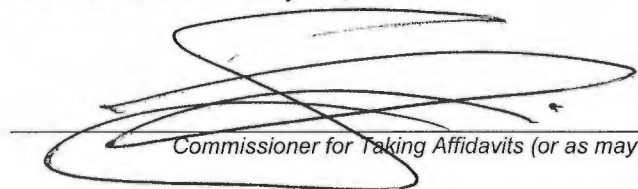


This is Exhibit "I" referred to in the Affidavit of CHRISTOPHER  
EMMOTT sworn May 25, 2012



Commissioner for Taking Affidavits (or as may be)

**AMENDED AND RESTATED PROMISSORY NOTE**  
**(the "Note")**

**WHEREAS:**

A. Strudex Fibres Limited (the "**Corporation**") executed and delivered to Nelson Kraus Holdings Limited ("**NKHL**") a promissory note dated June 28, 2007 in the principal amount of Thirty Seven Million, Six Hundred and Ninety Four Thousand, Three Hundred and Eighty Five Dollars (\$37,694,385.00) (the "**Original Note**").

B. The Original Note was executed and delivered by the Corporation pursuant to a purchase and sale agreement (the "**Sale Agreement**") dated June 11, 2007 among Anneleen Eckhardt Holdings Limited, NKHL, the Corporation, Northstate Carpet Mills Pty Ltd., Anneleen Eckhardt, Harold Eckhardt and Nelson Kraus and evidences the unpaid portion of the Purchase Price of the Shares and Northstate Shares (as such terms are defined in the Sale Agreement) sold pursuant thereto by NKHL.

C. The Original Note is secured by:

(i) a security agreement dated June 28, 2007 in favour of NKHL and executed by the Corporation, Kraus Carpet Mills Limited, 1029011 Ontario Inc. and W.G. McMahon Canada Ltd. (the "**Canadian GSA**") (Kraus Carpet Mills Limited and 1029011 Ontario Inc. have amalgamated and continued as Kraus Inc. and W. G. McMahon Canada Ltd. has changed its name to Kraus Canada Inc.);

(ii) a security agreement dated June 28, 2007 in favour of NKHL and executed by Barrett Carpet Mills, Inc., Kraus Orders Inc., Sound Floor Coverings, Inc., Sorce Incorporated and McMahon Holdings, Inc. (the "**US GSA**") (Kraus Orders Inc., Sound Floor Coverings, Inc., Sorce Incorporated and McMahon Holdings, Inc. amalgamated and continued as Kraus USA, Inc.);

(iii) a pledge agreement dated June 28, 2007 in favour of NKHL and executed by Anneleen Eckhardt Holdings Limited in connection with all of the shares of the Corporation owned by Anneleen Eckhardt Holdings Limited (the "**Pledge Agreement**"); and

(iv) a limited guarantee in the amount of Four Million Dollars (\$4,000,000.00) in favour of NKHL from Anneleen Eckhardt ("**Anne**") and Harold Eckhardt ("**Harold**") (the "**Personal Guarantee**").

Collectively, the Canadian GSA, US GSA, Pledge Agreement and Personal Guarantee are referred to as the "**Original Security**".

D. The debt represented by the Original Note and the Original Security is subject to the terms of a subordination agreement dated June 28, 2007 with National Bank of Canada, as the Canadian Administrative Agent, Bank of Montreal as the U.S. Administrative Agent, NKHL,

the Corporation, Anneleen Eckhardt Holdings Limited and certain members of the Kraus Group (or their predecessors) signatories thereto, as such agreement may be amended, restated or supplemented from time to time (the **"Senior Lender Subordination Agreement"**).

E. The debt represented by the Original Note and the Original Security is subject to the terms of a subordination agreement dated June 24, 2007 with BMO Capital Corporation (**"BMOCC"**), NKHL, the Corporation, Anneleen Eckhardt Holdings Limited and certain members of the Kraus Group (or their predecessors) signatories thereto, as such agreement may be amended, restated or supplemented from time to time (the **"BMOCC Subordination Agreement"**).

F. The provisions of the Original Note are subject to a forbearance agreement dated January 26, 2009 between NKHL, the Corporation, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc. and Anneleen Eckhardt Holdings Limited (the **"Forbearance Agreement"**).

G. All amounts owing under the Personal Guarantee have been paid in full to NKHL by Anne and Harold.

H. The Corporation and NKHL have agreed to amend the terms of the Original Note pursuant to a letter agreement dated May 24, 2010 (the **"Letter Agreement"**), in accordance with, and subject to an Amending Agreement dated as of the same date as this Note (the **"Amending Agreement"**) and the terms of the Sale Agreement.

NOW THEREFORE this Note hereby amends and restates the Original Note as follows:

**1. Definitions:**

(i) **"Adjusted Consolidated Basis"** means, for any period or at any time, the results of operations of the Corporation and its Subsidiaries for such period or at any such time determined on a consolidated basis in accordance with GAAP, but (i) excluding Royal Scot FloorCovering Distribution LLC and Kraus JV; (ii) excluding the results of operations of any Person that is not a Subsidiary on the last day of such period or at such time, and which would otherwise be included in such consolidated results of operations; and (iii) including the results of operations for such period or at such time of each Person that during such period or at such time, became a Subsidiary of the Corporation and which is a Subsidiary of the Corporation on the last day of such period or at such time on a pro forma basis for such period or at such time.

(ii) **"Adjusted Consolidated Depreciation and Amortization Expense"** means, for any period, in respect of the Corporation, depreciation, amortization and other non-cash expenses of the Corporation and its Restricted Subsidiaries which reduce Consolidated Net Income for such period, determined on an Adjusted Consolidated Basis as of such time.

(iii) **"Adjusted Consolidated EBITDA"** means, for any period, in respect of the Corporation, Adjusted Consolidated Net Income for such period increased, to the extent deducted in the determination of Adjusted Consolidated Net Income for

such period, by (i) Adjusted Consolidated Interest Expense; (ii) Adjusted Consolidated Income Tax Expense; (iii) Adjusted Consolidated Depreciation and Amortization Expense; and (iv) donations made by the Corporation or any Restricted Subsidiary to charities duly registered under the *Income Tax Act* (Canada).

(iv) **"Adjusted Consolidated Income Tax Expense"** means, for any period, in respect of the Corporation, the aggregate of all taxes based on income of the Corporation and its Restricted Subsidiaries for such period, determined on an Adjusted Consolidated Basis.

(v) **"Adjusted Consolidated Interest Expense"** means, for any period, in respect of the Corporation and its Restricted Subsidiaries, the sum of (without duplication) (i) all items properly classified upon the consolidated income statement of the Corporation as interest expense (whether expensed or capitalized) in accordance with GAAP, and (ii) the implied interest component of any element of Debt of the Corporation and its Restricted Subsidiaries (such as capital leases and deferred revenue excluding any obligation in respect of any operating lease) which would not be classified as interest expense pursuant to (i), and (iii) all fees and other payments (other than payments of principal) payable by the Corporation or any Restricted Subsidiary in respect of any Debt, in each case determined on an Adjusted Consolidated Basis.

(vi) **"Adjusted Consolidated Net Income"** means, with respect to the Corporation, for any period, and subject as provided in the next following sentence, the net income (loss) of the Corporation and its Restricted Subsidiaries determined on an Adjusted Consolidated Basis and for greater certainty, Adjusted Consolidated Net Income shall include realised foreign exchange gains or losses. There shall be excluded from any such net income (loss) (i) after-tax gains or losses from asset sales or abandonments or reserves relating thereto, (ii) other after-tax items classified as extraordinary, unusual or nonrecurring gains or losses, (iii) unrealised foreign exchange gains or losses; (iv) any gain or loss from the write-up or write-down of any real property, and (v) any gain or loss from any purchase or redemption of securities.

(vii) **"Adjusted Consolidated Senior Debt"** means, in respect of the Corporation, at any time, the aggregate amount of all Debt of the Corporation and its Restricted Subsidiaries, other than the BMOCC Debt, the NKHL Debt, the Eckhardt Debt and the AEHL Debt determined on an Adjusted Consolidated Basis.

(viii) **"Adjusted Consolidated Total Debt"** means, in respect of the Corporation, at any time, the aggregate amount of all Debt of the Corporation and its Restricted Subsidiaries, determined on an Adjusted Consolidated Basis.

(ix) **"Adjusted Consolidated Unfunded Capital Expenditures"** means, for any period, in respect of the Corporation, Capital Expenditures of the Corporation and its Restricted Subsidiaries, excluding (i) any Capital Expenditures funded by Debt other than Debt owing to the lenders pursuant to the Senior Credit



Agreement, and (ii) Capitalized Lease Obligations, determined on an Adjusted Consolidated Basis.

- (x) **"AEHL Debt"** means all amounts owing by Kraus Inc. to Anneleen Eckhardt Holdings Limited under the terms of a promissory noted dated May 9, 2005.
- (xi) **"Affiliate"** means, with respect to a specified Person, another Person that directly or indirectly through one or more of intermediaries, Controls or is Controlled by or is under common Control with the Person specified.
- (xii) **"Aggregate Mark-to-Market Exposure"** means the sum of the Market Values (expressed in Canadian Dollars), whether positive or negative, in respect of all Eligible Hedging Agreements and any other interest rate hedges and foreign exchange hedges to which the Corporation or any Restricted Subsidiary is a party.
- (xiii) **"Assets"** means, with respect to any Person, any property, assets and undertakings of such Person of every kind and wheresoever situate, whether now owned or hereafter acquired (and, for greater certainty, includes any equity or like interest of any Person in any other Person).
- (xiv) **"BMOCC"** means BMO Capital Corporation and its successors, transferees and assigns.
- (xv) **"BMOCC Credit Agreement"** means the amended and restated credit agreement among BMOCC, Kraus Carpet Mills Limited (now Kraus Inc.) and the Corporation dated November 23, 2010 as may be amended, restated, supplemented or replaced from time to time.
- (xvi) **"BMOCC Debt"** means all interest, principal and other amounts owing to BMOCC pursuant to the BMOCC Credit Agreement.
- (xvii) **"Borrowing Base Certificate"** means the Borrowing Base Certificate provided to the Senior Lenders.
- (xviii) **"Capital Expenditures"** means, with respect to the Corporation and its Restricted Subsidiaries, acquisitions or expenditures which would be properly classified in accordance with GAAP as capital expenditures.
- (xix) **"Capitalized Lease Obligations"** of any Person means any obligation of such Person to pay rent or other amounts under a lease of property, real or personal, moveable or immovable, that is required to be capitalized for financial reporting purposes in accordance with GAAP. For the purpose of this definition, the amount of such obligation shall be the capitalized amount thereof determined in accordance with GAAP, and the stated maturity of such obligation shall be the last day on which any lease or rental payment thereunder is due prior to the first day upon which such agreement may be terminated by such Person without payment of penalty.

- (xx) **"Closing"** means the date upon which this Note, the Amending Agreement and such other agreements as may be required to effect this Note and the Amending Agreement are executed and exchanged by the parties.
- (xxi) **"Closing Date"** means the 23 of November, 2010, or such other date as the Corporation and NKHL may agree as the date on which the Closing shall take place.
- (xxii) **"Compensation Cap"** means, subject to Subsection 3(b), \$1,070,000 for 2009 and increasing by six percent (6%) compounded annually for 2010, 2011 and 2012 and by nine percent (9%) compounded annually for each year following 2012 until the last year of the Compensation Cap Period; provided that no actual increase in compensation shall be provided to Ryan Eckhardt, Michael Eckhardt, Walter Eckhardt and Harold Eckhardt in any given year unless the Adjusted Consolidated Net Income of the Corporation for the previous year is positive. For greater certainty, the Compensation Cap will continue to increase each year by the appropriate percentage but the actual compensation can only increase to the then applicable Compensation Cap if the Adjusted Consolidated Net Income of the Corporation for the previous year is positive.
- (xxiii) **"Compensation Compliance Certificate"** means a certificate of a senior officer, of the Corporation, without personal liability, issued to NKHL in the form attached as Schedule "B".
- (xxiv) **"Compensation Cap Period"** means the period from and including 2009 to and including the year in which NKHL has received in the aggregate \$10,000,000 in payments of principal and interest hereunder.
- (xxv) **"Consolidated Free Cash Flow"** means, for any particular period, Adjusted Consolidated EBITDA for such period  
less, to the extent not deducted in calculating Adjusted Consolidated EBITDA for such period:
- (A) mandatory and scheduled repayments on account of principal owing pursuant to the Term Credit under the Senior Credit Agreement during such period;
  - (B) following the Senior Lender Maturity Date an amount not to exceed \$6,000,000.00 per Financial Year in respect of senior Debt of the Corporation and the Restricted Subsidiaries and any subordinate Debt of the Corporation and the Restricted Subsidiaries other than the NKHL Debt until such time as the BMOCC Debt is paid in full at which point the maximum amount of the deduction shall not exceed \$7,000,000.00;
  - (C) mandatory repayments on account of principal of the BMOCC Debt during such period required under the BMOCC Credit Agreement as at the Closing Date (exclusive of any portion of the Consolidated Free Cash

Flow they may receive pursuant to the Mandatory Cash Sweep (as provided in Section 7));

- (D) scheduled repayments of the principal component of Capitalized Lease Obligations of the Corporation and the Restricted Subsidiaries;
- (E) voluntary prepayments of Principal under Section 8 during such period to the extent consented to by the Senior Lenders and BMOCC;
- (F) Adjusted Consolidated Interest Expense to the extent paid in cash during such period;
- (G) Adjusted Consolidated Income Tax Expense to the extent paid or payable in cash during such period;
- (H) restructuring costs and charges paid in cash during such period;
- (I) Adjusted Consolidated Unfunded Capital Expenditures for such period, provided that it is less than or equal to Deductible Capex. Otherwise, Deductible Capex;
- (J) required cash pension plan contributions for such period which are in excess of the amounts expensed in arriving in the Corporation's consolidated audited financial statements;

plus, to the extent not included in the calculation of Adjusted Consolidated EBITDA for such period:

- (K) for the duration of the Compensation Cap Period, the amount, if any, by which the aggregate compensation to Ryan Eckhardt, Michael Eckhardt, Walter Eckhardt and Harold Eckhardt during such period (being the period of the EBITDA calculation) exceeds One Million Two Hundred Thousand Dollars (\$1,200,000.00);
- (L) Net Proceeds from any Disposition of Assets, other than in the ordinary course of business, that are not required to be paid to the Senior Lenders or to BMOCC as Mandatory Prepayments, during such period; and
- (M) any income tax recovery received by the Corporation, that is not required to be paid to the Senior Lenders or to BMOCC as Mandatory Prepayments, during such period, to the extent not considered in the calculation of Adjusted Consolidated Income Tax Expense.

(xxvi) **"Consolidated Free Cash Flow Certificate"** means a certificate of a senior officer of the Corporation, without personal liability, issued to NKHL in the form attached as Schedule "C".

(xxvii) **"Control"** means, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether

through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have corresponding meanings.

(xxviii)

"Debt" means, with respect to any Person, at any time (without duplication), (i) all indebtedness for borrowed money, including borrowings of commodities, bankers' acceptances, letters of credit or letters of guarantee; (ii) all indebtedness for the deferred purchase price of property acquired by such Person (excluding accounts payable and accrued liabilities arising in the ordinary course of business but including, without limitation, all liabilities created or arising under any conditional sale or other title retention agreement respect to such property) or services represented by a note or other evidence of indebtedness; (iii) all indebtedness for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable of such liability; provided that if such Person has not assumed or otherwise become liable for such liability, the amount of such liability shall be the lesser of the monetary value of such liability or the then fair market value of such property); (iv) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of the such property); (v) all indebtedness of another Person secured by a Lien on any properties or assets of the Person; (vi) all indebtedness in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money); (vii) the aggregate amount at which any shares in the capital of a Person which are redeemable or retractable at the option of the holder may be retracted or redeemed for cash or Debt prior to the Maturity Date and provided all conditions precedent for such retraction or redemption have been satisfied; (viii) all current indebtedness of such Persons represented by a note, bond, debenture or other evidence of debt; (ix) all Capitalized Lease Obligations; (x) all indebtedness under Other Secured Agreements and the Aggregate Mark-to-Market Exposure of all Eligible Hedging Obligations; (xi) other indebtedness upon which interest charges are customarily paid by such Person; and (xii) all Debt Guaranteed by the Person.

(xxix)

"Debt Guaranteed" by any person means the maximum amount which may be outstanding at any time of all Debt of the kinds referred to in (i) through (x) of the definition of Debt which is directly or indirectly guaranteed by the Person or which the Person has agreed (contingently or otherwise) to purchase or otherwise acquire, or in respect of which the Person has otherwise assured a creditor or other Person against loss.

(xxx)

"Debt Service Coverage Ratio" means, at any date of determination, the ratio of (A) Adjusted Consolidated EBITDA less (i) Adjusted Consolidated Income Tax Expense paid or payable in cash; and (ii) Adjusted Consolidated Unfunded Capital Expenditures, to (B) Adjusted Consolidated Interest Expense (excluding deferred interest) plus (i) all scheduled principal payments in respect

of Adjusted Consolidated Total Debt; and (ii) Capitalized Lease Obligations, in each case, for the most recently completed twelve months.

(xxxix) **"Default Notice"** means a written notice of an Event of Default to the Corporation stipulating the requisite notice period as set out in Section 5 below, as may be applicable, to remedy such default, or such longer period of time as may be specified by NKHL in its sole and absolute discretion.

(xxxii) **"Deductible Capex"** means the Adjusted Consolidated Unfunded Capital Expenditures for the Financial Year 2010 and thereafter subject to the following maximum amounts for each Financial Year:

- (A) 2010: \$2.0 million
- (B) 2011: \$2.5 million
- (C) 2012: \$3.0 million
- (D) 2013 and each Financial Year thereafter: \$4.0 million

The positive difference, if any, between the maximum amount designated above in any Financial Year and the actual Adjusted Consolidated Unfunded Capital Expenditures made in such Financial Year may be carried forward to the subsequent Financial Year. For certainty, unused Adjusted Consolidated Unfunded Capital Expenditures may only be carried forward one (1) Financial Year.

(xxxiii) **"Disposition"** means with respect to any Asset of any Person, any direct or indirect sale, lease (where such Person is the lessor of such Asset), assignment, cession, transfer (including any transfer of title or possession), exchange, conveyance, release or gift of such Asset, including by means of a sale-leaseback transaction or a receivable or inventory securitization, or any reorganization, consolidation, amalgamation or merger of such Person pursuant to which such Asset becomes the property of any other Person, but shall exclude donations to charities duly registered under the *Income Tax Act* (Canada); and **"Dispose"** and **"Disposed"** have meanings correlative thereto.

(xxxiv) **"Eckhardt Debt"** means all amounts owing by the Corporation to Anneleen Eckhardt and Harold Eckhardt under a promissory note dated January 26, 2009;

(xxxv) **"Eligible Hedging Agreements"** means one or more agreements (including, if applicable, any interest rate swap, cap or collar) between the Corporation or any Restricted Subsidiaries and one or more of the Senior Lenders or any Affiliate of any Lender (the "Hedge Lenders") evidenced by a form of agreement approved by the International Swaps and Derivatives Dealers Association Inc. (or other form approved by the agents of the Senior Lenders) using the full two-way payment method to calculate amounts payable thereunder and evidencing (i) any interest rate hedge (including any interest rate swap, cap or

collar); or (ii) any foreign exchange hedge, in such case, in respect of which payments or settlement shall be made in cash only; provided that any such hedging arrangements entered into by the Corporation or any Restricted Subsidiaries and any Person at the time that such Person was a Senior Lender pursuant to the Senior Credit Agreement shall continue to be an Eligible Hedging Arrangement notwithstanding that such Person ceases, at any time, to be a Senior Lender pursuant to the Senior Credit Agreement;

(xxxvi) **"Event of Default"** shall have the meaning set out in Section 5.

(xxxvii) **"Financial Quarter"** means in respect of any Financial Year, a period of three consecutive months in each Financial Year ending March 31, June 30, September 30 and December 31, as the case may be, of such year.

(xxxviii) **"Financial Year"** means in relation to the Corporation, its Financial Year commencing January 1 of each calendar year and ending on December 31 of such calendar year.

(xxxix) **"GAAP"** means generally accepted accounting principles from time to time established by the Canadian Institute of Chartered Accountants, or its successor, in the "CICA Handbook" applicable as of the date on which such evaluation is made or required to be made on a basis consistent with the prior practice of the Person to which GAAP is applied.

(xl) **"Insolvency Event"** shall have the meaning ascribed thereto in Schedule "A" hereto.

(xli) **"Kraus Group"** means the Corporation, Kraus Inc., Kraus Canada Inc., Barrett Carpet Mills, Inc., Kraus USA, Inc., Royal Scot Floorcovering Distribution LLC and Northstate Carpet Mills Pty Ltd.

(xlii) **"Kraus JV"** means Kraus Floors LLC.

(xliii) **"Leverage Threshold"** means, at any particular time, the product obtained by multiplying 3.5 by TTM EBITDA as at the last day of the immediately preceding calendar month less the aggregate amount of Adjusted Consolidated Senior Debt and BMOCC Debt as at the last day of the immediately preceding calendar month.

(xliv) **"Lien"** means any mortgage, charge, pledge, hypothecation, lien (statutory or otherwise) security interest or other encumbrance of any nature, however arising, or any other security agreement or arrangement creating in favour of any creditor a right in respect of any particular property that is prior to the right of any other creditor in respect of such property, and includes the right of a lessor relative to a Capitalized Lease Obligation.

(xlv) **"Mandatory Prepayments"** means all mandatory prepayments to the Senior Lenders under the Senior Credit Agreement and mandatory prepayments to BMOCC under the BMOCC Credit Agreement.



(xlvi) "National Bank Prime" means the variable annual rate of interest announced from time to time by National Bank of Canada and reported to the Bank of Canada as a reference rate then in effect and used by National Bank of Canada for determining interest rates on Canadian dollar commercial loans made by it in Canada.

(xlvii) "Net Proceeds" means any one or more of the following: (i) with respect to any Disposition of Assets by the Corporation or any Restricted Subsidiary, the net amount equal to the aggregate amount received in cash (including any cash received by way of deferred payment pursuant to a note, receivable, other non-cash consideration or otherwise (including, without limitation, the release of any amounts from an indemnity reserve or similar fund established in connection with such Disposition), but only as and when such cash is so received) in connection with such Disposition, less the sum of (y) reasonable fees (including, reasonable legal fees), commissions and other out-of-pocket expenses (as evidenced by supporting documentation provided to NKHL upon request therefore) incurred or paid for by the Corporation or any Restricted Subsidiary in connection with such Disposition, and (z) taxes incurred in connection with such Disposition, whether payable (in accordance with such Person's current tax account) at such time or thereafter; (ii) with respect to the receipt of proceeds under any insurance policy (other than business interruption insurance), the net amount equal to the aggregate amount received in cash in connection with such receipt of insurance proceeds less the reasonable fees (including, without limitation, reasonable legal fees), costs and other out-of-pocket expenses (as evidenced by supporting documentation provided to NKHL upon reasonable request therefore by NKHL) incurred or paid for by the Corporation or any Restricted Subsidiary in connection with the claim under the insurance policy giving rise to such proceeds; and (iii) with respect to the issuance of any Shares by the Corporation or any Restricted Subsidiary, or any capital contributions by any Person to the Corporation or any Restricted Subsidiary, the amount equal to the aggregate amount received in cash in connection with such issuance or contribution less the reasonable fees (including, without limitation, reasonable legal fees), costs and other out-of-pocket expenses (as evidenced by supporting documentation provided to NKHL upon reasonable request therefore by NKHL) incurred or paid for by the Corporation or any Restricted Subsidiary in connection with the transaction giving rise to such proceeds.

(xlviii) "NKHL Debt" means all interest, principal and other amounts owing to NKHL and its successors and assigns from time to time by the Corporation hereunder.

(xlix) "Market Values" means, in respect of any Eligible Hedging Arrangement and on any other interest rate hedge or foreign exchange hedge, on any day, the amount (whether positive or negative) expressed in Canadian Dollars determined by a lender (or non-lender party thereto, if applicable) in good faith at mid-market levels in accordance with its customary practices as of the close of business on such day as though such day were an "Early Termination Date", each "Transaction" was a "Terminated Transaction" and the lender (or the other



counterparty, as applicable) was the non-defaulting party in accordance with the payment measure provided for in Section 6(e)(i)(3) of the 1992 ISDA Master Agreement. "Early Termination Date", "Transaction" and "Terminated Transaction" have the respective meanings ascribed thereto in the 1992 ISDA Master Agreement (Multicurrency-Cross Border).

- (l) **"Original Security"** has the meaning ascribed thereto in recital C to this Note.
- (li) **"Other Secured Agreements"** means all agreements or arrangements (including guarantees) entered into or made from time to time by the Corporation or any Restricted Subsidiaries in connection with: (a) cash consolidation, cash management and credit card agreements and electronic fund transfer arrangements between the Corporation or any Restricted Subsidiary and the agents of the Senior Lenders, or any Senior Lender or any Affiliate thereof (collectively the "Service Lenders"), (b) overdraft facility arrangements between the Corporation or any Restricted Subsidiary and any Service Lender, and (c) other transactions not made under the Senior Credit Agreement between the Corporation or any Restricted Subsidiary and any Service Lender if it is agreed pursuant to a written agreement signed by the Corporation or any Restricted Subsidiary and the agent of the Senior Lenders (and the said agents are acting on the instructions of all of the Senior Lenders) that such debts, liabilities and obligations shall be secured; and, for greater certainty, all such agreements and arrangements entered into or made by the Corporation or any Restricted Subsidiary with or in favour of any Person at the time that such Person was an agent of the Senior Lenders or a Senior Lender shall not cease to be an Other Secured Agreement if such Person ceases to be an agent of the Senior Lenders or a Senior Lender.
- (lii) **"Person"** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.
- (liii) **"Restricted Subsidiaries"** means the Subsidiaries of the Corporation (other than Kraus JV) and, individually, any one of them.
- (liv) **"Sale Agreement"** has the meaning ascribed thereto in recital B to this Note.
- (lv) **"Senior Credit Agreement"** means the credit agreement dated June 28, 2007 among the Corporation, Kraus Carpet Mills Limited, W.G. McMahon Canada Ltd., Barrett Carpet Mills, Inc., Kraus Orders Inc, Sound Floor Coverings, Inc., McMahon Holdings Inc., Sorce Incorporated, 1029011 Ontario Inc., Royal Scot Floorcovering Distribution LLC, Northstate Carpet Mills PTY Ltd. and the Senior Lenders, as amended by Credit and Guarantee Amending Agreement No.1 dated as of August 30, 2007, Credit and Guarantee Amending Agreement No. 2 dated as of January 26, 2009, Credit and Guarantee Amending Agreement No. 3 dated as of May 21, 2009, Credit and Guarantee Amending Agreement No. 4 dated as of November 23, 2010 and Forbearance Agreements dated July 30,

2008, September 30, 2008, November 21, 2008, April 29, 2009, December 31, 2009, January 29, 2010, February 12, 2010, March 31, 2010, May 28, 2010, June 30, 2010, September 17, 2010 and September 30, 2010 and as the same may be further amended, modified, supplemented or restated from time to time.

(lvi) **"Senior Lenders"** means National Bank of Canada as Canadian Administrative Agent, Bank of Montreal as U.S. Administrative Agent, the National Bank of Canada, National Bank of Canada, New York Branch, and Bank of Montreal, Bank of Montreal, Chicago Branch, Comerica Bank, Canada Branch, Comerica Bank, Royal Bank of Scotland N.V. (Canada) Branch, The Royal Bank of Scotland N.V., The Toronto-Dominion Bank, Toronto Dominion (Texas) LLC, and their successors, transferees and assigns.

(lvii) **"Senior Lender Maturity Date"** means June 28, 2012 or (i) such earlier date as all of the debt and other obligations owing pursuant to the Senior Credit Agreement (excluding any refinancing thereof) have been repaid in full and the commitments of the lenders thereunder have been terminated or; (ii) such other date as the maturity date in the Senior Credit Agreement may be extended to.

(lviii) **"Subordination Agreements"** means collectively the Senior Lender Subordination Agreement and the BMOCC Subordination Agreement.

(lix) **"Subsidiary"** means, at any time, as to any Person, any corporation, company or other Person, if at such time the first mentioned Person owns, directly or indirectly, securities or other ownership interests in such corporation, company or other Person having ordinary voting power to elect a majority of the board of directors or persons performing similar functions for such corporation, company or Person.

(lx) **"Term Credit"** means the non-revolving term credit facility made available to the Corporation pursuant to the Senior Credit Agreement.

(lxi) **"TTM EBITDA"** means, at any particular time, Adjusted Consolidated EBITDA for the twelve month period ending on the last day of the immediately preceding calendar month.

(lxii) **"Witt Debt"** means all amounts owing by Kraus Inc. to Gary Witt under the terms of a promissory note dated January 30, 2008.

Further, all terms appearing herein which are defined in the Sale Agreement shall have the same meanings ascribed thereto for the purposes of this Note.

## 2. Promise to Pay

For value received, the Corporation hereby promises to pay to or to the order of NKHL at 263 Anita Court, Waterloo, Ontario N2K 2R4 or at such other address as NKHL may from time to time advise the Corporation in writing, the principal sum of \$32,843,743.26 in lawful money of Canada (the **"Principal"**) together with interest in like money on the unpaid portion from time to

time of the Principal until the Principal is repaid in full, such interest to be calculated and payable in accordance with the terms hereof.

**3. Interest**

(a) Accruing from the Closing Date, interest on the unpaid Principal shall be calculated monthly and compounded monthly at the following rates of interest:

- (i) for all of the unpaid Principal the annual rate of interest shall be equal to National Bank Prime plus 2.25%; and
- (ii) in addition to the interest payable in subsection (i), if the ratio of the sum of the Adjusted Consolidated Senior Debt, the BMOCC Debt, and the NKHL Debt to TTM EBITDA as at the last day of the immediately preceding calendar month is equal to or less than 5.0 to 1, for that portion of the unpaid Principal that is less than the Leverage Threshold, the annual rate of interest shall be increased by 6% on such portion.

(b) If the Corporation has not:

- (i) made a minimum of Ten Million Dollars (\$10,000,000.00) in payments (whether in respect of principal or interest and whether from the Mandatory Cash Sweep provided for in Section 7 of this Note or from any other sources) to NKHL or its successors or assigns on or before December 31, 2015; or
- (ii) complied with the provisions of Section 7 of this Note;

the Compensation Cap shall be immediately reduced by 25%, provided that immediately upon the Corporation meeting the threshold in Subsection 3(b)(i) or the Corporation coming into compliance with the provisions of Section 7 of this Note, as applicable, the reduction to the Compensation Cap shall no longer apply. For greater clarity, the Compensation Cap will be reduced only for the period of time the Subsection 3(b)(i) threshold or Section 7 compliance is not met. The reduction shall be determined by dividing the total Compensation Cap for the applicable year by 365 and then applying the reduction for the applicable period and then summing the daily compensation for the reduced period and the balance of the year.

(c) Subject to Section 6, interest shall be paid on the last day of each month, provided that, if it is not permitted to be paid in accordance with the provisions of Section 6, it shall be capitalized and added to the Principal.

(d) Interest hereunder shall accrue daily and be calculated monthly (in accordance with sub-section 3(a) above) in arrears both before and after default, maturity, demand and judgment on the basis of a year of 365 days or 366 days in the case of a leap year; and overdue interest shall bear interest from and including the date of default, at the same rate or as hereinafter provided. All payments received by

NKHL shall be applied firstly on account of accrued and unpaid interest and the balance, if any, on account of unpaid Principal.

#### 4. Payment of Principal

On or before December 31, 2020, the Corporation shall repay to NKHL all of the unpaid Principal and all accrued interest hereunder.

