryn  
Fax: (416) 643-1623  
Email: greg.fedoryn@bmo.com

with a copy to:

Gowlings Lafleur Henderson LLP  
1 First Canadian Place  
100 King Street West, Suite 1600  
Toronto, ON M5X 1G5

Attention: David Cohen  
Fax: (416) 862-7661  
Email: david.cohen@gowlings.com



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(b) in the case of Notice to the Assignee at:

Pinnacle Capital Resources Limited  
In its capacity as general partner of  
Red Ash Capital Partners II Limited Partnership  
80 New Bond Street  
London, England  
U.K. W1S 1SB

Attention: Howard Gunn  
Fax: 020-7317-5001  
Email: howard.gunn@hilcouk.com

with a copy to:

Cassels Brock & Blackwell LLP  
2100 Scotia Plaza  
40 King Street West  
Toronto, ON M5H 3C2

Attention: Marc Mercier  
Fax: (416) 644-9368  
Email: mmercier@casselsbrock.com

Any Notice delivered or transmitted to a party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day, then the Notice shall be deemed to have been given and received on the next Business Day. Any party may, from time to time, change its address by giving Notice to the other parties in accordance with the provisions of this section.

#### **10. Governing Law**

This Agreement shall be governed by, interpreted and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party submits to the non-exclusive jurisdiction of any Ontario courts sitting in Toronto in any action, application, reference or other proceeding arising out of or related to this Agreement and agrees that all claims in respect of any such actions, application, reference or other proceeding shall be heard and determined in such Ontario courts.

**11. Assignment**

No party may assign this Agreement or any rights or obligations under this Agreement (other than by collateral assignment by the Assignee) without the prior written consent of each of the other parties hereto.

**12. Time of the Essence**

Time is of the essence in the performance of the parties' respective obligations under this Agreement.

**13. Binding Effect and Enurement**

All representations and warranties, covenants, and acknowledgements contained herein shall survive the execution and delivery of this Agreement. This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns.

**14. Entire Agreement**

This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all oral statements and prior writings with respect thereto.

**15. Amendments, Modifications and Waivers**

This Agreement may not be amended or modified except in writing signed by each of the parties hereto. No delay or failure on the part of any party hereto in the exercise of any of its rights, powers or remedies shall operate as a waiver thereof, nor shall any single or partial exercise by any party hereto of any of its rights, powers or remedies preclude the further exercise thereof, or the exercise of any other of its rights, powers or remedies.

**16. No Third Party Rights**

Except as provided in section 11 herein, no Person is a third-party beneficiary of this Agreement and no trustee in bankruptcy for, or bankruptcy estate of, or unsecured creditor of, the Borrower or the Guaranteeing Party will have or acquire or be entitled to exercise any right of the Assignee under this Agreement, whether upon an avoidance or equitable subordination of any lien or encumbrance in favour of the Assignee, or otherwise. None of the Borrower, the Guaranteeing Party or any other creditor thereof has any rights hereunder, and neither the Borrower nor the Guaranteeing Party may rely on the terms hereof. Nothing in this Agreement impairs the obligations of the Borrower and the Guaranteeing Party to pay principal, interest, fees, and other amounts as provided in the Senior Credit Agreement and otherwise under or pursuant to the Documents. Except to the extent expressly provided in this Agreement, no Person will have a right to notice of a modification to, or action taken under, this Agreement or any Document other than as expressly provided for under the Junior Credit Agreement, and then only to the extent expressly provided in the Documents.

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**17. Counterparts**

This Agreement may be executed in counterparts and delivered by facsimile or other electronic transmission, and all such counterparts, facsimiles and other electronic transmissions together constitute one and the same agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

**PINNACLE CAPITAL RESOURCES  
LIMITED** in its capacity as general partner of  
**RED ASII CAPITAL PARTNERS II LIMITED  
PARTNERSHIP**, as Assignee

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**BANK OF MONTREAL**, as assignee of all  
rights, entitlements and interests of BMOCC

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**17. Counterparts**

This Agreement may be executed in counterparts and delivered by facsimile or other electronic transmission, and all such counterparts, facsimiles and other electronic transmissions together constitute one and the same agreement.

