



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

1743122 Ontario Inc. (formerly known as Kraus Inc.)
of the City of Waterloo, in the Province of Ontario

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 Inc. ("**Kraus**" or the "**Company**"), Kraus Canada Inc. ("**KCI**"), 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 11, 2012, bankruptcy orders were made against each of the Operating Companies and PwC was named as trustee in bankruptcy ("the **Trustee**") of Kraus, subject to affirmation by the creditors at the first meeting of creditors or substitution of another trustee by the creditors.
5. 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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6. 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.
7. On June 11, 2012, the Receiver took possession of the Company's Property, only to the extent necessary to complete the Transaction, as follows:

Assets	Estimated Book Value as at May 31, 2012	
Cash	\$	603,360
Accounts Receivable		3,651,122
Inventory		20,354,042
Prepaid Assets		654,355
Land & Building		3,986,108
Machinery & Equipment		8,334,950
Vehicles		9,432
Furniture		666,608
Other Investments		53,789,912
TOTAL	\$	92,049,888

Notes:

- (1) Amount represents 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.

8. As contemplated by the APA, on June 13, 2012, articles of amendment were filed changing the name of Kraus to 1743122 Ontario Inc. ("**1743122**").



9. The following information relates to the receivership:

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

65 Northfield Drive West
Waterloo ON N2L 0A8

(b) Principal line of business:

Textile manufacturer.

(c) Location of business:

65 Northfield Drive West
Waterloo ON N2L 0A8

(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	\$9,568,571
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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 1743122 Ontario 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



10. 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 1743122 Ontario Inc.
(formerly Kraus Inc.)
and not in its personal capacity**

A handwritten signature in black ink that reads "T. Weaver".

Tracey Weaver
Vice President

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
1743122 Ontario Inc.
Creditor List

NAME	Balance (CDN)
1163243 ONTARIO INC.	497.20
2304132 ONTARIO INC.	32,770.00
3M CANADA INC	43,690.32
7 HILLS TRANSPORT	4,355.42
A1 FIRST IMPRESSION	548.50
ABBAY CARPET CO. INC	595.07
ABLE-ONE SYSTEMS INC	10,769.46
ACCELL	368.38
ADT SECURITY SERVICE	870.14
AFFILIATED CUSTOMS B	14,719.05
ALLEN AND HURAS	2,712.00
ALLIANCE DISTRIBUTIO	26,920.55
ALLIANCE FLOORING IN	4,139.60
AMERICAN & EFIRD CAN	740.05
AMERICAN CASTING	2,182.22
AMERICAN INSPECTION	150.06
AMERICAN SUPERBA INC	5,078.46
AMERICAN TUFTING & F	205.74
AMEX BANK OF CANADA	379.09
APEX PRE-EMPLOYMENT	387.59
APPLE LABEL CONVERTO	377.99
APPLIED CONTROL SYST	1,356.00
AQUAFIL USA	25,702.31
ARCTIC PACKAGING	3,322.63
BARRETT CARPET MILLS	22,768.15
ARTSTORE OF WATERLOO	429.39
AVERITT EXPRESS	65.72
AYR WELDING (1977) L	8,322.45
BASF CANADA INC.	725,968.88
BAYSTATE INSPECTIONS	176.19
BEAULIEU, FINANCIAL	57,941.15
BELL CANADA	265.90
BELL MOBILITY CELLUL	165.23
BENJAMINS RESTAURANT	327.70
BOX 1, INC.	9,089.74
BRAUN'S EXPRESS INC.	3,502.19
BROWN INDUSTRIES	28,501.24
BW ST JACOBS COUNTRY	7,949.48
C & H FIRE SUPPRESSI	860.50
C & I TECHNOLOGIES I	644.05
C.H. ROBINSON COMPAN	32,690.00
CALEDON PROPANE INC.	9,121.98
CAMPBELL PRINTING CO	43,206.22
CANADA COLORS & CHEM	5,819.29

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
1743122 Ontario Inc.
Creditor List

