

Court File No.
Court No. 35-2199056
Estate No. 35-2199056

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

IN THE MATTER OF THE PROPOSAL OF
BG FURNITURE LTD.
OF THE TOWN OF WALKERTON
IN THE PROVINCE OF ONTARIO

**MOTION RECORD
(Motion Returnable December 22, 2016)**

VOLUME 1 OF 2

December 19, 2016

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index

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IN THE MATTER OF THE PROPOSAL OF
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OF THE TOWN OF WALKERTON
IN THE PROVINCE OF ONTARIO

INDEX

TAB	DOCUMENT
1	Notice of Motion dated December 19, 2016
2	Affidavit of Adam Hofmann sworn December 19, 2016
A	Corporate Profile Report dated November 2, 2016
B	Notice of Intention dated December 14, 2016
C	Site Plan Map
D	PPSA Enquiry Response Certificate dated November 2, 2016
E	Parcel Registry dated November 3, 2016
F	General Security Agreement dated July 29, 2014
G	Secured Promissory Note dated September 2, 2015
H	Assignment of Debt and Security dated December 5, 2015
I	Convertible Promissory Notes
J	Royalty Agreement dated October 17, 2016
K	Security Agreement – Equipment dated September 2, 2015
L	Security Agreement dated September 2, 2015
M	Letter Agreement dated March 28, 2014 between BG Furniture Ltd. and MD

TAB	DOCUMENT
	<p>Financial Corporation; and</p> <p>Letter Agreement dated July 10, 2015 (revised July 27, 2015) between BG Furniture Ltd. and MD Financial Corporation;</p> <p>Renewal Agreement dated July 16, 2015 between Platinum Investment Group Inc. and BG Furniture Ltd.;</p> <p>Renewal Agreement dated July 25, 2015 between Platinum Investment Group Inc. and BG Furniture Ltd. in the principal amount of \$290,000; and</p> <p>Renewal Agreement dated July 25, 2015 between Platinum Investment Group Inc. and BG Furniture Ltd. in the principal amount of \$287,500</p>
N	Letter agreements dated August 4, 2015
O	General Security Agreement dated April 1, 2015
P	Agreement between BG Furniture Ltd and United Steel Workers U.S.W. Local 1-500
Q	Cash Flow Forecast
R	DIP Commitment Letter
S	Proposed Schedule of Sale and Investment Solicitation Process and Bid Procedures
T	Stalking Horse Investment Term Sheet
U	Appraisal Report dated July 23, 2015
V	Phase I Survey of the Lands completed in April 2014
3	Draft Order

tab 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

IN THE MATTER OF THE PROPOSAL OF BG FURNITURE LTD.
OF THE TOWN OF WALKERTON IN THE PROVINCE OF ONTARIO

NOTICE OF MOTION

BG FURNITURE LTD. (“**BG Furniture**” or the “**Company**”) will make a Motion to a Judge presiding over the Commercial List on Thursday December 22, 2016 at 10:00 a.m., or as soon after that time as the Motion can be heard at the court house, 330 University Avenue, 8th Floor, Toronto, Ontario, M5G 1R7.

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

THE MOTION IS FOR:

1. an Order substantially in the form attached hereto as Schedule “A”:
 - (a) abridging the time for service of the Motion Record dated December 19, 2016 including the Affidavit of Adam Hofmann sworn December 19, 2016 and the Exhibits thereto (the “**Hofmann Affidavit**”) and dispensing with service on any person other than those served;
 - (b) approving and adopting by reference the E-Service Protocol of the Commercial List (the “**Protocol**”) such that service of court documents by email in accordance

with the Protocol shall be deemed valid and effective service in these proceedings;

- (c) approving a DIP Commitment Letter (the “**DIP Commitment Letter**”) between BG Furniture and 2544311 Ontario Limited or its nominee (in either case, the “**DIP Lender**”) implementing an interim financing facility (the “**DIP Facility**”), granting the DIP Charge (as defined below) in the maximum principal amount of \$300,000 and authorizing certain payments from advances under the DIP Facility;
- (d) approving a Sale and Investment Solicitation Process (“**SISP**”) substantially in the form attached as Exhibit “S” to the Hofmann Affidavit;
- (e) approving the execution by BG Furniture of the Stalking Horse Investment Term Sheet (the “**Stalking Horse Investment Term Sheet**”, a copy of which is attached as Exhibit “T” to the Hofmann Affidavit) between the Company and the DIP Lender or its nominee (the “**Stalking Horse Bidder**”) for the acquisition of new shares to be issued by BG Furniture to the Stalking Horse Bidder in consideration of an investment in the minimum amount of \$800,000 in the context of the restructuring proposal, subject to the terms contemplated in the Stalking Horse Investment Term Sheet;
- (f) approving and ratifying the Stalking Horse Investment Term Sheet and the transactions contemplated therein;
- (g) granting the Administration Charge (as defined below) in the amount of \$150,000;

- (h) granting the D&O Charge (as defined below) in the amount of \$25,000;
- (i) extending the stay of proceedings granted upon the filing of the Notice of Intention to Make a Proposal (the “**NOI**”) to February 5, 2017;
- (j) approving the hearing of this motion and transferring this BIA proceeding to the Commercial List of the Ontario Superior Court of Justice in Toronto; and
- (k) Such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

- (l) BG Furniture was incorporated under the laws of the Province of Ontario on January 23, 2014. BG Furniture (including its predecessors) has operated as a manufacturer of high-quality furniture in Walkerton, Ontario since 1927;
- (m) BG Furniture is the successor to Bogdon & Gross Furniture Company Limited, which filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) on March 4, 2014. BG Furniture purchased the assets of Bogdon & Gross Furniture Company Limited through a court-supervised and approved sale process;
- (n) Prior to October 7, 2016, BG had approximately 40 fulltime employees, approximately 31 of whom were hourly, unionized employees, who are members of the United Steel Workers, Local 1-500 (the “**Union**”). BG was at one point one of the largest employers in the Walkerton, Ontario region;

- (o) On October 7, 2016, BG Furniture ceased ordinary course operations and laid off its employees;
- (p) On December 14, 2016, BG Furniture filed the NOI naming Collins Barrow Toronto Limited as Proposal Trustee (in such capacity, the “**Proposal Trustee**”);
- (q) Pursuant to the filing of the NOI, all proceedings against BG Furniture have been stayed for 30 days commencing December 14, 2016;

The DIP Facility

- (r) It is critical to BG Furniture's prospects for survival that it secure financing on an urgent basis. BG Furniture currently has no funds to operate and no further credit available;
- (s) BG Furniture currently has back orders from customers in the aggregate amount of approximately \$470,000. Unless BG Furniture re-commences operations forthwith it will lose these orders, which are expected to generate positive cash flow and allow the enterprise to maintain its customers;
- (t) BG Furniture cannot re-commence operations without first securing new financing. Consequently, BG Furniture has entered the DIP Commitment Letter with the DIP Lender in respect of the DIP Facility (subject to Court approval), which will provide financing to re-commence operations and complete the BIA proposal process;
- (u) A condition of the DIP Facility is that the DIP Lender be granted a charge over all of the property, assets and undertaking of BG Furniture (collectively, the

“**Property**”) in priority to all creditors in the maximum principal amount of \$300,000 (the “**DIP Charge**”), save and except that the DIP Charge shall rank subordinate to the Administration Charge (as defined below);

- (v) BG Furniture's secured creditors are expected to claim the aggregate amount in excess of approximately \$2,790,705;
- (w) All of BG Furniture's secured creditors will be served with this Notice of Motion and Motion Record;
- (x) Approval of the DIP Facility will allow BG Furniture to preserve going concern value, which will enhance:
 - (i) BG Furniture's prospects of making a viable proposal;
 - (ii) BG Furniture's ability to maximize value and creditor realization through a sale and investment solicitation process; and
 - (iii) BG Furniture's prospects of saving jobs;
- (y) No creditor will be materially prejudiced by the approval of the DIP Facility, the granting of the DIP Charge or any of the other relief sought herein;
- (z) The Proposal Trustee supports the approval of the DIP Facility, the granting of the DIP Charge and the other relief sought herein;