**IN WITNESS WHEREOF** the parties hereto have executed this Agreement as of the date first written above.

**PINNACLE CAPITAL RESOURCES  
LIMITED** in its capacity as general partner of  
**RED ASH CAPITAL PARTNERS II LIMITED  
PARTNERSHIP**, as Assignee

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BANK OF MONTREAL**, as assignee of all  
rights, entitlements and interests of BMOCC

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: **Gregory William Fedoryn**  
**Senior Account Manager**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SCHEDULE "A"**

**Credit Documents**

1. Credit Agreement dated July 24, 2007, between Kraus Carpet Mills Limited, Strudex Fibres Limited and BMOCC
2. Direction, Acknowledgement and Ratification Agreement, dated July 22, 2010, between BMOCC, Strudex Fibres Limited, and Kraus Inc.
3. Amended and Restated Credit Agreement dated November 23, 2010 (the "**BMOCC Agreement**"), between Kraus Inc., Strudex Fibres Limited and BMOCC
4. Acknowledgment and Confirmation Agreement dated November 23, 2010 from Strudex Fibres Limited, Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc, 538626 B.C. Ltd. and Northstate Carpet Mills Pty Ltd.
5. Acknowledgment and Confirmation Agreement dated November 23, 2010 from Kraus Inc.
6. Acknowledgment and Confirmation Agreement dated November 23, 2010 from Anneleen Eckhardt Holdings Limited
7. Acknowledgment and Confirmation Agreement dated November 23, 2010 re Subordination and Postponement Agreement dated January 26, 2009 from Harold Eckhardt, Anneleen Eckhardt and Strudex Fibres Limited
8. Amendment No.1 to Guarantee dated November 23, 2010 re Guarantee dated July 24, 2007 granted to BMOCC by Anneleen Eckhardt Holdings Limited
9. Amending Agreement to the BMOCC Agreement dated March 7, 2011, between Kraus Inc., Strudex Fibres Limited and BMOCC
10. Acknowledgment and Confirmation Agreement dated March 7, 2011 from Strudex Fibres Limited, Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc, 538626 B.C. Ltd. and Northstate Carpet Mills Pty Ltd.
11. Acknowledgment and Confirmation Agreement dated March 7, 2011 from Kraus Inc.
12. Acknowledgment and Confirmation Agreement dated March 7, 2011 from Anneleen Eckhardt Holdings Limited
13. Acknowledgment and Confirmation Agreement dated March 7, 2011 re Subordination and Postponement Agreement dated January 26, 2009 from Harold Eckhardt, Anneleen Eckhardt and Strudex Fibres Limited

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14. Consent of Agents to Amending Agreement dated March 7, 2011 by National Bank of Canada, as Canadian Administrative Agent, and Bank of Montreal, as U.S. Administrative Agent
15. Second Amending Agreement to the BMOCC Agreement dated November 1, 2011, between Kraus Inc., Strudex Fibres Limited and BMO
16. Assignment and Assumption Agreement to the BMOCC Agreement dated November 1, 2011, between BMOCC and BMO
17. Acknowledgment and Confirmation Agreement dated November 1, 2011 from Strudex Fibres Limited, Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd, and Northstate Carpet Mills Pty Ltd.
18. Acknowledgment and Confirmation Agreement dated November 1, 2011 from Kraus Inc.
19. Acknowledgment and Confirmation Agreement dated November 1, 2011 from Anneleen Eckhardt Holdings Limited
20. Acknowledgment and Confirmation Agreement dated November 1, 2011 re Subordination and Postponement Agreement dated January 26, 2009 from Harold Eckhardt, Anneleen Eckhardt and Strudex Fibres Limited
21. Third Amending Agreement to the BMOCC Agreement dated December 15, 2011, between Kraus Inc., Strudex Fibres Limited and BMO
22. Acknowledgment and Confirmation Agreement dated December 15, 2011 from Strudex Fibres Limited, Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., and Northstate Carpet Mills Pty Ltd.
23. Acknowledgment and Confirmation Agreement dated December 15, 2011 from Kraus Inc.
24. Acknowledgment and Confirmation Agreement dated December 15, 2011 from Anneleen Eckhardt Holdings Limited
25. Acknowledgment and Confirmation Agreement dated December 15, 2011 re Subordination and Postponement Agreement dated January 26, 2009 from Harold Eckhardt, Anneleen Eckhardt and Strudex Fibres Limited
26. Consent of Agents to Amending Agreement dated December 15, 2011 between Bank of Montreal, as Subordinate Creditor, National Bank of Canada, as Canadian Administrative Agent, and Bank of Montreal, as U.S. Administrative Agent
27. Fourth Amending Agreement to the BMOCC Agreement dated January 31, 2012, between Kraus Inc., Strudex Fibres Limited and BMO
28. Acknowledgment and Confirmation Agreement dated January 31, 2012 from Strudex Fibres Limited, Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., 538626 B.C. Ltd., and Northstate Carpet Mills Pty Ltd.