#### 5. Events of Default

Upon the occurrence of any of the following events (each event herein being referred to as an "Event of Default"):

(a) a failure of the Corporation to provide the Compensation Compliance Certificate to NKHL within 60 days of the Financial Year end and if not provided within such time period, the Corporation shall have 30 days from receipt of a Default Notice to remedy the default;

(b) the total amount paid by the Corporation or any of its Subsidiaries in any calendar year in respect of:

(i) the aggregate compensation paid to Ryan Eckhardt, Michael Eckhardt, Walter Eckhardt and Harold Eckhardt, and

(ii) payment of dividends (but excluding any deemed dividends), by the Corporation, the redemption or repurchase of shares of the Corporation, the making of a loan by the Corporation to any direct or indirect shareholder of the Corporation, or any other distribution to any direct or indirect shareholder of the Corporation,

during the Compensation Cap Period exceeds the Compensation Cap for such calendar year, or the Corporation is in breach of section 6.8 (c) of the Sale Agreement, as amended, provided that if such default is:

(iii) self-evident based on the information contained in the relevant Compensation Compliance Certificate, then the Corporation has 30 days to remedy the default from the date the relevant Compensation Compliance Certificate is issued to NKHL; or,

(iv) not self-evident based on the information contained in the relevant Compensation Compliance Certificate, the Corporation shall have 60 days from receipt of a Default Notice to remedy the default;

(c) [INTENTIONALLY DELETED]

(d) Anneleen Eckhardt Holdings Limited or Anneleen Eckhardt, together with all Persons not at arm's length to them, ceasing to hold, directly or indirectly, at least 51% of the issued and outstanding shares in the capital of the Corporation or the sale by the Corporation of all or substantially all of its assets;

- (e) a failure of the Corporation to provide a Consolidated Free Cash Flow Certificate to NKHL within 120 days of the Financial Year end and if not provided within such time period, the Corporation shall have 30 days from receipt of a Default Notice to remedy the default;
- (f) a failure to pay the required portion of the Consolidated Free Cash Flow as required by Section 7 provided that if such default is
  - (i) self-evident based on the information contained in the relevant Consolidated Free Cash Flow Certificate, the Corporation shall have 30 days to remedy the default from the date the relevant Consolidated Free Cash Flow Certificate is issued, or,
  - (ii) not self-evident based on the information contained in the relevant Consolidated Free Cash Flow Certificate, the Corporation shall have 60 days from receipt of a Default Notice to remedy the default;
- (g) subject to clause 5(A) below, the occurrence of any Insolvency Event;
- (h) subject to section 6, the default by the Corporation in making any payment of Principal or interest required to be made hereunder on the due date, provided that the Corporation shall have 10 additional days from the due date in Section 4 to make the payment as so required in Section 4;
- (i) subject to section 5(e) of the Amending Agreement, if any time following the date that all of the debt and other obligations owing pursuant to the Senior Credit Agreement (including any extension of the maturity date thereof, but excluding any refinancing thereof) have been repaid in full and the commitments of the lenders thereunder have terminated, the Corporation fails to obtain the consent of NKHL for (i) the acquisition of a new business with a purchase price in excess of Three Million Dollars (\$3,000,000.00) or (ii) the sale of a Subsidiary or existing division with sale proceeds in excess of Three Million Dollars (\$3,000,000.00) with the dollar thresholds increasing to Five Million Dollars (\$5,000,000.00) in each instance upon payment to NKHL of an aggregate of Twenty Million Dollars (\$20,000,000.00) hereunder (whether in respect of principal or interest);
- (j) a failure of the Corporation to brief NKHL on large decisions and decisions outside the normal course of business including decisions pertaining to any refinancing, in the same fashion as the Senior Lenders and BMOCC;
- (k) a failure of the Corporation to use commercially reasonable efforts to refinance up to three (3) times TTM EBITDA in total Debt if the Debt to TTM EBITDA decreases to less than 2.5 to 1 (measured at the end of each financial quarter) and to use the proceeds, if any, to first pay down the BMOCC Debt, second, to repurchase the warrants issued to BMOCC, if reasonably possible and, third, to pay down the NKHL Debt and upon such default occurring, the Corporation shall have 60 days from receipt of a Default Notice to remedy the default;

- (l) the Corporation or its Subsidiaries make or commit to make charitable donations in excess of Two Million Five Hundred Thousand Dollars (\$2,500,000.00) in any Financial Year of the Corporation;
- (m) a failure to provide to NKHL weekly cash flow statements and forecast variances on the same schedule as such information is provided to the Senior Lenders and upon a breach of this sub-section, the Corporation shall have 30 days from the receipt of a Default Notice to remedy the default, provided it is acknowledged that there shall be no obligation to provide such information to NKHL upon the Corporation being notified by the Senior Lenders that no such information is required to be provided to the Senior Lenders;
- (n) a failure to provide to NKHL, within 30 days following, or such later date as may be prescribed and agreed to by the Senior Lenders, the last day of each calendar month,
  - (i) unaudited monthly financial statements for each of the Corporation and its Subsidiaries for the prior month and unaudited consolidated monthly financial statements for the Corporation for the prior month; and
  - (ii) the Borrowing Base Certificate as provided to the Senior Lenders for the prior month,
 and upon breach of this sub-section, the Corporation shall have 30 days from receipt of a Default Notice to remedy the default;
- (o) a failure to provide to NKHL, within 120 days following, or such later date as may be prescribed and agreed to by the Senior Lenders, the last day of each Financial Year, audited consolidated financial statements of the Corporation for such Financial Year, as well as the annual consolidated budget of the Corporation for the subsequent Financial Year provided that such obligation shall not apply to the 2009 Financial Year and provided that such information for the 2009 Financial Year shall be provided to NKHL when it is provided to the Senior Lenders and upon breach of this sub-section, the Corporation shall have 30 days from receipt of a Default Notice to remedy the default;
- (p) a breach of section 6.8 (g) of the Sale Agreement, as amended.

Subject to the application of subsections 5(A), 5(B) and 5(C) below, if an Event of Default has occurred and is continuing, NKHL may, at its sole option (i) accelerate the NKHL Debt and demand the payment of the NKHL Debt, whereupon the NKHL Debt shall immediately become due and payable, and (ii) enforce the NKHL Original Security, provided that:

- (A) NKHL shall not be entitled to accelerate the NKHL Debt in accordance with this paragraph 5 on the basis of there being only any Insolvency Event described in paragraphs 4(a) in the attached Schedule "A" (Insolvency Events) so long as (i) the Kraus Group has an agreement in place with the Senior Lenders and BMOCC (or their respective successors or assigns) which is in good standing or is in the process of being extended, or (ii) neither the Senior Lenders nor BMOCC have



taken any steps to enforce their security, provided that, if no such agreement is in place as set out in this sub-clause 5(A)(i) herein, NKHL may provide written notice to the Corporation that the Corporation has 60 days to obtain such agreement with the Senior Lenders and BMOCC, and if no such agreement is in place within 60 days from the date of issuing such written notice, NKHL is entitled to accelerate the NKHL Debt and enforce the NKHL Original Security, as amended, whether or not the Senior Lenders or BMOCC have taken steps to enforce their security. If the Senior Lenders or BMOCC take steps to enforce their security during the aforesaid 60 day period, NKHL will be entitled to accelerate the NKHL Debt and enforce the NKHL Original Security, as amended, without waiting until the end of the 60 day period and without further notice. For greater certainty nothing in this subsection precludes or delays NKHL from delivering the notices prescribed by subsections 2.3(b) or (c) of the Subordination Agreements to the Senior Lenders and/or BMOCC immediately following the occurrence of an Event of Default;

- (B) any failure to make the minimum payment of Ten Million Dollars (\$10,000,000) on or before December 31, 2015 as provided in Subsection 3(b)(i) above shall give rise to the reduction in the Compensation Cap in accordance with paragraph 3(b) above, but shall not give rise to any additional default remedies under the Original Security or this Note, including the ability of NKHL (or its successors or assigns) to accelerate the NKHL Debt; and
- (C) in addition to whatever other remedies are available to NKHL under and pursuant to the Original Security, in the event there is a default under paragraph 4 above (*Payment of Principal*), NKHL shall have the option provided for in Section 7(j) of the Amending Agreement.

## 6. Covenants

Notwithstanding anything else contained herein, no payments shall be made under this Note to NKHL (other than the payment required by Section 4 of this Note) unless the following covenants (measured on the last day of each calendar month) can be met by the Corporation on a consolidated basis:

- (a) the Debt Service Coverage Ratio is greater than 1.2 to 1 prior to making the payment; and
- (b) the ratio of Adjusted Consolidated Senior Debt to TTM EBITDA is less than 3.0 to 1 prior to making the payment and on a *pro forma* basis including any Debt required to make the payment, after making the payment; and
- (c) the ratio of the sum of Adjusted Consolidated Senior Debt and BMOCC Debt and all other secured Debt ranking ahead of the NKHL Debt to TTM EBITDA is less than 4.0 to 1 prior to making the payment and on a *pro forma* basis including any Debt required to make the payment, after making the payment.



Accordingly, a failure to make any payment as a result of the inability to meet the foregoing covenants will not be an Event of Default hereunder and the covenants set out in this Section 6 shall apply to any and all successors, transferees and assigns of the Senior Lenders, BMOCC and/or NKHL. For greater certainty: (i) partial payments shall be made to the extent possible without breaching the foregoing covenants, (ii) the payments set out in Section 7 are one time only payments in connection with a respective Financial Year and any amounts not paid as a result of the foregoing covenants shall not be carried forward to the next Financial Year or in any way form an outstanding obligation of the Corporation to NKHL, and (iii) for purposes of the payments set out in Section 7 the foregoing covenants shall be determined based on the financial results at the end of the respective Financial Year.

#### **7. Mandatory Cash Sweeps**

Subject to section 5(h) of the Amending Agreement, until the BMOCC Debt has been paid in full, the Corporation shall pay thirty percent (30%) of the Consolidated Free Cash Flow for each Financial Year commencing with the Financial Year ending December 31, 2011, if any, to NKHL within 120 days of the end of such Financial Year to be applied against the amounts then owing to NKHL hereunder. Subject to section 5(h) of the Amending Agreement, the Corporation shall also pay to BMOCC thirty percent (30%) of the Consolidated Free Cash Flow for each Financial Year commencing with the Financial Year ending December 31, 2011 within 120 days of the end of such Financial Year. Subject to section 5(h) of the Amending Agreement, once the BMOCC Debt has been paid in full, the Corporation shall pay sixty percent (60%) of the Consolidated Free Cash Flow for each Financial Year to NKHL within 120 days of the end of such Financial Year to be applied against the amounts then owing hereunder to NKHL. NKHL shall not be entitled to any further portion of the Consolidated Free Cash Flow once all amounts owing hereunder have been paid in full. In the event that all amounts owing to BMOCC have been paid in full during the course of the year, the payments required hereunder shall be prorated. The obligation of the Corporation to make any of the payments set out in this Section 7 shall be subject to the provisions of Section 6.

#### **8. Prepayment**

At any time following the date that all of the debt and other obligations owing pursuant to the Senior Credit Agreement (including any extension of the maturity date thereof, but excluding any refinancing thereof) have been repaid in full and the commitments of the lenders thereunder have terminated, the Corporation may at any time and from time to time prepay the whole or any portion of the Principal without notice, bonus or penalty, provided that all interest thereon has been or is paid up to the date of such prepayment.

#### **9. Waiver**

The Corporation hereby waives the benefits of division and discussion, presentment for payment, notice of non-payment, demand, protest or notice of protest, or notice of any other kind in the enforcement of this Note other than as set out herein. The failure of NKHL to exercise any other rights hereunder at any particular instance shall not constitute a waiver thereof in that or any other instance.

#### 10. Assignment

This Note shall enure to the benefit of NKHL and its successors and permitted assigns and shall be binding upon the Corporation and its successors. This Note may not be assigned by the Corporation without the prior written consent of NKHL. NKHL may assign any or all of its rights under this Note, the Amending Agreement and the Original Security, subject to its terms (including the terms of the Sale Agreement and the Amending Agreement) to a related party (as defined in the *Income Tax Act - Canada*) at any time between the date of this Note and December 31, 2011 and thereafter NKHL shall be entitled to assign any or all of its rights under this Note, the Amending Agreement and the Original Security to any Person and for greater clarity, any assignment by the Corporation or NKHL of this Note, the Amending Agreement or the Original Security as the case may be, in accordance with this section 10, shall be subject to the terms of the Subordination Agreements and all the equities between the parties herein, including the equities in the Amending Agreement. An assignment shall not be effective unless the proposed assignee, executes and delivers, concurrently with any assignment pursuant to this section 10 of the obligations and rights under this Note, the Amending Agreement and the Original Security, a confirmation in the form attached as Schedule "D" to BMOCC and the Senior Lenders that such assignee is bound by the terms of the Subordination Agreements.

#### 11. Subordination Agreements

Notwithstanding any other provision contained herein, all provisions of this Note shall be subject to the terms of the Subordination Agreements.

#### 12. Amendment

This Note may only be amended by the written agreement of NKHL, the Corporation and all guarantors of the NKHL Debt.

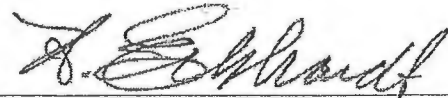
#### 13. Applicable Law

This Note shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DATED as of this 23 day of November, 2010.

**STRUDEX FIBRES LIMITED**

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



## SCHEDULE "A"

## INSOLVENCY EVENTS

An "Insolvency Event" means:

1. the passing of any resolution or the commencement of any proceedings for the dissolution, liquidation or winding up of the Corporation or for the suspension of operations of the Corporation after the date hereof, unless such proceedings have been stayed within 10 business days of commencement or have been withdrawn or dismissed within 10 business days of commencement, if the Corporation is not contesting or has ceased to contest any such proceedings in good faith;
2. the entering of a decree or order of a court having jurisdiction after the date hereof:
  - (a) adjudging the Corporation bankrupt or insolvent, or approving as properly filed a petition seeking a winding up or arrangement or compromise of the Corporation under the *Companies Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada) or the *Winding Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law,
  - (b) issuing a process or execution against the Corporation or against any substantial part of the property of the Corporation, or
  - (c) ordering the winding up or liquidation of the Corporation,where any such decree or order continues unstayed and in effect for a period of 10 business days from its issuance and is not withdrawn or discharged within 10 business days of issuance if the Corporation is not contesting or has ceased to contest such decree or order in good faith;
3. the appointment of a trustee, receiver, receiver and manager, interim receiver, monitor, custodian or other person with similar powers in respect of the Corporation or all or a substantial portion of its property or assets where any such appointment continues unstayed and in effect for 10 business days if the Corporation is not contesting or has ceased to contest such appointment in good faith;
4. the Corporation:
  - (a) becomes insolvent, admits its inability to ~~or fails to pay~~ its debts generally as they become due, or otherwise acknowledges its insolvency;
  - (b) makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors,
  - (c) makes any proposal under the *Bankruptcy and Insolvency Act* (Canada) or any comparable law, seeks relief under the *Companies Creditors Arrangement Act* (Canada), the *Winding Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or

analogous law, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, monitor, sequestrator, agent or a person with similar powers, in respect of the Corporation or in respect of all or a substantial portion of its property or assets, or

(d) files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, compromise, composition, compounding scheme, extension of time, moratorium or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors' rights or consents to, or acquiesces in, the filing of such petition or the commencement of such proceeding; and

5. any default by the Corporation with respect to any material obligation owing by it to the Senior Lenders and/or BMOCC, which default entitles the Senior Lenders and/or BMOCC to accelerate and demand payment of all obligations, and where such demand has been made and where such default has not been waived by the Seniors Lenders and/or BMOCC.

**SCHEDULE "B" TO THE NOTE**

**COMPENSATION COMPLIANCE CERTIFICATE**

**RE:** Section 1(xxiii) of the Amended and Restated Promissory Note dated November 23, 2010 from Strudex Fibres Limited to Nelson Kraus Holdings Limited (the "Note")

Any defined terms used herein that are not otherwise defined in this certificate shall have the meaning given to them in the Note

I, \_\_\_\_\_, (*insert name*) the \_\_\_\_\_ (*insert office*) of the Corporation hereby certify that:

(i) the aggregate compensation paid to Harold Eckhardt, Walter Eckhardt, Michael Eckhardt and Ryan Eckhardt for the Financial Year ending as reported on the T4s \_\_\_\_\_ (*insert end point of Financial Year*) is \$ \_\_\_\_\_.

(ii) the aggregate value of (a) dividends (but excluding any deemed dividends) paid by the Corporation, (b) amounts paid in respect of redemption or repurchase of shares of the Corporation, (c) loans by the Corporation to any direct or indirect shareholder of the Corporation, and (d) any other distribution to any direct or indirect shareholder of the Corporation is \$ \_\_\_\_\_.

The Compensation Cap for the Financial Year ending \_\_\_\_\_ is \$ \_\_\_\_\_.

The variance between the Compensation Cap and items (i) and (ii) above for the Financial Year ending \_\_\_\_\_ is \_\_\_\_\_.

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

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

Title:

# SCHEDULE "C" TO THE NOTE

## CONSOLIDATED FREE CASH FLOW CERTIFICATE

**RE:** Section 1(xxvi) of the Amended and Restated Promissory Note dated November 23, 2010 from Strudex Fibres Limited to Nelson Kraus Holdings Limited (the "Note")

Any defined terms used herein that are not otherwise defined in this certificate shall have the meaning given to them in the Note. Reference must be made to the Note for the complete definition of the items set out below.

I, \_\_\_\_\_ (insert name) the \_\_\_\_\_ (insert office) of the Corporation hereby certify as follows:

Adjusted Consolidated EBITDA for 20\_\_\_\_\_ \$ \_\_\_\_\_

### Less:

Repayments to Senior Lenders	_____
Capitalized Lease Obligations	_____
Mandatory payments to BMOCC	_____
Voluntary prepayments to NKHL	_____
Interest Expense	_____
Income Tax Expense	_____
Restructuring Costs	_____
Unfunded Capex	_____
Excess Pension Plan contributions	_____

### Plus

Compensation in excess of 1.2M	_____
Net proceeds of disposition	_____
Income tax recovery	_____

Consolidated Free Cash Flow for 20\_\_\_\_\_ \$ \_\_\_\_\_

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

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

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

SCHEDULE "D"

ASSIGNMENT CONFIRMATION

TO: NATIONAL BANK OF CANADA, in its capacity as Canadian administrative agent for and on behalf of the Senior Lenders (together with its successors and assigns, the "Canadian Administrative Agent")

AND TO: BMO CAPITAL CORPORATION (together with its successors and assigns, "BMOCC", together with the Canadian Administrative Agent, the "Senior Lenders")

THIS CONFIRMATION (the "Confirmation") is executed as of \_\_\_\_\_, \_\_\_\_\_ by \_\_\_\_\_ ("Assignee") and delivered to Senior Lenders. Except as otherwise defined herein, terms used herein and defined in the NKHL Note (as defined below) shall be used herein as therein defined.

WITNESSETH:

WHEREAS, Strudex Fibres Limited (the "Corporation"), has executed and delivered to Nelson Kraus Holdings Limited ("NKHL") an amended and restated promissory note in the principal amount of \$32,843,743.26, dated as of November 23, 2010 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "NKHL Note");

AND WHEREAS, the NKHL Note is secured by the Original Security (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Security");

AND WHEREAS, the NKHL Note and the Security is subject to the terms of a subordination agreement among the Canadian Administrative Agent, NKHL, the Corporation, Anneleen Eckhardt Holdings Limited and certain other signatories thereto, dated as of June 28, 2007 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "National Bank Subordination Agreement");

AND WHEREAS, the NKHL Note and the Security is subject to the terms of an amended and restated subordination agreement among BMOCC, NKHL, the Corporation, Anneleen Eckhardt Holdings Limited and certain other signatories thereto, dated as of November 23, 2010 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "BMOCC Subordination Agreement" together with the National Bank Subordination Agreement, the "Subordination Agreements");



AND WHEREAS \_\_\_\_\_ has assigned the NKHL Debt to the Assignee ("Assignment") and in connection with such Assignment, the Assignee is required to enter into this confirmation in accordance with Section 10 of the NKHL Note.

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to the Assignee, the receipt and sufficiency of which are hereby acknowledged, the Assignee hereby covenants and agrees with the Senior Lenders, as follows:

1. Upon execution of this Confirmation, the Assignee shall be bound as a "Subordinated Party" for all purposes under each of the Subordination Agreements, pursuant to Section 10 of the NKHL Note and will be bound by all terms, conditions and duties applicable to a Subordinated Party under each of the Subordination Agreements as if it had been an original party thereto. As of the date hereof, references to "Subordinated Party" or to a "party" (as applicable) in each of the Subordinated Agreements shall be deemed to mean the Assignee.
2. The Assignee represents and warrants to the Senior Lenders that this Confirmation has been duly authorized, executed and delivered by it and together with each of the Subordination Agreements constitute a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, as applicable.
3. This Confirmation shall be construed and enforced in accordance with and governed by the law of Province of Ontario and the federal laws of Canada applicable therein.
4. From and after the execution and delivery hereof by the Assignee, this Confirmation shall constitute part of each of the Subordination Agreements and they shall be read together as one document, as applicable.

*[Remainder of this page intentionally left blank.]*

WITNESS WHEREOF, the Assignee has caused this Confirmation to be duly executed as of the date first above written.

[ASSIGNEE]

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

Acknowledged and Agreed:

**NATIONAL BANK OF CANADA**

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

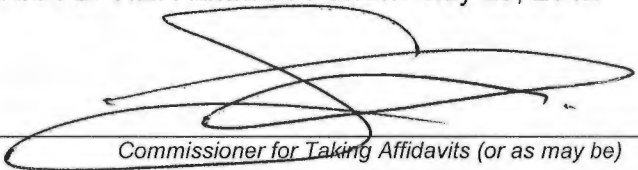
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BMO CAPITAL CORPORATION**

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

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

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



Commissioner for Taking Affidavits (or as may be)

Dated as of September 30, 2010

VIA EMAIL

Strudex Fibres Limited

-and-

Each of the Borrowers and Guaranteeing Parties under the Senior Credit Agreement (defined below)

-and-

Anneleen Eckhardt Holdings Limited

65 Northfield Dr. W.

Waterloo, ON N2J 4J4

Attention: Walter Eckhardt and Murray Mackey

Dear Sirs:

**Event of Default as at December 31, 2009 pursuant to the terms of the Credit and Guarantee Agreement dated as of June 28, 2007, as amended by Credit and Guarantee Amending Agreement No. 1 dated as of August 30, 2007, Credit and Guarantee Amending Agreement No. 2 dated as of January 26, 2009 ("Amendment No. 2), Credit and Guarantee Amending Agreement No. 3 dated as of May 21, 2009 and Forbearance Agreements dated July 30, 2008, September 30, 2008, November 21, 2008, April 29, 2009, December 31, 2009, January 29, 2010, February 12, 2010, March 31, 2010, May 28, 2010, June 30, 2010 July 30, 2010, August 31, 2010 and September 17, 2010 respectively, (collectively, the "Senior Credit Agreement")**

1. All capitalized terms used herein but not defined shall have the meanings given thereto in the Senior Credit Agreement.
2. In accordance with Section 2.8(3) of Amendment No. 2, the Company delivered to the Lenders a calculation of the financial covenants in Sections 8.03(1)(a), 8.03(1)(b) and 8.03(1)(c) of the Credit Agreement (the "**Financial Covenants**") and a forecast of such covenants as at December 31, 2009 (the "**Forecast Calculations**"). The Forecast Calculations demonstrate that the Company will not be in compliance with the Financial Covenants as at December 31, 2009 and as a result thereof a Default occurred and is continuing (the "**Financial Covenant Default**") and an Event of Default will occur and be continuing as at December 31, 2009 (the "**Financial Covenant Event of Default**").
3. Pursuant to a Limited Purpose Waiver Agreement dated as of December 2, 2009: (a) the Administrative Agents and the Lenders provided a limited purpose waiver solely with respect to the Financial Covenant Default for the purposes of (i) allowing the Company to extend the expiry date of specified letters of credit to June 30, 2010; and (ii) allowing the Borrowers to have continued access to the Revolving Credit Facility until 5:00 p.m.

9. Pursuant to a forbearance agreement dated as of June 30, 2010, the Administrative Agents and the Lenders agreed:
  - (a) to forbear from June 30, 2010 until July 30, 2010 from enforcing their rights and remedies against the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor solely with respect to the Financial Covenant Event of Default; and
  - (b) to provide the Company time to complete and enter into the Definitive NKHL Documentation with NKHL and the requisite agreements with BMOCC in order to effect the Consensual Agreement, provided that, for greater certainty, the Lenders did not consent to or agree to the terms of the Consensual Agreement and that the prior written consent of the Lenders shall be required for the execution and delivery of the Definitive NKHL Documentation and any definitive documentation with respect to BMOCC.
10. Pursuant to a forbearance agreement dated as of July 30, 2010, the Administrative Agents and the Lenders agreed:
  - (a) to forbear from July 30, 2010 until August 31, 2010 from enforcing their rights and remedies against the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor solely with respect to the Financial Covenant Event of Default; and
  - (b) to provide the Company time to complete and enter into the Definitive NKHL Documentation with NKHL and the requisite agreements with BMOCC in order to effect the Consensual Agreement, provided that, for greater certainty, the Lenders did not consent to or agree to the terms of the Consensual Agreement and that the prior written consent of the Lenders shall be required for the execution and delivery of the Definitive NKHL Documentation and any definitive documentation with respect to BMOCC.
11. Pursuant to a forbearance agreement dated as of August 31, 2010 (the “**August 31 Forbearance Agreement**”), the Administrative Agents and the Lenders agreed:
  - (a) to forbear from August 31, 2010 until September 10, 2010 from enforcing their rights and remedies against the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor solely with respect to the Financial Covenant Event of Default; and
  - (b) to provide the Company time to complete and enter into the Definitive NKHL Documentation with NKHL and the requisite agreements with BMOCC in order to effect the Consensual Agreement, provided that, for greater certainty, the Lenders did not consent to or agree to the terms of the Consensual Agreement and that the prior written consent of the Lenders shall be required for the execution and delivery of the Definitive NKHL Documentation and any definitive documentation with respect to BMOCC.
12. On September 10, 2010, the Administrative Agent and the Lenders agreed:

- (a) it is working diligently to complete the Definitive NKHL Documentation and to satisfy the conditions precedent contained in the Consensual Agreement, which include, among others, obtaining the consent of BMOCC and the Lenders with respect to the terms of the Consensual Agreement, which consents have not yet been obtained; and
  - (b) it requires a further extension of time to work with counsel to NKHL to complete the Definitive NKHL Documentation and to satisfy the conditions precedent contained in the Consensual Agreement.
- 17. This Letter Agreement is provided to allow the Company time to complete and enter into the Definitive NKHL Documentation with NKHL and the requisite agreements with BMOCC in order to effect the Consensual Agreement, provided that, for greater certainty, the Lenders have not consented to or agreed to the terms of the Consensual Agreement as of the date hereof and the prior written consent of the Lenders shall be required for the execution and delivery of the Definitive NKHL Documentation and any definitive documentation with respect to BMOCC.
- 18. The Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor acknowledge and confirm that:
  - (a) the confirmations, acknowledgements and covenants provided by the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor in section 16 of the March 31, 2010 Forbearance Agreement are hereby ratified and confirmed in all respects save and except for sections 16(c) and 16(h) therein;
  - (b) Events of Default, including the Financial Covenant Event of Default, have occurred, are continuing and have not been waived by the Lenders;
  - (c) the Administrative Agents and the Lenders are entitled to exercise their rights in respect of the Financial Covenant Event of Default and have agreed to forbear from exercising such rights only because each of the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor expressly have agreed to the terms and conditions stated herein; and
  - (d) notice shall be provided by the Company to the Administrative Agents and the Lenders forthwith upon:
    - (i) the withdrawal of any party from, the failure to comply with or the termination of the process of preparing and finalizing the Definitive NKHL Documentation by either NKHL or the Company;
    - (ii) the breach of any term or condition under the Definitive NKHL Documentation by either NKHL or the Company; and
    - (iii) the termination of the Definitive NKHL Documentation by either NKHL or the Company.

23. The Company hereby covenants to deliver the monthly financial projections of the Company and the Restricted Subsidiaries for the 2011 Financial Year (including income statements, balance sheets, statements of cash flow, covenant calculations and management's discussion of assumptions and underlying projections) to the Agents and the Lenders by November 30, 2010.
24. Nothing in this Letter Agreement shall prejudice the Administrative Agents' and the Lenders' rights to pursue any of their remedies at any time and from time to time, including, without limitation, enforcing the Security:
- (a) prior to execution and delivery of this Letter Agreement by the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor; or
  - (b) upon the expiry or earlier termination of the Forbearance Period.
25. Notwithstanding anything contained to the contrary in any of the Credit Documents, upon the occurrence of any of: (A) any non-compliance with any of the terms and conditions of this Letter Agreement (including, without limitation, Sections 19(b), 32 and 33); or (B) an Event of Default (including any action with respect to the acceleration of the VTB Subordinated Debt or the BMOCC Subordinated Debt) other than (y) the Financial Covenant Event of Default, and (z) any non-payment of amounts due under the VTB Subordinated Debt or the BMOCC Subordinated Debt:
- (a) the Forbearance Period shall automatically terminate without further notice, demand or any other requirement by the Administrative Agents or the Lenders to the Borrowers, the Guaranteeing Parties or the Limited Recourse Guarantor and the Administrative Agents and the Lenders, without further notice or demand:
    - (i) shall be entitled to refrain from providing, and shall not be obligated to provide, any form of accommodation, credit or advances whatsoever to the Borrowers;
    - (ii) shall be entitled to pursue any or all remedies available against one or more of the Borrowers, the Guaranteeing Parties or the Limited Recourse Guarantor at any time and from time to time in accordance with the Credit Documents, including, without limitation, by enforcing some or all of the Security; and
    - (iii) all obligations under the Credit Documents shall be immediately due and payable, without any requirement for the Administrative Agents to deliver a notice to the Borrowers, the Guaranteeing Parties or the Limited Recourse Guarantor without presentment, demand, protest or other requirements of any kind, each of which (together with any notice) are expressly waived by the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor to the extent permitted by law.
26. Other than as may be consented to in writing by the Administrative Agents and the Lenders, the occurrence of the following events shall also constitute an Event of Default:



from all manner of actions, causes of action, suits, debts, liabilities, costs, claims, accountings and demands, in law, in equity or otherwise, which each of them may now or hereafter have or might otherwise be entitled to make (collectively, the “**Claims**”) for or by any reason of any cause, matter or thing whatsoever as of the date hereof including, without limitation, any Claims pursuant to, arising from or in connection with any matters relating to the affairs among the Administrative Agents or the Lenders and the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor prior to the date hereof, whether in connection with (a) the Credit and Security Documents; (b) advances or non-advances of credit to the Borrowers; or (c) otherwise, save and except for any fraud, wilful misconduct or gross negligence.