The SISP & Stalking Horse Bid

- (aa) BG Furniture intends to commence the SISP on the terms set out at Exhibit “S” to the Hofmann Affidavit;

- (bb) Commencement of the SISP will reduce costs, streamline the restructuring proceedings and maximize recoveries for all of its creditors;
- (cc) In conjunction with the SISP, BG Furniture is also seeking approval of the Stalking Horse Investment Term Sheet between the Company and the Stalking Horse Bidder, which will serve as a “baseline” for any bids received in the SISP;
- (dd) The Stalking Horse Investment Term Sheet contemplates an equity investment in the minimum amount of \$800,000 (the “**Investment Amount**”), which will be used to, among other things, fund a BIA proposal (the “**BIA Proposal**”) to BG Furniture's creditors in the event that the Stalking Horse Bidder is the successful offeror in the SISP;
- (ee) The Stalking Horse Investment Term Sheet provides that, in the event that the Stalking Horse Bidder is the successful offeror in the SISP but the creditors reject the BIA Proposal (such that BG Furniture is automatically deemed bankrupt), the Stalking Horse Bidder will have an option to purchase the Property in consideration of payment of the Investment Amount;
- (ff) Approval of the Stalking Horse Investment Term Sheet will not materially prejudice creditors or other stakeholders. Such approval will provide stability to the business as it will assist in reassuring customers, employees, suppliers and other business partners and stakeholders that the business will continue as a going concern;

- (gg) Approval of the Stalking Horse Investment Term Sheet will discourage interested parties from submitting "lowball" purchase or investment offers. All parties will be fully aware of the Investment Amount, and will be free to submit superior offers through the SISP, whether for part of the Property or *en bloc*;

Administration Charge

- (hh) BG Furniture seeks a first-ranking charge (the “**Administration Charge**”) over the Property, in priority to all other charges, to secure the professional fees of the Proposal Trustee and its counsel and BG Furniture's counsel incurred in connection with these proceedings, to a maximum amount of \$150,000;
- (ii) BG Furniture will be unable to proceed with its restructuring efforts unless the Administration Charge is granted;
- (jj) No creditor will be materially prejudiced by the granting of the Administration Charge;

D&O Charge

- (kk) BG Furniture seeks a charge (the “**D&O Charge**”) over the Property, in priority to all other charges except the Administration Charge and the DIP Charge, to indemnify its officers and directors in respect of post-filing liabilities that they incur in such capacities, to a maximum amount of \$25,000;
- (ll) The amount of the proposed D&O Charge is fair and reasonable. Re-commencement of the operations of BG Furniture and conduct of the BIA proceeding could expose the directors and officers of BG Furniture to liability;

- (mm) No creditor will be materially prejudiced by the granting of the D&O Charge;

Extension of Time for Proposal

- (nn) The 30 day initial stay of proceedings pursuant to the NOI will expire on January 12, 2017. The SISP contemplates completion in March 2017. Consequently, BG Furniture seeks an Order extending the stay of proceedings by 45 days, to February 5, 2017;
- (oo) A further extension of the time within which BG Furniture must file a BIA proposal with the Official Receiver will be required to enable BG Furniture to complete the SISP and the BIA proposal process (if necessary);
- (pp) The Proposal Trustee and the DIP Lender have reviewed BG Furniture's cash flow projections;

Transfer of Proceeding

- (qq) A transfer of this BIA proceeding to the Commercial List of the Ontario Superior Court of Justice in Toronto is desirable in the interest of justice, having regard to its circumstances and the parties involved;
- (rr) The Proposal Trustee and the DIP Lender support the relief sought herein;
- (ss) Sections 50.6, 50.4(9) and 64.2 of the BIA;
- (tt) Rules 1.04, 2.03, 3.02, 13.1, 16.04 and 37 of the Rules of Civil Procedure, R.R.O. 1990, Reg. 194, as amended;
- (uu) The inherent jurisdiction of this Honourable Court; and

(vv) Such further and other grounds as the lawyers may advise.

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

(ww) The Affidavit of Adam Hofmann sworn December 19, 2016;

(xx) The First Report of Collins Barrow Toronto Limited in its capacity as Proposal Trustee, to be filed; and

(yy) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

December 19, 2016

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SCHEDULE "A"

Court No. 35-2199056
Estate No. 35-2199056

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

THE HONOURABLE •) THURSDAY, THE 22ND
)
) DAY OF DECEMBER, 2016
)

IN THE MATTER OF THE PROPOSAL OF BG FURNITURE LTD.
OF THE TOWN OF WALKERTON IN THE PROVINCE OF ONTARIO

ORDER
(re: DIP, SISP & Stalking Horse Bid)

THIS Motion made by BG Furniture Ltd. (the “**Debtor**”) for an Order pursuant to Sections 50.6, 50.4(9) and 64.2 of the BIA of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Adam Hofmann sworn December 19, 2016 and the Exhibits thereto (the “**Hofmann Affidavit**”) and the First Report of Collins Barrow Toronto Limited dated December 9, 2016 and on hearing the submissions of counsel for the Debtor, the Respondents and Collins Barrow Toronto Limited in its capacity as Proposal Trustee under the BIA (in such capacity, the “**Proposal Trustee**”), no one appearing for any other party although duly served as appears from the affidavit of service of Chloe Eng sworn December 9, 2016 and on reading the consent of Collins Barrow Toronto Limited to act as the Proposal Trustee,

SERVICE

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

2. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://www.collinsbarrow.com/en/toronto-ontario/current-engagements-toronto/bg-furniture-ltd>

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

4. THIS COURT ORDERS that the E-Service List Keeper (as defined in the Protocol) for the purpose of this proceeding shall be the Proposal Trustee.

PROPOSAL TRUSTEE

5. THIS COURT ORDERS that the Proposal Trustee continues to be and is hereby authorized to take all steps as are required to fulfill its duties under the BIA or as an officer of the Court including, without limitation, to:

- (a) monitor the Debtor's receipts and disbursements;

- (b) report to this Court at such times and intervals as the Proposal Trustee deems appropriate with respect to the Debtor, the Debtor's property, assets or undertaking (collectively, the “**Property**”) or these proceedings;
- (c) assist the Debtor, to the extent required by the Debtor, in its dissemination of information to the DIP Lender and its counsel of financial and other information as agreed to between the Debtor and the DIP Lender;
- (d) assist the Debtor in its preparation of the Debtor's cash flow statements and reporting as agreed to between the Debtor and the DIP Lender;
- (e) assist the Debtor in its development of a proposal to its creditors;
- (f) assist the Debtor, to the extent required by the Debtor, with the holding and administration of creditors' meetings in respect of these proceedings including, without limitation, for voting on a proposal;
- (g) have full and complete access to the Property, including the premises, books, records, data (including data in electronic form) and other financial documents of the Debtor, to the extent that is necessary to adequately assess the Debtor's business and financial affairs or to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other person as the Proposal Trustee deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (i) perform such other duties as are required by this Order or by this Court from time to time; and
- (j) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

6. THIS COURT ORDERS that the Proposal Trustee shall not take possession of any of the Property and shall take no part whatsoever in the management or supervision of the management

of the Debtor's business and shall not, as a result of this Order or anything done in pursuance of its duties and powers under this Order, be deemed to have taken or maintained possession or control of the Debtor's business or the Property or any part thereof.