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29. Acknowledgment and Confirmation Agreement dated January 31, 2012 from Kraus Inc.
30. Acknowledgment and Confirmation Agreement dated January 31, 2012 from Anneleen Eckhardt Holdings Limited
31. Acknowledgment and Confirmation Agreement dated January 31, 2012 re Subordination and Postponement Agreement dated January 26, 2009 from Harold Eckhardt, Anneleen Eckhardt and Strudex Fibres Limited
32. Consent of Agents to Amending Agreement dated January 31, 2012 between Bank of Montreal, as Subordinate Creditor, National Bank of Canada, as Canadian Administrative Agent, and Bank of Montreal, as U.S. Administrative Agent

**Canadian Security Documents**

33. Deed of Hypothec dated July 23, 2007 between BMOCC and W.G. McMahon Canada Ltd.
34. First Canadian Title Insurance Policy dated July 23, 2007 issued and underwritten by First American Title Insurance Company with BMOCC as the named insured
35. Pledge and Security Agreement dated July 24, 2007, granted to BMOCC by Strudex Fibres Limited, Kraus Carpet Mills Limited and 1029011 Ontario Inc. (collectively, now Kraus Inc.), W.G. McMahon Canada Ltd. (now Kraus Canada Inc.) and McMahon Holdings Inc. (now Kraus USA, Inc.)
36. Guarantee dated July 24, 2007, between BMOCC and Strudex Fibres Limited, W.G. McMahon Canada Ltd. and 1029011 Ontario Inc. as guarantors
37. Debenture dated July 24, 2007, granted to BMOCC by Strudex Fibres Limited
38. Debenture Delivery Agreement dated July 24, 2007, between BMOCC and Strudex Fibres Limited
39. Security Pledge Agreement dated July 24, 2007, granted to BMOCC by Anneleen Eckhardt Holdings Limited
40. Guarantee dated July 24, 2007, granted to BMOCC by Anneleen Eckhardt Holdings Limited as guarantor
41. Joinder Agreement to the Pledge and Security Agreement dated January 22, 2008, by 538626 B.C. Ltd.
42. Guarantee dated January 22, 2008, granted to BMOCC by 538626 B.C. Ltd. as guarantor
43. Amended and Restated Warrant Agreement dated November 23, 2010, between Strudex Fibres Limited and BMOCC

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44. Debt Pledge Agreement dated November 23, 2010, granted to BMOCC by Anneleen Eckhardt Holdings Limited

**U.S. Security Documents**

45. Landlord's Agreement dated June 22, 2007 from Whitlee Company LLC regarding property at 2512 Wesley St., Johnson City, Tennessee
46. Landlord's Agreement dated June 22, 2007 from Whitlee Company LLC regarding property at Guilford County, North Carolina
47. Landlord's Agreement dated June 22, 2007 from Smith Development Company, Inc. regarding property at One Whitlee Court, Greenville, South Carolina
48. Deed to Secure Debt and Security Agreement with Assignment of Rents dated July 24, 2007, granted to BMOCC by Barrett Carpet Mills, Inc.
49. Trademark Collateral Agreement dated July 24, 2007, granted to BMOCC by Barrett Carpet Mills, Inc.
50. Security Agreement dated July 24, 2007, between BMOCC, Barrett Carpet Mills, Inc., Kraus Orders Inc., Sound Floor Coverings, Inc., Sorce Incorporated and McMahon Holdings Inc. as guarantors
51. Guaranty dated July 24, 2007, granted to BMOCC by Barrett Carpet Mills, Inc., Kraus Orders Inc., Sound Floor Coverings, Inc., Sorce Incorporated and McMahon Holdings Inc. as guarantors
52. First American Title Insurance Policy dated July 25, 2007 issued and underwritten by First American Title Insurance Company with BMOCC as the named insured
53. Assigned Account Agreement dated July 27, 2007, between BMO, as U.S. Administrative Agent, BMOCC (now BMO), Kraus Carpet Mills Limited (now Kraus Inc.) and Harris N.A.
54. Assigned Account Agreement dated July 27, 2007, between BMO, as U.S. Administrative Agent, BMOCC (now BMO), Barrett Carpet Mills, Inc. and Harris N.A.
55. Assigned Account Agreement dated July 27, 2007, between BMO, as U.S. Administrative Agent, BMOCC (now BMO), McMahon Holdings Inc. (now Kraus USA, Inc.) and Harris N.A.
56. Assigned Account Agreement dated July 27, 2007, between BMO, as U.S. Administrative Agent, BMOCC (now BMO), Kraus Orders, Inc. (now Kraus USA, Inc.) and Harris N.A.
57. Assigned Account Agreement dated July 27, 2007, between BMO, as U.S. Administrative Agent, BMOCC (now BMO), Sorce Incorporated (now Kraus USA, Inc.) and Harris N.A.