CANADAWIDE SCIENTIFI	394.55
CANNON HYGIENE	5,047.26
CANON CANADA INC.	4,543.45
CANSEW INC	1,562.75
CARD MONROE CORPORAT	7,649.71
CARPET & RUG BACKING	123,304.27
CARSWELL/THOMSON PRO	109.05
CASCADES RECOVERY IN	97.06
CAXTON MARK INC.	945.83
CBI PHYSIOTHERAPY AN	254.25
CBSC CAPITAL INC.	1,656.32
CCA GLOBAL PARTNERS	1,614.44
CIRCUIT SCALE	1,271.25
CITIZENS CARPET SERV	44.74
CITY OF WATERLOO	128,400.69
CLARITY CONFERENCING	1,676.58
CLAYTON SHULL	280.00
COMMUNITEK INC.	3,260.05
CONTINENTAL MARKETIN	2,333.89
CREED SAFETY CONSULT	1,791.05
DALE & ASSOCIATES	262.86
DANCIK INTERNATIONAL	14,342.29
DAVENPORT CATERING	1,356.57
DDK DUCT CLEANING	2,881.50
DEL DENTE	1,050.94
DESJARDINS	404.33
DESTINATION INN	8,834.56
DIE-X TOOLING SYSTEM	1,005.70
DISPLAYCRAFT INC.	47,223.52
DOCUMENT PRINT INTEG	84.75
DON & LOW LTD.	160,509.89
DORDAN MECHANICAL IN	39,063.15
DOWNUNDA	9,085.20
E.C.N.G. ENERGY L.P.	103,780.74
E.G. GRAY TRANSPORTA	31,752.84
EASTER STATIC CLEAN	189.00
ELDORADO TOOL & MFG.	616.98
EMERGENCY CARE INSTR	107.35
ENVIRO EZE TRANSPORT	344.93
ERNST & YOUNG INC.	180,846.78
ESHCO LLC	685.46
FARRIS FLOOR INSPECT	181.11
FASTENAL CANADA	1,257.11
FEDERAL EXPRESS	5,866.05
FILION,WAKELY,THORUP	274.03

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
1743122 Ontario Inc.
Creditor List

FLOOR COVERING INSPE	371.43
FLOOR EYES INSPECTIO	258.73
FLOORS TO GO	25.87
FOWLER'S CARPET SERV	310.47
FRESH AND CLEAN	994.40
FREUDENBERG SPUNWEB	43,864.28
GE WATER & PROCESS T	963.89
GEO H. YOUNG & CO. L	11,603.56
GOWLINGS LAFLEUR HEN	2,871.33
GRAND & TOY	1,041.71
GRAPHIC CONTROLS CAN	641.97
GRAPHIC TUFTING CENT	11,152.07
GSP GROUP INC.	1,799.98
GT FRENCH PAPER LTD.	9,045.31
HAHN RENTALS	296.96
HAROLD K. SMITH TRUC	2,429.50
HARTWICK SYSTEMS & E	182.89
HELMSMAN QUALITY & T	1,972.52
HOME DEPOT CREDIT SE	481.17
HUNTSMAN CORP. OF CA	19,077.23
IBBOTSON ELECTRIC LT	12,204.85
IBM CANADA LTD. T-50	17,717.76
IKE'S CARPET CLEANIN	294.95
IMPERIAL OIL	473.42
INDUSTRIAL HYDRAULIC	458.56
INTEGRITY FLOOR CARE	336.34
J&M INSPECTION SERVI	232.85
JAZ INTEGRATED GRAPH	2,698.44
JET FLUID SYSTEMS IN	383.07
JLT CARPET SYSTEMS I	723.91
JOHN CRANE CANADA IN	541.77
JOHN WILLIAMS	180.00
KAITTING'S BEARINGS	2,392.09
KRAUS USA INC.	119.69
KINGS FLOOR COVERING	191.46
KISSNER MILLING COMP	450.02
KPMG LLP, T4348	69,028.33
KWIK KOPY PRINTING	15.82
LCL NAVIGATION LTD.	674.14
LINDE CANADA LIMITED	426.11
LIVINGSTON INTERNATI	67,311.41
MAGIC MIST INSPECTIO	221.47
MANITOULIN TRANSPORT	718.50
MATTEX USA LLC	132,853.87
MBD FLOOR COVERING I	919.51

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
1743122 Ontario Inc.
Creditor List

MCRAE ENGINEERING EQ	2,783.19
METAL CRAFTERS, INC.	661.04
MICHEL SIMARD LIMITE	223.36
MICHIGAN CARPET DELI	6,040.20
MILLER'S ELECTRIC LI	49,565.23
MINISTER OF FINANCE	17,698.37
MONARCH OIL (KITCHEN	1,444.76
MOORE CANADA	5,314.41
MOSES & SINGER LLP	29,060.35
MR INSPECTIONS	265.97
MTS ALLSTREAM INC.	2,123.21
NEDGRAPHICS OF TENNE	5,065.84
NETZSCH CANADA INC.	842.18
NORRED W. POINDEXTER	310.47
NOVA FLOOR COVERING	651.00
NYLENE CANADA INC.	464,735.64
NYMOC LIMITED	190.41
OMYA ST. ARMAND LTD.	99,775.97
P.A. USA INC.	15,523.50
PARADIGM TOOL CO. LT	462.98
PETALS & POTS INC.	358.92
PETRO CANADA INCORPO	4,916.99
PHARR YARNS LLC.	961,913.06
PIRAK STUDIOS LIMITE	2,195.26
PNE CORPORATION	3,333.83
POSTAGE SOLUTIONS IN	81.24
PRINTLINK GRAPHICS	3,473.06
PRIORITY ONE INSPECT	398.44
PROFESSIONAL TESTING	9,769.46
PROGRESSIVE FLOORING	1,806.00
PROPEX INC.	844,452.94
QA COURIER	177.26
RADISSON HOTEL - KIT	5,788.52
RAINBOW SAMPLES, INC	4,018.57
RANDSTAD - ATTN A/R	99,365.69
RAYMOND KEY	181.11
REA ELEKTRONIK CANAD	2,209.15
REGION OF WATERLOO	127.54
REJOICE LOGISTICS (C	11,413.08
RICHARD E. REED	222.50
ROBERT B. PARKER	93.14
ROGERS WIRELESS INC.	8,258.00
ROSEDALE TRANSPORT	102,506.66
ROYAL ADHESIVES & SE	11,044.45
RUBBERLINE PRODUCTS	283.65