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

ADMINISTRATION CHARGE

8. THIS COURT ORDERS that the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Debtor shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Debtor as part of the costs of these proceedings. The Debtor is hereby authorized and directed to pay such accounts of the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Debtor on a bi-weekly basis.

9. THIS COURT ORDERS that each of the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Debtor shall pass its accounts from time to time, and for this purpose the accounts of the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Debtor are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

10. THIS COURT ORDERS that prior to the passing of its accounts, the Proposal Trustee shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Proposal Trustee or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

11. THIS COURT ORDERS that the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Debtor shall be entitled to and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$150,000, as

security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 21 and 22 hereof.

DIP FINANCING

12. THIS COURT ORDERS that the Debtor is hereby authorized and empowered to borrow under one or more credit facilities (collectively, the **“DIP Facility”**) granted by 2544311 Ontario Limited (the **“DIP Lender”**) to be used for the purposes described in the DIP commitment letter attached as Exhibit “R” to the Hofmann Affidavit (the **“DIP Commitment Letter”**), provided that the outstanding principal amount does not exceed \$300,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest and on such other terms as are included in the DIP Commitment Letter.

13. THIS COURT ORDERS that the Debtor is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents as are contemplated by the DIP Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof (collectively, the **“Definitive Documents”**), and the Debtor is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender pursuant to the DIP Commitment Letter and the Definitive Documents as and when due, notwithstanding any other provision of this Order.

14. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the **“DIP Charge”**) on the Property, which DIP Charge shall not secure an obligation that exists before this Order is made. The DIP Charge shall have the priority set out in paragraphs 21 and 22 hereof.

15. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Charge or any of the Definitive Documents;

- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Charge, the DIP Lender, upon 3 days' notice to the Debtor and the Proposal Trustee, may exercise any and all of its rights and remedies against the Debtor or the Property under or pursuant to the DIP Commitment Letter, Definitive Documents and the DIP Charge, including without limitation, to cease making advances to the Debtor and set off and/or consolidate any amounts owing by the DIP Lender to the Debtor against the obligations of the Debtor to the DIP Lender under the DIP Commitment Letter, the Definitive Documents or the DIP Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Debtor and for the appointment of a trustee in bankruptcy of the Debtor; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Debtor or the Property.

16. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any proposal filed by the Debtor under the BIA, with respect to any advances made under the DIP Commitment Letter or the Definitive Documents.

17. THIS COURT ORDERS that: (a) pending expiry of the time for filing a notice of appeal or application for leave to appeal in respect of this Order and the disposition of any motions to review, rescind or vary this Order, applications for leave to appeal or appeals from this Order (collectively, “**Challenges**”), the Debtor shall be and is hereby authorized to borrow funds under the DIP Facility in the amounts necessary to implement its restructuring plan; (b) irrespective of the disposition of any Challenges the DIP Lender shall have the benefit of the DIP Charge and all other provisions of this Order in respect of all amounts so advanced; and (c) this Order is subject to provisional execution to the extent necessary to give effect to the foregoing.

D&O INDEMNITY AND CHARGE

18. THIS COURT ORDERS that the Debtor shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Debtor after the commencement of these proceedings that arise on or after December 14, 2016 or are otherwise referable to the period on or after December 14, 2016, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of such officer's or director's gross negligence or wilful misconduct.

19. THIS COURT ORDERS that the directors and officers of the Debtor shall be entitled to the benefit of and are hereby granted a charge (the “**D&O Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$25,000, as security for the indemnity provided in paragraph 18 hereof. The D&O Charge shall have the priority set out in paragraphs 21 and 22 hereof.

20. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (b) the Debtor's officers and directors shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is denied or insufficient to pay amounts indemnified in accordance with paragraphs 18 and 19 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

21. THIS COURT ORDERS that the priorities of the Administration Charge, the DIP Charge and the D&O Charge (collectively, the “**Charges**”), as between and among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$150,000);

Second – DIP Charge (to the maximum principal amount of \$300,000); and

Third – D&O Charge (to the maximum amount of \$25,000).

22. THIS COURT ORDERS that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens,

charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person.

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

24. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtor shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, either of the Charges, unless the Debtor also obtains the prior written consent of the Proposal Trustee, the DIP Lender and the beneficiaries of the Administration Charge, or further Order of this Court.

25. THIS COURT ORDERS that the Charges, the Commitment Letter and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Debtor, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Debtor of any Agreement to which it is a party;

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Debtor entering into the DIP Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Debtor pursuant to this Order, the DIP Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

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

THE SISP & STALKING HORSE BID

27. THIS COURT ORDERS that the Sale and Investment Solicitation Process and associated terms, timelines and procedures described at Schedule "A" hereto (the "**SISP**") be and are hereby approved, and the Debtor and the Proposal Trustee are hereby authorized to conduct the SISP and to perform their obligations thereunder.

28. THIS COURT ORDERS that the Stalking Horse Investment Term Sheet executed by the DIP Lender on behalf of an entity to be formed (the "**Stalking Horse Bidder**") dated as of December 18, 2016, substantially in the form attached as Exhibit "T" to the Hofmann Affidavit (the "**Stalking Horse Investment Term Sheet**") be and is hereby approved.

29. THIS COURT ORDERS that in the event the Stalking Horse Bidder is not the Successful Bidder (as defined in the SISP), the Debtor is hereby authorized to pay the Break Fee (as defined in the Stalking Horse Investment Term Sheet).

EXTENSION

30. THIS COURT ORDERS that the time for filing of the Debtor's proposal, and the stay of proceedings herein, are extended in accordance with Section 50.4(9) of the BIA, to and including February 5, 2017.

TRANSFER

31. THIS COURT ORDERS that the hearing of this motion and transferring this BIA proceeding to the Commercial List of the Ontario Superior Court of Justice in Toronto be and they are hereby approved and directed.

GENERAL

32. 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 Debtor, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Debtor and the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Debtor, the Proposal Trustee and their respective agents in carrying out the terms of this Order.

33. THIS COURT ORDERS that each of the Debtor and the Proposal Trustee 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 Proposal Trustee 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.

34. THIS COURT ORDERS that any interested party (including the Debtor and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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

SCHEDULE "A"

IN THE MATTER OF THE PROPOSAL OF BG FURNITURE LTD.
OF THE TOWN OF WALKERTON IN THE PROVINCE OF ONTARIO

Court File No.:
Court No. 35-2199056
Estate No. 35-2199056

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER

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Lawyers for the Moving Party, BG Furniture Ltd.

IN THE MATTER OF THE PROPOSAL OF BG FURNITURE
LTD. OF THE TOWN OF WALKERTON IN THE PROVINCE
OF ONTARIO

Court File No. ●

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

NOTICE OF MOTION

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tab 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

IN THE MATTER OF THE PROPOSAL OF
BG FURNITURE LTD.
OF THE TOWN OF WALKERTON
IN THE PROVINCE OF ONTARIO

**AFFIDAVIT OF ADAM HOFMANN
(sworn December 19, 2016)**

I, ADAM HOFMANN, of the Town of Hanover, in the Province of Ontario, **MAKE
OATH AND SAY AS FOLLOWS:**

1. I am the President and Director of BG Furniture Ltd. (“**BG Furniture**” or the “**Company**”). As such, I have personal knowledge of the matters to which I herein depose. Where the source of my information or belief is other than my own personal knowledge, I have identified the source and the basis for my information and verily believe it to be true.