58. Assigned Account Agreement dated July 27, 2007, between BMO, as U.S. Administrative Agent, BMOCC (now BMO), Sound Floor Coverings, Inc. (now Kraus USA, Inc.) and Harris N.A.
59. Landlord's Waiver dated July 31, 2007 from Bit Holdings Fifty-Five, Inc. regarding property at 300 Southwest 27<sup>th</sup> St., Renton, Washington
60. Landlord's Acknowledgment and Confirmation dated December 18, 2008 re Landlord's Waiver dated June 22, 2007 relating to 160 Amsler Ave., Shippenville, Pennsylvania from Alan Wein as managing partner

#### **Australian Security Documents**

61. Deed of Fixed and Floating Charge dated August 26, 2008, granted to BMOCC by Northstate Carpet Mills Pty Ltd.
62. Guarantee and Indemnity dated December 24, 2008, granted to BMOCC by Northstate Carpet Mills Pty Ltd. as guarantor
63. Mortgage registered in Brisbane on December 4, 2008 as Mortgage No. 712089092, granted to BMOCC by Northstate Carpet Mills Pty Ltd.

#### **Subordination Agreements**

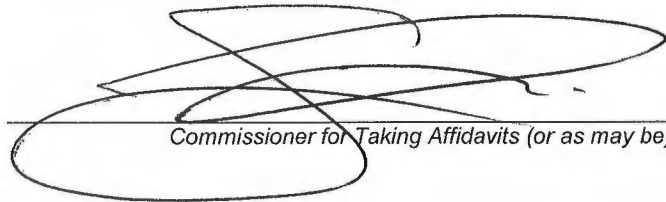
64. Subordination Agreement dated July 24, 2007 (the "BMOCC Subordination Agreement"), between National Bank of Canada, as Canadian Administrative Agent, BMO, as U.S. Administrative Agent, BMOCC, Anneleen Eckhardt Holdings Limited and the other signatories party thereto
65. Subordination Agreement dated July 24, 2007 between BMOCC, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
66. Amending Agreement to the BMOCC Subordination Agreement dated January 26, 2009, between National Bank of Canada, as Canadian Administrative Agent, BMO, as U.S. Administrative Agent, BMOCC, Anneleen Eckhardt Holdings Limited and the other signatories party thereto
67. Amending Agreement No. 2 to the BMOCC Subordination Agreement dated November 23, 2010, between National Bank of Canada, as Canadian Administrative Agent, BMO, as U.S. Administrative Agent, BMOCC, Anneleen Eckhardt Holdings Limited and the other signatories party thereto
68. Amended and Restated Subordination Agreement dated November 23, 2010, between BMOCC, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
69. Subordination and Postpone Agreement dated November 23, 2010, between BMOCC, Anneleen Eckhardt Holdings Limited and Kraus Inc.

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70. Amended and Restricted Securityholders' Agreement dated November 23, 2010, between BMOCC, Anneleen Eckhardt Holdings Limited and Strudex Fibres Limited
71. Consent and Acknowledgment and Agreement dated November 1, 2011, between BMOCC, BMO, National Bank of Canada, as Canadian Administrative Agent, BMO, as U.S. Administrative Agent, the other lenders party thereto, Strudex Fibres Limited, Anneleen Eckhardt Holdings Limited and the other signatories party thereto

**SCHEDULE "B"****Assigned Interests**

This is Exhibit "F" referred to in the Affidavit of  
CHRISTOPHER EMMOTT sworn May 25, 2012



Commissioner for Taking Affidavits (or as may be)

## MASTER ASSIGNMENT AGREEMENT

This Master Assignment Agreement (this "**Agreement**") is dated as of May 7, 2012.

