



NOTICE AND STATEMENT OF THE RECEIVER

(Pursuant to subsection 245(1) and 246(1)
of the *Bankruptcy and Insolvency Act*)

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF

3851168 Canada Inc. (formerly known as Kraus Canada Inc.)
of the City of Winnipeg, in the Province of Manitoba

The Receiver gives notice and declares that:

1. On June 11, 2012, pursuant to an order (the "**Receivership Order**") of the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), PricewaterhouseCoopers Inc. ("**PwC**") was appointed receiver (the "**Receiver**"), without security, of all of the assets, undertakings and properties (the "**Property**") of Kraus Canada Inc. ("**KCI**" or the "**Company**"), Kraus Inc. ("**Kraus**"), Strudex Fibres Limited ("**Strudex**") and 538626 B.C. Ltd. ("**Kraus BC**" and collectively with Kraus, KCI and Strudex the "**Companies**") acquired for, or used in relation to the business carried on by the Companies, pursuant to section 243 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**"), as amended.
2. The Receivership Order was granted pursuant to an application made by Pinnacle Capital Resources Limited, in its capacity as general partner of Red Ash Capital Partners II Limited Partnership ("**Red Ash**"), pursuant to its security agreements with the Company, including an assignment dated May 7, 2012 of various security agreements.
3. Prior to the Receiver's appointment, on May 28, 2012, PwC was appointed as interim receiver (the "**Interim Receiver**") in respect of Kraus, KCI and Strudex (collectively referred to as the "**Operating Companies**"), pursuant to an order of the Court, on the application for bankruptcy orders made by Red Ash against each of the Operating Companies. Details of the Interim Receiver's activities during the interim receivership period can be obtained from PwC's website at www.pwc.com/car-krauscarpets.
4. On June 5, 2012, the Winnipeg Court issued an order transferring the bankruptcy application for KCI to the Court in Ontario.
5. On June 11, 2012, bankruptcy orders were made against each of the Operating Companies and PwC was named as trustee in bankruptcy (the "**Trustee**") of KCI, subject to affirmation by the creditors at the first meeting of creditors or substitution of another trustee by the creditors.
6. Subsequent to the granting of the Receivership Order, the Court issued an order (the "**Sale Order**") approving the asset purchase agreement (the "**APA**") between the Receiver and Kraus Brands LP, for the sale of substantially all of the Property of the Companies (the "**Transaction**").

PricewaterhouseCoopers Inc.

PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
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7. The Transaction closed on June 11, 2012. The gross consideration of the Transaction has not yet been allocated by the Purchaser amongst the individual Companies but is estimated to be in excess of \$83 million, consisting of:
 - (i) the assumption of certain portions of the Operating Companies' secured debt owed to Red Ash, in the amount of approximately \$80.2 million (the "**Assumed Secured Debt**");
 - (ii) payment of certain priority claims ranking in priority to the Assumed Secured Debt, pursuant to sections 81.3, 81.4, 81.5 and 81.6 of the BIA, estimated at approximately \$24,500; and
 - (iii) the assumption of certain Assumed Liabilities, as defined in the APA, estimated to be approximately \$2.8 million, to include certain trade credit advanced by suppliers in respect of goods and services ordered and delivered after May 28, 2012 unless reduced for goods returned or offered for return to the applicable supplier, and assumed outstanding wages and vacation pay of certain transferred employees.
8. On June 11, 2012, the Receiver took possession of the Company's Property, only to the extent necessary to complete the Transaction, as follows:

	Estimated Book Value	
Assets	May 31, 2012	
Cash	\$	1,870,821
Accounts Receivable		13,079,259
Inventory		12,162,580
Prepaid Assets		256,686
Vehicles		171,049
Furniture		402,248
Deferred Pension		11,401,524
Other Investments		310,525
TOTAL	\$	39,654,691

Note:

- (1) Amounts represent book values of the Company's assets pursuant to the Company's books and records and do not represent the sale or liquidation value of the company's assets.
- (2) The above amounts include intercompany balances owed by related entities.