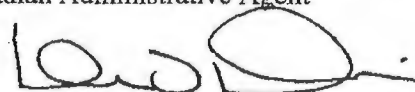
30. Each of the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor further undertake, covenant and agree to make no claim and to take no action or proceeding whatsoever against any person not a party to the release granted herein that could result in any claim over against the Released Parties, in respect of any and all matters or things released in this release, or for any form of contributions, indemnity or other relief whether arising at law, equity or under the provisions of the *Negligence Act* R.S.O. 1990 c. N-1.
31. For greater certainty, nothing in this Letter Agreement shall constitute a waiver of any Event of Default, the Financial Covenant Event of Default or any other default or event of default which has or may occur under any of the Credit Documents.
32. Each of the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor shall provide, forthwith upon demand, such further or additional documents and information, whether provided for in the Credit and Security Documents or otherwise, as the Administrative Agents, the Lenders, or their Consultants may require.
33. Each of the Borrowers, the Guaranteeing Parties and the Limited Recourse Guarantor shall cause their respective management and legal and financial advisors to make themselves available for any discussions with and to provide any and all information reasonably required by the Administrative Agents, the Lenders, or their Consultants.
34. The Company, on behalf of itself and its Subsidiaries, consents to the Administrative Agents, the Lenders and their advisors and counsel corresponding directly with Kraus Holdco with respect to the Senior Credit Agreement, the VTB Subordination Agreement (as amended), the VTB Subordinated Debt, the financial condition of the Company and its Subsidiaries, and all matters related to any of the forgoing provided that a representative of the Company shall be invited to be present at any meeting and/or to participate in any telephone call conducted pursuant to this paragraph and the Company shall be entitled to request periodic updates with respect to any other correspondence with Kraus Holdco.
35. All references in this Letter Agreement to dollars or \$ are references to Canadian currency.
36. As consideration for the Lenders agreeing to forbear until the termination of the Forbearance Period, the Borrowers shall pay to the Canadian Administrative Agent for the account of the Lenders a forbearance fee in the amount of \$230,000 (the

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If the foregoing is acceptable to you, please signify your acceptance in the space provided below and return a copy of this Letter Agreement to the Administrative Agents, for itself and on behalf of the Lenders.

NATIONAL BANK OF CANADA, as  
Canadian Administrative Agent

Per:



Authorized Signing Officer

JEAN GOSSELIN  
SENIOR MANAGER

BANK OF MONTREAL, as U.S.  
Administrative Agent

Per:

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

- 12 -

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 GOSSELIN  
SENIOR MANAGER

Per:



Authorized Signing Officer

DENOIT BLAIS  
SENIOR MANAGER

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

Per:

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

Per:

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

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

Per:

*William Boyd*  
Authorized Signing Officer

Per:

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

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

Per:

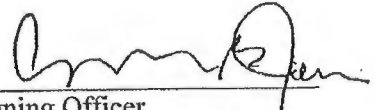
\_\_\_\_\_  
Authorized Signing Officer

Per:

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

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

Per:



Authorized Signing Officer

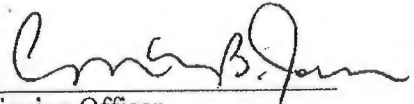
CYNTHIA B. JONES  
VICE PRESIDENT

Per:

Authorized Signing Officer

COMERICA BANK, as U.S. Revolving Credit  
Lender

Per:



Authorized Signing Officer

CYNTHIA B. JONES  
VICE PRESIDENT

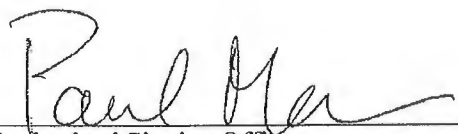
Per:

Authorized Signing Officer

- 16 -

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

Per:

  
\_\_\_\_\_  
Authorized Signing Officer  
**Paul Manning**  
Associate Vice President

Per:

  
\_\_\_\_\_  
Authorized Signing Officer  
**Maurice Moffett**  
Senior Manager

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

Per:

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

Per:

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



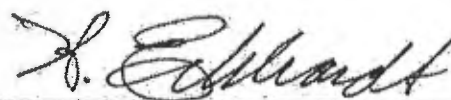
- 17 -

Each of the undersigned hereby confirm their agreement to the foregoing and acknowledge having received a copy hereof.

**STRUDEX FIBRES LIMITED**

Per:   
Authorized Signing Officer

**KRAUS INC.**

Per:   
Authorized Signing Officer

**KRAUS CANADA INC.**

Per:   
Authorized Signing Officer

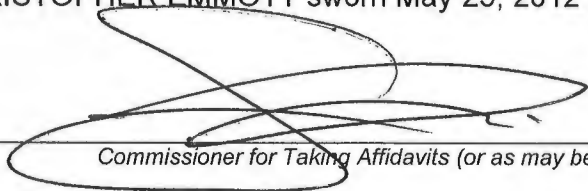
  
**BARRETT CARPET MILLS, INC.**

Per:   
Authorized Signing Officer

**SCHEDULE A**  
**LETTERS OF CREDIT**

- 1) Beneficiary: Kaindl Flooring GMBH, amount to: 600,000 CAD, expiry date: December 31, 2010;
- 2) Beneficiary: Moneris Solutions Corporation, amount to 70,000 CAD, expiry date: December 31, 2010;
- 3) Beneficiary: Kaindl Flooring GMBH, amount to: 150,000 USD, expiry date: December 31, 2010.

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

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke.

---

Commissioner for Taking Affidavits (or as may be)

Delivered by Hand

May 18, 2012

Kraus Canada Inc.  
65 Northfield Dr. W  
Waterloo, Ontario  
N2J 4J4

Attention: Walter Eckhardt

Dear Sirs/Mesdames:

**Re: Indebtedness of Kraus Canada Inc. (the "Debtor") to Red Ash Capital Partners II Limited Partnership, by its general partner Pinnacle Capital Resources Limited (the "Lender")**

We refer you to:

- (i) the credit facilities established by National Bank of Canada, National Bank of Canada, New York Branch, Bank of Montreal, Bank of Montreal, Chicago Branch, Comerica Bank, 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.), The Toronto-Dominion Bank and The Toronto-Dominion Bank (Texas) LLC (collectively, the **"Senior Lenders"**) to Strudex Fibres Limited, Kraus Canada Inc. and Kraus Inc. (collectively, the **"Canadian Borrowers"**), and Kraus USA, Inc. and Barrett Carpet Mills, Inc. (collectively, the **"US Borrowers"** and collectively with the Canadian Borrowers, the **"Borrowers"**) pursuant to the credit and guarantee agreement dated June 28, 2007 between the Senior Lenders, the Borrowers, the Guaranteeing Parties (as defined therein), National Bank of Canada (the **"Canadian Administrative Agent"**) and Bank of Montreal (the **"US Administrative Agent"** and collectively with the Canadian Administrative Agent, the **"Administrative Agents"**), as amended (as may be further amended, restated, modified, replaced or supplemented from time to time, the **"Senior Credit Agreement"**), as assigned to the Lender pursuant to the master assignment agreement dated May 7, 2012 between, amongst others, the Senior Lenders and the Lender;
- (ii) the credit facilities established by BMO Capital Corporation (**"BMOCC"**) to Kraus Inc. (**"Kraus Inc."**) pursuant to the amended and restated credit agreement dated November 23, 2010 as may be further amended, restated, modified, replaced or supplemented from time to time, the **"BMOCC Credit Agreement"**) as assigned to Bank of Montreal (**"BMO"**) pursuant to the assignment and assumption agreement by BMOCC to BMO dated November 1, 2011, as assigned to the Lender pursuant to the master assignment agreement dated May 7, 2012 between, amongst others, BMO and the Lender; and

- (iii) the amended and restated promissory note dated November 23, 2010 issued by Strudex Fibres Limited ("**Strudex**" and collectively with the Debtor and Kraus Inc., the "**Obligors**") in favour of Nelson Kraus Holdings Limited, as assigned to Nelson Kraus ("**Kraus**" together with BMO, the "**Subordinate Lenders**") (the "**Promissory Note**"), as assigned to the Lender pursuant to the master assignment agreement dated May 7, 2012 between, amongst others, Kraus and the Lender.

To secure the indebtedness to the Senior Lenders and the Subordinate Lenders, as applicable, the Debtor executed in favour of the Administrative Agents and the Subordinate Lenders, as applicable, the security described in Schedule "A" hereto (the "**Debtor Security**").

The Debtor has breached its obligations to the Senior Lenders and the Subordinate Lenders, as applicable, under the terms of the Senior Credit Agreement, the BMOCC Credit Agreement, the Promissory Note and the Debtor Security, including in failing to make payments when due to the Senior Lenders and the Subordinate Lenders under the terms of the Senior Credit Agreement, the BMOCC Credit Agreement and the Promissory Note.

The Lender is accordingly entitled to exercise its remedies under the Senior Credit Agreement, the BMOCC Credit Agreement, the Promissory Note and Debtor Security, including, without limitation, to declare the entire indebtedness immediately due and payable.

As at May 17<sup>th</sup>, 2012 the amount CDN \$115,102,000 is outstanding under the Senior Credit Agreement, the BMOCC Credit Agreement and the Promissory Note (plus costs and legal fees accrued and accruing) (the "**Indebtedness**").

Interest continues to accrue on the Indebtedness pursuant to the terms of the Senior Credit Agreement, the BMOCC Credit Agreement and the Promissory Note.


We hereby demand repayment of the Indebtedness in full (together with any additional interest that may accrue from the date hereof and the costs and expenses of the Lender). If payment of the Indebtedness is not made forthwith the Lender will pursue any and all remedies available to it, including the enforcement of the Debtor Security.

In accordance with the requirements of section 244 of the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**") enclosed are Notices of Intention to Enforce Security (the "**BIA Notices**") in respect of each of the Obligors.

This demand is made pursuant to and in accordance with the Senior Credit Agreement, the BMOCC Credit Agreement, the Promissory Note and the Debtor Security and any other agreements governing the Indebtedness. Such demand is without prejudice to the Lender's rights to take such other steps and make such further demands as it may see fit to protect its position, to the extent permitted by law. We also enclose a consent to waive the ten (10) day period provided for in section 244(2) of the BIA with respect to each of the BIA Notices.

Yours truly,

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

By:   
Authorized Signing Officer

Enclosure

cc: Strudex Fibres Limited, Kraus Inc., 538626 B.C. Ltd., Anneleen Eckhardt Holdings Limited, Barrett Carpet Mills Inc., Kraus USA Inc., Northstate Carpet Mills Pty Ltd., Royal Scot Floorcovering Distribution LLC, Anneleen Eckhardt and Harold Eckhardt.



**Schedule "A"****Security**

1. 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.
2. Pledge and Security Agreement dated July 24, 2007, granted to BMO Capital Corporation 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.)
3. 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.)
4. 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.)
5. 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.
6. 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.)
7. 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
8. Amended and Restated Subordination Agreement dated as of November 23, 2010, between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
9. 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

10. Subordination Agreement dated July 24, 2007 between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holding Limited, Strudex Fibres Limited and the other signatories party thereto

**NOTICE OF INTENTION TO ENFORCE SECURITY  
PURSUANT TO THE BANKRUPTCY AND INSOLVENCY ACT (CANADA)  
SECTION 244**

**TO: Kraus Canada Inc. (the "Debtor"), an insolvent person**  
65 Northfield Dr. W  
Waterloo, Ontario  
N2J 4J4

**TAKE NOTICE THAT:**

1. RED ASH CAPITAL PARTNERS II LIMITED PARTNERSHIP, BY ITS GENERAL PARTNER PINNACLE CAPITAL RESOURCES LIMITED, a secured creditor, intends to enforce its security on the property of the Debtor as described below:

All of the Debtor's right, title and interest in, to and under all personal property and other assets, whether now owned by or owing to it, or hereafter acquired by or arising in its favour, and whether owned or consigned by or to, or leased from or to, the Debtor, and regardless of where located.

2. The security to be enforced is set out in Schedule "A" hereto.
3. The total amount of indebtedness secured by the security as of May 17, 2012 is CDN \$115,102,000.
4. The secured creditor will not have the right to enforce the security until after the expiry of the ten (10) day period after this notice is sent, unless the Debtor consents to an earlier enforcement.

DATED at Waterloo, Ontario this 18<sup>th</sup> day of May, 2012.

**RED ASH CAPITAL PARTNERS II  
LIMITED PARTNERSHIP, BY ITS  
GENERAL PARTNER PINNACLE  
CAPITAL RESOURCES LIMITED**

Per: 

Name: Cam Mott  
Title: Investment Director

### Schedule "A"

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2. Pledge and Security Agreement dated July 24, 2007, granted to BMO Capital Corporation 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.)
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10. Subordination Agreement dated July 24, 2007 between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holding Limited, Strudex Fibres Limited and the other signatories party thereto

Delivered by Hand

May 18, 2012

Kraus Inc.  
65 Northfield Dr. W  
Waterloo, Ontario  
N2J 4J4

Attention: Walter Eckhardt

Dear Sirs/Mesdames:

**Re: Indebtedness of Kraus Inc. (the "Debtor") to Red Ash Capital Partners II Limited Partnership, by its general partner Pinnacle Capital Resources Limited (the "Lender")**

We refer you to:

- (i) the credit facilities established by National Bank of Canada, National Bank of Canada, New York Branch, Bank of Montreal, Bank of Montreal, Chicago Branch, Comerica Bank, 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.), The Toronto-Dominion Bank and The Toronto-Dominion Bank (Texas) LLC (collectively, the **"Senior Lenders"**) to Strudex Fibres Limited, Kraus Canada Inc. and Kraus Inc. (collectively, the **"Canadian Borrowers"**), and Kraus USA, Inc. and Barrett Carpet Mills, Inc. (collectively, the **"US Borrowers"** and collectively with the Canadian Borrowers, the **"Borrowers"**) pursuant to the credit and guarantee agreement dated June 28, 2007 between the Senior Lenders, the Borrowers, the Guaranteeing Parties (as defined therein), National Bank of Canada (the **"Canadian Administrative Agent"**) and Bank of Montreal (the **"US Administrative Agent"** and collectively with the Canadian Administrative Agent, the **"Administrative Agents"**), as amended (as may be further amended, restated, modified, replaced or supplemented from time to time, the **"Senior Credit Agreement"**), as assigned to the Lender pursuant to the master assignment agreement dated May 7, 2012 between, amongst others, the Senior Lenders and the Lender;
- (ii) the credit facilities established by BMO Capital Corporation (**"BMOCC"**) to Kraus Inc. (**"Kraus Inc."**) pursuant to the amended and restated credit agreement dated November 23, 2010 as may be further amended, restated, modified, replaced or supplemented from time to time, the **"BMOCC Credit Agreement"**) as assigned to Bank of Montreal (**"BMO"**) pursuant to the assignment and assumption agreement by BMOCC to BMO dated November 1, 2011, as assigned to the Lender pursuant to the master assignment agreement dated May 7, 2012 between, amongst others, BMO and the Lender; and

- 635
- (iii) the amended and restated promissory note dated November 23, 2010 issued by Strudex Fibres Limited ("**Strudex**" and collectively with the Debtor and Kraus Canada Inc., the "**Obligors**") in favour of Nelson Kraus Holdings Limited, as assigned to Nelson Kraus ("**Kraus**" together with BMO, the "**Subordinate Lenders**") (the "**Promissory Note**"), as assigned to the Lender pursuant to the master assignment agreement dated May 7, 2012 between, amongst others, Kraus and the Lender.

To secure the indebtedness to the Senior Lenders and the Subordinate Lenders, as applicable, the Debtor executed in favour of the Administrative Agents and the Subordinate Lenders, as applicable, the security described in Schedule "A" hereto (the "**Debtor Security**").

The Debtor has breached its obligations to the Senior Lenders and the Subordinate Lenders, as applicable, under the terms of the Senior Credit Agreement, the BMOCC Credit Agreement, the Promissory Note and the Debtor Security, including in failing to make payments when due to the Senior Lenders and the Subordinate Lenders under the terms of the Senior Credit Agreement, the BMOCC Credit Agreement and the Promissory Note.

The Lender is accordingly entitled to exercise its remedies under the Senior Credit Agreement, the BMOCC Credit Agreement, the Promissory Note and Debtor Security, including, without limitation, to declare the entire indebtedness immediately due and payable.

As at May 17<sup>th</sup>, 2012 the amount CDN \$115,102,000 is outstanding under the Senior Credit Agreement, the BMOCC Credit Agreement and the Promissory Note (plus costs and legal fees accrued and accruing) (the "**Indebtedness**").

Interest continues to accrue on the Indebtedness pursuant to the terms of the Senior Credit Agreement, the BMOCC Credit Agreement and the Promissory Note.

We hereby demand repayment of the Indebtedness in full (together with any additional interest that may accrue from the date hereof and the costs and expenses of the Lender). If payment of the Indebtedness is not made forthwith the Lender will pursue any and all remedies available to it, including the enforcement of the Debtor Security.

In accordance with the requirements of section 244 of the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**") enclosed are Notices of Intention to Enforce Security (the "**BIA Notices**") in respect of each of the Obligors.

This demand is made pursuant to and in accordance with the Senior Credit Agreement, the BMOCC Credit Agreement, the Promissory Note and the Debtor Security and any other agreements governing the Indebtedness. Such demand is without prejudice to the Lender's rights to take such other steps and make such further demands as it may see fit to protect its position, to the extent permitted by law. We also enclose a consent to waive the ten (10) day period provided for in section 244(2) of the BIA with respect to each of the BIA Notices.



Yours truly,

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

By: 

Authorized Signing Officer

Enclosure

cc: Strudex Fibres Limited, Kraus Canada Inc., 538626 B.C. Ltd., Anneleen Eckhardt Holdings Limited, Barrett Carpet Mills Inc., Kraus USA Inc., Northstate Carpet Mills Pty Ltd., Royal Scot Floorcovering Distribution LLC, Anneleen Eckhardt and Harold Eckhardt.

## Schedule "A"

### Security

1. 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.
2. Pledge and Security Agreement dated July 24, 2007, granted to BMO Capital Corporation 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.)
3. 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.
4. 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.)
5. Guarantee dated July 24, 2007, between BMO Capital Corporation and Strudex Fibres Limited, W.G. McMahon Canada Ltd. and 1029011 Ontario Inc. as guarantors
6. 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
7. Amended and Restated Subordination Agreement dated as of November 23, 2010, between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
8. 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
9. Subordination Agreement dated July 24, 2007 between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holding Limited, Strudex Fibres Limited and the other signatories party thereto

**NOTICE OF INTENTION TO ENFORCE SECURITY  
PURSUANT TO THE *BANKRUPTCY AND INSOLVENCY ACT* (CANADA)  
SECTION 244**

**TO: Kraus Inc. (the "Debtor"), an insolvent person**  
65 Northfield Dr. W  
Waterloo, Ontario  
N2J 4J4

**TAKE NOTICE THAT:**

1. RED ASH CAPITAL PARTNERS II LIMITED PARTNERSHIP, BY ITS GENERAL PARTNER PINNACLE CAPITAL RESOURCES LIMITED, a secured creditor, intends to enforce its security on the property of the Debtor as described below:

All of the Debtor's right, title and interest in, to and under all personal property and other assets, whether now owned by or owing to it, or hereafter acquired by or arising in its favour, and whether owned or consigned by or to, or leased from or to, the Debtor, and regardless of where located.

2. The security to be enforced is set out in Schedule "A" hereto.
3. The total amount of indebtedness secured by the security as of May 17, 2012 is CDN \$115,102,000.
4. The secured creditor will not have the right to enforce the security until after the expiry of the ten (10) day period after this notice is sent, unless the Debtor consents to an earlier enforcement.

**DATED** at Waterloo, Ontario this 18<sup>th</sup> day of May, 2012.

**RED ASH CAPITAL PARTNERS II  
LIMITED PARTNERSHIP, BY ITS  
GENERAL PARTNER PINNACLE  
CAPITAL RESOURCES LIMITED**

Per: 

Name: C. Emmott

Title: Investment Director.

**Schedule "A"**

1. 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.
2. Pledge and Security Agreement dated July 24, 2007, granted to BMO Capital Corporation 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.)
3. 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.
4. 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.)
5. Guarantee dated July 24, 2007, between BMO Capital Corporation and Strudex Fibres Limited, W.G. McMahon Canada Ltd. and 1029011 Ontario Inc. as guarantors
6. 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
7. Amended and Restated Subordination Agreement dated as of November 23, 2010, between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
8. 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
9. Subordination Agreement dated July 24, 2007 between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holding Limited, Strudex Fibres Limited and the other signatories party thereto

Delivered by Hand

May 18, 2012

Strudex Fibres Limited  
65 Northfield Dr. W  
Waterloo, Ontario  
N2J 4J4

Attention: Walter Eckhardt

Dear Sirs/Mesdames:

**Re: Indebtedness of Strudex Fibres Limited (the "Debtor") to Red Ash Capital Partners II Limited Partnership, by its general partner Pinnacle Capital Resources Limited (the "Lender")**

We refer you to:

- (i) the credit facilities established by National Bank of Canada, National Bank of Canada, New York Branch, Bank of Montreal, Bank of Montreal, Chicago Branch, Comerica Bank, 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.), The Toronto-Dominion Bank and The Toronto-Dominion Bank (Texas) LLC (collectively, the **"Senior Lenders"**) to Strudex Fibres Limited, Kraus Canada Inc. and Kraus Inc. (collectively, the **"Canadian Borrowers"**), and Kraus USA, Inc. and Barrett Carpet Mills, Inc. (collectively, the **"US Borrowers"** and collectively with the Canadian Borrowers, the **"Borrowers"**) pursuant to the credit and guarantee agreement dated June 28, 2007 between the Senior Lenders, the Borrowers, the Guaranteeing Parties (as defined therein), National Bank of Canada (the **"Canadian Administrative Agent"**) and Bank of Montreal (the **"US Administrative Agent"** and collectively with the Canadian Administrative Agent, the **"Administrative Agents"**), as amended (as may be further amended, restated, modified, replaced or supplemented from time to time, the **"Senior Credit Agreement"**), as assigned to the Lender pursuant to the master assignment agreement dated May 7, 2012 between, amongst others, the Senior Lenders and the Lender;
- (ii) the credit facilities established by BMO Capital Corporation (**"BMOCC"**) to Kraus Inc. (**"Kraus Inc."**) pursuant to the amended and restated credit agreement dated November 23, 2010 as may be further amended, restated, modified, replaced or supplemented from time to time, the **"BMOCC Credit Agreement"**) as assigned to Bank of Montreal (**"BMO"**) pursuant to the assignment and assumption agreement by BMOCC to BMO dated November 1, 2011, as assigned to the Lender pursuant to the master assignment agreement dated May 7, 2012 between, amongst others, BMO and the Lender; and

- (iii) the amended and restated promissory note dated November 23, 2010 issued by the Debtor (the Debtor collectively with Kraus Inc. and Kraus Canada Inc., the "**Obligors**") in favour of Nelson Kraus Holdings Limited, as assigned to Nelson Kraus ("**Kraus**" together with BMO, the "**Subordinate Lenders**") (the "**Promissory Note**"), as assigned to the Lender pursuant to the master assignment agreement dated May 7, 2012 between, amongst others, Kraus and the Lender.

To secure the indebtedness to the Senior Lenders and the Subordinate Lenders, as applicable, the Debtor executed in favour of the Administrative Agents and the Subordinate Lenders, as applicable, the security described in Schedule "A" hereto (the "**Debtor Security**").

The Debtor has breached its obligations to the Senior Lenders and the Subordinate Lenders, as applicable, under the terms of the Senior Credit Agreement, the BMOCC Credit Agreement, the Promissory Note and the Debtor Security, including in failing to make payments when due to the Senior Lenders and the Subordinate Lenders under the terms of the Senior Credit Agreement, the BMOCC Credit Agreement and the Promissory Note.

The Lender is accordingly entitled to exercise its remedies under the Senior Credit Agreement, the BMOCC Credit Agreement, the Promissory Note and Debtor Security, including, without limitation, to declare the entire indebtedness immediately due and payable.

As at May 17<sup>th</sup>, 2012 the amount CDN \$115,102,000 is outstanding under the Senior Credit Agreement, the BMOCC Credit Agreement and the Promissory Note (plus costs and legal fees accrued and accruing) (the "**Indebtedness**").

Interest continues to accrue on the Indebtedness pursuant to the terms of the Senior Credit Agreement, the BMOCC Credit Agreement and the Promissory Note.

We hereby demand repayment of the Indebtedness in full (together with any additional interest that may accrue from the date hereof and the costs and expenses of the Lender). If payment of the Indebtedness is not made forthwith the Lender will pursue any and all remedies available to it, including the enforcement of the Debtor Security.

In accordance with the requirements of section 244 of the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**") enclosed are Notices of Intention to Enforce Security (the "**BIA Notices**") in respect of each of the Obligors.

This demand is made pursuant to and in accordance with the Senior Credit Agreement, the BMOCC Credit Agreement, the Promissory Note and the Debtor Security and any other agreements governing the Indebtedness. Such demand is without prejudice to the Lender's rights to take such other steps and make such further demands as it may see fit to protect its position, to the extent permitted by law. We also enclose a consent to waive the ten (10) day period provided for in section 244(2) of the BIA with respect to each of the BIA Notices.



Yours truly,

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

By: 

Authorized Signing Officer

Enclosure

cc: Kraus Inc., Kraus Canada Inc., 538626 B.C. Ltd., Anneleen Eckhardt Holdings Limited, Barrett Carpet Mills Inc., Kraus USA Inc., Northstate Carpet Mills Pty Ltd., Royal Scot Floorcovering Distribution LLC, Anneleen Eckhardt and Harold Eckhardt.

## Schedule "A"

### Security

1. 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.
2. Demand Debenture dated June 28, 2007, granted to National Bank of Canada, as Canadian Administrative Agent, by Strudex Fibres Limited
3. Debenture Delivery Agreement dated as of June 28, 2007, between National Bank of Canada, as Canadian Administrative Agent, and Strudex Fibres Limited
4. Pledge and Security Agreement dated July 24, 2007, granted to BMO Capital Corporation 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.)
5. Guarantee dated July 24, 2007, between BMO Capital Corporation and Strudex Fibres Limited, W.G. McMahon Canada Ltd. and 1029011 Ontario Inc. as guarantors
6. Debenture dated July 24, 2007, granted to BMO Capital Corporation by Strudex Fibres Limited
7. Debenture Delivery Agreement dated July 24, 2007, between BMO Capital Corporation and Strudex Fibres Limited
8. Amended and Restated Warrant Agreement dated November 23, 2010, between Strudex Fibres Limited and BMOCC
9. 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.)
10. Amended and Restated Promissory Note dated November 23, 2010 granted to Nelson Kraus Holdings Limited by Strudex Fibres Limited
11. Subordination Agreement dated July 24, 2007 between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holding Limited, Strudex Fibres Limited and the other signatories party thereto
12. 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
13. Amended and Restated Subordination Agreement dated as of November 23, 2010, between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto

14. Amended and Restated Securityholders' Agreement dated November 23, 2010 between BMO Capital Corporation, Anneleen Eckhardt Holdings Limited and Strudex Fibres Limited

**NOTICE OF INTENTION TO ENFORCE SECURITY  
PURSUANT TO THE BANKRUPTCY AND INSOLVENCY ACT (CANADA)  
SECTION 244**

**TO: Strudex Fibres Limited (the "Debtor"), an insolvent person**  
65 Northfield Dr. W  
Waterloo, Ontario  
N2J 4J4

**TAKE NOTICE THAT:**

1. RED ASH CAPITAL PARTNERS II LIMITED PARTNERSHIP, BY ITS GENERAL PARTNER PINNACLE CAPITAL RESOURCES LIMITED, a secured creditor, intends to enforce its security on the property of the Debtor as described below:

All of the Debtor's right, title and interest in, to and under all personal property and other assets, whether now owned by or owing to it, or hereafter acquired by or arising in its favour, and whether owned or consigned by or to, or leased from or to, the Debtor, and regardless of where located.

2. The security to be enforced is set out in Schedule "A" hereto.
3. The total amount of indebtedness secured by the security as of May 17, 2012 is CDN \$115,102,000.
4. The secured creditor will not have the right to enforce the security until after the expiry of the ten (10) day period after this notice is sent, unless the Debtor consents to an earlier enforcement.

**DATED** at Waterloo, Ontario this 18<sup>th</sup> day of May, 2012.

**RED ASH CAPITAL PARTNERS II  
LIMITED PARTNERSHIP, BY ITS  
GENERAL PARTNER PINNACLE  
CAPITAL RESOURCES LIMITED**

Per: 

Name: C. Emery O'TT

Title: Investment Director

**Schedule "A"**

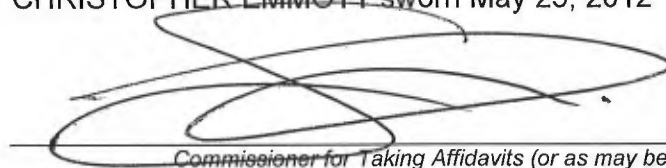
1. Pledge and Security Agreement dated as of June 28, 2007, granted to National Bank of Canada, as Canadian Administrative Agent, by Strudex Fibres Limited, Kraus Carpet Mills Limited and 1029011 Ontario Inc. (collectively, now Kraus Inc.), W.G. McMahon Canada Ltd. (now Kraus Canada Inc.) and McMahon Holdings Inc. (now Kraus USA, Inc.), 538626 B.C. Ltd. and Royal Scot Floorcovering Distribution L.L.C.
2. Demand Debenture dated June 28, 2007, granted to National Bank of Canada, as Canadian Administrative Agent, by Strudex Fibres Limited
3. Debenture Delivery Agreement dated as of June 28, 2007, between National Bank of Canada, as Canadian Administrative Agent, and Strudex Fibres Limited
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7. Debenture Delivery Agreement dated July 24, 2007, between BMO Capital Corporation and Strudex Fibres Limited
8. Amended and Restated Warrant Agreement dated November 23, 2010, between Strudex Fibres Limited and BMOCC
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12. 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

13. Amended and Restated Subordination Agreement dated as of November 23, 2010, between BMO Capital Corporation, Nelson Kraus Holdings Limited, Anneleen Eckhardt Holdings Limited, Strudex Fibres Limited and the other signatories party thereto
14. Amended and Restated Securityholders' Agreement dated November 23, 2010 between BMO Capital Corporation, Anneleen Eckhardt Holdings Limited and Strudex Fibres Limited





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

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a horizontal line.

Commissioner for Taking Affidavits (or as may be)

File Currency: 29APR 2012

System Date: 30APR2012

Type of Search	Business Debtor						
Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	636530022	1	14	1	25	20JUN 2019	

**FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN**

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
636530022		01	001		20070620 1944 1531 7329	P PPSA	12

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	1029011 ONTARIO INC.			
	Address		City	Province
	65 NORTHFIELD DRIVE WEST		WATERLOO	ON
				Postal Code
				N2J 4J4

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address		City	Province
				Postal Code

Secured Party	Secured Party / Lien Claimant			
	NATIONAL BANK OF CANADA, AS CANADIAN ADMINISTRATIVE AGENT			
	Address		City	Province
	130 KING STREET WEST, SUITE 820		TORONTO	ON
				Postal Code
				MSX 1E3

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X	X			

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description			

Registering Agent	Registering Agent			
	MILLER THOMSON LLP			
	Address		City	Province
	40 KING STREET WEST, STE 5900		TORONTO	ON
				Postal Code
				M5H 3S1

CONTINUED

Type of Search	Business Debtor						
Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages		
	636530022	1	14	2	25		

**FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT**

	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under
		01	001		20080111 1050 1529 0275	

Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	636530022		X	A AMNDMNT		

Reference Debtor/ Transferor	First Given Name		Initial		Surname				
	Business Debtor Name					650			
	1029011 ONTARIO INC.								
Other Change	Other Change								
Reason / Description	Reason / Description								
	CHANGE IN DEBTOR'S NAME.								
Debtor / Transferee	Date of Birth	First Given Name		Initial		Surname			
	Business Debtor Name					Ontario Corporation No.			
	KRAUS INC.								
	Address			City		Province	Postal Code		
	65 NORTHFIELD DRIVE WEST			WATERLOO		ON	N2J 4J4		
Assignor	Assignor								
Secured Party	Secured Party/ Lien Claimant/ Assignee								
	Address			City		Province	Postal Code		
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make			Model		V.I.N.		
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent or Secured Party/ Lien Claimant								
	MILLER THOMSON LLP (DKK)								
	Address				City		Province	Postal Code	
	295 HAGEY BOULEVARD, SUITE 300				WATERLOO		ON	N2L 6R5	

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	636530031	2	14	3	25	20JUN 2019	

#### FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
636530031		01	001		20070620 1944 1531 7330	P PPSA	12
Individual Debtor	Date of Birth	First Given Name		Initial	Surname		
Business Debtor	Business Debtor Name				Ontario Corporation No.		
	KRAUS CARPET MILLS LIMITED						
	Address			City	Province	Postal Code	
	65 NORTHFIELD DRIVE WEST			WATERLOO	ON	N2J 4J4	
Individual Debtor	Date of Birth	First Given Name		Initial	Surname		
Business Debtor	Business Debtor Name				Ontario Corporation No.		
	Address			City	Province	Postal Code	



Motor Vehicle Description	Year	Make	Model	V.I.N. 652
General Collateral Description	General Collateral Description			
Registering Agent	Registering Agent or Secured Party/ Lien Claimant			
	MILLER THOMSON LLP (DKK)			
	Address	City	Province	Postal Code
	295 HAGEY BOULEVARD, SUITE 300	WATERLOO	ON	N2L 6R5

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	636530076	3	14	5	25	20JUN 2019	

### FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
636530076		01	001		20070620 1944 1531 7334	P PPSA	12

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	1029011 ONTARIO INC.			
	Address	City	Province	Postal Code
	65 NORTHFIELD DRIVE WEST	WATERLOO	ON	N2J 4J4

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address			City
	City			Province
	Postal Code			

Secured Party	Secured Party / Lien Claimant			
	BMO CAPITAL CORPORATION			
	Address	City	Province	Postal Code
	100 KING STREET WEST, 11TH FLOOR	TORONTO	ON	M5X 1A1

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X	X			

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description			

Registering Agent	Registering Agent			
	MILLER THOMSON LLP			
	Address	City	Province	Postal Code
	40 KING STREET WEST, STE 5900	TORONTO	ON	M5H 3S1

CONTINUED

Type of Search	Business Debtor
Search Conducted On	KRAUS INC.