Relief Sought

2. This Affidavit is sworn in support of a motion for an Order:
- (a) abridging the time for service of the Motion Record dated December 19, 2016 including this Affidavit;
 - (b) approving and adopting by reference the E-Service Protocol of the Commercial List (the “**Protocol**”) such that service of court documents by email in accordance

with the Protocol shall be deemed valid and effective service in these proceedings;

- (c) approving the execution by BG Furniture of a DIP Commitment Letter substantially in the form attached as Exhibit “R” hereto (the “**DIP Commitment Letter**”) between 2544311 Ontario Limited or its nominee (in either case, the “**DIP Lender**”) describing the amount, priority, terms and conditions of the proposed interim financing facility contemplated therein (the “**DIP Facility**”), granting the DIP Charge (the “**DIP Charge**”) in the amount of \$300,000 and authorizing certain payments from advances under the DIP Facility;
- (d) approving a Sale and Investment Solicitation Process (the “**SISP**”);
- (e) approving the execution by BG Furniture of a Stalking Horse Investment Term Sheet substantially in the form attached as Exhibit “T” hereto (the “**Stalking Horse Investment Term Sheet**”) between the DIP Lender or its nominee (in either case, the “**Stalking Horse Bidder**”) and BG Furniture for the acquisition of new shares to be issued by BG Furniture to the Stalking Horse Bidder in consideration of a minimum of \$800,000 (the “**Investment Amount**”) in the context of the BIA restructuring proposal;
- (f) approving and ratifying the Stalking Horse Investment Term Sheet and the transaction contemplated therein;
- (g) granting the Administration Charge in the amount of \$150,000 (the “**Administration Charge**”);
- (h) granting the charge in favour of the directors and officers of BG Furniture in the amount of \$25,000 (the “**D&O Charge**”); and

- (i) extending the stay of proceedings granted upon the filing of the Notice of Intention to File a Proposal dated December 14, 2016 (the “**NOI**”) to February 5, 2017).

Background

3. BG Furniture is a corporation incorporated pursuant to the laws of the Province of Ontario. BG Furniture’s registered office is located at its production facility at 75 Ridout Street, Walkerton, Ontario N0G 2V0 (the “**Facility**”). A copy of a Corporate Profile Report dated November 2, 2016 in respect of BG Furniture is attached hereto as **Exhibit “A”**.

4. BG Furniture is the successor to Bogdon & Gross Furniture Company Limited, which filed a Notice of Intention to File a Proposal under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) on March 4, 2014. BG Furniture acquired the assets of Bogdon & Gross Furniture Company Limited through the BIA proposal process, in consideration of, among other things, assumption of a significant quantum of pre-filing indebtedness.

5. BG Furniture operates as a manufacturer of high-quality solid wood furniture. The business (including its predecessors) has been in operation since 1927, and has manufactured in the Facility since 1938.

6. Prior to October 7, 2016, BG Furniture employed approximately 40 full time employees. Of the full time employees, approximately 31 are hourly, unionized employees, who are members of the United Steel Workers, Local 1-500 (the “**Union**”).

7. On October 7, 2016, BG Furniture ceased ordinary course operations and laid off its employees. As noted above, BG Furniture emerged with the business following a BIA proposal process commenced by Bogdon & Gross Furniture Company Limited in 2014. However, BG Furniture assumed an unsustainable amount of pre-filing indebtedness as part of the purchase price for the assets, the cost of its lending arrangements was not affordable and it had insufficient working capital to succeed.

8. On December 14, 2016, BG Furniture filed the NOI naming Collins Barrow Toronto Limited as Proposal Trustee (in such capacity, the “**Proposal Trustee**”). A copy of the NOI is attached hereto as **Exhibit “B”**.

9. Dirk Nielsen (“**Nielsen**”) and I are BG Furniture’s directors. I am BG Furniture’s President, and Nielsen is BG Furniture’s Vice President. BG Furniture has no other officers or directors.

Assets

10. BG Furniture has the following principal assets:

- (a) The Facility and the lands upon which the Facility is located (the “**Lands**”). Attached hereto as **Exhibit “C”** are maps showing the location of the Lands and the layout of the Facility. Information regarding the condition and value of the Lands is set out below at paragraphs 45 through 50;

- (b) Equipment, which I estimate has a gross liquidation value of approximately \$470,000 (excluding leased equipment);
- (c) Raw materials and inventory, which I estimate has a gross liquidation value of approximately \$70,000; and
- (d) Accounts receivable, in the amount of approximately \$21,000.

Secured Creditors & Other Liabilities

11. As of November 2, 2016, the following parties have made registrations against BG Furniture under the *Personal Property Security Act* (Ontario) (the “PPSA”):

- (a) CNH Capital Canada Ltd. (“**CNH**”) (Equipment, Motor Vehicle);
- (b) RPG Receivables Purchase Group Inc. (“**RPG**”) (Inventory, Equipment, Accounts, Other, Motor Vehicle);
- (c) Saugeen Economic Development Corporation (“**SEDC**”) and Bruce Community Futures Development Corporation (“**Bruce**”) (Accounts, Other);
- (d) Manorhouse Limited (Inventory, Equipment, Accounts, Other, Motor Vehicle, Consumer Goods);
- (e) Xerox Canada Ltd. (“**Xerox**”) (Equipment, Other);
- (f) Blue Chip Leasing Corporation (“**Blue Chip**”) (Equipment, Other);
- (g) Platinum Investment Group Inc. (“**Platinum**”) (Other);
- (h) Grenville Strategic Royalty Corp. (“**Grenville**”) (Inventory, Equipment, Accounts, Other, Motor Vehicle);
- (i) 2110785 Ontario Inc. (“**211**”, a corporation controlled by Nielsen and me), Nielsen and me (Inventory, Equipment, Accounts, Other, Consumer Goods), and

- (j) Minister of Finance (Inventory, Equipment, Accounts, Other).

A copy of a certified PPSA Enquiry Response Certificate dated November 2, 2016 is attached hereto as **Exhibit “D”**.

12. As of November 3, 2016, the following parties have made registrations against the Lands:

- (a) Platinum, with two registered charges in the aggregate amount of \$587,500; and
- (b) SEDC and Bruce, which jointly registered a charge in the amount of \$624,000.

Pursuant to an agreement between the parties, SEDC and Bruce have postponed their registration in favour of Platinum. Attached at **Exhibit “E”** is a copy of the Parcel Registry dated November 3, 2016 in respect of the Lands. Further details regarding BG Furniture's indebtedness to Platinum, SEDC and Bruce are set out at paragraph 21 below.

13. RPG provides a factoring facility to BG Furniture (the “**Factoring Facility**”). No amounts are currently owing to RPG by BG Furniture. However, pursuant to the terms of the Factoring Facility, BG Furniture has an obligation to re-purchase from RPG any receivables which are deemed uncollectable. As at the date hereof, I estimate the maximum liability under the re-purchase obligation to be \$20,000. This amount will continue to reduce as RPG collects the accounts receivable it purchased under the Factoring Facility. I also note that RPG is currently holding a holdback amount from the Factoring Facility in the amount of approximately \$10,000.

14. BG Furniture is currently indebted to Saugeen and Bruce in the aggregate amount of approximately \$664,000. The joint PPSA registration in favour of Saugeen and Bruce is limited to the proceeds of BG Furniture's scientific and research development tax credit claims.

15. BG Furniture is indebted to 2544311 Ontario Limited (*i.e.*, the DIP Lender) in an amount of approximately \$41,255 pursuant to a Promissory Note dated September 2, 2015 (the “**Manorhouse Note**”) in the principal amount of \$87,814 given by BG Furniture to Manorhouse Limited. BG Furniture's obligations under the Manorhouse Note are secured pursuant to a General Security Agreement dated July 29, 2014 (the “**Manorhouse GSA**”). Pursuant to an Assignment Agreement dated December 5, 2016 (the “**Assignment Agreement**”), the Manorhouse Note was assigned to 2544311 Ontario Limited. Attached hereto as **Exhibits “F”**, “**G**” and “**H**”, respectively, are copies of the Manorhouse Note, the Manorhouse GSA and the Assignment Agreement.