**WHEREAS** reference is made to that certain amended and restated promissory note dated November 23, 2010, executed by Strudex Fibres Limited ("**Strudex**") and delivered to and in favour of Nelson Kraus Holdings Limited ("**NKHL**"), [REDACTED] (the "**Note**", as amended, restated, supplemented or otherwise modified from time to time), as assigned to Nelson Kraus personally ("**Nelson Kraus**" and collectively with NKHL the "**Nelson Kraus Parties**"). All capitalized terms used herein but not defined shall have the meanings given thereto in the Note;

**AND WHEREAS** the Note is secured by the Original Security granted to and in favour of the Nelson Kraus Parties by various parties, including, without limitation, the documents listed in Schedule "A" hereto (collectively, as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Documents**");

**AND WHEREAS** the Nelson Kraus Parties have agreed to irrevocably and unconditionally assign their respective Assigned Interests (as defined below) to Pinnacle Capital Resources Limited in its capacity as the general partner of Red Ash Capital Partners II Limited Partnership (in such capacity, the "**Assignee**"), on the terms and conditions specified herein;

**AND WHEREAS** reference is made to that certain credit and guarantee agreement dated as of June 28, 2007, among Strudex, Kraus Inc. ("**Kraus**") and Kraus Canada Inc. 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 (collectively, the "**Kraus Group**"), National Bank of Canada (as Canadian Administrative Agent) and Bank of Montreal (as U.S. Administrative Agent) and the financial institutions party thereto as lenders (as amended, restated, supplemented or otherwise modified from time to time, the "**Senior Credit Agreement**");

**AND WHEREAS** reference is made to the amended and restated credit agreement dated as of November 23, 2010, among Kraus as borrower, Strudex as a guaranteeing party thereunder, and BMO Capital Corporation, as assigned to BMO Bank of Montreal (as amended, restated, supplemented or otherwise modified from time to time, the "**Junior Credit Agreement**");

**AND WHEREAS** the Assignee intends to and has advised the Nelson Kraus Parties of its intention to acquire by way of separate assignment agreements all of the rights, title and interest of the agents and the lenders, as applicable, under the Senior Credit Agreement and the Junior Credit Agreement;

**AND WHEREAS** the Assignee intends to and has advised the Nelson Kraus Parties of its intention to initiate a reorganization of the Kraus Group (the "**Reorganization**") pursuant to which it intends to acquire directly or indirectly in one or more agreements of purchase and sale all or substantially all of the assets and undertaking of the Kraus Group (collectively, the "**Assets**") and to operate and finance the ongoing business of the Kraus Group through one or more affiliates of the Assignee (collectively, the "**New Kraus**");

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

[REDACTED]

(a)

[REDACTED]

(b)

[REDACTED]

(c)

[REDACTED]

2. Assignment and Assumption

- (a) Each of the Nelson Kraus Parties hereby irrevocably and unconditionally sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Nelson Kraus Parties, subject to and in accordance with the terms and conditions hereof, as of May \_\_\_\_, 2012 (the "Effective Date") the rights and obligations of the Nelson Kraus Parties under the Note and the Documents (including, but not limited to, the documents listed in Schedule "A" (the rights and obligations sold, assigned, purchased and assumed pursuant to foregoing being referred to herein as the "Assigned Interest" and all such rights and obligations so sold, assigned, purchased and assumed pursuant to the foregoing being referred to herein as the "Assigned Interests").

- (b) Each of the Nelson Kraus Parties hereby represents and warrants to the Assignee as of the date hereof, that: (i) the principal amount of its Assigned Interest, including all accrued and unpaid interest and all other amounts due and owing under or pursuant to the Note and the Documents is accurately stated in Schedule "B" hereto; (ii) it has not sold, assigned, pledged, syndicated, encumbered its respective Assigned Interest to or in favour of any third party, in whole or in part; and (iii) it has full power and authority, and has taken all necessary action, to execute and deliver this Agreement and to consummate the transactions contemplated hereby.
- (c) The Assignee represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and to consummate the transactions contemplated hereby in place of the Nelson Kraus Parties under the Documents; and (ii) it has received an original copy of the Note, and such other documents and information (including, as applicable, executed originals of the Documents) as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement.

### 3. Conditions Precedent

The obligations of the Nelson Kraus Parties to assign the Assigned Interests to the Assignee shall be subject to the following conditions precedent to be fulfilled or performed, on or before the Effective Date, which conditions are for the exclusive benefit of the Assignee and may be waived, in its sole discretion, in whole or in part:

- (a) the irrevocable and unconditional assignment to the Assignee of all rights, entitlement and interests under or pursuant to the Senior Credit Agreement; and
- (b) the irrevocable and unconditional assignment to the Assignee of all rights, entitlements and interests under or pursuant to the Junior Credit Agreement.