File Currency	29APR 2012								
File Number	Family	of Families	Page	of Pages			653		
636530076	3	14	6	25					
<b>FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT</b>									
Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number		Registered Under			
	01	001		20080111 1050 1529 0274					
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required		Renewal Years	Correct Period		
	636530076		X	A AMNDMNT					
Reference Debtor/ Transferor	First Given Name		Initial	Surname					
	Business Debtor Name								
	1029011 ONTARIO INC.								
Other Change	Other Change								
Reason / Description	Reason / Description								
	CHANGE IN DEBTOR'S NAME.								
Debtor / Transferee	Date of Birth	First Given Name		Initial	Surname				
	Business Debtor Name					Ontario Corporation No.			
	KRAUS INC.								
	Address			City	Province	Postal Code			
	65 NORTHFIELD DRIVE WEST			WATERLOO	ON	N2J 4J4			
Assignor	Assignor								
Secured Party	Secured Party/ Lien Claimant/ Assignee								
	Address			City	Province	Postal Code			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make		Model		V.I.N.			
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent or Secured Party/ Lien Claimant								
	MILLER THOMSON LLP (DKK)								
	Address			City	Province	Postal Code			
	295 HAGEY BOULEVARD, SUITE 300			WATERLOO	ON	N2L 6R5			

END OF FAMILY

Type of Search	Business Debtor							
Search Conducted On	KRAUS INC.							
File Currency	29APR 2012							
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status	
	636530085	4	14	7	25	20JUN 2019		
<b>FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN</b>								
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number		Registered Under	Registration Period
636530085		01	001		20070620 1944 1531 7335		P PPSA	12

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	KRAUS CARPET MILLS LIMITED			
	Address	City	Province	Postal Code
	65 NORTHFIELD DRIVE WEST	WATERLOO	ON	N2J 4J4
Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address			City
	City			Province
	Province			Postal Code
	Postal Code			
Secured Party	Secured Party / Lien Claimant			
	BMO CAPITAL CORPORATION			
	Address	City	Province	Postal Code
	100 KING STREET WEST, 11TH FLOOR	TORONTO	ON	M5X 1A1
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts
		X	X	X
			X	X
			X	X
			X	X
			X	X
			X	X
			X	X
Motor Vehicle Description	Year	Make	Model	V.I.N.
General Collateral Description	General Collateral Description			
Registering Agent	Registering Agent			
	MILLER THOMSON LLP			
	Address	City	Province	Postal Code
	40 KING STREET WEST, STE 5900	TORONTO	ON	M5H 3S1

CONTINUED

Type of Search	Business Debtor			
Search Conducted On	KRAUS INC.			
File Currency	29APR 2012			
File Number	Family	of Families	Page	of Pages
636530085	4	14	8	25
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT				
Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number
	01	001		20080111 1050 1529 0276
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required
	636530085		X	A AMNDMNT
Reference Debtor/ Transferor	First Given Name	Initial	Surname	
	Business Debtor Name			
	KRAUS CARPET MILLS LIMITED			
Other Change	Other Change			
Reason / Description	Reason / Description			
	CHANGE IN DEBTOR NAME.			
Debtor/ Transferee	Date of Birth	First Given Name	Initial	Surname
	Business Debtor Name		Ontario Corporation No.	
	KRAUS INC.			



Address		City		Province	Postal Code				
65 NORTHFIELD DRIVE WEST		WATERLOO		ON	N2J 4J4				
Assignor	Assignor								
Secured Party	Secured Party/ Lien Claimant/ Assignee								
Address		City		Province	Postal Code				
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make		Model		V.I.N.			
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent or Secured Party/ Lien Claimant								
	MILLER THOMSON LLP (DKK)								
Address		City		Province	Postal Code				
295 HAGEY BOULEVARD, SUITE 300		WATERLOO		ON	N2L 6R5				

END OF FAMILY

Type of Search	Business Debtor								
Search Conducted On	KRAUS INC.								
File Currency	29APR 2012								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	636691959	5	14	9	25	26JUN 2017			
<b>FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN</b>									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
636691959		01	001		20070626 1404 1462 3040	P PPSA	10		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation No.			
	1029011 ONTARIO INC.								
	Address			City	Province	Postal Code			
	65 NORTHFIELD DRIVE WEST			WATERLOO	ON	N2J4J4			
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation No.			
	Address			City	Province	Postal Code			
Secured Party	Secured Party / Lien Claimant								
	NELSON KRAUS HOLDINGS LIMITED								
Address		City		Province	Postal Code				
263 ANITA COURT		WATERLOO		ON	N2K2R4				
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X	X			
Motor Vehicle Description	Year	Make		Model		V.I.N.			
General Collateral Description	General Collateral Description								

Registering Agent	Registering Agent			
AIRD & BERLIS LLP - JILL FRASER				
Address		City	Province	Postal Code
181 BAY STREET, SUITE 1800		TORONTO	ON	M5J2T9

CONTINUED

Type of Search	Business Debtor			
Search Conducted On	KRAUS INC.			
File Currency	29APR 2012			
File Number	Family	of Families	Page	of Pages
636691959	5	14	10	25

## FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under
	001	1		20080222 1610 1793 0782	

Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	636691959			A AMNDMNT		

Reference Debtor/ Transferor	First Given Name	Initial	Surname
	Business Debtor Name		
	1029011 ONTARIO INC.		

Other Change	Other Change

Reason / Description	Reason / Description
	AMENDED TO CHANGE DEBTOR NAME DUE TO AMALGAMATION DATED JANUARY 1, 2008

Debtor/ Transferee	Date of Birth	First Given Name	Initial	Surname
	Business Debtor Name			Ontario Corporation No.
	KRAUS INC.			
	Address		City	Province Postal Code

Assignor	Assignor			
Secured Party	Secured Party/ Lien Claimant/ Assignee			
	Address		City	Province Postal Code

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description

Registering Agent	Registering Agent or Secured Party/ Lien Claimant			
AIRD & BERLIS LLP				
Address		City	Province	Postal Code
181 BAY STREET, SUITE 1800		TORONTO	ON	M5J2T9

CONTINUED

Type of Search	Business Debtor						
Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages		
	636691959	5	14	11	25		

657

### FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under
	001	1		20101220 0901 1590 3888	

Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	636691959			D ASSGNMT		

Reference Debtor / Transferor	First Given Name	Initial	Surname
	Business Debtor Name		
	KRAUS INC.		

Other Change	Other Change

Reason / Description	Reason / Description

Debtor / Transferee	Date of Birth	First Given Name	Initial	Surname
	Business Debtor Name			Ontario Corporation No.
	Address			City Province Postal Code

Assignor	Assignor			
	NELSON KRAUS HOLDINGS LIMITED			
Secured Party	Secured Party / Lien Claimant / Assignee			
	NELSON KRAUS			
	Address	City	Province	Postal Code
	263 ANITA COURT	WATERLOO	ON	N2K 2R4

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description

Registering Agent	Registering Agent or Secured Party / Lien Claimant			
	FASKEN MARTINEAU DUMOULIN LLP (EL) (JLH)			
	Address	City	Province	Postal Code
	BAY ADELAIDE CENTRE, BOX 20	TORONTO	ON	M5H 2T6

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	636691968	6	14	12	25	26JUN 2017	

### FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period

636691968		01	001	20070626 1404 1462 3041		P PPSA	10
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Individual Debtor	Date of Birth	First Given Name	Initial	Surname
				658
Business Debtor	Business Debtor Name			Ontario Corporation No.
	KRAUS CARPET MILLS LIMITED			
	Address		City	Province
	65 NORTHFIELD DRIVE WEST		WATERLOO	ON
				Postal Code
				N2J4J4

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address		City	Province
				Postal Code

Secured Party	Secured Party / Lien Claimant			
	NELSON KRAUS HOLDINGS LIMITED			
	Address		City	Province
	263 ANITA COURT		WATERLOO	ON
				Postal Code
				N2K2R4

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X	X			

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description			

Registering Agent	Registering Agent			
	AIRD & BERLIS LLP - JILL FRASER			
	Address		City	Province
	181 BAY STREET, SUITE 1800		TORONTO	ON
				Postal Code
				M5J2T9

CONTINUED

Type of Search	Business Debtor				
Search Conducted On	KRAUS INC.				
File Currency	29APR 2012				
	File Number	Family	of Families	Page	of Pages
	636691968	6	14	13	25

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT					
	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number
		001	1		20080222 1609 1793 0781
					Registered Under

Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	636691968			A AMNDMNT		

Reference Debtor / Transferor	First Given Name	Initial	Surname
	Business Debtor Name		
	KRAUS CARPET MILLS LIMITED		

Other Change	Other Change		

Reason / Description	Reason / Description		
	AMENDED TO CHANGE DEBTOR NAME DUE TO AMALGAMATION DATED JANUARY 1, 2008		

Debtor / Transferee	Date of Birth	First Given Name	Initial	Surname



		Business Debtor Name						Ontario Corporation No.	
		KRAUS INC.							
		Address				City		Province	Postal Code
Assignor		Assignor							
Secured Party		Secured Party/ Lien Claimant/ Assignee							
		Address				City		Province	Postal Code
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make			Model		V.I.N.		
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent or Secured Party/ Lien Claimant								
	AIRD & BERLIS LLP								
	Address				City		Province	Postal Code	
	181 BAY STREET, SUITE 1800				TORONTO		ON	M5J2T9	

659

END OF FAMILY

Type of Search	Business Debtor								
Search Conducted On	KRAUS INC.								
File Currency	29APR 2012								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	650900205	7	14	14	25	07JAN 2016			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
650900205		01	001		20090107 1946 1531 4975	P PPSA	7		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation No.			
	KRAUS INC.								
	Address			City	Province	Postal Code			
	65 NORTHFIELD DRIVE			WATERLOO	ON	N2J 4J4			
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation No.			
	Address			City	Province	Postal Code			
Secured Party	Secured Party / Lien Claimant								
	CBSC CAPITAL INC.								
	Address			City	Province	Postal Code			
	100-1235 NORTH SERVICE ROAD			OAKVILLE	ON	L6M 2W2			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X		X				
Motor Vehicle Description	Year	Make			Model		V.I.N.		
General Collateral Description									

General Collateral  
Description

660

Registering Agent

Registering Agent

CANADIAN SECURITIES REGISTRATION SYSTEMS

Address

City

Province

Postal Code

4126 NORLAND AVENUE

BURNABY

BC

V5G 3S8

END OF FAMILY

Type of Search

Business Debtor

Search Conducted On

KRAUS INC.

File Currency

29APR 2012

File Number

Family

of Families

Page

of Pages

Expiry Date

Status

652003389

8

14

15

25

11MAR 2013

## FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number

Caution Filing

Page of

Total Pages

Motor Vehicle Schedule

Registration Number

Registered Under

Registration Period

652003389

01

001

20090311 1947 1531 2043

P PPSA

4

Individual Debtor

Date of Birth

First Given Name

Initial

Surname

Business Debtor

Business Debtor Name

Ontario Corporation No.

KRAUS INC.

Address

City

Province

Postal Code

65 NORTHFIELD

WATERLOO

ON

N2J 4J4

Individual Debtor

Date of Birth

First Given Name

Initial

Surname

Business Debtor

Business Debtor Name

Ontario Corporation No.

Address

City

Province

Postal Code

Secured Party

Secured Party / Lien Claimant

FINANCIALINX CORPORATION

Address

City

Province

Postal Code

2001 SHEPPARD AVE E. STE 600

TORONTO

ON

M2J 4Z8

Collateral Classification

Consumer Goods

Inventory

Equipment

Accounts

Other

Motor Vehicle Included

Amount

Date of Maturity or

No Fixed Maturity Date

X

X

X

45325

05MAR2013

Motor Vehicle Description

Year

Make

Model

V.I.N.

2009

HYUNDAI

VERACRUZ GLS

KM8NU73C69U093620

General Collateral  
Description

General Collateral Description

Registering Agent

Registering Agent

CANADIAN SECURITIES REGISTRATION SYSTEMS

Address

City

Province

Postal Code

4126 NORLAND AVENUE

BURNABY

BC

V5G 3S8

END OF FAMILY

Type of Search

Business Debtor

Search Conducted On

KRAUS INC.

File Currency

29APR 2012

File Number

Family

of Families

Page

of Pages

Expiry Date

Status

664827993

9

14

16

25

30SEP 2015

## FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number

Caution Filing

Page of

Total Pages

Motor Vehicle Schedule

Registration Number

Registered Under

Registration Period

664827993

01

001

20100930 1323 1530 3375

P PPSA

5

Individual Debtor	Date of Birth	First Given Name		Initial	Surname 661				
Business Debtor	Business Debtor Name				Ontario Corporation No.				
	KRAUS INC								
	Address		City	Province	Postal Code				
	65 NORTHFIELD DR		WATERLOO	ON	N2J 4J4				
Individual Debtor	Date of Birth	First Given Name		Initial	Surname				
Business Debtor	Business Debtor Name				Ontario Corporation No.				
	Address		City	Province	Postal Code				
Secured Party	Secured Party / Lien Claimant								
	BMW CANADA INC								
	Address		City	Province	Postal Code				
	50 ULTIMATE DRIVE		RICHMOND HILL	ON	L4S 0C8				
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X		X	X	77609		X
Motor Vehicle Description	Year	Make		Model		V.I.N.			
	2011	BMW		335IS CONVERTIBLE		WBADX1C53BE569387			
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent								
	CANADIAN SECURITIES REGISTRATION SYSTEMS								
	Address			City	Province	Postal Code			
	4126 NORLAND AVENUE			BURNABY	BC	V5G 3S8			

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	666333315	10	14	17	25	03DEC 2015	

#### FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
666333315		01	001		20101203 1052 1529 5371	P PPSA	5

Individual Debtor	Date of Birth	First Given Name		Initial	Surname	
Business Debtor	Business Debtor Name				Ontario Corporation No.	
	KRAUS INC					
	Address		City	Province	Postal Code	
	65 NORTHFIELD DR W		WATERLOO	ON	N2J 4J4	

Individual Debtor	Date of Birth	First Given Name		Initial	Surname	
Business Debtor	Business Debtor Name				Ontario Corporation No.	
	Address		City	Province	Postal Code	

Secured Party	Secured Party / Lien Claimant					
	BMW CANADA INC					
	Address		City	Province	Postal Code	
	50 ULTIMATE DRIVE		RICHMOND HILL	ON	L4S 0C8	



Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X		X	X	101335		X

662

Motor Vehicle Description	Year	Make	Model	V.I.N.
	2011	BMW	750LI XDRIVE SEDAN	WBAKC8C59BC433238

General Collateral Description	General Collateral Description			

Registering Agent	Registering Agent			
	CANADIAN SECURITIES REGISTRATION SYSTEMS			
	Address	City	Province	Postal Code
	4126 NORLAND AVENUE	BURNABY	BC	V5G 3S8

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	670759902	11	14	18	25	17JUN 2016	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
670759902		01	001		20110617 1052 1529 3606	P PPSA	5

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	KRAUS INC			
	Address	City	Province	Postal Code
	65 NORTHFIELD DR W	WATERLOO	ON	N2J 4J4

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address	City	Province	Postal Code

Secured Party	Secured Party / Lien Claimant			
	BMW CANADA INC			
	Address	City	Province	Postal Code
	50 ULTIMATE DRIVE	RICHMOND HILL	ON	L4S 0C8

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X		X	X	72003		X

Motor Vehicle Description	Year	Make	Model	V.I.N.
	2011	BMW	X5 XDRIVE35I SPORT	5UXZV4C51BL411897

General Collateral Description	General Collateral Description			

Registering Agent	Registering Agent			
	CANADIAN SECURITIES REGISTRATION SYSTEMS			
	Address	City	Province	Postal Code
	4126 NORLAND AVENUE	BURNABY	BC	V5G 3S8

END OF FAMILY

Type of Search	Business Debtor
----------------	-----------------

Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	670868811	12	14	19	25	22JUN 2016	---

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### FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
670868811		01	001		20110622 1050 1529 6770	P PPSA	5

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	KRAUS INC			
	Address		City	Province
	65 NORTHFIELD DR W		WATERLOO	ON
				Postal Code
				N2J 4J4

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address		City	Province
				Postal Code

Secured Party	Secured Party / Lien Claimant			
	BMW CANADA INC			
	Address		City	Province
	50 ULTIMATE DRIVE		RICHMOND HILL	ON
				Postal Code
				L4S 0C8

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X		X	X	68687		X

Motor Vehicle Description	Year	Make	Model	V.I.N.
	2011	BMW	X5 XDRIVE35I	5UXZV4C55BL411417

General Collateral Description	General Collateral Description			

Registering Agent	Registering Agent			
	CANADIAN SECURITIES REGISTRATION SYSTEMS			
	Address		City	Province
	4126 NORLAND AVENUE		BURNABY	BC
				Postal Code
				V5G 3S8

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	671217228	13	14	20	25	05JUL 2015	

### FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
671217228		01	001		20110705 1951 1531 9254	P PPSA	4

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	KRAUS INC.			
	Address		City	Province
	65 NORTHFIELD DRIVE WEST		WATERLOO	ON
				Postal Code
				N2J 4J4

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.



Registering Agent		Registering Agent		
		CANADIAN SECURITIES REGISTRATION SYSTEMS		
Address		City	Province	Postal Code
4126 NORLAND AVENUE		BURNABY	BC	V5G 3S8

CONTINUED

665

Type of Search	Business Debtor						
Search Conducted On	KRAUS INC.						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	898161138	14	14	22	25	11SEP 2013	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
898161138		02	002		20030911 1945 1531 8655		

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address		City	Province
				Postal Code

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address		City	Province
				Postal Code

Secured Party	Secured Party / Lien Claimant			
	Address		City	Province
				Postal Code

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description			
	ANCILLARY PRODUCTS RELATED THERETO, AND ALL UPGRADES, ADDITIONS AND			
	ACCESSIONS THERETO AND THEREON AND ALL PROCEEDS THEREFROM OF EVERY			
	KIND AND DESCRIPTION.			

Registering Agent	Registering Agent			
	Address		City	Province
				Postal Code

CONTINUED

Type of Search	Business Debtor					
Search Conducted On	KRAUS INC.					
File Currency	29APR 2012					
	File Number	Family	of Families	Page	of Pages	
	898161138	14	14	23	25	

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under
		01	001		20070821 1942 1531 2335	

Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	898161138		X	B RENEWAL	3	



Reference Debtor/ Transferor	First Given Name		Initial		Surname				
	Business Debtor Name								
	KRAUS CARPET MILLS LIMITED 666								
Other Change	Other Change								
Reason / Description	Reason / Description								
Debtor/ Transferee	Date of Birth	First Given Name			Initial		Surname		
	Business Debtor Name								
	Ontario Corporation No.								
	Address				City		Province	Postal Code	
Assignor	Assignor								
Secured Party	Secured Party/ Lien Claimant/ Assignee								
	Address				City		Province	Postal Code	
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make			Model			V.I.N.	
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent or Secured Party/ Lien Claimant								
	CANADIAN SECURITIES REGISTRATION SYSTEMS								
	Address				City		Province	Postal Code	
	4126 NORLAND AVENUE				BURNABY		BC	V5G 3S8	

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	KRAUS INC.								
File Currency	29APR 2012								
	File Number	Family	of Families	Page		of Pages			
	898161138	14	14	24		25			
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT									
	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached		Registration Number		Registered Under	
		01	001			20100809 1452 1530 6870			
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required		Renewal Years	Correct Period		
	898161138		X	A AMNDMNT					
Reference Debtor/ Transferor	First Given Name		Initial		Surname				
	Business Debtor Name								
	KRAUS CARPET MILLS LIMITED								
Other Change	Other Change								
Reason / Description	Reason / Description								

DEBTOR NAME CHANGE DUE TO AMALGAMATION.

667

Debtor / Transferee	Date of Birth	First Given Name	Initial	Surname					
Business Debtor Name				Ontario Corporation No.					
KRAUS INC.									
Address		City	Province	Postal Code					
65 NORTHFIELD DRIVE		WATERLOO	ON	N2J 4J4					
Assignor	Assignor								
Secured Party	Secured Party / Lien Claimant / Assignee								
Address		City	Province	Postal Code					
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make	Model	V.I.N.					
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent or Secured Party / Lien Claimant								
CANADIAN SECURITIES REGISTRATION SYSTEMS									
Address		City	Province	Postal Code					
4126 NORLAND AVENUE		BURNABY	BC	V5G 3S8					

CONTINUED

Type of Search	Business Debtor					
Search Conducted On	KRAUS INC.					
File Currency	29APR 2012					
File Number	Family	of Families	Page	of Pages		
898161138	14	14	25	25		
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT						
Cautious Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under	
	01	001		20100809 1452 1530 6871		
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	898161138		X	B RENEWAL	3	
Reference Debtor / Transferor	First Given Name	Initial	Surname			
Business Debtor Name						
KRAUS INC.						
Other Change	Other Change					
Reason / Description	Reason / Description					
Debtor / Transferee	Date of Birth	First Given Name	Initial	Surname		
Business Debtor Name				Ontario Corporation No.		
Address				City	Province	Postal Code

Assignor	Assignor 668								
Secured Party	Secured Party/ Lien Claimant/ Assignee								
Address					City	Province	Postal Code		
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make			Model		V.I.N.		
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent or Secured Party/ Lien Claimant								
	CANADIAN SECURITIES REGISTRATION SYSTEMS								
Address					City	Province	Postal Code		
4126 NORLAND AVENUE					BURNABY	BC	V5G 3S8		



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 1  
( 5279)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE  
OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH : BUSINESS DEBTOR

SEARCH CONDUCTED ON : KRAUS INC.

FILE CURRENCY : 29APR 2012

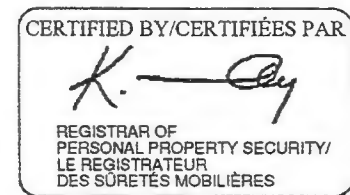
ENQUIRY NUMBER 20120430173314.91 CONTAINS 27 PAGE(S), 14 FAMILY(IES).

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME  
WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER  
SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

ESC REF 1109714  
ESC CORPORATE SERVICES LTD.  
445 KING STREET WEST, SUITE 400  
TORONTO ON M5V 1K4

CONTINUED...

2



(crfj2 11/2008)



607

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 2  
( 5280)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
671217228

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20110705 1951 1531 9254	P PPSA	4

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
-------------	---------------	------------------	---------	---------

BUSINESS NAME KRAUS INC.

ADDRESS 65 NORTHFIELD DRIVE WEST WATERLOO ON N2J 4J4

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
-------------	---------------	------------------	---------	---------

BUSINESS NAME

ADDRESS

SECURED PARTY / FINANCIALINX CORPORATION

LIEN CLAIMANT

ADDRESS 2001 SHEPPARD AVE E, 6TH FLR TORONTO ON M2J 4Z8

COLLATERAL CLASSIFICATION

CONSUMER	GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY	OR	NO FIXED MATURITY DATE
	X		X		X	X	53208	30JUN2015		

MOTOR VEHICLE	YEAR MAKE	MODEL	V.I.N.
	2011 CADILLAC	CTS	1G6DL5ED9B0123836

GENERAL  
COLLATERAL  
DESCRIPTION

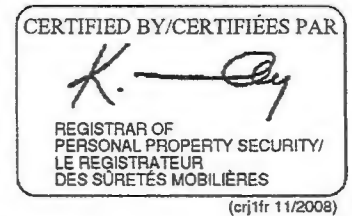
REGISTERING AGENT CANADIAN SECURITIES REGISTRATION SYSTEMS

ADDRESS 4126 NORLAND AVENUE BURNABY BC V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED...

3



670

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 3  
( 5281)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
670868811

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION  
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD  
01 001 20110622 1050 1529 6770 P PPSA 5

02 DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 DEBTOR NAME BUSINESS NAME KRAUS INC

04 ADDRESS 65 NORTHFIELD DR W \* WATERLOO ONTARIO CORPORATION NO. ON N2J 4J4

05 DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 DEBTOR NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / BMW CANADA INC

09 LIEN CLAIMANT ADDRESS 50 ULTIMATE DRIVE RICHMOND HILL ON L4S 0C8

COLLATERAL CLASSIFICATION

10 CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED  
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE  
X X X 68687 X

11 YEAR MAKE MODEL V.I.N.  
12 2011 BMW X5 XDRIVE35I 5UXZV4C55BL411417

13 GENERAL  
14 COLLATERAL  
15 DESCRIPTION

16 REGISTERING AGENT CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS 4126 NORLAND AVENUE BURNABY BC V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 4

CERTIFIED BY/CERTIFIÉES PAR  
*K. — Jay*  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTREUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)



671

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 4  
( 5282)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
670759902

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20110617 1052 1529 3606	P PPSA	5

DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

DEBTOR  
NAME

BUSINESS NAME

KRAUS INC

ONTARIO CORPORATION NO.

ADDRESS

65 NORTHFIELD DR W

WATERLOO

ON N2J 4J4

DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY /  
LIEN CLAIMANT

BMW CANADA INC

ADDRESS

50 ULTIMATE DRIVE

RICHMOND HILL

ON L4S 0C8

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY OR	NO FIXED MATURITY DATE
		X		X	X	72003		X

YEAR MAKE

2011 BMW

MODEL

X5 XDRIVE35I SPORT

V.I.N.

5UXZV4C51BL411897

GENERAL  
COLLATERAL  
DESCRIPTION

REGISTERING  
AGENT

CANADIAN SECURITIES REGISTRATION SYSTEMS

ADDRESS

4126 NORLAND AVENUE

BURNABY


BC

V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED...

5

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTREUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 5  
( 5283)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
666333315

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION  
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD  
01 001 20101203 1052 1529 5371 P PPSA 5

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME  
03 NAME BUSINESS NAME KRAUS INC

04 ADDRESS 65 NORTHFIELD DR W WATERLOO ONTARIO CORPORATION NO.  
ON N2J 4J4

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME  
06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / BMW CANADA INC  
09 LIEN CLAIMANT ADDRESS 50 ULTIMATE DRIVE RICHMOND HILL ON L4S 0C8

10 COLLATERAL CLASSIFICATION  
CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED  
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE  
X X X 101335 X


11 MOTOR YEAR MAKE MODEL V.I.N.  
12 VEHICLE 2011 BMW 750LI XDRIVE SEDAN WBAKC8C59BC433238

13 GENERAL  
14 COLLATERAL  
15 DESCRIPTION

16 REGISTERING CANADIAN SECURITIES REGISTRATION SYSTEMS  
17 AGENT ADDRESS 4126 NORLAND AVENUE BURNABY BC V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 6

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)



673

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 6  
( 5284)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
664827993

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20100930 1323 1530 3375	P PPSA	5

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR NAME

BUSINESS NAME KRAUS INC

ONTARIO CORPORATION NO.

ADDRESS 65 NORTHFIELD DR WATERLOO ON N2J 4J4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY /  
LIEN CLAIMANT BMW CANADA INC

ADDRESS 50 ULTIMATE DRIVE RICHMOND HILL ON L4S 0C8

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY	OR	NO FIXED MATURITY DATE
		X		X	X	77609			X

YEAR	MAKE	MODEL	V.I.N.
2011	BMW	335is CONVERTIBLE	WBADX1C53BE569387

GENERAL  
COLLATERAL  
DESCRIPTION

REGISTERING AGENT CANADIAN SECURITIES REGISTRATION SYSTEMS

ADDRESS 4126 NORLAND AVENUE BURNABY BC V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED...

CERTIFIED BY/CERTIFIÉES PAR

*K. [Signature]*

REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 7  
( 5285)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
652003389

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20090311 1947 1531 2043	P PPSA	4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

KRAUS INC.

ONTARIO CORPORATION NO.

ADDRESS

65 NORTHFIELD

WATERLOO

ON N2J 4J4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY /  
LIEN CLAIMANT

FINANCIALINX CORPORATION

ADDRESS

2001 SHEPPARD AVE E. STE 600

TORONTO

ON M2J 4Z8

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY OR	NO FIXED MATURITY DATE
		X		X	X	45325	05MAR2013	

YEAR MAKE

2009 HYUNDAI

MODEL

VERACRUZ GLS

V.I.N.

KM8NU73C69U093620

GENERAL

COLLATERAL

DESCRIPTION

REGISTERING  
AGENT

CANADIAN SECURITIES REGISTRATION SYSTEMS

ADDRESS

4126 NORLAND AVENUE

BURNABY

BC V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED...

81

CERTIFIED BY/CERTIFIÉES PAR

*K. — Ay*

REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)

675



Ontario



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 8  
( 5286)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
650900205

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20090107 1946 1531 4975	P PPSA	7

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME  
KRAUS INC

ONTARIO CORPORATION NO.

ADDRESS  
65 NORTHFIELD DRIVE WATERLOO ON N2J 4J4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY /  
LIEN CLAIMANT

CBSC CAPITAL INC.

ADDRESS  
100-1235 NORTH SERVICE ROAD OAKVILLE ON L6M 2W2

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY	OR	NO FIXED MATURITY DATE

YEAR	MAKE	MODEL	V.I.N.
------	------	-------	--------

MOTOR  
VEHICLE

GENERAL  
COLLATERAL  
DESCRIPTION

REGISTERING  
AGENT

CANADIAN SECURITIES REGISTRATION SYSTEMS

ADDRESS  
4126 NORLAND AVENUE BURNABY BC V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 9





RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 9  
( 5287)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 10 FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
636691959

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION  
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD  
01 001 20070626 1404 1462 3040 P PPSA 10

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME 1029011 ONTARIO INC.