16. BG Furniture is indebted to Grenville in the aggregate minimum amount of \$1,289,689 pursuant to the following:

- (a) Convertible Promissory Note dated October 30, 2015 in the principal amount of \$100,000;
- (b) Convertible Promissory Note dated November 26, 2015 in the principal amount of \$50,000;
- (c) Convertible Promissory Note dated December 15, 2015 in the principal amount of \$25,000;

- (d) Convertible Promissory Note dated December 21, 2015 in the principal amount of \$105,000;
- (e) Convertible Promissory Note dated January 7, 2016 in the principal amount of \$50,000;
- (f) Convertible Promissory Note dated February 5, 2016 in the principal amount of \$70,000;
- (g) Convertible Promissory Note dated March 23, 2016 in the principal amount of \$250,000;
- (h) Convertible Promissory Note dated July 1, 2016 in the principal amount of \$45,000;
- (i) Royalty Purchase Agreement dated October 17, 2014 (the “**Royalty Agreement**”) including unpaid royalties in the amount of \$550,875; and
- (j) Unpaid interest amount of \$43,814.44

Copies of the Convertible Promissory Notes described at subparagraphs (a) through (h) above are attached hereto as **Exhibit “I”**. A copy of the Royalty Agreement is attached hereto as **Exhibit “J”**.

17. Grenville's security interest is limited to BG Furniture's personal property. Grenville holds the following security agreements, copies of which are attached hereto as **Exhibits “K”** and **“L”**, respectively:

- (a) Security Agreement – Equipment dated September 2, 2015; and
- (b) Security Agreement dated September 2, 2015.

18. BG Furniture is indebted to Platinum in the aggregate amount of approximately \$622,312.63 pursuant to the following:

- (a) Letter Agreement dated March 28, 2014 between BG Furniture Ltd. and MD Financial Corporation; and
- (b) Letter Agreement dated July 10, 2015 (revised July 27, 2015) between BG Furniture Ltd. and MD Financial Corporation;
- (c) Renewal Agreement dated July 16, 2015 between Platinum Investment Group Inc. and BG Furniture Ltd.;
- (d) Renewal Agreement dated July 25, 2015 between Platinum Investment Group Inc. and BG Furniture Ltd. in the principal amount of \$290,000; and
- (e) Renewal Agreement dated July 25, 2015 between Platinum Investment Group Inc. and BG Furniture Ltd. in the principal amount of \$287,500.

Copies of each of the documents described at subparagraphs (a) through (e) above are attached as **Exhibit “M”**.

19. Platinum has registered the following charges in respect of the Lands:

- (a) Charge / Mortgage of Land in the principal amount of \$300,000 registered July 28, 2014 as Registration No. BR88053; and
- (b) Charge / Mortgage of Land in the principal amount of \$287,500 registered August 21, 2015 as Registration No. BR99317.

20. Bruce and SEDC have jointly registered the following charge in respect of the Lands:

- (a) Charge / Mortgage of Land in the amount of \$624,000 registered July 28, 2014 as Registration No. BR88055.

21. Pursuant to letter agreements dated August 4, 2015, SEDC and Bruce each agreed to postpone in favour of Platinum's mortgages. Copies of the letter agreements dated August 4, 2015 are attached hereto as **Exhibit "N"**.

22. Nielsen, 2110785 Ontario Inc. (a corporation controlled by Nielsen and me) and I are collectively owed an aggregate amount of approximately \$836,785 in respect of shareholder loans and deferred salary. This amount is secured by a general security agreement dated April 1, 2015, a copy of which is attached hereto as **Exhibit "O"**.

23. CNH, Blue Chip and Xerox are all equipment lessors. This includes the following:

- (a) CNH lease on tractor with remaining lease amount owing of approximately \$44,000 (excluding interest and taxes);
- (b) Blue Chip lease on NC Omec Chop saw with remaining lease amount owing of approximately \$15,000 (excluding interest and taxes); and
- (c) Xerox rental of a photocopier with a monthly rental amount of approximately \$450.

24. BG Furniture is indebted to the Canada Revenue Agency in an amount of approximately \$49,983 in respect of unremitted employee source deductions.

25. BG Furniture owes an aggregate amount of approximately \$420,000 in unsecured liabilities to trade creditors.

26. BG Furniture owes an amount of approximately \$250,222 in unpaid wages to its employees. BG Furniture has reached an agreement with the Union in respect of unpaid wages and other issues. A copy of the agreement with the Union is attached hereto as **Exhibit “P”**.

27. BG Furniture has no unpaid pension contributions or accrued pension liabilities.

Purpose of Proceedings

28. The paramount goal of BG Furniture is to preserve, maximize and realize value for the benefit of all stakeholders. I believe that this can be best accomplished through the resuscitation and maintenance of BG Furniture's enterprise value, which was for all intents and purposes lost when ordinary course operations ceased and employees were laid off on October 7, 2016. The restructuring of BG Furniture to be undertaken under the BIA may involve a refinancing, recapitalization or sale of BG Furniture's business. BG Furniture will explore all options to maximize value for stakeholders.

29. BG Furniture currently has approximately \$470,000 in back orders. Fulfilling these orders is expected to generate positive cash flow for the Company. Unless BG Furniture immediately re-commences operations it will lose these orders.

Cash Flow Forecast

30. BG Furniture has worked with the Proposal Trustee to prepare a cash flow statement and report in accordance with the BIA (the “**Cash Flow Forecast**”). Attached hereto as **Exhibit “Q”** is a copy of the Cash Flow Forecast. Based on my knowledge of the financial position of BG Furniture and the assumptions set out in the Cash Flow Forecast, I believe that the Cash Flow Forecast is fair and reasonable.

31. In order to implement the restructuring plan, to provide BG Furniture with working capital and to fund BG Furniture’s payroll (including unpaid payroll), BG Furniture identified a prospective financier and business partner and worked with that party toward the DIP Commitment Letter provided by the DIP Lender.

The DIP Facility

32. The DIP Lender is a corporation incorporated pursuant to the laws of the Province of Ontario. The DIP Lender is controlled by Jianjung Rong, with whom BG Furniture has previously done business through his other ventures.

33. The DIP Lender has agreed to provide the DIP Facility to BG Furniture up to the maximum aggregate amount of \$300,000, subject to BG Furniture obtaining an Order in this proceeding on the terms requested, granting the DIP Charge over all of the property, assets and undertaking of BG Furniture including the Lands (collectively, the “**Property**”), in priority to all creditors, and certain other conditions.

34. The proposed DIP Charge would rank second in priority to the proposed Administration Charge. A copy of the DIP Commitment Letter is attached hereto and marked as **Exhibit “R”**.

35. I believe that the proposed DIP Facility requested by BG Furniture should be approved because:

- (a) The DIP Facility is necessary to fund payroll and recall and keep approximately 34 employees;
- (b) The DIP Facility will enable BG Furniture to complete approximately \$470,000 in back orders, generating positive cash flow over the course of these proceedings;
- (c) The DIP Facility would enhance the prospects of BG Furniture making a viable proposal to its creditors by providing sufficient working capital to implement a restructuring;
- (d) I believe the granting of the DIP Facility and the DIP Charge would not adversely affect creditor recoveries, and would instead provide the opportunity to enhance such recoveries;
- (e) I do not believe any creditor would be materially prejudiced by the approval of the DIP Facility and the granting of the DIP Charge; and
- (f) the Proposal Trustee supports the DIP Facility and the granting of the DIP Charge.

SISP

36. BG Furniture seeks an Order authorizing implementation of the SISP described at **Exhibit "S"** hereto. Pursuant to the proposed SISP, with the assistance of the Proposal Trustee, BG Furniture will solicit offers for equity investments as well as offers to purchase some or all of the Property. I believe that the immediate commencement of the proposed SISP will reduce costs, streamline BG Furniture's restructuring proceedings and maximize recoveries for all of its creditors.