9. As contemplated by the APA, on June 13, 2012, articles of amendment were filed changing the name of KCI to 3851168 Canada Inc. ("**3851168**").



10. The following information relates to the receivership:

- (a) Address of the head office of the Company:

1551 Church Avenue
Winnipeg MB R2X 1G7

- (b) Principal line of business:

Flooring distributor.

- (c) Location of business:

1551 Church Avenue
Winnipeg MB R2X 1G7

- (d) Amounts owed as of June 11, 2012, by the Company to each creditor who holds security on the Property described above, pursuant to the Company's books and records, is as follows:

Red Ash Capital Partners II Limited Partnership	\$128,622,000
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- (e) The list of other creditors of the Company and the amount owed to each creditor is set out in Schedule "A", which totals:

Unsecured Creditors	\$7,347,588
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- (f) The intended plan of action of the Receiver during the receivership proceedings, to the extent that such a plan has been determined, is to complete all outstanding matters relating to the Transaction and to take such further action as determined by the Court.

- (g) Contact person for Receiver:

PricewaterhouseCoopers Inc.
Receiver of 3856118 Canada Inc.
PwC Tower
18 York Street
Suite 2600
Toronto ON M5J 0B2

Attention: Sara de Verneuil
Telephone: (416) 863-1133 x14374
Facsimile: (416) 814-3219



11. Further information regarding the receivership proceedings and materials relating to the proceedings may be obtained from the Receiver's website at www.pwc.com/car-krauscarpets.

DATED at Toronto, this 20th day of June, 2012.

**PricewaterhouseCoopers Inc.
in its capacity as Receiver of 3851168 Canada Inc.
(formerly Kraus Canada Inc.)
and not in its personal capacity**

A handwritten signature in black ink, appearing to read 'T. Weaver'.

Tracey Weaver
Vice President

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
3851168 Canada Inc.
Creditor List

NAME	Balance (CDN)
2851262 MANITOBA LTD	106.66
A & W INTERNET	336.00
A.T SOLUTIONS INC	214.70
AAI SECURITY MONITOR	436.80
ACKLANDS-GRAINGER IN	78.45
ADVANCED ADHESIVE TE	28,217.00
AEGIS SECURITY PROTE	111.87
AERO CARPET SERVICES	558.60
ALAIN CARON CONCEPT	239.24
ALBERTA FLOOR COVERI	1,050.00
ALLIANCE EQUIPMENT L	2,615.85
ALLMOVE MOBILE SHRED	535.50
ALSCO	457.49
AMERICAN BERBER INC	151,315.50
AMERICAN BILTRITE CA	328,864.18
APEX PRE-EMPLOYMENT	309.75
ARBON EQUIPMENT CORP	786.03
ARMOUR TRANSPORT	8,109.35
ARODAL	1,491.60
ARPAC	10,190.96
ARTISTIC FINISHES,IN	40,536.29
ATLAS	582.40
AUTOMATED FIRE PROTE	7,539.90
AVALAN LOGISTICS INC	25,309.75
AXION REACTION	1,609.66
BANDSTRA TRANSPORTAT	659.41
BARRETT CARPET MILLS	5,993.51
BC RAIN	420.28
BEACON FIRE AND SAFE	290.95
BEE-CLEAN	2,481.74
BELL CANADA	132.08
BFI CANADA - TORONTO	2,652.32
BLACK & MCDONALD LTD	5,674.86
BLAIR WEERTS	1,459.62
BOB'S BATTERY SERVIC	504.00
BOMA CALGARY	1,159.25
BOZOVICH (CND CO 0)	22,167.56
BRITE-LITE	162.74
C.H. ROBINSON COMPAN	139,053.24
CAM INDUSTRIAL SUPPL	16,458.50
CANADA NUFLOORS GROU	4,905.10
CANADA POST CORPORAT	942.34
CANADIAN FLOORING CO	1,302.00
CANADIAN LINEN (WINN	522.80

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
3851168 Canada Inc.
Creditor List