04 ADDRESS 65 NORTHFIELD DRIVE WEST WATERLOO ONTARIO CORPORATION NO. ON N2J4J4

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / NELSON KRAUS HOLDINGS LIMITED

09 LIEN CLAIMANT ADDRESS 263 ANITA COURT WATERLOO ON N2K2R4

10 COLLATERAL CLASSIFICATION  
CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED  
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE  
X X X X X

11 YEAR MAKE MODEL V.I.N.

12 MOTOR VEHICLE

13 GENERAL  
14 COLLATERAL  
15 DESCRIPTION

16 REGISTERING AGENT AIRD & BERLIS LLP - JILL FRASER

17 ADDRESS 181 BAY STREET, SUITE 1800 TORONTO ON M5J2T9

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 10



(ej11fr 11/2008)

677



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 10  
( 5288)

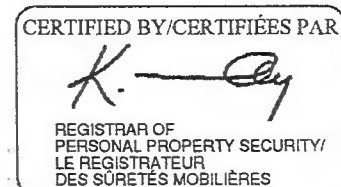
TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL MOTOR VEHICLE PAGES SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	001	1	20080222 1610 1793 0782	
21	RECORD FILE NUMBER	636691959		
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED A AMENDMENT	RENEWAL YEARS
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	1029011 ONTARIO INC.	
25	OTHER CHANGE			
26	REASON/	AMENDED TO CHANGE DEBTOR NAME DUE TO AMALGAMATION DATED JANUARY 1,		
27	DESCRIPTION	2008		
02/	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
05	DEBTOR/			
03/	TRANSFeree	BUSINESS NAME	KRAUS INC.	
06				ONTARIO CORPORATION NO.
04/07	ADDRESS			
29	ASSIGNOR			
08	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE			
09	ADDRESS			
10	COLLATERAL CLASSIFICATION			
	CONSUMER	MOTOR VEHICLE	DATE OF	NO FIXED
	GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED	AMOUNT MATURITY OR MATURITY DATE
11	MOTOR	YEAR MAKE	MODEL	V.I.N.
12	VEHICLE			
13	GENERAL			
14	COLLATERAL			
15	DESCRIPTION			
16	REGISTERING AGENT OR	AIRD & BERLIS LLP		
17	SECURED PARTY/	ADDRESS	181 BAY STREET, SUITE 1800	TORONTO ON M5J2T9
	LIEN CLAIMANT			

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 11



(crj2fr 11/2008)

678



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 11  
( 5289)

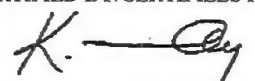
TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED  
21 FILING NO. OF PAGES SCHEDULE NUMBER UNDER  
01 001 1 20101220 0901 1590 3888  
21 RECORD FILE NUMBER 636691959  
22 REFERENCED  
22 PAGE AMENDED NO SPECIFIC PAGE AMENDED CHANGE REQUIRED RENEWAL CORRECT  
D ASSIGNMENT YEARS PERIOD  
23 FIRST GIVEN NAME INITIAL SURNAME  
24 REFERENCE DEBTOR/ BUSINESS NAME KRAUS INC.  
TRANSFEROR  
25 OTHER CHANGE  
26 REASON/  
27 DESCRIPTION  
28  
02/ DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME  
05 DEBTOR/  
03/ TRANSFEREE BUSINESS NAME  
06 ONTARIO CORPORATION NO.  
04/07 ADDRESS  
29 ASSIGNOR NELSON KRAUS HOLDINGS LIMITED  
SECURED PARTY/LIEN CLAIMANT/ASSIGNEE  
08 NELSON KRAUS  
09 ADDRESS 263 ANITA COURT WATERLOO ON N2K 2R4  
COLLATERAL CLASSIFICATION  
CONSUMER MOTOR VEHICLE DATE OF NO FIXED  
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED AMOUNT MATURITY OR MATURITY DATE  
10 YEAR MAKE MODEL V.I.N.  
11 MOTOR  
12 VEHICLE  
13 GENERAL  
14 COLLATERAL  
15 DESCRIPTION  
16 REGISTERING AGENT OR FASKEN MARTINEAU DUMOULIN LLP (EL) (JLH)  
17 SECURED PARTY/ ADDRESS BAY ADELAIDE CENTRE, BOX 20 TORONTO ON M5H 2T6  
LIEN CLAIMANT

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 12

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj2fr 11/2008)

679



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 12  
( 5290)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
636691968

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20070626 1404 1462 3041	P PPSA	10

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

KRAUS CARPET MILLS LIMITED

ONTARIO CORPORATION NO.

ADDRESS

65 NORTHFIELD DRIVE WEST

WATERLOO

ON N2J4J4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY /  
LIEN CLAIMANT

NELSON KRAUS HOLDINGS LIMITED

ADDRESS

263 ANITA COURT

WATERLOO

ON N2K2R4

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY	OR	NO FIXED MATURITY DATE
X	X	X	X	X	X				

YEAR MAKE

MODEL

V.I.N.

MOTOR  
VEHICLE

GENERAL  
COLLATERAL  
DESCRIPTION

REGISTERING  
AGENT

AIRD & BERLIS LLP - JILL FRASER

ADDRESS

181 BAY STREET, SUITE 1800

TORONTO

ON

M5J2T9

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 13

CERTIFIED BY/CERTIFIÉES PAR

K. — *ay*

REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 13  
( 5291)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

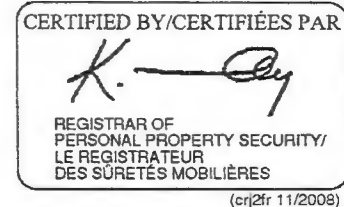
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED  
02 FILING NO. OF PAGES SCHEDULE NUMBER UNDER  
03 001 1 20080222 1609 1793 0781  
04 RECORD FILE NUMBER 636691968  
05 REFERENCED  
06 PAGE AMENDED NO SPECIFIC PAGE AMENDED CHANGE REQUIRED RENEWAL CORRECT  
07 A AMENDMENT YEARS PERIOD  
08 FIRST GIVEN NAME INITIAL SURNAME  
09 REFERENCE  
10 DEBTOR/ BUSINESS NAME KRAUS CARPET MILLS LIMITED  
11 TRANSFEROR  
12 OTHER CHANGE  
13 REASON/ AMENDED TO CHANGE DEBTOR NAME DUE TO AMALGAMATION DATED JANUARY 1,  
14 DESCRIPTION 2008  
15  
16 DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME  
17 DEBTOR/  
18 TRANSFEREE BUSINESS NAME KRAUS INC.  
19  
20 ADDRESS  
21  
22  
23  
24  
25  
26  
27  
28  
29 ASSIGNOR  
30 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE  
31  
32 ADDRESS  
33 COLLATERAL CLASSIFICATION  
34 CONSUMER MOTOR VEHICLE DATE OF NO. FIXED  
35 GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED AMOUNT MATURITY OR MATURITY DATE  
36  
37 YEAR MAKE MODEL V.I.N.  
38 MOTOR  
39 VEHICLE  
40 GENERAL  
41 COLLATERAL  
42 DESCRIPTION  
43 REGISTERING AGENT OR AIRD & BERLIS LLP  
44 SECURED PARTY/ ADDRESS 181 BAY STREET, SUITE 1800 TORONTO ON M5J2T9  
45 LIEN CLAIMANT

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED...

14



681



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 14  
( 5292)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
636530022

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE ECHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20070620 1944 1531 7329	P PPSA	12

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
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DEBTOR  
NAME

BUSINESS NAME 1029011 ONTARIO INC.

ONTARIO CORPORATION NO.

ADDRESS 65 NORTHFIELD DRIVE WEST WATERLOO ON N2J 4J4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY / NATIONAL BANK OF CANADA, AS CANADIAN ADMINISTRATIVE AGENT

LIEN CLAIMANT

ADDRESS 130 KING STREET WEST, SUITE 820 TORONTO ON M5X 1B3

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY	OR	NO FIXED MATURITY DATE
X	X	X	X	X	X				

YEAR	MAKE	MODEL	V.I.N.
------	------	-------	--------

MOTOR  
VEHICLE

GENERAL  
COLLATERAL  
DESCRIPTION

REGISTERING  
AGENT MILLER THOMSON LLP

ADDRESS 40 KING STREET WEST, STE 5900 TORONTO ON M5H 3S1

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 15

CERTIFIED BY/CERTIFIÉES PAR

*K. — Jay*

REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)



682



PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 15  
( 5293)

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 3C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED  
FILING NO. OF PAGES SCHEDULE NUMBER UNDER

01 001 20080111 1050 1529 0275

RECORD FILE NUMBER 636530022

RENEWAL  
PERIOD

PAGE AMENDED NO SPECIFIC PAGE AMENDED  
X  
CHANGE REQUIRED  
A AMENDMENT

INITIAL SURNAME

FIRST GIVEN NAME

BUSINESS NAME 1029011 ONTARIO INC.

DEBTOR/  
TRANSFEROR

OTHER CHANGE  
REASON/  
DESCRIPTION  
CHANGE IN DEBTOR'S NAME.

DATE OF BIRTH

FIRST GIVEN NAME

INITIAL SURNAME

DEBTOR/  
TRANSFEREE  
BUSINESS NAME  
KRAUS INC.

ADDRESS 65 NORTHFIELD DRIVE WEST

WATERLOO

ONTARIO CORPORATION NO.  
ON N2J 4J4

ASSIGNOR  
SECURED PARTY/LIEN CLAIMANT/ASSIGNEE

ADDRESS

COLLATERAL CLASSIFICATION

GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDE MOTOR VEHICLE DATE OF NO FIXED  
AMOUNT MATURITY OR MATURITY DATE

YEAR MAKE

MODEL

V.I.N.

MOTOR

VEHICLE

GENERAL

COLLATERAL

DESCRIPTION

REGISTERING AGENT OR

SECURED PARTY/  
LIEN CLAIMANT

MILLER THOMSON LLP (DKK)


ADDRESS 295 HAGEY BOULEVARD, SUITE 300

WATERLOO

ON N2L 6R5

FOR FURTHER INFORMATION CONTACT THE SECURED PARTY.

CONTINUED... 16

CERTIFIED BY/CERTIFIÉES PAR  
K.   
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SURETES MOBILIÈRES  
(en21/11/2008)



683



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 16  
( 5294)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
636530031

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20070620 1944 1531 7330	P PPSA	12

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR NAME BUSINESS NAME KRAUS CARPET MILLS LIMITED

ADDRESS 65 NORTHFIELD DRIVE WEST WATERLOO ON N2J 4J4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR NAME BUSINESS NAME

ADDRESS

SECURED PARTY / LIEN CLAIMANT NATIONAL BANK OF CANADA, AS CANADIAN ADMINISTRATIVE AGENT

ADDRESS 130 KING STREET WEST, SUITE 820 TORONTO ON M5X 1E3

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY	OR	NO FIXED MATURITY DATE
X	X	X	X	X	X				

YEAR	MAKE	MODEL	V.I.N.
------	------	-------	--------

MOTOR VEHICLE

GENERAL COLLATERAL DESCRIPTION

REGISTERING AGENT MILLER THOMSON LLP

ADDRESS 40 KING STREET WEST, STE 5900 TORONTO ON M5H 3S1

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY \*\*\*

CONTINUED... 17

CERTIFIED BY/CERTIFIÉES PAR

*K. — Day*

REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTREUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)



684

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 17  
( 5295)


TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	01	001		20080111 1050 1529 0277	
21	RECORD FILE NUMBER	636530031			
	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED	RENEWAL YEARS	CORRECT PERIOD
22		X	A AMENDMENT		
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME	
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	KRAUS CARPET MILLS LIMITED		
25	OTHER CHANGE				
26	REASON/ DESCRIPTION	CHANGE IN DEBTOR'S NAME.			
02/	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME	
05	DEBTOR/ TRANSFEREE	BUSINESS NAME	KRAUS INC.		
06					
04/07	ADDRESS	65 NORTHFIELD DRIVE WEST	WATERLOO	ON	N2J 4J4
29	ASSIGNOR				
08	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE				
09	ADDRESS				
	COLLATERAL CLASSIFICATION				
	CONSUMER	MOTOR VEHICLE	DATE OF	NO FIXED	
10	GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED	AMOUNT MATURITY OR	MATURITY DATE
11	MOTOR	YEAR MAKE	MODEL	V.I.N.	
12	VEHICLE				
13	GENERAL				
14	COLLATERAL				
15	DESCRIPTION				
16	REGISTERING AGENT OR	MILLER THOMSON LLP (DKK)			
17	SECURED PARTY/ LIEN CLAIMANT	ADDRESS	295 HAGEY BOULEVARD, SUITE 300	WATERLOO	ON N2L 6R5

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 18

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(en)2fr 11/2008



685

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 18  
( 5296)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
636530076

00

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20070620 1944 1531 7334	P PPSA	12

01

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
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02

DEBTOR NAME BUSINESS NAME 1029011 ONTARIO INC.

03

ADDRESS 65 NORTHFIELD DRIVE WEST WATERLOO ON N2J 4J4

04

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

05

DEBTOR NAME BUSINESS NAME

06

ADDRESS ONTARIO CORPORATION NO.

07

SECURED PARTY / BMO CAPITAL CORPORATION

08

LIEN CLAIMANT ADDRESS 100 KING STREET WEST, 11TH FLOOR TORONTO ON M5X 1A1

09

COLLATERAL CLASSIFICATION				MOTOR VEHICLE	AMOUNT	DATE OF	NO FIXED
CONSUMER	GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	INCLUDED	MATURITY OR MATURITY DATE
	X	X	X	X	X	X	

10

YEAR MAKE	MODEL	V.I.N.
-----------	-------	--------

11

MOTOR VEHICLE

12

GENERAL COLLATERAL DESCRIPTION

13

14

15

REGISTERING AGENT MILLER THOMSON LLP

16


ADDRESS 40 KING STREET WEST, STE 5900 TORONTO ON M5H 3S1

17

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED...

19

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)

686



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 19  
( 5297)


TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL MOTOR VEHICLE REGISTRATION REGISTERED
		PAGES SCHEDULE NUMBER UNDER
01	01	001 20080111 1050 1529 0274
21	RECORD FILE NUMBER	636530076
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED
		X A AMENDMENT
23	REFERENCE	FIRST GIVEN NAME INITIAL SURNAME
24	DEBTOR/ TRANSFEROR	BUSINESS NAME 1029011 ONTARIO INC.
25	OTHER CHANGE	
26	REASON/	CHANGE IN DEBTOR'S NAME.
27	DESCRIPTION	
28		
02/	DATE OF BIRTH	FIRST GIVEN NAME INITIAL SURNAME
05	DEBTOR/	
03/	TRANSFEREE	BUSINESS NAME KRAUS INC.
06		
04/07	ADDRESS	65 NORTHFIELD DRIVE WEST WATERLOO ON N2J 4J4
29	ASSIGNOR	
08	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE	
09	ADDRESS	
	COLLATERAL CLASSIFICATION	
	CONSUMER	MOTOR VEHICLE
	GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED AMOUNT DATE OF NO FIXED
10		MATURITY OR MATURITY DATE
	YEAR MAKE	MODEL V.I.N.
11	MOTOR	
12	VEHICLE	
13	GENERAL	
14	COLLATERAL	
15	DESCRIPTION	
16	REGISTERING AGENT OR	MILLER THOMSON LLP (DKK)
17	SECURED PARTY/ LIEN CLAIMANT	ADDRESS 295 HAGEY BOULEVARD, SUITE 300 WATERLOO ON N2L 6R5

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY \*\*\*

CONTINUED... 201

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTREUR  
DES SÛRETÉS MOBILIÈRES

(crj2fr 11/2008)



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 20  
( 5298)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
636530085

CATION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20070620 1944 1531 7335	P PPSA	12

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
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DEBTOR  
NAME

BUSINESS NAME

KRAUS CARPET MILLS LIMITED

ONTARIO CORPORATION NO.

ADDRESS

65 NORTHFIELD DRIVE WEST

WATERLOO

ON N2J 4J4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY  
LIEN CLAIMANT

BMO CAPITAL CORPORATION

ADDRESS

100 KING STREET WEST, 11TH FLOOR

TORONTO

ON M5X 1A1

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY	OR	NO FIXED MATURITY DATE
	X	X	X	X	X				

YEAR MAKE

MODEL

V.I.N.

MOTOR  
VEHICLE

GENERAL  
COLLATERAL  
DESCRIPTION

REGISTERING  
AGENT

MILLER THOMSON LLP

ADDRESS

40 KING STREET WEST, STE 5900

TORONTO

ON M5H 3S1

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 21

CERTIFIED BY/CERTIFIÉES PAR

*K. [Signature]*

REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTREUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)



688

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 21  
( 5299)


TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	01	001		20080111 1050 1529 0276	
21	RECORD FILE NUMBER	636530085			
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED	RENEWAL YEARS	CORRECT PERIOD
		X	A AMENDMENT		
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME	
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	KRAUS CARPET MILLS LIMITED		
25	OTHER CHANGE REASON/ DESCRIPTION	CHANGE IN DEBTOR NAME.			
02/	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME	
05/	DEBTOR/ TRANSFEREE	BUSINESS NAME	KRAUS INC.		
06/	ADDRESS	65 NORTHFIELD DRIVE WEST	WATERLOO	ON	N2J 4J4
04/07	ASSIGNOR	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE			
08/	ADDRESS				
09/	COLLATERAL CLASSIFICATION				
10/	CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER INCLUDED
11/	MOTOR VEHICLE	DATE OF	NO FIXED		
12/	YEAR	MAKE	MODEL	V.I.N.	
13/	GENERAL COLLATERAL DESCRIPTION				
14/	REGISTERING AGENT OR	MILLER THOMSON LLP (DKK)			
15/	SECURED PARTY/ LIEN CLAIMANT	ADDRESS	295 HAGEY BOULEVARD, SUITE 300	WATERLOO	ON N2L 6R5

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 22

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj2fr 11/2008)





RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 22  
( 5300)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
898161138

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	002		20030911 1945 1531 8655	P PPSA	4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

KRAUS CARPET MILLS LIMITED

ONTARIO CORPORATION NO.

ADDRESS

65 NORTHFIELD DRIVE

WATERLOO

ON N2J 4J4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY /  
LIEN CLAIMANT

IBM CANADA LIMITED - PPSA ADMINISTRATOR

ADDRESS

3600 STEELES AVE EAST F4

MARKHAM

ON L3R 9Z7

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY	NO FIXED OR MATURITY DATE
		X	X	X				

YEAR MAKE

MODEL

V.I.N.

MOTOR  
VEHICLE

GENERAL  
COLLATERAL  
DESCRIPTION

ALL PRESENT AND AFTER ACQUIRED GOODS SUPPLIED, LEASED OR FINANCED BY  
THE SECURED PARTY, INCLUDING BUT NOT LIMITED TO, ALL OFFICE  
MACHINES, OFFICE EQUIPMENT, COMPUTER HARDWARE, SOFTWARE AND ALL

REGISTERING  
AGENT

CANADIAN SECURITIES REGISTRATION SYSTEMS

ADDRESS

4126 NORLAND AVENUE

BURNABY

BC

V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY \*\*\*

CONTINUED... 23

CERTIFIED BY/CERTIFIÉES PAR

*K. [Signature]*

REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crjfr 11/2008)





RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 23  
( 5301)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
898161138

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION  
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD  
02 002 20030911 1945 1531 8655

02 DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

04 ADDRESS

05 DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

07 ADDRESS

08 SECURED PARTY /  
LIEN CLAIMANT

09 ADDRESS

COLLATERAL CLASSIFICATION

10 CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO. FIXED  
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE

11 YEAR MAKE MODEL V.I.N.

12 MOTOR  
VEHICLE

13 GENERAL ANCILLARY PRODUCTS RELATED THERETO, AND ALL UPGRADES, ADDITIONS AND  
14 COLLATERAL ACCESSIONS THERETO AND THEREON AND ALL PROCEEDS THEREFROM OF EVERY  
15 DESCRIPTION KIND AND DESCRIPTION.

16 REGISTERING  
AGENT

17 ADDRESS

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED...

24



(crj1fr 11/2008)



691

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 24  
( 5302)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL MOTOR VEHICLE PAGES SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	01	001	20070821 1942 1531 2335	
21	RECORD FILE NUMBER	898161138		
	REFERENCE			
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED	RENEWAL YEARS
		X	B RENEWAL	3
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	KRAUS CARPET MILLS LIMITED	
25	OTHER CHANGE			
26	REASON/			
27	DESCRIPTION			
28				
02/	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
05	DEBTOR/			
03/	TRANSFeree	BUSINESS NAME		
06				
04/07	ADDRESS			
29	ASSIGNOR			
08	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE			
09	ADDRESS			
	COLLATERAL CLASSIFICATION			
	CONSUMER	MOTOR VEHICLE	DATE OF	NO FIXED
	GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED	AMOUNT MATURITY OR MATURITY DATE
10	YEAR MAKE	MODEL	V.I.N.	
11	MOTOR			
12	VEHICLE			
13	GENERAL			
14	COLLATERAL			
15	DESCRIPTION			
16	REGISTERING AGENT OR	CANADIAN SECURITIES REGISTRATION SYSTEMS		
17	SECURED PARTY/ LIEN CLAIMANT	ADDRESS	4126 NORLAND AVENUE	BURNABY BC V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 25

CERTIFIED BY/CERTIFIÉES PAR  
*K. [Signature]*  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj2fr 11/2008)



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 25  
( 5303)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 2C-FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	01	001		20100809 1452 1530 6870	
21	RECORD FILE NUMBER	898161138			
	REFERENCED				
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED	RENEWAL YEARS	CORRECT PERIOD
		X	A AMENDMENT		
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME	
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	KRAUS CARPET MILLS LIMITED		
25	OTHER CHANGE				
26	REASON/ DESCRIPTION	DEBTOR NAME CHANGE DUE TO AMALGAMATION.			
02/	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME	
05	DEBTOR/ TRANSFEREE	BUSINESS NAME	KRAUS INC.		
06					
04/07	ADDRESS	65 NORTHFIELD DRIVE		WATERLOO	ONTARIO CORPORATION NO. ON N2J 4J4
29	ASSIGNEE				
08	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE				
09	ADDRESS				
	COLLATERAL CLASSIFICATION				
	CONSUMER				
10	GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER INCLUDED
	YEAR	MAKE	MODEL	V.I.N.	
11	MOTOR				
12	VEHICLE				
13	GENERAL				
14	COLLATERAL				
15	DESCRIPTION				
16	REGISTERING AGENT OR	CANADIAN SECURITIES REGISTRATION SYSTEMS			
17	SECURED PARTY/ LIEN CLAIMANT	ADDRESS	4126 NORLAND AVENUE	BURNABY	BC V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY \*\*\*

CONTINUED... 26

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj2fr 11/2008)

693



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 26  
( 5304)

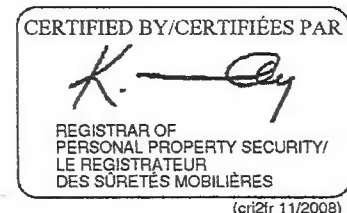
TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAPTION	PAGE	TOTAL	MOTOR VEHICLE	REGISTRATION	REGISTERED
FILING	NO	PAGES	SCHEDULE	NUMBER	UNDER
01	01	001		20100809 1452 1530 6871	
21	REGARD	FILE NUMBER	898161138		
	REFERENCED				
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED	RENEWAL	CORRECT
		X	B RENEWAL	3	PERIOD
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME	
24	DEBTOR/	BUSINESS NAME	KRAUS INC.		
	TRANSFEROR				
25	OTHER CHANGE				
26	REASON/				
27	DESCRIPTION				
28					
02/	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME	
05	DEBTOR/				
03/	TRANSFEREE	BUSINESS NAME			
06					
04/07	ADDRESS				ONTARIO CORPORATION NO.
29	ASSIGNOR				
08	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE				
09	ADDRESS				
	COLLATERAL CLASSIFICATION				
	CONSUMER		MOTOR VEHICLE	DATE OF	NO FIXED
	GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED	AMOUNT	MATURITY OR MATURITY DATE
10					
11	MOTOR	YEAR MAKE	MODEL	V.I.N.	
12	VEHICLE				
13	GENERAL				
14	COLLATERAL				
15	DESCRIPTION				
16	REGISTERING AGENT OR	CANADIAN SECURITIES REGISTRATION SYSTEMS			
17	SECURED PARTY/	ADDRESS	4126 NORLAND AVENUE	BURNABY	BC V5G 3S8
	LIEN CLAIMANT				

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY \*\*\*

CONTINUED... 27



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173314.91

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

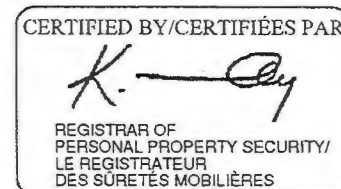
REPORT : PSSR060  
PAGE : 27  
( 5305)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : KRAUS INC.  
FILE CURRENCY : 29APR 2012

INFORMATION RELATING TO THE REGISTRATIONS LISTED BELOW IS ATTACHED HERETO.

FILE NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER
671217228	20110705 1951 1531 9254			
670868811	20110622 1050 1529 6770			
670759902	20110617 1052 1529 3606			
666333315	20101203 1052 1529 5371			
664827993	20100930 1323 1530 3375			
652003389	20090311 1947 1531 2043			
650900205	20090107 1946 1531 4975			
636691959	20070626 1404 1462 3040	20080222 1610 1793 0782	20101220 0901 1590 3888	
636691968	20070626 1404 1462 3041	20080222 1609 1793 0781		
636530022	20070620 1944 1531 7329	20080111 1050 1529 0275		
636530031	20070620 1944 1531 7330	20080111 1050 1529 0277		
636530076	20070620 1944 1531 7334	20080111 1050 1529 0274		
636530085	20070620 1944 1531 7335	20080111 1050 1529 0276		
898161138	20030911 1945 1531 8655	20070821 1942 1531 2335	20100809 1452 1530 6870	20100809 1452 1530 6871

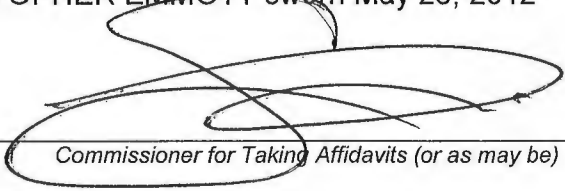
24 REGISTRATION(S) ARE REPORTED IN THIS ENQUIRY RESPONSE.



(crfj2 11/2008)



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



Commissioner for Taking Affidavits (or as may be)

File Currency: 29APR 2012

System Date: 30APR2012

<b>Type of Search</b>	Business Debtor						
<b>Search Conducted On</b>	STRUDEX FIBRES LIMITED						
<b>File Currency</b>	29APR 2012						
	<b>File Number</b>	<b>Family</b>	<b>of Families</b>	<b>Page</b>	<b>of Pages</b>	<b>Expiry Date</b>	<b>Status</b>
	636530049	1	5	1	8	20JUN 2019	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN							
<b>File Number</b>	<b>Caution Filing</b>	<b>Page of</b>	<b>Total Pages</b>	<b>Motor Vehicle Schedule</b>	<b>Registration Number</b>	<b>Registered Under</b>	<b>Registration Period</b>
636530049		01	001		20070620 1944 1531 7331	P PPSA	12

<b>Individual Debtor</b>	<b>Date of Birth</b>	<b>First Given Name</b>	<b>Initial</b>	<b>Surname</b>
<b>Business Debtor</b>	<b>Business Debtor Name</b>			<b>Ontario Corporation No.</b>
	STRUDEX FIBRES LIMITED			
	<b>Address</b>		<b>City</b>	<b>Province</b> <b>Postal Code</b>
	65 NORTHFIELD DRIVE WEST		WATERLOO	ON   N2J 4J4

<b>Individual Debtor</b>	<b>Date of Birth</b>	<b>First Given Name</b>	<b>Initial</b>	<b>Surname</b>
<b>Business Debtor</b>	<b>Business Debtor Name</b>			<b>Ontario Corporation No.</b>
	<b>Address</b>		<b>City</b>	<b>Province</b> <b>Postal Code</b>

<b>Secured Party</b>	<b>Secured Party / Lien Claimant</b>			
	NATIONAL BANK OF CANADA, AS CANADIAN ADMINISTRATIVE AGENT			
	<b>Address</b>	<b>City</b>	<b>Province</b>	<b>Postal Code</b>
	130 KING STREET WEST, SUITE 820	TORONTO	ON	M5X 1E3

<b>Collateral Classification</b>	<b>Consumer Goods</b>	<b>Inventory</b>	<b>Equipment</b>	<b>Accounts</b>	<b>Other</b>	<b>Motor Vehicle Included</b>	<b>Amount</b>	<b>Date of Maturity or</b>	<b>No Fixed Maturity Date</b>
		X	X	X	X	X			

<b>Motor Vehicle Description</b>	<b>Year</b>	<b>Make</b>	<b>Model</b>	<b>V.I.N.</b>

<b>General Collateral Description</b>	<b>General Collateral Description</b>

<b>Registering Agent</b>	<b>Registering Agent</b>			
	MILLER THOMSON LLP			
	<b>Address</b>	<b>City</b>	<b>Province</b>	<b>Postal Code</b>
	40 KING STREET WEST, STE 5900	TORONTO	ON	M5H 3S1

END OF FAMILY

<b>Type of Search</b>	Business Debtor						
<b>Search Conducted On</b>	STRUDEX FIBRES LIMITED						
<b>File Currency</b>	29APR 2012						
	<b>File Number</b>	<b>Family</b>	<b>of Families</b>	<b>Page</b>	<b>of Pages</b>	<b>Expiry Date</b>	<b>Status</b>
	636530094	2	5	2	8	20JUN 2019	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN							
<b>File Number</b>	<b>Caution Filing</b>	<b>Page of</b>	<b>Total Pages</b>	<b>Motor Vehicle Schedule</b>	<b>Registration Number</b>	<b>Registered Under</b>	<b>Registration Period</b>
636530094		01	001		20070620 1944 1531 7336	P PPSA	12

<b>Individual Debtor</b>	<b>Date of Birth</b>	<b>First Given Name</b>	<b>Initial</b>	<b>Surname</b>
<b>Business Debtor</b>	<b>Business Debtor Name</b>			<b>Ontario Corporation No.</b>
	STRUDEX FIBRES LIMITED			



		Address				City		Province	Postal Code
		65 NORTHFIELD DRIVE WEST				WATERLOO		ON	N2J 4J4
Individual Debtor	Date of Birth	First Given Name				Initial		Surname 698	
	Business Debtor Name						Ontario Corporation No.		
Business Debtor	Address						City	Province	Postal Code
Secured Party	Secured Party / Lien Claimant								
	BMO CAPITAL CORPORATION								
	Address				City		Province	Postal Code	
	100 KING STREET WEST, 11TH FLOOR				TORONTO		ON	M5X 1A1	
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X	X			
Motor Vehicle Description	Year	Make			Model		V.I.N.		
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent								
	MILLER THOMSON LLP								
	Address				City		Province	Postal Code	
	40 KING STREET WEST, STE 5900				TORONTO		ON	M5H 3S1	

END OF FAMILY

Type of Search	Business Debtor								
Search Conducted On	STRUDEX FIBRES LIMITED								
File Currency	29APR 2012								
	File Number	Family	of Families	Page	of Pages	Expiry Date		Status	
	636691977	3	5	3	8	26JUN 2017			
<b>FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN</b>									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule		Registration Number		Registered Under	Registration Period
636691977		01	001			20070626 1404 1462 3042		P PPSA	10
Individual Debtor	Date of Birth	First Given Name				Initial		Surname	
	Business Debtor Name						Ontario Corporation No.		
Business Debtor	STRUDEX FIBRES LIMITED								
	Address				City		Province	Postal Code	
	65 NORTHFIELD DRIVE WEST				WATERLOO		ON	N2J4J4	
Individual Debtor	Date of Birth	First Given Name				Initial		Surname	
	Business Debtor Name						Ontario Corporation No.		
Business Debtor									
	Address				City		Province	Postal Code	
Secured Party	Secured Party / Lien Claimant								
	NELSON KRAUS HOLDINGS LIMITED								
	Address				City		Province	Postal Code	
	263 ANITA COURT				WATERLOO		ON	N2K2R4	
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X	X			
Motor Vehicle Description	Year	Make			Model		V.I.N.		