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
1743122 Ontario Inc.
Creditor List

SAFETY-KLEEN CANADA	177.97
SANI-TECH SERVICES L	784.00
SCANTECH	2,224.85
SCV FREIGHT, INC.	1,225.02
SERVO TECH ELECTRONI	1,062.20
SHEPELL FGI	1,386.74
SHIELS ELECTRIC LTD.	4,775.95
SIERRA GROUP	57,784.03
SIMMONS INSPECTION S	155.24
SNUGGLERS FURNITURE	79.10
SONOCO CANADA CORPOR	44,216.31
SOUTHEASTERN FREIGHT	10,214.49
SPIRAX SARCO CANADA	2,304.24
SRT MACHINERY CO., I	529.54
STRUDEX FIBRES LIMIT	3,350,078.62
STANDING SOLUTIONS,	206.98
STARCHEM INC.	16,195.33
STATEWIDE INSPECTION	181.11
STUMPF FIRE PROTECTI	1,118.70
STYRON CANADA ULC	100,419.64
SUMMIT PACKAGING, IN	24,018.89
SUN LIFE ASSURANCE C	60,750.87
SYNNEX CANADA	222.77
TELUS	455.62
TENAQUIP LIMITED	94.63
TEPCAR COMPANY INC.	208.06
TEXTILE RUBBER & CHE	35,941.61
THE CARPET AND RUG I	3,777.39
THERMAL SAFETY SUPPL	429.40
THOMSON RESEARCH ASS	31,039.52
THYSSENKRUPP MATERIA	152.55
TISI EXPORT INC.	529.20
TNT EXPRESS (CANADA)	10,980.90
TRADE-MARK INDUSTRIA	2,956.31
TRAFALGAR EQUIPMENT	2,440.80
TRANSX LTD.	18,443.47
TRI-TEX CO. INC.	166,672.32
TST OVERLAND EXPRESS	372.62
TUCKS FLOOR INSPECTI	222.50
ULINE CANADA CORPORA	209.95
UNION GAS LIMITED	1,192.20
UNIQUE COFFEE SERVIC	2,074.96
UNITED FREIGHT SERVI	7,342.16
UNITED PARCEL SERVIC	291.32
UNITED RENTALS OF CA	600.26

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
1743122 Ontario Inc.
Creditor List

UNITED TAXI LIMITED	448.00
UPS	56.12
UPS-PHILADELPHIA	1,185.27
VFD SOLUTIONS INC.	3,107.50
VIRTUAL STUDIOS	2,432.02
WAJAX INDUSTRIES LIM	53,224.91
WASTE MANAGEMENT	2,419.82
WATERLOO MANUFACTURI	489.28
WATERLOO NORTH HYDRO	190,065.24
WATKINS & SHEPARD TR	3,434.08
WAYNE OWEN	206.98
WHITE LAMB FINLAY IN	2,650.64
WILLIAM M. SUMMERS	176.97
WINDSOR FACTORY SUPP	2,839.48
WORKOPOLIS	2,457.75
WORKPLACE SAFETY & I	32,176.60
WRIGHT OF THOMASVILL	8,719.29
WW WORKS	1,757.73
XPRESS GLOBAL SYSTEM	9,181.50
YIHUA BONAR YARNS &	44,022.21
TOTAL	9,568,570.03

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
1743122 Ontario Inc.
Employee List

Name	Amount Owed
Babeti, Cornelia	Unknown
Brown, Pauline	Unknown
Budhram, Kamaldei	Unknown
Byfield, Leroy	Unknown
Dahliwal, Harinder	Unknown
Dhaliwal, Gagi	Unknown
Gomes, Maria C.	Unknown
Jakupovska, Medija	Unknown
Joshi, Suman	Unknown
Karaolis, Petros	Unknown
Kessler, Lucy	Unknown
King, Oswin	Unknown
Loewen, Sharon E.	Unknown
Machado, Maria	Unknown
Miric, Ranka	Unknown
Muchyn, Elzbieta	Unknown
Penate, Mark	Unknown
Protudjer, Bruno	Unknown
Pupica, Ivo	Unknown
Reist, Jeanette	Unknown
Smukavich, Joseph	Unknown
Stadnik, Mirosław	Unknown
Svoboda, Walter	Unknown
Tipping, Dennis	Unknown
van Horsigh, Roderek	Unknown
Watson, David	Unknown
Witt, David	Unknown

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF
1743122 Ontario 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>