### 4. "As is, where is"


The Assignee hereby acknowledges and agrees that the assignment of the Assigned Interest to the Assignee is at Assignee's own risk and on an "as is, where is" basis.

### 5. Covenants of the Nelson Kraus Parties

Each of the Nelson Kraus Parties hereby covenants and agrees that it shall not, prior to the expiry of the Second Instalment Trigger Date take any:

- (a) steps (directly or indirectly) in any capacity that would jeopardize (in whole or in part) the ability of the Assignee to acquire the Assets free and clear of any liabilities, indebtedness and obligations, aside from those assumed in connection with the Senior Credit Agreement, the Junior Credit Agreement and this Agreement;

(b)

- 
- (c) position (for any reason whatsoever) that is in opposition to or interferes with the interests of the Assignee in any court proceeding relating to the Reorganization or its acquisition of the Assets, whether directly or indirectly and whether intentional or otherwise.

In addition to the aforementioned, each of the Nelson Kraus Parties agrees not to make any negative or disparaging statements (whether written or oral) to any person prior to the expiry of the Second Instalment Trigger Date concerning the Reorganization, the Assignee, including any of its shareholders, directors, officers and/or employees, or the efforts of the Assignee to obtain the Assets as a result of the Reorganization.

#### **6. Confirmation of Documents**

Strudex and each other member of the Kraus Group acknowledges and agrees that the Note and the other Documents shall continue in full force and effect in accordance with the provisions thereof and that this Agreement shall not operate as a novation of any obligations under the Note or the other Documents, and confirms that it is not their and the Assignee's intention and it has never been their collective intention to effect novation. For greater certainty, Strudex and each other member of the Kraus Group hereby confirms that they remain obligated and remains liable under the terms of the Note and the other Documents.

#### **7. Further Assurances**

- (a) Strudex, and each other member of the Kraus Group and each of the Nelson Kraus Parties agrees that they shall, at the reasonable request and at the expense of the Assignee, as applicable, do all such further acts and things and execute and deliver such further instruments, documents, security registrations, matters, papers and assurances as are reasonably necessary or desirable for effectuating the assignment of the Assigned Interest to the Assignee;
- (b) If any of the Nelson Kraus Parties receives any proceeds of any insurance policy in respect of the collateral charged by the applicable Assigned Interest, then any such party shall (i) hold any such proceeds in trust for the Assignee, separate and apart from any of its other property and (ii) immediately upon receipt pay those proceeds to the Assignee.

#### **8. Confidentiality**

The parties hereby agree that they shall not divulge or disclose, and shall hold completely confidential the terms, conditions and nature of this Agreement, including, without limitation, the Purchase Price, save and except for the existence of this Agreement and except that the parties may disclose the terms of the transaction contemplated herein: (a) to their respective affiliates, attorneys, accountants and other professionals; and (b) to other persons as may be required by Applicable Law or a court of competent jurisdiction over the parties hereto.



9. Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (in this section collectively referred to as a “**Notice**”) shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or e-mail:

- (a) in the case of the Nelson Kraus Parties at:

Nelson Kraus Holding Limited  
And Nelson Kraus  
c/o Edmond Lamek  
Fasken Martineau  
333 Bay Street, Suite 2400  
Bay Adelaide Centre, Box 20  
Toronto, ON M5H 2T6

Attention: Edmond Lamek  
Fax: (416) 364-7813  
Email: elamek@fasken.com

- (b) in the case of Notice to the Assignee at:

Red Ash Capital Partners II LP  
80 New Bond Street  
London, England  
U.K. W1S 1SB

Attention: Howard Gunn  
Fax: 020-7317-5001  
Email: howard.gunn@hilcouk.com

with a copy to:

Cassels Brock & Blackwell LLP  
2100 Scotia Plaza  
40 King Street West  
Toronto, ON M5H 3C2

Attention: Marc Mercier  
Fax: (416) 644-9368  
Email: mmercier@casselsbrock.com

Any Notice delivered or transmitted to a party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day, then the Notice shall be deemed to have been given and received on the next

Business Day. Any party may, from time to time, change its address by giving Notice to the other parties in accordance with the provisions of this section.