General Collateral Description	General Collateral Description				699
Registering Agent	Registering Agent				
	AIRD & BERLIS LLP - JILL FRASER				
	Address		City	Province	Postal Code
	181 BAY STREET, SUITE 1800		TORONTO	ON	M5J2T9

CONTINUED

Type of Search	Business Debtor				
Search Conducted On	STRUDEX FIBRES LIMITED				
File Currency	29APR 2012				
	File Number	Family	of Families	Page	of Pages
	636691977	3	5	4	8

**FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT**

	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under
		001	1		20101220 0901 1590 3889	

Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	636691977			D ASSGNMT		

Reference Debtor/ Transferor	First Given Name	Initial	Surname
	Business Debtor Name		
	STRUDEX FIBRES LIMITED		

Other Change	Other Change
Reason / Description	Reason / Description

Debtor/ Transferee	Date of Birth	First Given Name	Initial	Surname
	Business Debtor Name			Ontario Corporation No.
	Address			City Province Postal Code

Assignor	Assignor			
	NELSON KRAUS HOLDINGS LIMITED			
Secured Party	Secured Party/ Lien Claimant/ Assignee			
	NELSON KRAUS			
	Address		City	Province Postal Code
	263 ANITA COURT		WATERLOO	ON N2K 2R4

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description			

Registering Agent	Registering Agent or Secured Party/ Lien Claimant
	FASKEN MARTINEAU DUMOULIN LLP (EL) (JLH)

Address	City	Province	Postal Code
BAY ADELAIDE CENTRE, BOX 20	TORONTO	ON	MSH 2T6

END OF FAMILY

700

Type of Search	Business Debtor						
Search Conducted On	STRUDEX FIBRES LIMITED						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	639102456	4	5	5	8	14SEP 2012	

## FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
639102456		01	002		20070914 1640 1616 1177	P PPSA	5

Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
Business Debtor	Business Debtor Name			Ontario Corporation No.	
	STRUDEX FIBRES LIMITED				
	Address		City	Province	Postal Code
	565 CONESTOGA RD		WATERLOO	ON	N2L 4C9

Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
Business Debtor	Business Debtor Name			Ontario Corporation No.	
	Address		City	Province	Postal Code

Secured Party	Secured Party / Lien Claimant						
	INTEGRATED DISTRIBUTION SYSTEMS LIMITED PARTNERSHIP						
	Address				City	Province	Postal Code
	811 STEELES AVENUE EAST				MILTON	ON	L9T 5H3

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X						

Motor Vehicle Description	Year	Make		Model		V.I.N.	

General Collateral Description	General Collateral Description						
	S30FT HSYTER S/N E010V02511E						

Registering Agent	Registering Agent						
	JCLD ONLINE						
	Address				City	Province	Postal Code
	16-1375 SOUTHDOWN RD STE 322				MISSISSAUGA	ONT	L5J 2Z1

CONTINUED

Type of Search	Business Debtor						
Search Conducted On	STRUDEX FIBRES LIMITED						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	639102456	4	5	6	8	14SEP 2012	

## FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
639102456		02	002		20070914 1640 1616 1177		

Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
Business Debtor	Business Debtor Name			Ontario Corporation No.	
	Address		City	Province	Postal Code

Individual Debtor		Date of Birth	First Given Name		Initial	Surname 701	
Business Debtor		Business Debtor Name				Ontario Corporation No.	
		Address			City	Province	Postal Code
Secured Party		Secured Party / Lien Claimant					
		WAJAX GP HOLDCO INC					
		Address			City	Province	Postal Code
		811 STEELES AVE E			MILTON	ON	L9T 5H3
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount
Motor Vehicle Description	Year	Make		Model		V.I.N.	
General Collateral Description	General Collateral Description						
Registering Agent	Registering Agent						
	Address			City	Province	Postal Code	

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	STRUDEX FIBRES LIMITED						
File Currency	29APR 2012						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	640283085	5	5	7	8	30OCT 2012	
<b>FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN</b>							
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
640283085		01	002		20071030 1039 1616 2547	P PPSA	5
Individual Debtor	Date of Birth	First Given Name		Initial	Surname		
Business Debtor	Business Debtor Name				Ontario Corporation No.		
	STRUDEX FIBRES LIMITED						
	Address			City	Province	Postal Code	
	65 NORTHFIELD DR			WATERLOO	ON	N2J 4J4	
Individual Debtor	Date of Birth	First Given Name		Initial	Surname		
Business Debtor	Business Debtor Name				Ontario Corporation No.		
	Address			City	Province	Postal Code	
Secured Party	Secured Party / Lien Claimant						
	INTEGRATED DISTRIBUTION SYSTEMS LIMITED PARTNERSHIP						
	Address			City	Province	Postal Code	
	811 STEELES AVENUE EAST			MILTON	ON	L9T 5H3	
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount
			X				
Motor Vehicle Description	Year	Make		Model		V.I.N.	



General Collateral Description	General Collateral Description			
	S30FT HYSTERS S/N E010V02512E, E010V02514E, E010V02513E, E010V02510E			
	702			

Registering Agent	Registering Agent			
JCLD ONLINE				
Address		City	Province	Postal Code
16-1375 SOUTHDOWN RD STE 322		MISSISSAUGA	ONT	L5J 2Z1

CONTINUED

Type of Search	Business Debtor					
Search Conducted On	STRUDEX FIBRES LIMITED					
File Currency	29APR 2012					
File Number	Family	of Families	Page	of Pages	Expiry Date	Status
640283085	5	5	8	8	30OCT 2012	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
640283085		02	002		20071030 1039 1616 2547		

Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
Business Debtor	Business Debtor Name			Ontario Corporation No.	
	Address		City	Province	Postal Code

Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
Business Debtor	Business Debtor Name			Ontario Corporation No.	
	Address		City	Province	Postal Code

Secured Party	Secured Party / Lien Claimant			
WAJAX GP HOLDCO INC				
Address		City	Province	Postal Code
811 STEELES AVE E		MILTON	ON	L9T 5H3

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description			

Registering Agent	Registering Agent			
Address		City	Province	Postal Code

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173311.97

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 1  
( 5682)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE  
OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH : BUSINESS DEBTOR

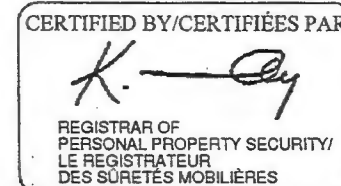
SEARCH CONDUCTED ON : STRUDEX FIBRES LIMITED

FILE CURRENCY : 29APR 2012

ENQUIRY NUMBER 20120430173311.97 CONTAINS 10 PAGE(S), 5 FAMILY(IES).

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME  
WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER  
SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

ESC REF 1109714  
ESC CORPORATE SERVICES LTD.  
445 KING STREET WEST, SUITE 400  
TORONTO ON M5V 1K4



(crj2 11/2008)

CONTINUED...

2

703



Ontario

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173311.97

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 2  
( 5683)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : STRUDEX FIBRES LIMITED  
FILE CURRENCY : 29APR 2012

FORM 10 FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
640283085

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	002		20071030 1039 1616 2547	P PPSA	5

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
----------------	---------------	------------------	---------	---------

03	BUSINESS NAME	STRUDEX FIBRES LIMITED		
----	---------------	------------------------	--	--

04	ADDRESS	65 NORTHFIELD DR	WATERLOO	ONTARIO CORPORATION NO.	ON	N2J 4J4
----	---------	------------------	----------	-------------------------	----	---------

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
----------------	---------------	------------------	---------	---------

06	BUSINESS NAME			
----	---------------	--	--	--

07	ADDRESS	ONTARIO CORPORATION NO.			
----	---------	-------------------------	--	--	--

08	SECURED PARTY /	INTEGRATED DISTRIBUTION SYSTEMS LIMITED PARTNERSHIP				
----	-----------------	-----------------------------------------------------	--	--	--	--

09	LIEN CLAIMANT	ADDRESS	811 STEEBLES AVENUE EAST	MILTON	ON	L9T 5H3
----	---------------	---------	--------------------------	--------	----	---------

COLLATERAL CLASSIFICATION		CONSUMER	MOTOR VEHICLE	AMOUNT	DATE OF	NO. FIXED
GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	INCLUDED	MATURITY OR MATURITY DATE

10	YEAR MAKE	MODEL	V.I.N.
----	-----------	-------	--------

11	MOTOR
12	VEHICLE

13	GENERAL	S30FT HYSTERS S/N E010V02512E, E010V02514E, E010V02513E, E010V02510E
----	---------	----------------------------------------------------------------------

14	COLLATERAL
15	DESCRIPTION

16	REGISTERING	JCLD ONLINE
17	AGENT	ADDRESS 16-1375 SOUTHDOWN RD STE 322 MISSISSAUGA ONT L5J 2Z1

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 3

704

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES  
(crt/11/2008)





RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173311.97

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 3  
( 5684)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : STRUDEX FIBRES LIMITED  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
640283085

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	02	002		20071030 1039 1616 2547		

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY /  
LIEN CLAIMANT WAJAX GP HOLDCO INC

LIEN CLAIMANT

ADDRESS

811 STEELES AVE E

MILTON

ON

L9T 5H3

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY	OR	NO FIXED MATURITY DATE
----------------	-----------	-----------	----------	-------	------------------------	--------	------------------	----	------------------------

YEAR MAKE

MODEL

V.I.N.

MOTOR  
VEHICLE

GENERAL  
COLLATERAL  
DESCRIPTION

REGISTERING  
AGENT

ADDRESS

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED...

4

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTREUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)

 Ontario

705

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173311.97

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 4  
( 5685)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : STRUDEX FIBRES LIMITED  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
639102456

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	002		20070914 1640 1616 1177	P PPSA	5

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME STRUDEX FIBRES LIMITED

04 ADDRESS 565 CONESTOGA RD WATERLOO ONT N2L 4C9

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / INTEGRATED DISTRIBUTION SYSTEMS LIMITED PARTNERSHIP

09 LIEN CLAIMANT ADDRESS 811 STEELES AVENUE EAST MILTON ONT L9T 5H3

10 COLLATERAL CLASSIFICATION  
CONSUMER GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER MOTOR VEHICLE INCLUDED AMOUNT DATE OF MATURITY OR NO FIXED MATURITY DATE:  
X

11 YEAR MAKE MODEL V.I.N.

12 MOTOR VEHICLE

13 GENERAL S30FT HSYTER S/N E010V02511E

14 COLLATERAL  
15 DESCRIPTION

16 REGISTERING AGENT JCLD ONLINE

17 ADDRESS 16-1375 SOUTHDOWN RD STE 322 MISSISSAUGA ONT L5J 2Z1

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 5

CERTIFIED BY/CERTIFIÉES PAR

*K. [Signature]*

REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)



706

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173311.97

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 5  
( 5686)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : STRUDEX FIBRES LIMITED  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
639102456

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION  
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD  
02 002 20070914 1640 1616 1177

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME  
03 NAME BUSINESS NAME

04 ADDRESS ONTARIO CORPORATION NO.

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME  
06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / WAJAX GP HOLDCO INC  
09 LIEN CLAIMANT ADDRESS 811 STEELES AVE E MILTON ON L9T 5H3

10 COLLATERAL CLASSIFICATION  
CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED  
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE

11 YEAR MAKE MODEL V.I.N.  
12 MOTOR VEHICLE

13 GENERAL  
14 COLLATERAL  
15 DESCRIPTION

16 REGISTERING  
17 AGENT ADDRESS

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 6

CERTIFIED BY/CERTIFIÉES PAR  
*K. — Ay*  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crt/11/2008)



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173311.97

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 6  
( 5687)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : STRUDEX FIBRES LIMITED  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
636691977

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION  
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD  
01 001 20070626 1404 1462 3042 P PPSA 10

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME STRUDEX FIBRES LIMITED

04 ADDRESS 65 NORTHFIELD DRIVE WEST WATERLOO ONTARIO CORPORATION NO. ON N2J4J4

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / NELSON KRAUS HOLDINGS LIMITED

09 LIEN CLAIMANT ADDRESS 263 ANITA COURT WATERLOO ON N2K2R4

10 COLLATERAL CLASSIFICATION  
CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED  
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE  
X X X X X

11 YEAR MAKE MODEL V.I.N.

12 MOTOR VEHICLE

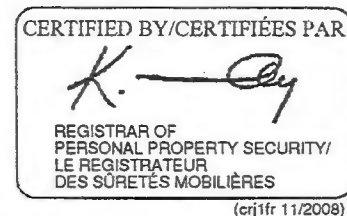
13 GENERAL  
14 COLLATERAL  
15 DESCRIPTION

16 REGISTERING AIRD & BERLIS LLP - JILL FRASER

17 AGENT ADDRESS 181 BAY STREET, SUITE 1800 TORONTO ON M5J2T9

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 7



708

RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173311.97

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 7  
( 5688)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : STRUDEX FIBRES LIMITED  
FILE CURRENCY : 29APR 2012

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILE	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	001	1		20101220 0901 1590 3889	
21	RECORD REFERENCES	FILE NUMBER	636691977		
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED D ASSIGNMENT	RENEWAL YEARS	CORRECT PERIOD
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME	
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	STRUDEX FIBRES LIMITED		
25	OTHER CHANGE REASON/ DESCRIPTION				
02/ 05	DEBTOR/ TRANSFEREE	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
03/ 06	TRANSFEREE	BUSINESS NAME			
04/07	ADDRESS	ONTARIO CORPORATION NO.			
29	ASSIGNOR	NELSON KRAUS HOLDINGS LIMITED			
08	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE				
09	ADDRESS	NELSON KRAUS 263 ANITA COURT WATERLOO ON N2K 2R4			
10	COLLATERAL CLASSIFICATION	CONSUMER GOODS	MOTOR VEHICLE INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED	DATE OF MATURITY OR	NO FIXED MATURITY DATE
11	MOTOR VEHICLE GENERAL COLLATERAL DESCRIPTION	YEAR	MAKE	MODEL	V.I.N.
16	REGISTERING AGENT OR SECURED PARTY/ LIEN CLAIMANT	FASKEN MARTINEAU DUMOULIN LLP (EL) (JLH) BAY ADELAIDE CENTRE, BOX 20 TORONTO ON M5H 2T6			

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 8

CERTIFIED BY/CERTIFIÉES PAR  
  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj2fr 11/2008)



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173311.97

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 8  
( 5689)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : STRUDEX FIBRES LIMITED  
FILE CURRENCY : 29APR 2012

FORM 18 FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
636530049

CATION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20070620 1944 1531 7331	P PPSA	12

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME BUSINESS NAME STRUDEX FIBRES LIMITED

ADDRESS 65 NORTHFIELD DRIVE WEST WATERLOO ONTARIO CORPORATION NO. ON N2J 4J4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME BUSINESS NAME

ADDRESS ONTARIO CORPORATION NO.

SECURED PARTY / NATIONAL BANK OF CANADA, AS CANADIAN ADMINISTRATIVE AGENT

LIEN CLAIMANT ADDRESS 130 KING STREET WEST, SUITE 820 TORONTO ON M5X 1E3

COLLATERAL CLASSIFICATION					MOTOR VEHICLE	AMOUNT	DATE OF	NO FIXED
CONSUMER	GOODS	INVENTORY	EQUIPMENT	ACCOUNTS OTHER	INCLUDED		MATURITY OR	MATURITY DATE
	X	X	X	X	X			

YEAR MAKE	MODEL	V.I.N.
-----------	-------	--------

MOTOR  
VEHICLE

GENERAL  
COLLATERAL  
DESCRIPTION

REGISTERING  
AGENT MILLER THOMSON LLP

ADDRESS 40 KING STREET WEST, STE 5900 TORONTO ON M5H 3S1

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 9

CERTIFIED BY/CERTIFIÉES PAR

K. — [Signature]

REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(c)11fr 11/2008



710



RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173311.97

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 9  
( 5690)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : STRUDEX FIBRES LIMITED  
FILE CURRENCY : 29APR 2012

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER  
636530094

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	01	001		20070620 1944 1531 7336	P PPSA	12

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

STRUDEX FIBRES LIMITED

ONTARIO CORPORATION NO.

ADDRESS

65 NORTHFIELD DRIVE WEST

WATERLOO

ON N2J 4J4

DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
---------------	------------------	---------	---------

DEBTOR  
NAME

BUSINESS NAME

ONTARIO CORPORATION NO.

ADDRESS

SECURED PARTY /

BMO CAPITAL CORPORATION

LIEN CLAIMANT

ADDRESS

100 KING STREET WEST, 11TH FLOOR

TORONTO

ON M5X 1A1

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY OR	NO FIXED MATURITY DATE
X	X	X	X	X	X			

YEAR MAKE

MODEL

V.I.N.

MOTOR  
VEHICLE

GENERAL

COLLATERAL

DESCRIPTION

REGISTERING  
AGENT

MILLER THOMSON LLP

ADDRESS

40 KING STREET WEST, STE 5900

TORONTO

ON M5H 3S1

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 10

CERTIFIED BY/CERTIFIÉES PAR

*K. — Jay*

REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj1fr 11/2008)





RUN NUMBER : 121  
RUN DATE : 2012/04/30  
ID : 20120430173311.97

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

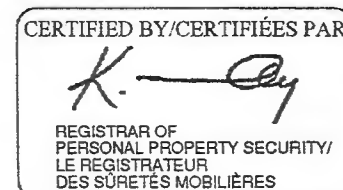
REPORT : PSSR060  
PAGE : 10  
( 5691)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : STRUDEX FIBRES LIMITED  
FILE CURRENCY : 29APR 2012

INFORMATION RELATING TO THE REGISTRATIONS LISTED BELOW IS ATTACHED HERETO.

FILE NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER
640283085	20071030 1039 1616 2547			
639102456	20070914 1640 1616 1177			
636691977	20070626 1404 1462 3042	20101220 0901 1590 3889		
636530049	20070620 1944 1531 7331			
636530094	20070620 1944 1531 7336			

6 REGISTRATION(S) ARE REPORTED IN THIS ENQUIRY RESPONSE.

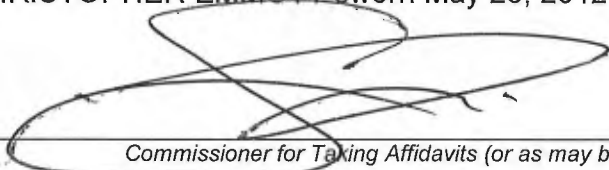


(crt)2 11/2008



712

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



Commissioner for Taking Affidavits (or as may be)



## Search by Business Debtor

Date: 2012-04-30  
Time: 4:23:06 PM  
Inquiry Number: 10181296408  
User ID:

Business Name: KRAUS CANADA INC.

2 exact matches were found.

1 similar match was found.

## EXACT MATCHES

Business Debtor Name	No. of Registrations
1. KRAUS CANADA INC.	2
2. Kraus Canada Inc.	2

## 1. KRAUS CANADA INC.

## 1.1 KRAUS CANADA INC.: Registration 201205743109 (2012-04-10 2:45:49 PM)

Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2018-04-10
Debtor Address	1551 CHURCH AVENUE WINNIPEG, MB Canada R2X 1G7
Secured Parties (party code, name, address)	BLUE CHIP LEASING CORPORATION 156 DUNCAN MILL ROAD, UNIT 16 TORONTO, ON Canada M3B 3N2
General Collateral Description	ALL COMPUTER EQUIPMENTS AND ACCESSORIES OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 31754 BETWEEN THE SECURED PARTY, AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, SUBSTITUTIONS AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH THE COLLATERAL OR PROCEEDS THEREOF.

## 1.2 KRAUS CANADA INC.: Registration 200711621503 (2007-06-26 9:14:20 AM)

Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2017-06-26
Debtor Address	65 NORTHFIELD DRIVE WEST WATERLOO, ON Canada N2J4J4
Secured Parties (party code, name, address)	NELSON KRAUS HOLDINGS LIMITED 263 ANITA COURT WATERLOO, ON Canada N2K 2R4
General Collateral Description	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER- ACQUIRED PERSONAL PROPERTY.
Change History	Registration Number: 200803311810 (2008-02-22 3:35:18 PM) Sections Changed: Business Debtors

[Back to Top](#)

## 2. Kraus Canada Inc.

## 2.1 Kraus Canada Inc.: Registration 200711379206 (2007-06-21 2:42:56 PM)

Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2019-06-20
Debtor Address	65 Northfield Drive West Waterloo, Ontario Canada N2J 4J4
Secured Parties (party code, name, address)	BMO Capital Corporation 100 King Street West, 11th Floor

	Toronto, Ontario Canada M5X 1A1
<b>General Collateral Description</b>	*The security interest is taken in all of the debtor's present and after-acquired personal property.
<b>Change History</b>	Registration Number: 200801485110 (2008-01-23 3:52:52 PM) Sections Changed: Business Debtors
<b>2.2 Kraus Canada Inc.: Registration 200711376800 (2007-06-21 2:35:16 PM)</b>	
<b>Registered under</b>	The Personal Property Security Act
<b>Expiry Date (YYYY-MM-DD)</b>	2019-06-20
<b>Debtor Address</b>	65 Northfield Drive West Waterloo, Ontario Canada N2J 4J4
<b>Secured Parties (party code, name, address)</b>	National Bank of Canada, as Canadian Administrative Agent 130 King Street West, Suite 820, P.O. Box 428 Toronto, Ontario Canada M5X 1E3
<b>General Collateral Description</b>	*The security interest is taken in all of the debtor's present and after-acquired personal property.
<b>Change History</b>	Registration Number: 200801486419 (2008-01-23 3:55:30 PM) Sections Changed: Business Debtors

[Back to Top](#)

END OF EXACT MATCHES

ENGLISH  
FRANÇAISManitoba 

Search by Business Debtor: 1 similar match was found.

Business Debtor Name	No. of Registrations
1. CRI CANADA INC.	1

**1. CRI CANADA INC.****1.1 CRI CANADA INC.: Registration 201006525607 (2010-04-28 9:50:31 AM)**

Registered under	The Personal Property Security Act
Expiry Date (YYYY-MM-DD)	2015-11-01
Special Notices	Purchase Money Security Interest
Debtor Address	200-1601 REGENT AVENUE NW WINNIPEG, MB Canada R2C3B3
Secured Parties (party code, name, address)	AC488 NATIONAL LEASING GROUP INC. 1525 BUFFALO PLACE WINNIPEG, MANITOBA CANADA R3T1L9
General Collateral Description	ALL TELEPHONE SYSETMS AND SOFTWARE OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 2495541 BETWEEN THE SECURED PARTY, AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.

[Back to Top](#)

ENVOI PAR MESSAGERIE ÉLECTRONIQUE  
-----DESTINATAIRE:  
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NOM DU REQUÉRANT : Esc Corporate Services Ltd  
NUMÉRO DE DEMANDE DE SERVICE : 12-0328032  
DATE D'EXPÉDITION : 2012-04-30

EXPÉDITEUR:  
-----

Centre des services du registre des droits personnels et réels mobiliers

REMARQUE : Tout document transmis par  
messagerie électronique n'est pas certifié

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ÉTAT DES DROITS

E120328032-ZFJ56  
2012-04-30  
Page 1

DEMANDE DE SERVICE: 12-0328032

OBJET DE LA RECHERCHE: KRAUS CANADA INC.

Lors de l'établissement d'une fiche nominative, un algorithme de normalisation d'écriture est appliqué au nom sous lequel la fiche est établie. Cela a pour effet de faciliter la consultation du registre et d'uniformiser certaines variantes dans la graphie ou la typographie d'un nom.

Lors de la consultation du registre, ce même algorithme est appliqué au nom faisant l'objet de la recherche. Le résultat révèle alors les inscriptions faites sous le nom issu de l'application de l'algorithme.

Le présent état des droits comprend toutes les inscriptions faites sous ce nom et différents codes postaux s'il y a lieu.

DATE DE CERTIFICATION DU REGISTRE:

2012-04-30 15:00

=====

KRAUS CANADA INC

R2X 1G7

=====

## FICHE SYNOPTIQUE

INSCRIPTION

DATE-HEURE-MINUTE

00001 08-0048618-0001 2008-01-29 09:00  
CHANGEMENT DE NOM

=====

## FICHE DÉTAILLÉE NO 00001

INSCRIPTION

DATE-HEURE-MINUTE

08-0048618-0001 2008-01-29 09:00  
CHANGEMENT DE NOM

PARTIES

-----

Ancien nom

W.G. MCMAHON CANADA LTD.

1551 CHURCH AVENUE, WINNIPEG, MANITOBA

R2X 1G7

Nouveau nom

KRAUS CANADA INC.

155 CHURCH AVENUE, WINNIPEG, MANITOBA

R2X 1G7

2  
E120328032-ZFJ56

DEMANDE DE SERVICE: 12-0328032

2012-04-30  
Page 2

SUITE DE L'INSCRIPTION 08-0048618-0001  
MENTIONS (SUITE)

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MENTIONS

-----

RÉFÉRENCE À L'INSCRIPTION VISÉE

NUMÉRO

NATURE

07-0420137-0001

HYPOTHÈQUE CONVENTIONNELLE SANS DÉPOSSESSION

07-0357080-0001

HYPOTHÈQUE CONVENTIONNELLE SANS DÉPOSSESSION

RÉFÉRENCE À L'ACTE CONSTITUTIF

FORME DE L'ACTE: CERTIFICAT DE MODIFICATION

DATE: 2008-01-22

LIEU: OTTAWA

\*\*\*\*\* FIN DE L'ÉTAT \*\*\*\*\*

L'ÉTAT CERTIFIÉ SERA TRANSMIS PAR LE MOYEN CHOISI À LA DEMANDE DE SERVICE.



E120328032-ZFJ56<sup>3</sup>2012-04-30  
Page 3

DEMANDE DE SERVICE: 12-0328032

## INFORMATION SUPPLÉMENTAIRE

OBJET DE LA RECHERCHE: KRAUS CANADA INC.

## NOM PRÉSENTANT DES SIMILARITÉS

Le registre des droits personnels et réels mobiliers compte des fiches nominatives établies sous les noms suivants qui présentent des similarités avec le nom qui fait l'objet de la recherche. La liste qui suit peut ne pas être exhaustive.

CANADA INC	H2N 1V6
CANADA INC	J1X 6Z6
CANADEAU	G1R 1S4
CONSTRUCTION CROS BOS INC	H4L 2J1
CROS BOS CONSTRUCTION INC	H4L 2J1
CROWM CORRUGATED CO	V7A 2S5
DES CANADA	H4S 1X6
DES CANADA	H4S 1X7
DES CANADA	H9G 2X7
DES CANADA	H9P 1K3
DES CANADA INC	H4S 1X7
KRAUS CARPET MILLS LTD	N2J 4J4
KROO INVESTMENTS LTD	H4N 1X7
KROO INVESTMENTS LTD	H9P 1J8

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## Bankruptcy and Insolvency Records (BIA) Search Results | Résultats de la recherche dans le Registre des dossiers de faillite et d'insolvabilité (LFI)

2012-05-02

Search Criteria | Critères de recherche :

Name | Nom = KRAUS CANADA INC.

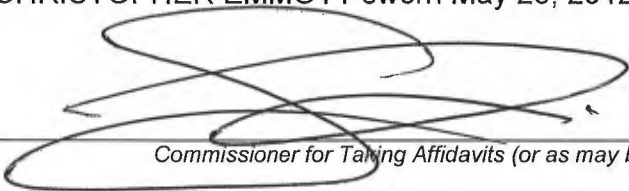
Reference | Référence :

1049579

A search of the Office of the Superintendent of Bankruptcy records has revealed no information, for the period 1978 to 2012-04-30, based on the search criteria above-mentioned.

Une recherche dans le registre du Bureau du surintendant des faillites n'a révélé aucune information pour la période allant de 1978 à 2012-04-30, selon les critères de recherche susmentionnés.

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



Commissioner for Taking Affidavits (or as may be)

Consolidated Financial Statements of

## **THE KRAUS GROUP**

Consisting of the consolidated financial  
statements of Strudex Fibres Limited  
Year ended December 31, 2010  
(Expressed in thousands of Canadian Dollars)



**KPMG LLP**  
**Chartered Accountants**  
115 King Street South, 2<sup>nd</sup> Floor  
Waterloo ON N2J 5A3

Telephone 519-747-8800  
Fax 519-747-8830  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of The Kraus Group (the "Company"), which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated statements of earnings and deficit, comprehensive loss and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

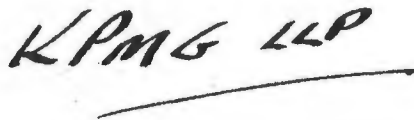
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Kraus Group as at December 31, 2010, and its consolidated results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1(b) in the consolidated financial statements which describes that the Company was not in compliance with its lending covenants at December 31, 2010 and, as of that date, the Company's long-term debt is classified as a current liability. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may affect the Company's ability to operate as a going concern.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Accountants, Licensed Public Accountants

April 26, 2011  
Waterloo, Canada

## THE KRAUS GROUP

Consolidated Financial Statements of Strudex Fibres Limited  
Consolidated Balance Sheet  
(Expressed in thousands of Canadian Dollars)

December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Accounts receivable	\$ 22,414	\$ 23,227
Income taxes recoverable	2,685	4,571
Inventories (note 3)	55,992	59,428
Prepaid expenses	926	904
Future income taxes	447	1,903
Discontinued operations assets	-	31
	82,464	90,064
Advances to and equity in affiliated company (note 9)	65	100
Property, plant and equipment (note 4)	41,996	44,993
Accrued pension benefit asset (note 5)	12,014	10,072
Future income taxes	1,639	693
Goodwill	4,989	4,989
	\$ 143,167	\$ 150,911



	2010	2009
<b>Liabilities and Shareholders' Deficiency</b>		
Current liabilities:		
Bank indebtedness (note 6)	\$ 39,790	\$ 33,574
Accounts payable and accrued liabilities	22,561	22,633
Discontinued operations liabilities	-	2,537
Current portion of long-term debt (note 7)	34,269	39,344
Current portion of obligation under capital lease	87	75
	<u>96,707</u>	<u>98,163</u>
Long-term debt (note 7)	50,108	46,376
Notes payable (note 9)	7,083	7,083
Obligation under capital lease	86	170
Fair value of interest rate swap contracts (note 10(c))	3,254	5,187
Future income taxes	1,579	2,728
Non-controlling interest	832	919
Shareholders' deficiency:		
Share capital (note 8)	12,133	12,133
Deficit	(26,191)	(18,061)
Accumulated other comprehensive loss	(2,424)	(3,787)
	<u>(28,615)</u>	<u>(21,848)</u>
	<u>(16,482)</u>	<u>(9,715)</u>
Commitments (note 11)		
Subsequent events (note 1(b) and note 7)		
	<u>\$ 143,167</u>	<u>\$ 150,911</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# THE KRAUS GROUP

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Consolidated Financial Statements of Strudex Fibres Limited  
Consolidated Statement of Earnings and Deficit  
(Expressed in thousands of Canadian Dollars)

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Sales	\$ 202,767	\$ 223,076
Costs and expenses:		
Cost of products sold	145,019	160,690
Factory management	5,782	5,531
Shipping and selling	28,841	30,271
General and administrative	14,819	17,741
	194,461	214,233
Earnings before the undernoted	8,306	8,843
Other expenses (income):		
Interest on long-term debt	10,366	10,751
Other interest and bank charges	1,137	1,250
Depreciation	4,488	5,518
Restructuring costs (note 12)	3,982	4,368
Foreign currency translation (gain) loss	(852)	206
	19,121	22,093
Loss before income taxes, discontinued operations and non-controlling interest	(10,815)	(13,250)
Income tax expense recovery:		
Current	(2,066)	(5,178)
Future	(532)	(1,520)
	(2,598)	(6,698)
Loss before discontinued operations and non-controlling interest	(8,217)	(6,552)
Discontinued operations, net of taxes	-	(1,176)
Loss before non-controlling interest	(8,217)	(7,728)
Non-controlling interest	87	(99)
Loss for the year	(8,130)	(7,827)
Deficit, beginning of year	(18,061)	(10,234)
Deficit, end of year	\$ (26,191)	\$ (18,061)

See accompanying notes to consolidated financial statements.