CANADIAN PACIFIC RAI	206,104.62
CANADIAN SPRINGS	79.70
CANTREX NATIONWIDE	2,705.00
CARAUSTAR	5,743.69
CASCADIA MOTIVATION	77,396.08
CAXTON MARK INC	2,687.59
CERTIFIED FLOORING I	840.00
CEXP MISSISSAUGA	2,240.60
CINTAS LOCATION #951	463.27
CITY SIDE CLEANING	3,393.60
CITY TRANSFER INC	385.04
CLAYTON SHULL	4,653.60
CN REVENUE MANAGEMEN	20,236.60
CONGOLEUM CORPORATIO	1,745,742.03
CORPORATE BUSINESS S	10.50
CRAIG KELMAN & ASSOC	341.25
CRAWFORD SUPPLYLINE	8,737.21
CREDIMAX	40.00
D B EXPRESS	42.00
DAK'S OVERHEAD DOOR	290.43
DANCIK INTERNATIONAL	25,717.27
DATAMARK SYSTEMS	2,005.64
DEBLECX	168.89
DECO SURFACES	2,874.38
DELL CANADA INC	3,919.88
DELTA PALLET INC.	1,099.84
DEPUTY ELECTRIC LTD	630.00
DIAMOND DELIVERY	71.96
DIANE LAPOINTE DESIG	372.00
DISPLAYCRAFT INC. (C	41,032.75
DM FLOORING SPECIALI	1,216.11
DOMFOAM INC	642,504.05
DRAKE INTERNATIONAL	21,289.92
DREW KERN	736.31
DSD DOCUMENT	26.88
DURA LTD	63,691.97
DYNAMEX CANADA CORP	1,213.28
DYNAMIC PAPER & LABE	3,102.51
DYNASTY EXPRESS INC.	48.30
EDMAR ELECTRIC LTD	478.84
ELOF HANNSON TIMBER	62,451.66
EMBALLAGES GO PACKAG	236.11
ENVIRO EZE TRANSPORT	526.80
ERWIN NYKAMP	88.61
EXA DESIGN	125.32

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Creditor List

EXCELTECH COMMUNICAT	3,433.14
EXCO VENTURES LTD	100.80
EXPRESS COMPANY LTD.	58.55
E-Z CUT INC.	425.08
FAIRVIEW COURIER	560.72
FEDERAL EXPRESS	3,721.69
FIRSTCANADA ULC	9,808.50
FLOOR COVERING WEEKL	113.84
FLOORING INSPECTIONS	1,312.45
FOAM SOLUTIONS INC (2,018.06
FQRS	1,149.75
FRESH AND CLEAN	655.40
G4S SECURITY SERVICE	55.17
GARDEWINE NORTH	24,250.60
GARY CARPENTER & SON	1,788.97
GENERAL AIR SYSTEMS	1,796.70
GEO H. YOUNG & CO LT	31.23
GERALDS DOOR'S ENTER	1,252.61
GRAND & TOY LIMITED	2,891.62
GREG MARTIN	340.00
GREGG DISTRIBUTORS C	240.11
GREYHOUND COURIER EX	462.96
GRIMSHAW TRUCKING	620.13
GROUNDSTAR	1,099.28
GROUNDSTAR EXPRESS L	2,750.72
HAAKON INDUSTRIES	1,102.47
HD SUPPLY CANADA,INC	188.50
HEIDEN-RUNN MECHANIC	210.00
HIGH TECH LASER PROD	111.87
HONEYWELL LIMITED	2,698.82
IDEAL WELDERS LTD	560.00
IDEAL YARD CARE LTD	2,750.34
INHAUS SURFACES LIMI	510.55
INPRO COMPUTER DATA	4,992.96
JACINTHE LEMIRE DESI	96.85
JACK & OLIVE'S CLEAN	575.00
JAY'S MOVING & STORA	631.31
JLT CARPET SYSTEMS I	3,378.95
JOHN WILLIAMS	360.00
JOHNSON WASTE MANAGE	4,075.13
JUST SKIDS RECYCLING	1,695.00
KAHRS INTERNATIONAL,	592,489.80
KAINDL FLOORING (CAN	36,495.38
KAWARTHA COURIER	75.77
KENCO ELECTRIC LTD	3,237.15