37. The proposed SISP contemplates a marketing and solicitation period of approximately 7 weeks, taking into account the upcoming holiday season. With the assistance of the Proposal Trustee, the process will involve a combination of targeted (*e.g.*, to other industry participants) and broad (*e.g.*, newspaper advertisements), and will be supported by the creation of a "data room" housing all of BG Furniture's confidential and commercially sensitive information and records. Management will also be available to assist with Facility tours and to respond to any specific inquiries.

38. The proposed SISP has been reviewed by the Proposal Trustee and the DIP Lender, and both support its approval and immediate implementation.

Stalking Horse Bid

39. In conjunction with the SISP, BG Furniture is also seeking approval of the Stalking Horse Investment Term Sheet between the Company and the Stalking Horse Bidder,

which will serve as a "baseline" for any third-party bids submitted through the SISP. A copy of the Stalking Horse Investment Term Sheet is attached hereto as **Exhibit "T"**.

40. I believe that approval of the Stalking Horse Investment Term Sheet will provide stability to the business as it will assist in reassuring customers, employees, suppliers and other business partners and stakeholders that the business will continue as a going concern.

41. The Stalking Horse Investment Term Sheet provides for the Investment Amount of a minimum of \$800,000 to be invested in BG Furniture and distributed to its creditors. The Stalking Horse Bidder is permitted to increase the Investment Amount at any time during the bid deadline prescribed in the proposed SISP. For reasons that include those described at paragraphs 45 through 50 below, I believe that the Investment Amount set out in the Stalking Horse Investment Term Sheet provides for substantially more recovery for each creditor group than they would realize through a liquidation.

42. The equity investment contemplated in the Stalking Horse Investment Term Sheet is subject to certain conditions including, without limitation, creditor approval of the BIA proposal to be submitted to BG Furniture's creditors (the "**BIA Proposal**"), and an Order of the Court sanctioning the BIA Proposal and approving the restructuring contemplated in the Stalking Horse Investment Term Sheet (the "**Approval & Sanction Order**").

43. Pursuant to the Stalking Horse Investment Term Sheet, the Investment Amount will be used for the following purposes:

- (a) repayment of any outstanding amounts secured by the Administration Charge (estimated to be \$0 on the proposed closing date);
- (b) repayment of the amounts secured by the DIP Charge (estimated to be in an amount of \$250,000 on the proposed closing date); and
- (c) funding the BIA Proposal by the Corporation to its secured, preferred and unsecured creditors.

44. The Stalking Horse Investment Term Sheet provides that in the event that the Stalking Horse Bidder's offer is accepted by BG Furniture but the creditors do not approve the BIA Proposal (such that BG Furniture is automatically deemed bankrupt), the Stalking Horse Bidder will have an option to purchase all of the Property (other than Excluded Assets, as may be designated by the Stalking Horse Bidder) (collectively, the “**Purchased Assets**”), exercisable within 5 business days of the vote against the BIA Proposal, in consideration of payment of the Investment Amount and subject to Court approval pursuant to an Approval & Vesting Order.

45. I believe that the Investment Amount prescribed in the Stalking Horse Investment Term Sheet and the anticipated terms of the BIA Proposal will provide significantly better recoveries for each creditor class than would be realized in a liquidation. Resuscitation and maintenance of BG's Furniture's enterprise value is critical to maximization of creditor realization. Furthermore, the nature and condition of the Lands and the Facility would pose significant challenges to uses other than manufacturing wood furniture.

46. Pursuant to an Appraisal Report dated July 23, 2015 (the “**Appraisal Report**”) the Lands were appraised at a market value of \$825,000. A copy of the Appraisal Report is attached hereto as **Exhibit “U”**. However, I believe that the estimated market value vastly overstates the gross proceeds that would be realized in a liquidation or other enforcement process, as it was made based on assumptions which would be inapplicable in those circumstances. Specifically, the appraisal was made based on continued owner-occupation and contribution of a rental equivalency by the business, and assumed "highest and best use", and 8 to 10 month marketing process, and a transaction "...between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion."

47. A Phase I survey of the Lands completed in April 2014 (the “**Phase I Survey**”) identified a low-to-moderate risk of environmental impact. I note that the Lands have been subject to almost 120 years of continuous light industry on site. A copy of the Phase I Survey is attached hereto as **Exhibit “V”**. The Appraisal Report did not incorporate any soil or other environmental testing. Any change of use of the Lands may require environmental remediation.

48. I note that the 75,000 square foot main building at the Facility is heated with a wood-burning boiler that is fed with production remnants. This would be highly impractical for almost any other use of the building and would necessitate an extensive and expensive retrofit of the building.

49. As set out in the Appraisal Report, real property sales in the Walkerton area are generally weak, with supply significantly outstripping demand.

50. Unless the DIP Commitment Letter, SISP and Stalking Horse Investment Term Sheet are approved and implemented, I do not believe that BG Furniture will be able to:

- (a) re-commence operations and re-capture any going-concern value;
- (b) complete the significant back orders; or
- (c) retain key employees.

Consequently, absent these BIA proceedings and the Order sought on this motion, I believe that it would be very unlikely that any party would ascribe any enterprise value whatsoever to the Property, and would in fact significantly discount its value due to the factors described at paragraphs 45 through 49 above.

Administration Charge

51. BG Furniture is requesting that the Court grant the Administration Charge in favour of BG Furniture's counsel and in favour of the Proposal Trustee and its counsel to secure the payment of fees and expenses incurred in connection with these proceedings. BG Furniture seeks an Administration Charge in the amount of \$150,000 to secure payment of the fees and expenses of BG Furniture's counsel, and the Proposal Trustee and its counsel.

52. As noted above with respect to the DIP Facility, I do not believe that any creditor would be materially prejudiced by the granting of the Administration Charge. I also note that BG

Furniture's restructuring plan would be impossible to implement without the assistance of BG Furniture's legal counsel, the Proposal Trustee and its legal counsel.

53. The Cash Flow Forecast and the DIP Facility both contemplate payment of professional fees on a bi-weekly basis through the duration of the BIA proceedings. As such, I anticipate that at the conclusion of the proceedings there will not be any amounts payable under the Administration Charge.

D&O Charge

54. BG Furniture is requesting that the Court grant the D&O Charge in favour of the directors and officers of BG Furniture (*i.e.*, Nielsen and me) in the amount of \$25,000.

Extension of Time for Proposal


55. The NOI was filed on December 14, 2016, and as such the 30 day initial stay of proceedings under the BIA will expire on January 12, 2017. The SISP contemplates completion in March 2017. Consequently, BG Furniture seeks an Order extending the stay of proceedings by 45 days from the date upon which this motion is scheduled to be heard, to February 5, 2017.

56. Approval of the extension request will reduce procedural costs over the course of the BIA proceedings, by eliminating the need to prepare and attend two separate extension motions in order to complete the SISP on the anticipated schedule. It will also assist in reassuring stakeholders that both the BIA process and business operations will continue beyond the next 4 weeks.

57. I believe that having this motion heard in the Commercial List in Toronto is in the interest of justice, particularly having regard to the subject matter of the proceeding. In addition, many of the parties including the Proposal Trustee, the DIP Lender and other creditors are in Toronto. Counsel to BG Furniture, the Proposal Trustee, and a number of creditors are also located in Toronto.

58. I swear this affidavit in support of BG Furniture's motion for the relief requested, and for no other or improper purpose.

SWORN before me at the Town of Walkerton,
in the Province of Ontario, this 19 th day of
December, 2016.


Commissioner for Taking Affidavits
ADAM HOFMANN

Scott Stewart Thibadeau, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.