# THE KRAUS GROUP

Consolidated Financial Statements of Strudex Fibres Limited  
 Consolidated Statement of Comprehensive Loss  
 (Expressed in thousands of Canadian Dollars)

Year ended December 31, 2010, with comparative figures for 2009

		2010		2009
Loss for the year	\$	(8,130)	\$	(7,827)
Other comprehensive income, net:				
Gains on interest rate swap arrangements designated as cash flow hedges, net of tax		1,363		1,900
Comprehensive loss	\$	(6,767)	\$	(5,927)

See accompanying notes to consolidated financial statements.

# THE KRAUS GROUP

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Consolidated Financial Statements of Strudex Fibres Limited  
Consolidated Statement of Cash Flows  
(Expressed in thousands of Canadian Dollars)

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (8,130)	\$ (7,827)
Items not involving cash:		
Non-controlling interest	(87)	99
Depreciation of plant and equipment	4,488	5,518
Decrease in advances to affiliated company	35	41
Future income taxes	(532)	(1,520)
Defined benefit pension plan expense (income)	(422)	1,008
Employer contributions to defined benefit pension plan	(1,520)	(3,744)
Loss on disposal of equipment	268	77
Change in non-cash operating working capital	2,857	26,271
	(3,043)	19,923
Financing:		
Increase (decrease) in bank indebtedness	6,216	(15,590)
Net change in long-term debt	(1,343)	(2,928)
Payments under capital lease obligation	(72)	(167)
	4,801	(18,685)
Investments:		
Additions to property, plant and equipment	(1,758)	(1,238)
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	-	\$ -
Supplemental cash flow information:		
Cash paid for interest	\$ 7,541	\$ 8,499
Cash refunded for income taxes	3,268	10,151
Non-cash investing activities:		
Capital lease obligation	-	281

See accompanying notes to consolidated financial statements.

# THE KRAUS GROUP

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Consolidated Financial Statements of Strudex Fibres Limited  
Notes to Consolidated Financial Statements  
(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

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## 1. Significant accounting policies:

### (a) Nature of operations and basis of consolidation:

Strudex Fibres Limited manufactures carpet and distributes carpet and other flooring products primarily throughout Canada and the United States.

Strudex Fibres Limited ("Strudex" or "the Company") owns 100% of the outstanding common shares of Kraus Inc. ("Kraus"), which in turn owns 100% of the outstanding common shares of Kraus Canada Inc. ("KCI"), Kraus USA, Inc., and 84.2% of Northstate Carpet Mills Pty Ltd. ("Northstate"). Kraus USA, Inc. in turn owns 100% of the outstanding common shares of Barrett Carpet Mills, Inc. and Royal Scot Floorcovering Distribution L.L.C., ("Royal Scot"). These consolidated financial statements include the accounts of these Companies (hereafter "the Companies"). Non-controlling interest represents the interest in Northstate of shareholders other than Kraus Inc.

All significant inter-company accounts and transactions have been eliminated.

The Company, with the unanimous consent of its shareholders, has elected to prepare its financial statements in accordance with Canadian generally accepted accounting principles, using the differential reporting options available to non-publicly accountable enterprises described below:

### (i) Financial instruments:

The Company has elected to apply the differential reporting measurement option allowed for financial instruments and, accordingly, has not disclosed fair value information about financial assets and liabilities for which fair value was not readily available.

### (ii) Goodwill:

The Company has elected to apply the differential reporting measurement option allowed for goodwill (see note 1(f)).

### (b) Basis of Presentation:

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles, which contemplates that the Company will continue in operation for the foreseeable future and be able to realize its assets and settle its liabilities and commitments in the normal course of business. If the going concern basis were not appropriate, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

# THE KRAUS GROUP

Consolidated Financial Statements of Strudex Fibres Limited  
Notes to Consolidated Financial Statements  
(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

## 1. Significant accounting policies (continued):

### (b) Basis of Presentation (continued):

The Company was in violation of certain of its financial covenants contained in its senior lending facilities (consisting of the operating line of credit, the equipment loan, the mortgage payable and the acquisition facility) at December 31, 2010. Subsequent to year end, the Company executed an amendment to its senior lending agreement which waived the existing covenant ("existing covenants") violations at December 31, 2010 and established new covenants ("new covenants") for fiscal 2011 up to, but not including December 31, 2011. The Company has assessed the likelihood of compliance with the December 31, 2011 existing covenants as unlikely, however the Company does expect to meet its new covenants. In response to the likelihood of not meeting the existing covenants at December 31, 2011, management expects to enter into further credit amendments in late 2011 or early 2012 in order to maintain its senior lending facilities. In part, because the Company successfully reached credit amendments with its senior lenders in 2009 and 2010, Management has assessed the likelihood that an agreement will be reached that will enable the Company to comply with its covenants beyond 2011 and has concluded that such an agreement is likely. The likelihood of the Company not meeting the December 31, 2011 existing covenants and the outcome of potential future credit agreement amendments, represents a material uncertainty which may affect the Company's ability to operate as a going concern. The Company's ability to continue to operate as a going concern is dependent upon the ongoing support of its lenders, the ability to successfully amend its senior lending agreements for 2012 and beyond, and the generation of profitable business results.

### (c) Inventories:

Raw materials are valued at the lower of cost on a first-in, first-out basis and replacement cost. Work-in-process and finished goods are valued at the lower of cost and net realizable value.

### (d) Property, plant and equipment:

Property, plant and equipment are stated at cost. Property, plant and equipment are being depreciated to estimated salvage values using the following methods and rates:

Asset	Basis	Rate
Buildings	Straight-line	21 - 30 years
Machinery and equipment	Straight-line and declining balance	3 - 10 years

# THE KRAUS GROUP

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Consolidated Financial Statements of Strudex Fibres Limited  
Notes to Consolidated Financial Statements, continued  
(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

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## 1. Significant accounting policies (continued):

### (e) Employee future benefits:

The Company has defined benefit pension plans covering its hourly, salaried, and executive employees. The benefits are based on years of service and the employee's compensation before retirement. The cost of these programs is being funded currently. The Company accrues its obligations under employee defined benefit plans as the employees render the services necessary to earn the pension.

### (f) Goodwill:

The Company has elected to apply the differential reporting measurement option allowed by Handbook Section 3064, "*Goodwill and intangible assets*" and, accordingly, will test goodwill for impairment only when an event or circumstance occurs that indicates that the fair value of the goodwill may be less than its carrying amount. Should an impairment be recognized, it will be charged to the income statement in the year of recognition.

### (g) Revenue recognition:

The Company recognizes revenue when products are shipped, the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an agreement exists and the sale is fixed and determinable.

### (h) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

### (i) Foreign currency translation:

The Company's subsidiary operations are deemed to be integrated foreign operations and, therefore, their financial statements are translated using the temporal method. Under this method, all revenue and expense items are translated at the exchange rate in effect at the transaction date. At the balance sheet dates, monetary assets and liabilities are adjusted to reflect the year end exchange rate. The gain or loss resulting from translation is included in the determination of income for the current period. The following translation rates were used for the year ended December 31:



# THE KRAUS GROUP

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Consolidated Financial Statements of Strudex Fibres Limited  
Notes to Consolidated Financial Statements, continued  
(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

## 1. Significant accounting policies (continued):

### (i) Foreign currency translation (continued):

	2010		2009	
	U.S. \$	AUS \$	U.S. \$	AUS \$
Revenue and expense items	1.031	0.944	1.142	0.899
Monetary assets and liabilities	0.995	0.982	1.051	0.9395

### (j) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The Company's accounts, which involve a greater degree of uncertainty, include the carrying values of accounts receivable, inventories, property, plant and equipment, goodwill, future income taxes, and accrued pension benefit asset and obligation. Actual results could differ from these estimates.

### (k) Financial instruments:

Financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

The Company designated its cash and cash equivalents as held-for-trading. Cash and cash equivalents are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Bank indebtedness, accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost. The Company has also elected to add transaction costs directly attributable to the issuance of financial liabilities to the initial carrying amount of long-term debt.

# THE KRAUS GROUP

Consolidated Financial Statements of Strudex Fibres Limited  
Notes to Consolidated Financial Statements, continued  
(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

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## 1. Significant accounting policies (continued):

### (k) Financial instruments (continued):

All derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless exempted from derivative treatment as a normal purchase or sale. All changes in their fair value are recorded in net earnings unless cash flow hedge accounting is used, in which case, changes in fair value are recorded in other comprehensive income. The Company has applied this accounting treatment for all embedded derivatives in existence at transition. The impact of the change in accounting policy related to embedded derivatives is not material.

The Company uses various financial instruments to manage foreign currency exposures and fluctuation in interest rates.

In a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the statement of earnings.

The Company may also enter into forward foreign exchange contracts to manage foreign exchange exposure on anticipated sales. The Company records all of its forward exchange contracts at fair value, with changes in fair value recognized through earnings as foreign exchange gains or losses. The carrying amount of foreign exchange contracts is included in accounts receivable in the case of contracts in a gain position and in accounts payable and accrued liabilities in the case of contracts in a loss position.

## 2. Changes in accounting policies:

Future changes in accounting policies and disclosures:

On December 15, 2009, Canada's Accounting Standards Board ("AcSB") issued new accounting standards for private enterprises ("GAAP for PEs"). Previously, the AcSB had announced that International Financial Reporting Standards ("IFRS") will be required for Canada's publicly accountable enterprises and would be optional for private enterprises. Both sets of standards are effective for fiscal years commencing on or after January 1, 2011 with earlier adoption permitted.

The Corporation has determined that it intends to adopt GAAP for PE's effective for the year commencing January 1, 2011 although this determination and the date of adoption may change. The impact of the adoption of these standards is being evaluated and is not known or reasonably estimable at this time.

# THE KRAUS GROUP

Consolidated Financial Statements of Strudex Fibres Limited

Notes to Consolidated Financial Statements, continued

(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

## 3. Inventories:

	2010	2009
Raw materials	\$ 12,608	\$ 12,112
Work-in-process	1,597	2,209
Finished goods	41,787	45,107
	<u>\$ 55,992</u>	<u>\$ 59,428</u>

Inventories are valued at the lower of cost, determined on a FIFO basis and the estimated net realizable value. The amount of inventory included in cost of sales was \$133,516 during 2010 (2009 - \$150,395).

## 4. Property, plant and equipment:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	\$ 9,017	\$ -	\$ 9,017	\$ 9,017
Buildings	31,236	20,554	10,682	11,607
Machinery and equipment	122,593	100,296	22,297	24,369
	<u>\$ 162,846</u>	<u>\$ 120,850</u>	<u>\$ 41,996</u>	<u>\$ 44,993</u>

Depreciation expense for the year was \$4,488 (2009 - \$5,518).

## 5. Pension plans:

The Company maintains defined pension plans covering its hourly, salaried and executive employees. The Company measures its accrued pension benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The actuarial valuation dates relating to the plans are as follows:

	Most recent actuarial valuation	Next required actuarial valuation
Hourly	December 31, 2008	December 31, 2011
Salaried	January 1, 2008	January 1, 2011
Executive	April 30, 2008	April 30, 2011
Kraus Canada Inc. ("KCI")	December 31, 2008	December 31, 2011

# THE KRAUS GROUP

Consolidated Financial Statements of Strudex Fibres Limited

Notes to Consolidated Financial Statements, continued

(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

## 5. Pension plans (continued):

Information about the Company's defined benefit pension plans is as follows:

	Hourly	Salaried	Executive	KCI	2010 Total	2009 Total
Fair value of plan assets	\$ 1,972	\$ 8,873	\$ 4,883	\$ 23,891	\$ 39,619	\$ 36,907
Accrued pension benefit obligation	1,901	9,291	6,906	23,449	41,547	35,780
Funded status (deficit)	\$ 71	\$ (418)	\$ (2,023)	\$ 442	\$ (1,928)	\$ 1,127
Accrued pension benefit asset (obligation)	\$ 733	\$ 1,634	\$ (61)	\$ 9,708	\$ 12,014	\$ 10,072

The pension plans are currently being funded in accordance with actuarial recommendations.

The significant actuarial assumptions adopted in measuring the Company's accrued pension benefit obligations are as follows (weighted-average assumptions):

	2010				2009
	Hourly	Salaried	Executive	KCI	
Discount rate	5.50%	5.50%	5.50%	5.50%	6.25 - 6.50%
Expected long-term rate of return on plan assets	7.00%	7.00%	7.00%	7.00%	7.00 - 7.50%
Rate of compensation increase	0%	3.50%	3.50%	3.90%	0.00 - 3.50%

The rate of compensation increase on the hourly plan is set at 0% as there are no active members of the plan.

The net expense (income) included in the consolidated financial statements for the Company's defined benefit pension plans is as follows:

	2010	2009
Defined benefit pension plans	\$ (422)	\$ 1,008

# THE KRAUS GROUP

Consolidated Financial Statements of Strudex Fibres Limited  
 Notes to Consolidated Financial Statements, continued  
 (Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

## 5. Pension plans (continued):

Other information about the Company's defined benefit pension plans is as follows:

	Hourly	Salaried	Executive	KCI	2010 Total	2009 Total
Employer contributions	\$ 74	\$ 313	\$ 176	\$ 957	\$ 1,520	\$ 3,744
Employees' contributions	-	-	-	-	-	358
Benefits paid	76	300	354	1,333	2,063	1,820

The Company's plans consist of the following assets as at December 31:

	2010				2009
	Hourly	Salaried	Executive	KCI	
Equity securities	49%	49%	49%	49%	49%
Debt securities	47%	46%	47%	47%	46-47%
Other	4%	5%	4%	4%	4-5%

Effective January 1, 2010, the Company's salaried and KCI plans were amended to add a defined contribution plan. Salaried plans active members earn benefits from January 1, 2010 under the Defined Contribution plan and retain benefits accrued to December 31, 2009 under the defined benefit plan. The results of this change are included in the above information.

## 6. Bank indebtedness:

At December 31, 2010, bank indebtedness consists of an operating line of credit and is advanced to the consolidated company as a whole. The operating line bears interest at prime plus 4.25% (December 31, 2009 - prime plus 3.25%) for Canadian dollar advances and the U.S. base rate plus 4.25% (December 31, 2009 - prime plus 3.75%) for U.S. dollar advances and is secured by accounts receivable, inventory and a general security agreement. At December 31, 2010, the Company was in violation of certain of its financial covenants under its lending agreement. See also note 7(a).

# THE KRAUS GROUP

Consolidated Financial Statements of Strudex Fibres Limited  
Notes to Consolidated Financial Statements, continued  
(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

## 7. Long-term debt:

### (a) Composition:

Long-term debt of the Company is as follows:

	2010	2009
Equipment loan, bearing interest at prime plus 4.25% secured by a fixed and floating charge on all property, due in escalating quarterly instalments, with the balance of \$7,350, due on June 28, 2012	\$ 11,288	\$ 14,700
Mortgage payable, bearing interest at prime plus 4.25% secured by a fixed and floating charge on all property, to be repaid in monthly instalments of \$211, with the remaining balance due on June 28, 2012	22,080	23,389
Subordinated debt, bearing deferred payment in kind interest of 15%, capitalized monthly, secured by a second ranking fixed and floating charge on all property, due on January 24, 2015	16,167	13,928
Acquisition facility, bearing interest at prime plus 4.25% secured by a fixed and floating charge on all property, due in quarterly instalments, with the balance, due on June 28, 2012	740	1,110
Promissory note, bearing deferred payment in kind interest at prime (December 31, 2010 - 3%) plus 2.25%, capitalized monthly, secured by shares of the Company. A minimum of \$10,000 in payments due by December 31, 2015, whether in respect of principal and interest, with the balance due on or before December 31, 2020	33,014	31,456
Commercial bills, in Australian dollars (AUS \$1,146), bearing interest at 9.06%, secured by a first registered mortgage on certain real property, with blended annual repayments of principal and interest of AUS \$232, to be fully repaid in October 2016 (2009 - AUS \$1,296)	1,126	1,219
	84,415	85,802
Current portion of long-term debt	34,269	39,344
	50,146	46,458
Transaction costs	(38)	(82)
	\$ 50,108	\$ 46,376

# THE KRAUS GROUP

Consolidated Financial Statements of Strudex Fibres Limited  
Notes to Consolidated Financial Statements, continued  
(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

## 7. Long-term debt (continued):

### (a) Composition (continued):

During the year, and at December 31, 2010, the Company was in violation of certain of its financial covenants contained in its lending agreement.

Subsequent to year end, the Company executed an amendment to its senior lending agreement (comprising the equipment loan, mortgage payable, acquisition facility and operating line of credit). Significant features of the amendment are as follows:

- suspended the existing financial covenants up to but not including December 31, 2011
- added additional monthly covenants through fiscal 2011

Management has assessed the likelihood of compliance with the December 31, 2011 financial covenants as unlikely and, as a result, the amounts for the equipment loan, mortgage payable and acquisition facility have been classified as current liabilities.

During fiscal 2010, the Company executed amendments to its agreements. Significant features of the amendments were as follows:

- increased the interest rate on the equipment loan, mortgage payable, acquisition facility and operating line of credit to prime plus 4.25%
- suspended the existing financial covenants up to but not including December 31, 2010
- added additional monthly financial covenants for the balance of fiscal 2010
- reduced the revolving credit facility to \$45,000
- suspended normal payments on the subordinated debt and promissory note and added prepayment provisions subject to the Company meeting certain cashflow targets.

As a result of the amendments to the subordinated debt and the promissory note in 2010, management has determined there will be no payments in fiscal 2011 of these instruments and, as a result, the amounts have been classified as non-current.

In 2008, in connection with the amendment to the credit agreement, the Company also executed a warrant agreement with the holder of the subordinated debt. Under the warrant agreement, the Company issued warrants to purchase up to 17.647 common shares of the Company, subject to certain dilution adjustment provisions, exercisable at any time, at an exercise price of \$0.001 per common share. The warrants expire on January 24, 2017.



# THE KRAUS GROUP

Consolidated Financial Statements of Strudex Fibres Limited

Notes to Consolidated Financial Statements, continued

(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

## 7. Long-term debt (continued):

### (b) Maturities:

The aggregate maturities of long-term debt for years subsequent to December 31, 2010, are as follows:

2011	\$	34,269
2012		172
2013		182
2014		192
2015		16,370
Thereafter		33,230
		84,415
Transaction costs		(38)
	\$	84,377

## 8. Share capital:

The share capital of Strudex is as follows:

	2010	2009
Authorized:		
90,000 preference shares		
10,050 Class A common shares		
Unlimited number of Class B convertible common shares		
Unlimited number of Class C convertible common shares		
Unlimited number of Class D special shares		
Unlimited number of Class E special shares		
Unlimited number of Class F special shares		
Unlimited number of Class G special shares		
Unlimited number of Class H special shares		
Issued:		
100 Class A common shares (2009 - 100)	\$ 12,133	\$ 12,133

The preference shares carry a cumulative dividend of \$1.50 per share, are non-voting, and are redeemable at \$11 each.

The Class B and C convertible common shares are voting and are convertible to Class A common shares on a one-to-one basis.

The Class D special shares are non-voting and are redeemable at \$1,000 each.

The Class E special shares are non-voting and are redeemable at \$500 each.

# THE KRAUS GROUP

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Consolidated Financial Statements of Strudex Fibres Limited  
Notes to Consolidated Financial Statements, continued  
(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

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## 8. Share capital (continued):

The Class F special shares are non-voting, are entitled to receive a dividend per share equal to the dividend per Class A common share multiplied by 27.5 divided by the number of Class F special shares then outstanding, and are redeemable and retractable based on the fair market value of the shares less certain predetermined adjustments.

The Class G special shares are non-voting, are entitled to receive a dividend per share equal to the dividend per Class A common share multiplied by 13.5 divided by the number of Class F special shares then outstanding, and are redeemable and retractable based on the fair market value of the shares less certain predetermined adjustments.

The Class H special shares are voting and are redeemable and retractable at \$1 each.

## 9. Related party transactions:

The amounts due from affiliated company are on account of trade and are non-interest bearing with no specified terms of repayment.

Notes payable are to former shareholders of Barrett and Northstate and to the shareholder of Strudex and consist of the following: (i) Note payable in the amount of \$740 bearing interest at prime rate (December 31, 2010 – 3.0%) payable monthly due in June 2012 and (ii) \$6,343, interest free, with no specific terms of repayment.

The Company has received a commitment from the holders of the notes that the holders will not demand payment of any portion of the balance prior to January 1, 2012. As a result, this portion has been classified as a long-term liability.

## 10. Financial instruments:

### (a) Fair value:

The carrying values of bank indebtedness, accounts receivable, accounts payable and accrued liabilities, related party balances, and long-term debt approximate their fair values.

### (b) Currency risk:

The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily U.S. dollars and Australian dollars. Foreign exchange risk arises from purchases and sales transactions outside of Canada as well as recognized financial assets and liabilities denominated in foreign currencies. The Company manages its foreign exchange risk by having geographically diverse manufacturing and distribution facilities and by maintaining an equal level of working capital net assets and long-term debt denominated in foreign currency.

# THE KRAUS GROUP

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Consolidated Financial Statements of Strudex Fibres Limited  
Notes to Consolidated Financial Statements, continued  
(Expressed in thousands of Canadian Dollars, except per share amounts)

Year ended December 31, 2010

## 10. Financial instruments (continued):

### (c) Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to financial risk that arises from interest rate differentials between the market interest rate and the rates on its cash, bank indebtedness and long-term debt. Changes in variable interest rates could cause unanticipated fluctuations in the Company's operating results.

To manage its interest rate risk, the Company entered into interest rate swap agreements to convert variable rate debt into fixed rate debt in order to reduce the Company's exposure to fluctuating interest rates. The interest rate swap agreements are designed as cash flow hedges and have an unfavourable fair value of \$3,254 at December 31, 2010 (2009 - \$5,187) and are recorded in non-current liabilities.

## 11. Commitments:

### (a) Leases:

The Company leases property under various leases. Under the terms of certain of the leases, the annual rentals will be adjusted to fair market value every five years, provided that the adjusted rentals will not be less than the previous five years.

The following is a schedule of future minimum lease payments under the leases at current annual rental rates for each of the next five years and thereafter:

2011	\$	3,346
2012		1,337
2013		831
2014		329
2015		305
Thereafter		810
	\$	6,958

### (b) License agreement:

The Company is a party to a license agreement signed during 2006 giving it the right to use certain software in connection with its business. The license agreement commits the Company to make monthly payments of U.S. \$5 for sixty months commencing January 2007.

**THE KRAUS GROUP**

Consolidated Financial Statements of Strudex Fibres Limited

Notes to Consolidated Financial Statements, continued

(Expressed in thousands of Canadian Dollars, except per share amounts)

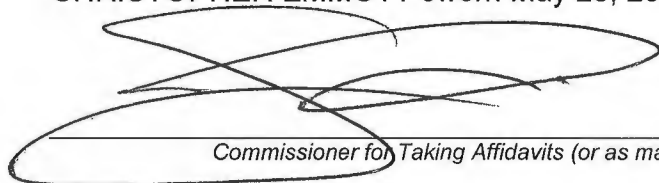
Year ended December 31, 2010

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**12. Restructuring costs:**

During the year, the Company incurred restructuring costs, consisting of monitoring and consulting fees, of \$2,696 (2009 - \$2,824) in connection with the Company's long-term debt covenant violations.

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



Commissioner for Taking Affidavits (or as may be)

**Kraus Group**  
**Income Statement \$000s**  
**Consolidated**

	Dec 2011			Dec 2010	Nov 2011		Total 2011			Total 2010
	Actual	Forecast	Variance	Actual	Actual	Variance	Actual	Forecast	Variance	Actual
Revenue										
Carpet	9,185	9,055	130	7,979	10,442	(1,258)	116,141	114,671	1,470	114,389
Other	5,566	6,220	(654)	5,777	6,911	(1,344)	78,958	81,021	(2,063)	86,678
Total	14,751	15,275	(524)	13,755	17,353	(2,602)	195,099	195,692	(593)	201,067
Cost of Goods	(10,954)	(11,334)	380	(10,477)	(13,414)	2,460	(142,362)	(142,051)	(311)	(142,316)
Contribution	3,797	3,941	(144)	3,278	3,939	(142)	52,737	53,641	(904)	58,751
Contribution Margin	25.7%	25.8%		23.8%	22.7%		27.0%	27.4%		29.2%
Overhead Costs	(3,928)	(3,965)	37	(3,839)	(3,912)	(16)	(47,919)	(48,108)	189	(49,446)
Restructuring et al	(523)	(25)	(498)	(399)	(111)	(412)	(888)	(267)	(621)	(3,981)
Non-prime inventory	0	0	0	0	0	0	(1,000)	(1,120)	120	(1,000)
FX Translation	(21)		(21)	346	(356)	335	(202)	618	(820)	850
EBITDA	(675)	(49)	(626)	(614)	(440)	(235)	2,728	4,764	(2,036)	5,174
Depreciation	58	(370)	428	26	(363)	421	(3,999)	(4,434)	435	(4,490)
Minority interest	201	0	201	87	0	201	201	0	201	87
Interest	(1,057)	(1,050)	(7)	(1,063)	(1,015)	(42)	(12,436)	(12,448)	12	(11,499)
Pre Tax Income	(1,473)	(1,469)	(4)	(1,564)	(1,818)	345	(13,506)	(12,118)	(1,388)	(10,728)
Income tax	(64)	0	(64)	1,606	(566)	502	(1,105)	(407)	(698)	2,598
Net income(loss)	(1,537)	(1,469)	(68)	42	(2,384)	847	(14,611)	(12,525)	(2,086)	(8,130)

## UNAUDITED

Kraus Group  
Balance Sheet \$000s  
Consolidated

## Assets

## Current assets:

	Dec 2011			Dec 2010	Nov 2011		December 2010	
	Actual	Forecast	Variance	Actual	Actual	Variance	Actual	Variance
Accounts receivable	23,406	23,635	(229)	22,414	26,171	(2,765)	22,414	992
Income tax recoverable	(296)	335	(631)	2,685	(295)	(1)	2,685	(2,981)
Inventories	50,691	52,832	(2,141)	55,992	52,593	(1,902)	55,992	(5,301)
Prepaid expenses	1,575	1,000	575	926	1,620	(45)	926	649
Discontinued operations assets	0	0	0	0	0	0	0	0
Future income taxes	(150)	(61)	(89)	447	(87)	(63)	447	(597)
	75,226	77,741	(2,515)	82,464	80,002	(4,776)	82,464	(7,238)
Plant, property and equipment	38,430	38,601	(171)	41,996	38,360	70	41,996	(3,566)
Accrued pension benefit - net	13,298	13,623	(325)	12,014	13,425	(127)	12,014	1,284
Goodwill	4,989	4,989	0	4,989	4,989	0	4,989	0
Future income taxes	810	1,639	(829)	1,639	1,640	(830)	1,639	(829)
Advance to/equity in affiliate-net	65	50	15	65	65	0	65	0
	132,818	136,643	(3,825)	143,167	138,481	(5,663)	143,167	(10,349)

## Liabilities and Shareholders' Equity

## Current liabilities

Bank indebtedness	40,979	41,699	(720)	39,790	43,092	(2,113)	39,790	1,189
A/P and accrued liabilities	25,532	25,628	(96)	19,822	25,640	(108)	19,822	5,710
Discontinued operations liabilities	1,873	1,781	92	2,739	1,930	(57)	2,739	(866)
Capital lease obligation	86	86	0	82	89	(3)	82	4
Current portion of LT debt	5,425	5,425	0	5,123	5,424	1	5,123	302
	73,895	74,619	(724)	67,556	76,175	(2,280)	67,556	6,339
Long term debt	24,745	24,757	(12)	30,111	25,946	(1,201)	30,111	(5,366)
Subordinated debt	18,766	18,759	7	16,167	18,529	237	16,167	2,599
Vendor take back mortgage	34,786	34,765	21	32,976	34,635	151	32,976	1,810
Capital lease obligation	0	0	0	91	5	(5)	91	(91)
Due to shareholder	4,000	4,000	0	4,000	4,000	0	4,000	0
Notes payable	3,083	3,083	0	3,083	3,083	0	3,083	0
FV of interest rate swap contract		3,254	(3,254)	3,254	3,254	(3,254)	3,254	(3,254)
Future income taxes	1,579	1,579	0	1,579	1,579	0	1,579	0
Non-controlling interest	632	832	(200)	832	832	(200)	832	(200)
Shareholders' equity:								
Share capital	12,133	12,133	0	12,133	12,133	0	12,133	0
Retained earnings	(40,802)	(38,714)	(2,088)	(26,191)	(39,266)	(1,536)	(26,191)	(14,611)
Accum. other comprehensive loss	0	(2,424)	2,424	(2,424)	(2,424)	2,424	(2,424)	2,424
	132,818	136,643	(3,825)	143,167	138,481	(5,663)	143,167	(10,349)



## UNAUDITED

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Kraus Group  
Cash Flows \$000s  
Consolidated

## Cash provided by (used in):

## Operations:

	Dec 2011			Total 2011		
	Actual	Forecast	Variance	Actual	Forecast	Variance
Net earnings	(1,537)	(1,469)	(68)	(14,611)	(12,523)	(2,088)
Items not involving cash:						
Non-controlling interest	(201)	0	(201)	(201)	0	(201)
Depreciation of plant and equipment	(13)	370	(383)	4,044	4,434	(390)
Advances to affiliated company	0	0	0	0	15	(15)
Future income taxes	893	0	893	1,380	508	872
Accrued pension benefit - net	127	(113)	240	(1,284)	(1,609)	325
FV of interest rate swap contract	(3,254)	0	(3,254)	(3,254)	0	(3,254)
Accum other comprehensive loss	2,424	0	2,424	2,424	0	2,424
Changes in non-cash working capital	4,546	2,182	2,364	11,529	9,023	2,506
	<u>2,985</u>	<u>970</u>	<u>2,015</u>	<u>27</u>	<u>(152)</u>	<u>179</u>

## Financing:

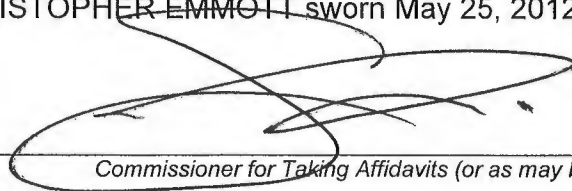
Repayment of long term debt	(1,200)	(1,199)	(1)	(5,064)	(5,052)	(12)
Repayment of VTB mortgage	0	0	0	0	0	0
Repayment of capital lease obligation	(7)	(9)	2	(87)	(87)	0
LT debt increase from accrued PIK interest	388	383	5	4,409	4,382	27
Increase in capital lease obligation	0	0	0	0	0	0
Repayment of note payable	0	0	0	0	0	0
	<u>(819)</u>	<u>(825)</u>	<u>6</u>	<u>(742)</u>	<u>(757)</u>	<u>15</u>

## Investments:

Proceeds on disposal of equipment	0	0	0	0	0	0
Additions to plant, property & equipment	(53)	(162)	109	(474)	(1,000)	526
	<u>(53)</u>	<u>(162)</u>	<u>109</u>	<u>(474)</u>	<u>(1,000)</u>	<u>526</u>

Decrease(increase) in bank indebtedness	2,113	(17)	2,130	(1,189)	(1,909)	720
Bank indebtedness, beginning of period	<u>(43,092)</u>	<u>(41,682)</u>	<u>(1,410)</u>	<u>(39,790)</u>	<u>(39,790)</u>	<u>0</u>
Bank indebtedness, end of period	<u>(40,979)</u>	<u>(41,699)</u>	<u>720</u>	<u>(40,979)</u>	<u>(41,699)</u>	<u>720</u>

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

A handwritten signature in dark ink, consisting of several overlapping loops and strokes, positioned above a horizontal line.