#### **10. Governing Law**

This Agreement shall be governed by, interpreted and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party submits to the non-exclusive jurisdiction of any Ontario courts sitting in Toronto in any action, application, reference or other proceeding arising out of or related to this Agreement and agrees that all claims in respect of any such actions, application, reference or other proceeding shall be heard and determined in such Ontario courts.

#### **11. Assignment**

No party may assign this Agreement or any rights or obligations under this Agreement without the prior written consent of each of the other parties hereto.

#### **12. Time of the Essence**

Time is of the essence in the performance of the parties' respective obligations under this Agreement.

#### **13. Binding Effect and Enurement**

All representations and warranties, covenants, and acknowledgements contained herein shall survive the execution and delivery of this Agreement. This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns.

#### **14. Entire Agreement**

This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all oral statements and prior writings with respect thereto.

#### **15. Amendments, Modifications and Waivers**

This Agreement may not be amended or modified except in writing signed by each of the parties hereto. No delay or failure on the part of any party hereto in the exercise of any of its rights, powers or remedies shall operate as a waiver thereof, nor shall any single or partial exercise by any party hereto of any of its rights, powers or remedies preclude the further exercise thereof, or the exercise of any other of its rights, powers or remedies.

#### **16. No Third Party Rights**

No Person is a third-party beneficiary of this Agreement and no trustee in bankruptcy for, or bankruptcy estate of, or unsecured creditor of, the Kraus Group will have or acquire or be entitled to exercise any right of the Assignee under this Agreement, whether upon an avoidance or equitable subordination of any lien or encumbrance in favour of the Assignee, or otherwise. None of the Kraus Group or any other creditor thereof has any rights hereunder and none of the

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Kraus Group may rely on the terms hereof. Nothing in this Agreement impairs the obligations of the Kraus Group to pay principal, interest, fees, and other amounts as provided in the Senior Credit Agreement, the Junior Credit Agreement and the Documents. Except to the extent expressly provided in this Agreement, no Person will have a right to notice of a modification to, or action taken under, this Agreement or any Document other than as expressly provided for under the Junior Note, and then only to the extent expressly provided in the Documents.

#### 17. Counterparts

This Agreement may be executed in counterparts and delivered by facsimile or other electronic transmission, and all such counterparts, facsimiles and other electronic transmissions together constitute one and the same agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

PINNACLE CAPITAL RESOURCES  
LIMITED in its capacity as general partner of  
RED ASH CAPITAL PARTNERS II LIMITED  
PARTNERSHIP, as Assignee

Per: 

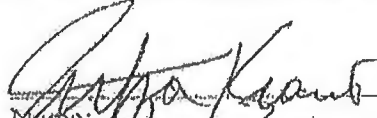
Name: C. Quinn OTT  
Title: Investment Director

Per: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_


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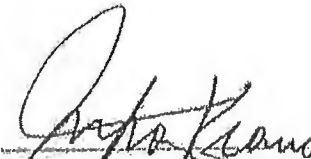
NELSON KRAUS HOLDINGS LIMITED

Per:   
Name: \_\_\_\_\_  
Title: President

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SIGNED, SEALED & DELIVERED  
In the presence of:

  
\_\_\_\_\_  
Witness

  
\_\_\_\_\_  
Nelson Kraus

ACKNOWLEDGED AND AGREED as of the date first written above.

STRUDEX FIBRES LIMITED

Per: H. Eckhardt  
Name: HAROLD ECKHARDT  
Title: CHAIRMAN

Per: W. Eckhardt  
Name: W. Eckhardt  
Title: CEO

KRAUS INC.

Per: H. Eckhardt  
Name: HAROLD ECKHARDT  
Title: CHAIRMAN

Per: W. Eckhardt  
Name: Walter Eckhardt  
Title: CEO

KRAUS CANADA INC.

Per: H. Eckhardt  
Name: HAROLD ECKHARDT  
Title: CHAIRMAN

Per: W. Eckhardt  
Name: W. Eckhardt  
Title: CEO

KRAUS USA, INC.

Per: H. Eckhardt  
Name: H. ECKHARDT  
Title: CHAIRMAN

Per: W. Eckhardt  
Name: Walter Eckhardt  
Title: CEO

ANELEEN ECKHARDT HOLDINGS LIMITED

Per: H. Eckhardt  
Name: HAROLD ECKHARDT  
Title: DIRECTOR

Per: Anne Eckhardt  
Name: Anneleen Eckhardt  
Title: Director

BARRETT CARPET MILLS, INC.