IN THE MATTER OF THE PROPOSAL OF BG FURNITURE LTD.
OF THE TOWN OF WALKERTON IN THE PROVINCE OF ONTARIO

Court File No.:
Court No. 35-2199056
Estate No. 35-2199056

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

AFFIDAVIT OF ADAM HOFMANN
(Sworn December 19, 2016)

Fogler, Rubinoff LLP
77 King Street West
Suite 3000, PO Box 95
TD Centre North Tower
Toronto, ON M5K 1G8

Greg Azeff (LSUC #45324C)
Email: gazeff@foglers.com

Stephanie DeCaria (LSUC# 68055L)
Email: sdecaria@foglers.com

Tel: (416) 864-9700
Fax: (416) 941-8852

Lawyers for the Moving Party, BG Furniture Ltd.

THIS IS EXHIBIT A REFERRED
TO IN THE AFFIDAVIT OF
ADAM HOFFMAN
SWORN BEFORE ME ON THIS THE

19 DAY OF Dec 2016

Scott Thibault p00416
A COMMISSIONER, ETC.

Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.

Request ID: 019547383
Transaction ID: 62626807
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/11/02
Time Report Produced: 11:47:26
Page: 1

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2404489	BG FURNITURE LTD.	2014/01/23
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address	Date Amalgamated	Amalgamation Ind.
75 RIDOUT ST	NOT APPLICABLE	NOT APPLICABLE
WALKERTON ONTARIO CANADA N0G 2V0	New Amal. Number	Notice Date
	NOT APPLICABLE	NOT APPLICABLE
Mailing Address		Letter Date
75 RIDOUT STREET P.O. BOX 1240 WALKERTON ONTARIO CANADA N0G 2V0		NOT APPLICABLE
	Revival Date	Continuation Date
	NOT APPLICABLE	NOT APPLICABLE
	Transferred Out Date	Cancel/Inactive Date
	NOT APPLICABLE	NOT APPLICABLE
	EP Licence Eff.Date	EP Licence Term.Date
	NOT APPLICABLE	NOT APPLICABLE
	Number of Directors Minimum Maximum	Date Commenced in Ontario
	00001 00015	Date Ceased in Ontario
Activity Classification		NOT APPLICABLE
NOT AVAILABLE		

Request ID: 019547383
Transaction ID: 62626807
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/11/02
Time Report Produced: 11:47:26
Page: 2

CORPORATION PROFILE REPORT

Ontario Corp Number

2404489

Corporation Name

BG FURNITURE LTD.

Corporate Name History

BG FURNITURE LTD.

Effective Date

2014/01/23

Current Business Name(s) Exist:

NO

Expired Business Name(s) Exist:

NO

Administrator:
Name (Individual / Corporation)

ADAM
M.
HOFMANN

Address

257 4TH STREET CRESCENT

HANOVER
ONTARIO
CANADA N4N 3S9

Date Began

2014/01/23

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 019547383
Transaction ID: 62626807
Category ID: UNE

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/11/02
Time Report Produced: 11:47:26
Page: 3

CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2404489

BG FURNITURE LTD.

Administrator:
Name (Individual / Corporation)

Address

ADAM
M.
HOFMANN

257 4TH STREET CRESCENT

HANOVER
ONTARIO
CANADA N4N 3S9

Date Began

First Director

2014/01/23

NOT APPLICABLE

Designation

Officer Type

Resident Canadian

OFFICER

PRESIDENT

Y

Administrator:
Name (Individual / Corporation)

Address

DIRK
P.
NIELSEN

302 WESTWOOD DRIVE

WALKERTON
ONTARIO
CANADA N0G 2V0

Date Began

First Director

2014/01/23

NOT APPLICABLE

Designation

Officer Type

Resident Canadian

DIRECTOR

Y

Request ID: 019547383
Transaction ID: 62626807
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/11/02
Time Report Produced: 11:47:26
Page: 4

CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2404489

BG FURNITURE LTD.

Administrator:

Name (Individual / Corporation)

Address

DIRK
P.
NIELSEN

302 WESTWOOD DRIVE

WALKERTON
ONTARIO
CANADA N0G 2V0

Date Began

First Director

2014/01/23

NOT APPLICABLE

Designation

Officer Type

Resident Canadian

OFFICER

VICE-PRESIDENT

Y

Request ID: 019547383
Transaction ID: 62626807
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/11/02
Time Report Produced: 11:47:26
Page: 5

CORPORATION PROFILE REPORT

Ontario Corp Number

2404489

Corporation Name

BG FURNITURE LTD.

Last Document Recorded

Act/Code Description

Form

Date

CIA

ANNUAL RETURN 2014

1C

2015/06/06 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

THIS IS EXHIBIT B REFERRED
TO IN THE AFFIDAVIT OF
Adam Hoffman
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 12

Scott Stewart Thibodeau 4004040
A COMMISSIONER, ETC.

Scott Stewart Thibodeau, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.

District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

Take notice that:

1. I, BG Furniture Ltd., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Collins Barrow Toronto Limited of 11 King Street W., Suite 700, Box 27, Toronto, ON, M5H 4C7, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Toronto in the Province of Ontario, this 14th day of December 2016.


BG Furniture Ltd.
Insolvent Person

To be completed by Official Receiver:

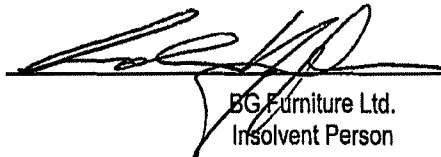
Filing Date

Official Receiver

District of:
Division No.
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

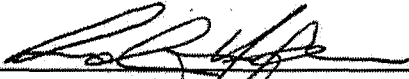
List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
2110785 ONTARIO Inc. Adam Hofmann and Dirk Nielsen	PO Box 1240 75 Ridout Street Walkerton ON N0G 2V0		836,785.42
2544311 Ontario Limited Jian Jun Rong	77 King Street West - 3000 TD Centre North Tower Toronto ON M5K 1G8		40,255.13
All Team Glass & Mirror Ltd	281 Hanlan Rd Woodbridge ON L4L 3R7		1,830.50
B & E Ironworks	60 Citation Dr Concord ON L4K 2W9		1,210.95
Biesse Group Canada	Mirabel QC J7J 0G2		460.64
Blue Chip Leasing	156 Duncan Mill Rd Unit 16 Toronto ON M3B 3N2		14,799.00
Bruce Community Futures Development Barb Fisher	P.O. Box 208 233 Broadway Kincardine ON N2Z 2X9		332,000.00
CA Spencer	Laval QC H7P 1T1		13,678.00
Carver Cabinetry	7 Palmer Street East Box 609 NORWICH ON N0J 1P0		9,661.50
Cherry Forest Products	24 Kerr Cres Puslinch ON N0B 2J0		2,463.32
CNH Capital	PO Box 5334 Burlington ON L7R 4Z8		43,894.00


BG Furniture Ltd.
Insolvent Person

District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)


List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Collins Barrow SGB LLP	P O Box 129 7 Victoria St S Walkerton ON N0G 2V0		7,452.29
Commissions			86,621.61
De Jong Enterprises Inc.	PO Box 39, RR 3 Norwich ON N0J 1P0		13,106.41
Dunsmore Wearing LLP	Suite 4410 PO Box 372 Toronto ON M5L 1G2		4,101.34
Excel Dowel & Wood Product	800 Baker Drive Itasca IL 60143 USA		316.00
Folmer & Phillippi	1700 20th Street East Owen Sound ON N4K 5W9		5,789.53
Georgian Bay Fire & Safety	P O Box 460 9184 Twiss Rd Campbellville ON L0P 1B0		1,306.28
Goodfellow	90 Snow Blvd. Concord ON L4K 4A2		9,340.86
Grenville Strategic Royalty Corp Donnacha Rahill	220 Bay Street Suite 550 Toronto ON M5J 2W4		2,789,689.00
Hettich Canada LP	27052 Network Place Chicago IL 60673-1270		4,685.33
Holland	PO Box 9021 700 S Waverly Rd Holland MI 49422-9021 USA		704.85