Commissioner for Taking Affidavits (or as may be)

**THE QUEEN'S BENCH  
WINNIPEG CENTRE  
IN BANKRUPTCY**

**IN THE MATTER OF: THE BANKRUPTCY OF KRAUS CANADA INC.**

**BETWEEN:**

**RED ASH CAPITAL PARTNERS II LIMITED PARTNERSHIP**

**Applicant,**

**- and -**

**KRAUS CANADA INC.,**

**Respondent.**

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**APPLICATION FOR BANKRUPTCY ORDER**

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**TAYLOR McCaffrey LLP**  
Barristers & Solicitors  
9th Floor - 400 St. Mary Avenue  
Winnipeg, Manitoba  
R3C 4K5

**David R.M. Jackson**

988-0375  
Fax - 953-7178

Client File No. 867770-1

**THE QUEEN'S BENCH  
WINNIPEG CENTRE  
IN BANKRUPTCY**

**IN THE MATTER OF:           THE BANKRUPTCY OF KRAUS CANADA INC.**

**BETWEEN:**

**RED ASH CAPITAL PARTNERS II LIMITED PARTNERSHIP,**

**Applicant,**

**- and -**

**KRAUS CANADA INC.,**

**Respondent.**

**APPLICATION FOR BANKRUPTCY ORDER**

Red Ash Capital Partners II Limited Partnership, of the City of London, in the United Kingdom, and having an office at 80 New Bond St., London, United Kingdom W1S 1SB, hereby applies to the Court that the Respondent KRAUS CANADA INC. be adjudged a bankrupt and that a Bankruptcy Order be made in respect of the property of KRAUS CANADA INC., having a head office at 1551 Church Avenue, Winnipeg, Province of Manitoba and say:

1. That the said KRAUS CANADA INC. at some time during the six (6) months next preceding the filing of this Bankruptcy Application, is within the jurisdiction of this Honourable Court.

2. That the said KRAUS CANADA INC. is justly and truly indebted to Red Ash Capital Partners II Limited Partnership, in the sum of \$126,236,000 and interest and costs thereon.

3. That Red Ash Capital Partners II Limited Partnership, holds security for payment of part of the said sum and estimates the value of such security at the sum of \$116,236,000, leaving the principal sum of \$10,000,000 unsecured.

4. That the said KRAUS CANADA INC., within the six (6) months next preceding the date of filing of this Bankruptcy Application, has committed the following act of bankruptcy, namely,

(a) it has ceased to meet its liabilities generally as they become due.

5. That PricewaterhouseCoopers Inc., 2300, One Lombard Place, Winnipeg, Manitoba, R3B 0X6, is qualified to act as Trustee of the property of the said Kraus Canada Inc. and has agreed to act as such and is acceptable to the under mentioned Creditors:

<b>CREDITOR</b>	<b>ADDRESS</b>	<b>AMOUNT OF UNSECURED DEBT</b>
Red Ash Capital Partners II Limited Partnership	80 New Bond St., London, United Kingdom W1S 1SB	\$10,000,000

DATED AT Toronto, this 23rd day of May, 2012.

SIGNED by the Applicant Creditor,  
in my presence:

John Birch  
John Birch

Red Ash Capital Partners II Limited  
Partnership by its general partner,  
Pinnacle Capital Resources Limited

[Signature]  
Per Name

Investment Director.  
Title

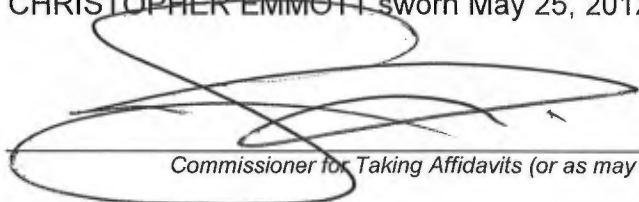
ISSUED:

DATED AT THE CITY OF WINNIPEG, this 24 day of May, 2012.

**F.A. LEE**

Registrar in Bankruptcy

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



Commissioner for Taking Affidavits (or as may be)



Court File No.

31-OR-207896-7



**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

*IN THE MATTER OF the Bankruptcy of STRUDEX FIBRES LIMITED  
65 NORTHFIELD DRIVE, WATERLOO, ON N2J 4J4*

**APPLICATION FOR BANKRUPTCY ORDER**

Pinnacle Capital Resources Limited in its capacity as general partner of Red Ash Capital Partners II Limited Partnership, of the City of London, in the United Kingdom, and having an office at 80 New Bond St., London, United Kingdom W1S 1SB, hereby petitions the Court that STRUDEX FIBRES LIMITED be adjudged a bankrupt and that a Bankruptcy Order be made in respect of the property of STRUDEX FIBRES LIMITED, having a head office in the 65 Northfield Drive West, Waterloo, Province of Ontario and say:

1. That the said STRUDEX FIBRES LIMITED at some time during the six (6) months next preceding the filing of this Bankruptcy Application, within the jurisdiction of this Honourable Court.
2. That the said STRUDEX FIBRES LIMITED is justly and truly indebted to Red Ash Capital Partners II Limited Partnership, in the sum of \$126,236,000 and interest and costs thereon.
3. That Red Ash Capital Partners II Limited Partnership, holds security for payment of part of the said sum and estimates the value of such security at the sum of \$116,236,000, leaving the principal sum of \$10,000,000 unsecured.

4. That the said STRUDEX FIBRES LIMITED, within the six (6) months next preceding the date of filing of this Bankruptcy Application, has committed the following act of bankruptcy, namely,

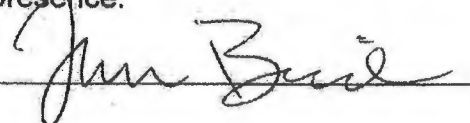
(a) it has ceased to meet its liabilities generally as they become due.

5. That PricewaterhouseCoopers Inc., having an office at Suite 2600, PwC Tower, 18 York St., Toronto, Ontario M5J 0B2, is qualified to act as Trustee of the property of the said Strudex Fibres Limited and has agreed to act as such and is acceptable to the under mentioned Creditors:

CREDITOR	ADDRESS	AMOUNT OF UNSECURED DEBT
Red Ash Capital Partners II Limited Partnership	80 New Bond St., London, United Kingdom W1S 1SB	\$10,000,000

DATED AT Toronto, this 23rd day of May, 2012.

SIGNED by the Applicant Creditor, in my presence:





Red Ash Capital Partners II Limited Partnership by its general partner, Pinnacle Capital Resources Limited

ISSUED:

DATED AT Toronto, this 24<sup>th</sup> day of May, 2012.

  
\_\_\_\_\_  
Registrar in Bankruptcy

Master M. Jean  
Registrar in Bankruptcy  
Superior Court of Justice

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

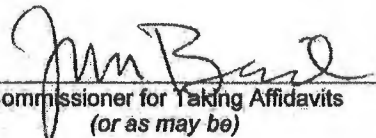
*IN THE MATTER OF the Bankruptcy of Strutex Fibres Limited  
65 Northfield Drive West, Waterloo, ON n2J 4J4*

**AFFIDAVIT OF TRUTH OF STATEMENTS IN APPLICATION**

I, Christopher Emmott, the Investment Director of Pinnacle Capital Resources Limited in its capacity as general partner of Red Ash Capital Partners II Limited Partnership, the applicant creditor named in the application for a bankruptcy order, attached, of the City of London, in the United Kingdom, MAKE OATH AND SAY:

1. I have knowledge of the matters to which I depose in this affidavit.
2. The facts alleged in the said application are true.

**SWORN BEFORE ME** at the City of  
Toronto, in the Province of Ontario on  
MAY 23, 2012

  
\_\_\_\_\_  
Commissioner for Taking Affidavits  
(or as may be)

  
\_\_\_\_\_  
**CHRISTOPHER EMMOTT**

IN THE MATTER of the Bankruptcy of Strutex Fibres Limited  
65 Northfield Drive West, Waterloo, ON N2J 4J4

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

PROCEEDING COMMENCED AT  
TORONTO

**AFFIDAVIT**

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

Larry Ellis LSUC #: 49313K  
Tel: 416.869.5406  
Fax: 416.640.3004  
lellis@casselsbrock.com

John N. Birch LSUC #: 38968U  
Tel: 416.860.5225  
Fax: 416.640.3057  
jbirch@casselsbrock.com

Lawyers for the applicant

Court File No.

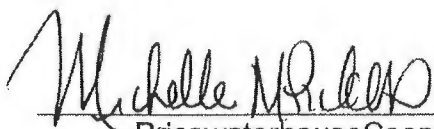
**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

*IN THE MATTER OF the Bankruptcy of STRUDEX FIBRES LIMITED  
65 Northfield Drive West, Waterloo, ON N2J 4J4*

**CONSENT**

I, PricewaterhouseCoopers Inc., licensed trustee in bankruptcy, consent to act as Trustee in the matter of the bankruptcy of STRUDEX FIBRES LIMITED, pursuant to the *Bankruptcy and Insolvency Act*.

DATED AT Toronto this 23rd day of May, 2012.

  
\_\_\_\_\_  
PricewaterhouseCoopers Inc.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

PROCEEDING COMMENCED AT  
TORONTO

**CONSENT TO ACT AS TRUSTEE IN BANKRUPTCY**

**Cassels Brock & Blackwell LLP**

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jbirch@casselsbrock.com

Lawyers for the applicant

TO: STRUDEX FIBRES LIMITED

TAKE NOTICE that an application for a bankruptcy order will be made in respect of your property and will be heard before a Judge of the Ontario Superior Court of Justice ~~(or if unopposed before the Registrar in Bankruptcy)~~, on the 11 day of June, 2012 at 330 University Avenue, 7th Floor in the Toronto at the hour of **\*\*Press F11 to insert (time)\*\*** or so soon as thereafter as the application can be heard.

AND FURTHER TAKE NOTICE that if notice of cause against the application is not filed in Court and a copy thereof served on the solicitor for the applying Creditor at least two days before the hearing, and if you do not appear at the hearing, the Court may make a bankruptcy order on such proof of the statements in the application as the Court shall think sufficient.

DATED AT Toronto, this 24<sup>th</sup> day of May, 2012.

PricewaterhouseCoopers Inc.

By its lawyers,

CASSELS BROCK & BLACKWELL LLP

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

PROCEEDING COMMENCED AT  
TORONTO

**APPLICATION FOR BANKRUPTCY ORDER**

**Cassels Brock & Blackwell LLP**

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Toronto, ON M5H 3C2

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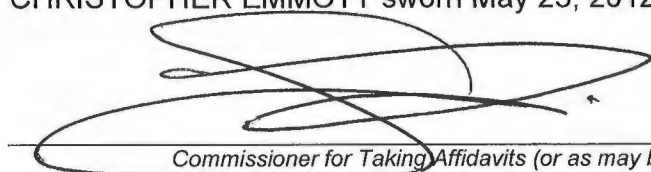
Fax: 416.640.3057

jbirch@casselsbrock.com

Lawyers for the applicant



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



Commissioner for Taking Affidavits (or as may be)

Court File No.

31-OR-207896-7



**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

*IN THE MATTER OF the Bankruptcy of STRUDEX FIBRES LIMITED  
65 NORTHFIELD DRIVE, WATERLOO, ON N2J 4J4*

**APPLICATION FOR BANKRUPTCY ORDER**

Pinnacle Capital Resources Limited in its capacity as general partner of Red Ash Capital Partners II Limited Partnership, of the City of London, in the United Kingdom, and having an office at 80 New Bond St., London, United Kingdom W1S 1SB, hereby petitions the Court that STRUDEX FIBRES LIMITED be adjudged a bankrupt and that a Bankruptcy Order be made in respect of the property of STRUDEX FIBRES LIMITED, having a head office in the 65 Northfield Drive West, Waterloo, Province of Ontario and say:

1. That the said STRUDEX FIBRES LIMITED at some time during the six (6) months next preceding the filing of this Bankruptcy Application, within the jurisdiction of this Honourable Court.
2. That the said STRUDEX FIBRES LIMITED is justly and truly indebted to Red Ash Capital Partners II Limited Partnership, in the sum of \$126,236,000 and interest and costs thereon.
3. That Red Ash Capital Partners II Limited Partnership, holds security for payment of part of the said sum and estimates the value of such security at the sum of \$116,236,000, leaving the principal sum of \$10,000,000 unsecured.

4. That the said STRUDEX FIBRES LIMITED, within the six (6) months next preceding the date of filing of this Bankruptcy Application, has committed the following act of bankruptcy, namely,

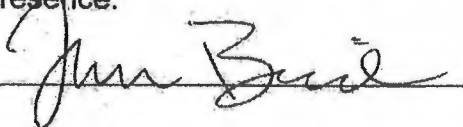
(a) it has ceased to meet its liabilities generally as they become due.


5. That PricewaterhouseCoopers Inc., having an office at Suite 2600, PwC Tower, 18 York St., Toronto, Ontario M5J 0B2, is qualified to act as Trustee of the property of the said Strudex Fibres Limited and has agreed to act as such and is acceptable to the under mentioned Creditors:

CREDITOR	ADDRESS	AMOUNT OF UNSECURED DEBT
Red Ash Capital Partners II Limited Partnership	80 New Bond St., London, United Kingdom W1S 1SB	\$10,000,000

DATED AT Toronto, this 23rd day of May, 2012.

SIGNED by the Applicant Creditor, in my presence:



  
Red Ash Capital Partners II Limited Partnership by its general partner, Pinnacle Capital Resources Limited

ISSUED:

DATED AT Toronto, this 24<sup>th</sup> day of May, 2012.

  
Registrar in Bankruptcy  
Master M. Jean  
Registrar in Bankruptcy  
Superior Court of Justice

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

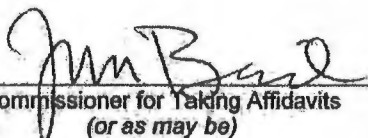
*IN THE MATTER OF the Bankruptcy of Strudex Fibres Limited  
65 Northfield Drive West, Waterloo, ON n2J 4J4*

**AFFIDAVIT OF TRUTH OF STATEMENTS IN APPLICATION**

I, Christopher Emmott, the Investment Director of Pinnacle Capital Resources Limited in its capacity as general partner of Red Ash Capital Partners II Limited Partnership, the applicant creditor named in the application for a bankruptcy order, attached, of the City of London, in the United Kingdom, MAKE OATH AND SAY:

1. I have knowledge of the matters to which I depose in this affidavit.
2. The facts alleged in the said application are true.

**SWORN BEFORE ME** at the City of  
Toronto, in the Province of Ontario on  
MAY 23, 2012

  
Commissioner for Taking Affidavits  
(or as may be)

  
**CHRISTOPHER EMMOTT**

IN THE MATTER of the Bankruptcy of Strutex Fibres Limited  
65 Northfield Drive West, Waterloo, ON N2J 4J4

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

PROCEEDING COMMENCED AT  
TORONTO

**AFFIDAVIT**

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Lawyers for the applicant

Court File No.

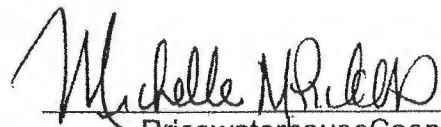
**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

*IN THE MATTER OF the Bankruptcy of STRUDEX FIBRES LIMITED  
65 Northfield Drive West, Waterloo, ON N2J 4J4*

**CONSENT**

I, PricewaterhouseCoopers Inc., licensed trustee in bankruptcy, consent to act as Trustee in the matter of the bankruptcy of STRUDEX FIBRES LIMITED, pursuant to the *Bankruptcy and Insolvency Act*.

DATED AT Toronto this 23rd day of May, 2012.

  
\_\_\_\_\_  
PricewaterhouseCoopers Inc.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

PROCEEDING COMMENCED AT  
TORONTO

**CONSENT TO ACT AS TRUSTEE IN BANKRUPTCY**

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Lawyers for the applicant



TO: STRUDEX FIBRES LIMITED

TAKE NOTICE that an application for a bankruptcy order will be made in respect of your property and will be heard before a Judge of the Ontario Superior Court of Justice ~~(or if unopposed before the Registrar in Bankruptcy)~~, on the 11 day of June, 2012 at 330 University Avenue, 7th Floor in the Toronto at the hour of **\*\*Press F11 to insert (time)\*\*** or so soon as thereafter as the application can be heard.

AND FURTHER TAKE NOTICE that if notice of cause against the application is not filed in Court and a copy thereof served on the solicitor for the applying Creditor at least two days before the hearing, and if you do not appear at the hearing, the Court may make a bankruptcy order on such proof of the statements in the application as the Court shall think sufficient.

DATED AT Toronto, this 24<sup>th</sup> day of May, 2012.

\_\_\_\_\_  
PricewaterhouseCoopers Inc.

By its lawyers,

CASSELS BROCK & BLACKWELL LLP

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

PROCEEDING COMMENCED AT  
TORONTO

**APPLICATION FOR BANKRUPTCY ORDER**

**Cassels Brock & Blackwell LLP**

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jbirch@casselsbrock.com

Lawyers for the applicant

Court File No. CV-12-9731-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

THE HONOURABLE MR.

)

MONDAY, THE 28<sup>th</sup>

JUSTICE MORAWETZ

)

DAY OF MAY, 2012

)

B E T W E E N:

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

Applicant

- and -

KRAUS INC., KRAUS CANADA INC., STRUDEX FIBRES LIMITED, and  
538626 B.C. LTD.

Respondents

**APPLICATION UNDER SUBSECTION 46(1) and SECTION 243 OF THE  
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, as amended**

**INTERIM RECEIVERSHIP ORDER**

THIS Application, made by the Applicant, for an Order pursuant to subsection 46(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") appointing PricewaterhouseCoopers Inc. ("PwC") as interim receiver, without security, in respect of Kraus Inc., Kraus Canada Inc., and Strudex Fibres Inc. (collectively, the "**Operating Companies**"), and for other relief described in the Notice

of Application, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Chris Emmott sworn May 25, 2012 (the "**Emmott Affidavit**") and the consent of PwC to its appointment, and on hearing the submissions of counsel for the Applicant and PwC, no one else appearing, although properly served,

### **SERVICE**

1. THIS COURT ORDERS that the relief sought in paragraphs 1(a)(i) through 1(a)(viii) of the Notice of Application is properly returnable today and service on any interested party is hereby dispensed with. The relief sought in paragraphs 1(b)(i) through 1(b)(vi) of the Notice of Application is scheduled to be heard at 9:30 a.m. on June 11, 2012 (the "**Second Hearing Date**").

### **TRANSFER OF BANKRUPTCY APPLICATIONS**

2. THIS COURT ORDERS that pursuant to sections 43(4) and 187(7) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") the following applications for a bankruptcy order (collectively, the "**Bankruptcy Applications**") are hereby administratively consolidated for hearing before a judge of the Commercial List at Toronto, Ontario:

- (a) bankruptcy application in respect of Kraus Inc. ("**Kraus**") brought in the Ontario Superior Court of Justice as court file no. 31-OR-207897-T (the "**Kraus Application**"); and

- (b) bankruptcy application in respect of Strudex Fibres Limited ("**Strudex**") brought in the Ontario Superior Court of Justice as court file no. 31-OR-207896-T (the "**Strudex Application**").

3. THIS COURT ORDERS that the Bankruptcy Applications shall be heard before a judge of the Commercial List on the Second Hearing Date at 330 University Avenue, 8<sup>th</sup> floor, Toronto, Ontario.

4. THIS COURT ORDERS that, subject to approval by the Manitoba Court of Queen's Bench (the "**Manitoba Court**") upon further motion to be brought before such court, the bankruptcy application in respect of Kraus Canada Inc. ("**Kraus Canada**") brought in the Manitoba Court at Winnipeg, Manitoba as court file no. BK 12-01-02706 and bearing Official Receiver file no. 21-081406 (the "**Kraus Canada Bankruptcy Application**") shall be returnable before this court at the Second Hearing Date.

#### **SCHEDULING OF RECEIVERSHIP HEARING**

5. THIS COURT ORDERS that the relief sought in paragraphs 1(b)(i) through 1(b)(vi) of this Application to, among other things,

(a) appoint PwC as receiver (the "**Receiver**") of the Respondents pursuant to section 243 of the BIA (the "**Receivership Application**"); and

(b) permit the Receiver to liquidate the assets and undertaking of the Respondents (the "**Liquidation Application**") in the event that the Court does not approve the sale of the assets of the Respondents to Kraus Brands LP (the "**Purchaser**") and vest the assets in the Purchaser pursuant to the Asset

Purchase Agreement as defined in the Emmott Affidavit (the "**Sale Approval Motion**"),

is hereby adjourned to the Second Hearing Date and the applications before the Court shall be heard in the following sequence:

- (i) the Bankruptcy Applications,
- (ii) the Kraus Canada Bankruptcy Application,
- (iii) the Receivership Application,
- (iv) the Sale Approval Motion and
- (v) if applicable, the Liquidation Application.

#### **APPOINTMENT OF INTERIM RECEIVER**

6. THIS COURT ORDERS that pursuant to section 46(1) of the BIA, PwC is hereby appointed interim receiver (the "**Interim Receiver**"), in respect of the Operating Companies. The Interim Receiver has no power or authority to take possession of, manage, or control the assets, undertakings and properties of the Operating Companies, acquired for, or used in relation to the businesses carried on by the Operating Companies, including any proceeds thereof (the "**Property**") or to manage or control the operations and businesses of the Operating Companies.

#### **INTERIM RECEIVER'S POWERS**

7. THIS COURT ORDERS that the Interim Receiver is hereby empowered and authorized, to do any of the following where the Interim Receiver considers it necessary

or desirable:

(a) to monitor the Operating Companies' receipts and disbursements, including, without limitation, the right to access all information relating to the Operating Companies' accounts or finance activities at any financial institution, with any trade creditor or with any other party;

(b) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Interim Receiver's powers and duties, including, without limitation, those conferred by this Order;

(c) as Interim Receiver, and proposed Receiver pursuant to the Receivership Application, to bring the Sale Approval Motion returnable on the Second Hearing Date;

(d) to report to, meet with and discuss with such affected Persons (as defined below) as the Interim Receiver deems appropriate on all matters relating to the Sale Approval Motion and the interim receivership, and to share information with such affected Persons, subject to such terms as to confidentiality as the Interim Receiver deems advisable,

(e) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property; and

(f) to take any steps reasonably incidental to the exercise of these powers or

the performance of any statutory obligations,

and in each case where the Interim Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Operating Companies, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE INTERIM RECEIVER**

8. THIS COURT ORDERS that (i) the Operating Companies, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Interim Receiver of the existence of any Property in such Person's possession or control.

9. THIS COURT ORDERS, in order for the Interim Receiver to monitor the Operating Companies' receipts and disbursements, that all Persons shall forthwith advise the Interim Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Operating Companies, any transfer of Property outside of the ordinary course of business or obligation incurred by the Operating Companies outside of the ordinary course of business, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that

Person's possession or control, and shall provide to the Interim Receiver or permit the Interim Receiver to make, retain and take away copies thereof and grant to the Interim Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 9 or in paragraph 10 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Interim Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

10. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Interim Receiver for the purpose of allowing the Interim Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Interim Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Interim Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Interim Receiver with all such assistance in gaining immediate access to the information in the Records as the Interim Receiver may in its discretion require including providing the Interim Receiver with instructions on the use of any computer or other system and providing the Interim Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.



## **NO PROCEEDINGS AGAINST THE INTERIM RECEIVER**

11. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Interim Receiver except with the written consent of the Interim Receiver or with leave of this Court.

## **NO EXERCISE OF RIGHTS OR REMEDIES**

12. THIS COURT ORDERS that all rights and remedies against the Operating Companies, the Interim Receiver, or affecting the Property are hereby stayed and suspended except with the written consent of the Interim Receiver or leave of this Court, provided, however, that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Operating Companies to carry on any business which the Operating Companies are not lawfully entitled to carry on, (ii) exempt the Operating Companies from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest or hypothec, or (iv) prevent the registration of a claim for lien.

13. THIS COURT ORDERS that, notwithstanding the other terms of this order,

- (a) the rights and obligations provided for under the Senior Credit Agreement (as defined in the Emmott Affidavit) shall continue in full force and effect; and
- (b) the stay of proceedings provided for herein shall not apply to the rights which the Applicant, or any party entitled to claim through the Applicant, has

against the Respondents pursuant to the Senior Credit Agreement, Junior Credit Agreement or Nelson Promissory Note (all as defined in the Emmott Affidavit).

#### **NO INTERFERENCE WITH THE INTERIM RECEIVER**

14. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Operating Companies, without leave of this Court.

#### **CONTINUATION OF SERVICES**

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

## **EMPLOYEES**

16. THIS COURT ORDERS that all employees of the Operating Companies shall remain the employees of the Operating Companies until such time as the Operating Companies may terminate the employment of such employees or such employment may be terminated by the bankruptcy of the Operating Companies. The Interim Receiver has no powers or authority with respect to the management and operations of the Operating Companies, or with respect to the employees, and shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA.

## **LIMITATION ON THE INTERIM RECEIVER'S LIABILITY**

17. THIS COURT ORDERS that the Interim Receiver shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Interim Receiver by section 14.06 of the BIA or by any other applicable legislation.

## **LIMITATION ON INTERIM RECEIVER'S POWERS**

18. THIS COURT ORDERS that, notwithstanding any other term of this Order, the Interim Receiver shall not and is expressly directed not to

- (a) take possession of the Property; or
- (b) manage or operate the Operating Companies' businesses or Property.

## **NOTICE TO PENSION PLAN MEMBERS**

19. THIS COURT ORDERS that the Interim Receiver shall give notice in writing of (i) its appointment and (ii) the Sale Approval Motion on the Second Hearing Date to beneficiaries of the Pension Plans (as defined in the Emmott Affidavit) ("**Pensioners**") as soon as practicable after the granting of this order by sending to Pensioners by ordinary mail to their last known mailing address according to the books and records of the Operating Companies a notice substantially in the form attached hereto as Schedule "A" and by posting a copy of the Interim Receiver's Motion Record for the Sale Approval Motion on its website at the following address: <http://www.pwc.com/car-krauscarpets>.

20. THIS COURT ORDERS that the Operating Companies shall furnish forthwith to the Interim Receiver a list of Pensioners, including their last known mailing addresses.

## **INTERIM RECEIVER'S ACCOUNTS**

21. THIS COURT ORDERS that the Interim Receiver and its legal counsel shall only be required to pass their accounts from time to time if the Applicant makes a written request to the Interim Receiver for such passing of accounts, in which case the accounts of the Interim Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

## **GENERAL**

22. THIS COURT ORDERS that the Interim Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

23. THIS COURT ORDERS that nothing in this Order shall prevent the Interim

Receiver from acting as a trustee in bankruptcy of the Operating Companies, as contemplated by the Bankruptcy Applications and the Kraus Canada Bankruptcy Application.

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

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

26. THIS COURT ORDERS that the Applicant shall have its costs of this Application, up to and including entry and service of this Order, provided for by the terms of the Operating Companies' security or, if not so provided by the Operating Companies' security, then on a substantial indemnity basis to be paid by the Operating Companies with such priority and at such time as this Court may determine.

27. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Applicant and Interim Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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**SCHEDULE "A"—Form of Notice to Pensioners**

**NOTICE TO PENSION PLAN BENEFICIARIES OF HEARING DATE**

TO: BENEFICIARIES OF THE CANADIAN COMMERCIAL WORKERS  
INDUSTRY PENSION PLAN FOR KRAUS INC. AND STRUDEX FIBRES  
LIMITED

AND TO: BENEFICIARIES OF KRAUS CANADA INC.'S REGISTERED PENSION  
PLAN

AND TO: BENEFICIARIES OF THE PENSION PLAN FOR EMPLOYEES OF  
KRAUS INC. AND STRUDEX FIBRES LIMITED

AND TO: BENEFICIARIES OF THE PENSION PLAN FOR EXECUTIVE  
EMPLOYEES OF KRAUS INC.

AND TO: BENEFICIARIES OF THE PENSION PLAN FOR UNION EMPLOYEES  
OF KRAUS INC.

RE: INTERIM RECEIVERSHIP OF KRAUS CANADA INC., KRAUS INC., AND  
STRUDEX FIBRES LIMITED (COLLECTIVELY, THE "**OPERATING  
COMPANIES**")

RE: PROPOSED SALE OF ASSETS OF THE OPERATING COMPANIES

DATE: MAY [28], 2012

We are writing to inform you that by Order of the Ontario Superior Court of Justice [Commercial List] dated May 28, 2012, PricewaterhouseCoopers Inc. ("PwCI") was appointed as Interim Receiver of the Operating Companies. Applications for bankruptcy orders have also been brought against the Operating Companies by the major secured creditor of the Operating Companies, Pinnacle Capital Resources Limited in its capacity as general partner of Red Ash Capital Partners II Limited Partnership (collectively, "Red Ash").

On [June 11, 2012 at 9:30 a.m.], the Ontario Superior Court of Justice (Commercial List) has scheduled a hearing in Toronto to, among other things, determine (i) whether the Operating Companies should be adjudged bankrupt, (ii) whether PwCI should be appointed Receiver over the Operating Companies' assets ("Receivership"), and (iii) whether a sale of the assets of the Operating Companies as a going concern to Kraus Brands LP (a limited partnership which is related to Red Ash) should be approved ("Asset Sale"). If the Court does not approve the Asset Sale, the Operating Companies, will cease to carry on business, and are expected to be adjudged bankrupt, and Red Ash will seek an order permitting the assets of the Operating Companies to be liquidated.

These applications and motions will be heard on **[June 11], 2012, at [9:30 a.m.]** or as soon after that time as the Court can accommodate, at 330 University Avenue, Toronto, Ontario. Court rooms are located on the 8<sup>th</sup> floor.

**YOU ARE HEREBY NOTIFIED THAT**, if the Asset Sale is approved, Kraus Brands LP (“KBLP”) will not assume any of the defined benefit pension or defined contribution plans which are or were, at relevant times, sponsored and administered by the Operating Companies, except as it may agree in its planned negotiations with the unions that represent certain employees of the Operating Companies. However, KBLP has advised PWCI of its intention to set up new defined contribution pension plans into which KBLP intends to make contributions which are substantially similar to those currently being made by the Operating Companies. In respect of those workers who are beneficiaries of the Canadian Commercial Workers Industry Pension Plan (“CCWIPP”), KBLP does not intend to assume the Operating Companies’ existing participation agreements but intends to negotiate new participation agreements involving substantially the same contribution amounts.

**These proceedings may affect your legal rights. Accordingly, we encourage you to obtain legal or financial advice so that you can better understand your personal circumstances. Neither the Applicant nor PwCI can provide advice to you with respect to your rights.**

In order to provide you with more information, PwCI has posted on its website copies of the court orders and other court documents which relate to this proceeding, including the Motion Record for approval of the Asset Sale. Those court materials may be accessed by navigating to the following web page: <http://www.pwc.com/car-krauscarpets>.

If you do not have access to the Internet or would otherwise like to receive a hard copy of the court materials, please contact PwCI at the following telephone numbers: 1-877-332-1688 or (416) 687-8449

PricewaterhouseCoopers Ltd.  
in its capacity as Interim receiver  
in respect of the Operating Companies appointed  
by Order of the Superior Court of Justice  
dated [May 28, 2012]



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

Applicant

and

KRAUS INC., KRAUS CANADA INC., STRUDEX  
FIBRES LIMITED and 538626 B.C. LTD.  
Respondents

Court File No. CV-12-9731-00CL

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

PROCEEDING COMMENCED AT  
TORONTO

**INTERIM RECEIVERSHIP ORDER**

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