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3851168 Canada Inc.
Creditor List

KINDERSLEY TRANSPORT	10,835.09
KINGMONT CONSULTING	1,765.62
KINGSWAY TRANSPORT	141.74
KNIGHTS INDUSTRIAL B	145.60
KODIAK EXCAVATING	698.25
KONICA MINOLTA BUSIN	532.65
KRAUS CARPET MILLS	1,137,057.68
KRAUS SORCE (37,304.09
KUEHNE & NAGEL LTD	157.50
KYLE'S EXPRESS INC	50.56
LABOUR READY INC	3,289.39
LABRADOR	62.57
LAFFIN TRUCKING LTD	1,244.99
LB DELIVERY	50.00
LISE GENEST	2,451.54
LOADING DOCK & DOOR	268.43
LOOMIS EXPRESS	78.56
LOWRY SALES AB LTD.	1,082.41
LOWRY'S MFG & SALES	391.16
LYRECO (CANADA) INC	533.98
M & P TOOL PRODUCTS	14,402.92
M.A.S.B.O.	750.00
MACNICOM TECH INC	728.85
MAINLINE EQUIPMENT L	1,280.69
MANITOULIN TRANSPORT	51,173.14
MANULIFE	64,000.00
MARCO CORPORATION	17,619.07
MARK'S WORK WAREHOUS	349.62
MARR'S PARCEL PICK U	542.25
MAT MASTER	118.63
MBD FLOOR COVERING I	2,303.17
MBW COURIER INC	50.65
MCRAE'S ENVIRONMENTA	1,677.42
METROLAND COMMUNITY	829.20
MIDLAND TRANSPORT LT	39,379.06
MILLER ENVIRONMENTAL	2,485.88
MILLER WASTE SYSTEMS	326.44
MONSTER.CA LOCKBOX M	525.00
MORE-LITE ELECTRIC L	4,164.16
MORNEAU SHEPELL LTD	3,173.04
MTS ALLSTREAM INC	1,430.74
MULTIPLY FLOORING	31,792.13
MUSTANG MESSENGER	294.00
NATIONAL TIME EQUIPM	144.64
NORTH DALTON CARPET	3,582.27

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3851168 Canada Inc.
Creditor List

NORTHERN LOGISTICS	630.00
NORTHERN PARCEL	243.10
NORTHWEST WASTE SYST	2,398.04
NOVA FLOOR COVERING	270.19
NOVEX	48.04
OVERLAND WEST	1,181.80
PACIFIC COAST WAREHO	2,933.00
PAKMARK LTD	750.76
PARCEL'S "N" MORE EX	66.98
PENNER INTERNATIONAL	251,293.40
PHILIP JACKMAN DEL.	310.75
PHOENIX RECYCLING IN	660.19
PINNACLE	2,977.39
POULIN'S PEST CONTRO	983.77
PRINTER WORLD	659.40
PROFORMA	4,800.32
PROGRESSIVE FLOORING	1,417.50
PRONORTH TRANSPORTAT	79.18
PROTELEC ALARMS LTD	89.60
PUR DESIGN	177.06
PUROLATOR COURIER LT	29,173.85
PYRENE FIRE SECURITY	1,377.19
QUALITY PLUS COMPRES	396.63
QUALITY VENDING & CO	1,261.90
RAY-LIFTS INC	98.88
RAYMOND HANDLING	28,408.01
RECALL	1,141.94
RECHERCHES DE TITRES	50.13
REED CONSTRUCTION DA	4,808.38
RIDSDALE TRANSPORT L	1,662.53
RI-GO LIFT TRUCK LTD	1,316.45
ROSEDALE TRANSPORT L	139,073.29
RUSTY'S - EQUIPMENT	10,847.82
SAMAN (CND CO O)	8,426.81
SAMEDAY WORLDWIDE	129.52
SANDWICH PLANNER	460.08
SCHENKER OF CANADA L	35,231.49
SEAN STREET	100.00
SELECTRIC ELECTRIC L	246.40
SHAW INDUSTRIES INC	50,531.88
SHIPPAM & ASSOCIATES	9,084.15
SIMPLEXGRINNELL	5,777.63
SMC DELIVERY LTD	224.00
SMOOTH FREIGHT LTD	1,331.53
SOURY COMMUNICATION	344.93