Per: H. Eckhardt  
Name: HAROLD ECKHARDT  
Title: DIRECTOR

Per: W. Eckhardt  
Name: Walter Eckhardt  
Title: CEO

ROYAL SCOT FLOORCOVERING DISTRIBUTION LLC

Per: H. Eckhardt  
Name: HAROLD ECKHARDT  
Title: DIRECTOR

Per: W. Eckhardt  
Name: Walter Eckhardt  
Title: Director CEO  
WE

NORTHSTATE CARPET MILLS PTY LTD.

Per: H. Eckhardt  
Name: HAROLD ECKHARDT  
Title: DIRECTOR

Per: W. Eckhardt  
Name: Walter Eckhardt  
Title: CEO Director  
WE

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538626 B.C. LTD.

Per: W. Eckhardt  
Name: W. Eckhardt  
Title: Director

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## SCHEDULE "A"

### ASSIGNED INTERESTS

#### Credit Documents

1. Letter of Intent dated January 17, 2007 between Anneleen Eckhardt Holdings Limited and Nelson Kraus Holdings Limited
2. Share Purchase Agreement dated June 11, 2007 between Anneleen Eckhardt Holdings Limited, Nelson Kraus Holdings Limited, Strudex Fibres Limited, Northstate Carpet Mills Pty Ltd., Nelson Kraus, Anneleen Eckhardt and Harold Eckhardt
3. Promissory Note dated June 28, 2007 granted to Nelson Kraus Holdings Limited by Strudex Fibres Limited
4. Forbearance Agreement dated January 26, 2009 regarding promissory note dated June 28, 2007 between Nelson Kraus Holdings Limited, Strudex Fibres Limited, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc. and Anneleen Eckhardt Holdings Limited
5. Amending Agreement dated November 23, 2010 regarding promissory note dated June 28, 2007 granted to Nelson Kraus Holdings Limited by Strudex Fibres Limited
6. Amended and Restated Promissory Note dated November 23, 2010 granted to Nelson Kraus Holdings Limited by Strudex Fibres Limited
7. Assignment Agreement dated December 3, 2010 between Nelson Kraus Holdings Limited and Nelson Kraus, in his personal capacity

#### Canadian Security Documents

8. Security Agreement dated June 28, 2007, granted to Nelson Kraus Holdings Limited by Strudex Fibres Limited, Kraus Carpet Mills Limited and 1029011 Ontario Inc. (collectively, now Kraus Inc.) and W.G. McMahon Canada Ltd. (now Kraus Canada Inc.)
9. Pledge Agreement dated June 28, 2007, granted to Nelson Kraus Holdings Limited by Anneleen Eckhardt Holdings Limited
10. Limited Recourse Guarantee dated June 28, 2007 granted to Nelson Kraus Holdings Limited by Anneleen Eckhardt and Harold Eckhardt as guarantors

#### U.S. Security Documents

11. Security Agreement dated June 28, 2007, granted to Nelson Kraus Holdings Limited by Barrett Carpet Mills, Inc., Kraus Orders Inc., Sound Floor Coverings, Inc., Sorce Incorporated and McMahon Holdings Inc.

Subordination Agreements

12. Subordination Agreement dated June 28, 2007 between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
13. Subordination Agreement dated July 24, 2007 between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
14. Subordination Agreement dated July 24, 2007 (the “**Senior Lenders Subordination Agreement**”), between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
15. Amending Agreement dated January 26, 2009, to the Senior Lenders Subordination Agreement between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
16. Amending Agreement No. 2 to the Senior Lenders Subordination Agreement dated November 23, 2010, between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, BMO Capital Corporation, Anneleen Eckhardt Holdings Limited and the other signatories party thereto
17. Amended and Restated Subordination Agreement dated November 23, 2010, between National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto (the “**Amended & Restated Senior Lenders Subordination Agreement**”)
18. Amended and Restated Subordination Agreement dated November 23, 2010, between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto (the “**Amended & Restated BMOCC Subordination Agreement**”)
19. Assignment Confirmation Agreement dated December 2, 2010 to National Bank of Canada, as Canadian Administrative Agent, Bank of Montreal, as U.S. Administrative Agent and BMO Capital Corporation from Nelson Kraus agreeing to be bound to the Amended & Restated Senior Lenders Subordination Agreement and the Amended & Restated BMOCC Subordination Agreement



SCHEDULE "B"

NELSON KRAUS DEBT SUMMARY

SEE ATTACHED