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
3851168 Canada Inc.
Creditor List

SOUTH MOUNTAIN	159,615.89
SUPREMEX INC	8,439.75
SURE SHOT HOTSHOT	2,520.00
SWAN DUST CONTROL LT	35.70
SWISH - DARTMOUTH	211.26
T"N"N PARCEL EXPRESS	19,239.51
T. LAZOWSKI	275.00
TAPIS A BERGERON INC	114.98
TAYPCO INC	5,491.57
TELSCO SECURITY SYST	4,971.75
THE CITY OF WINNIPEG	29,969.64
THE COOLER CONNECTIO	50.24
THE CREDIT INSTITUTE	478.80
THE FIRST AID WHOLES	96.54
THE FLOORING COMPANY	586.47
THE NEWARK GROUP	4,998.76
THOMPSON DORFMAN SWE	773.54
THUNDER BAY CHAMBER	262.95
TLC LAWN CARE	126.00
TONMAR JANITORIAL LT	5,749.81
TOTEM WELDING CO LTD	614.78
TRAILER WIZARDS LTD	1,766.38
TRC NETWORKS	393.75
TST - OVERLAND EXPRE	41,698.84
TST LOAD BROKERAGE S	5,808.50
ULTIMA PRESENTATION	5,589.73
UNIGRAPHICS LIMITED	5,729.61
UNILIN/COLUMBIA FLOO	286,504.75
UNIVERSAL SERVICES	179.16
UPS CANADA	257.54
URBAN IMPACT RECYCLI	344.68
US FLOORS INC (CND	95,519.13
USINE TACTIC INC (CN	60,909.10
VALLE FOAM INDUSTRIE	23,161.94
VAN-KAM FREIGHTWAYS	663.58
VISION LANDSCAPING D	6,541.57
VOYAGEUR EXPRESS	832.08
WAJAX EQUIPMENT	4,424.60
WASTE MANAGEMENT (ED	4,222.55
WATTS HAPPENING	3,566.21
WAYMARC INDUSTRIES L	417.29
WECON SYSTEMS	187.02
WESCLEAN EQUIPMENT &	322.22
WEST COAST PACKAGING	546.44
WILSONS SECURITY	252.95

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
3851168 Canada Inc.
Creditor List

WINNIPEG CONSTRUCTIO	7.35
WLSC	300.00
WORRY FREE TRANSPORT	988.30
XTRA DOCUMENT SOLUTI	169.62
YELLOW PAGES GROUP	134.74
YRC FREIGHT (RDWY)	438.64
ZAMMA CORPORATION	12,038.35
ZEE MEDICAL INC.	825.89
TOTAL	7,347,587.96

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
3851168 Canada Inc.
Employee Listing

<u>Last Name</u>	<u>First Name</u>	<u>Amount Owed</u>
Christiansen	Janice	Unknown
Dupont	Melanie	Unknown
Easdown	Erin	Unknown
Esopenko	Dale	Unknown
Fallis	Delton	Unknown
Gear	Kerry	Unknown
Humphrey	Dave	Unknown
Kalmar	Les	Unknown
Knox	Fred	Unknown
Mallon	Bruce	Unknown
Ramsbottom	Donna	Unknown
Roy	Cody	Unknown
Sanscartier	Sonia	Unknown
Smith	Teresa	Unknown
Stewart	Shayla	Unknown
Thomson	Linda	Unknown
Villeneuve	Bernadette	Unknown
Woodley	Robert	Unknown

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
3851168 Canada Inc.
Secured Creditor Listing

Secured Creditor	Amount Owed
Red Ash Partners II Limited Partnership	128,622,000.00
Total	<u><u>128,622,000.00</u></u>