BG Furniture Ltd.
Insolvent Person

District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Holst Office Supplies	PO Box 218 Walkerton ON N0G 2V0		2,546.57
Homag Canada Inc	5090 Edwards blvd. Mississauga ON L5T 2W3		870.81
LeanPack	15825 Marsh Hill Rd Port Perry ON L9L 1Z1		5,970.61
Master Finishing Supplies	PO Box 866 135 Ormont Drive, Unit 22 Beeton ON L0G 1A0		565.67
Matt's Cabinetry By Design	75 Kimball Rd. Wallaceburg ON N8A 4L2		2,712.00
Minister of Finance - EHT	PO Box 620 33 King Street West Oshawa ON L1H 8E9	829530971TE0001	20,369.61
Municipality of Brockton - Prop Taxes	PO Box 68 100 Scott Street Walkerton ON N0G 2V0	41-04-360-006-18800-000 0	15,458.60
National Compressed Air	376 Sovereign rd. London ON N6M 1A5		481.45
Olympic Forest	39 Erin Park Dr Erin ON N0B 1T0		26,948.23
Ottens Products	11555 NE Sumner Street Portland OR 97220 USA		790.00
Pallet Valo LLP	Lawyers & Trade-Mark Agents 300-77 City Centre Dr. West Tower Mississauga ON L5B 1M5		92,130.00


B&B Furniture Ltd.
Insolvent Person

District of:
Division No.
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

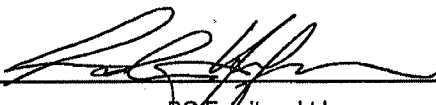
List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Platinum Investment Group Inc. Stuart des Vignes	896 Brock Rd, Unit 1 Pickering ON L1W 1Z9		622,312.00
Receiver General - Source Deductions	875 Heron Rd Ottawa ON K1A 1B1	82953 0971 RP0001	49,983.00
Richelieu Hardware	7900 Henri-Bourassa Ouest Saint Laurent QC H4S 1V4		5,671.83
RPG Receivables Inc. Kevin Fagundes	300 - 221 Lakeshore Road East Oakville ON L6J 1H7		10,120.00
Saugeen Economic Development Corp. Rose Austin	PO Box 177 515 Mill Steet Neustadt ON N0G 2M0		332,000.00
Seradex Manufacturing Software	4460 Harvester Rd Burlington ON L7L 4X2		2,000.00
Skyline Elevator Inc	410 Industrial Rd London ON N4V 1T5		31,245.00
Technical Touch Repairs	24 Loma Drive Stoney Creek ON L8G 2W7		1,095.58
TICC Anne Larocque	The International Centre 120-6900 Airport Rd Mississauga ON L4V 1E8		8,660.00
Union Gas	P O Box 2001 Chatham ON N7M 5M1		341.92
USW Local	1100 Clarence St S. Suite 104 Brantford ON N3S 7N8		10,009.44
Wages and accrued vacation			250,222.29


BG Furniture Ltd.
Insolvent Person

District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Waste Management	219 Labrador drive Waterloo ON N2K 4M8		3,222.68
Weber Supply Co	1830 Strasburg Rd Kitchener ON N2R 1E9		1,445.91
Wightman Telecom - Telephone	PO Box 70 Clifford ON N0G 1M2		658.08
WSIB	PO Box 4115, Stn A Toronto ON M5W 2V3	5651624	42,900.76
Xerox Canada	PO Box 4539 Stn A Toronto ON M5W 4P5		2,953.00
Total			5,763,837.00


BG Furniture Ltd.
Insolvent Person



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 04 - Owen Sound
Court No. 35-2199056
Estate No. 35-2199056

In the Matter of the Notice of Intention to make a
proposal of:

BG Furniture Ltd.
Insolvent Person

COLLINS BARROW TORONTO LIMITED
Licensed Insolvency Trustee

Date of the Notice of Intention: December 14, 2016

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: December 14, 2016, 12:11

E-File/Dépôt Electronique

Official Receiver

Federal Building - London, 451 Talbot Street, Suite 303, London, Ontario, Canada, N6A5C9, (877)376-9902

Canada

THIS IS EXHIBIT C REFERRED
TO IN THE AFFIDAVIT OF
Adair Hoffman
SWORN BEFORE ME ON THIS THE

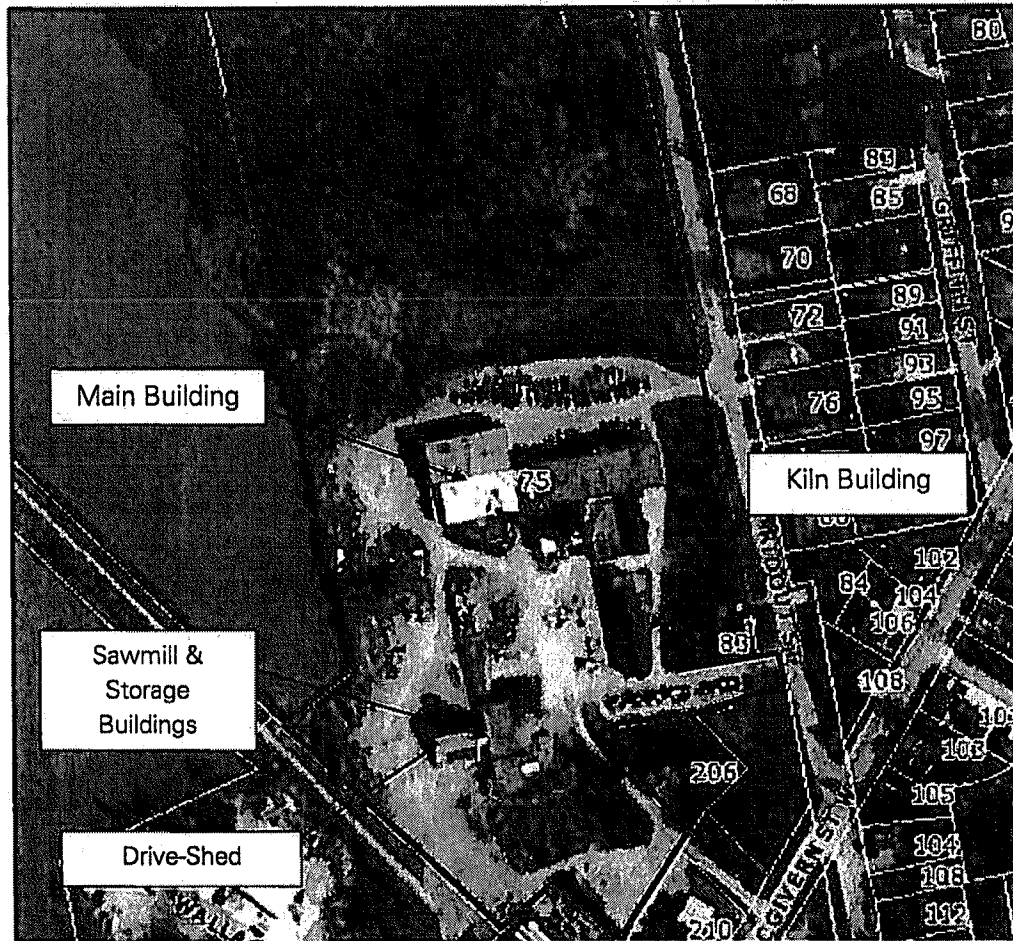
19 DAY OF December 20 16

 400408
A COMMISSIONER, ETC

Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.

15. 2016

Site Plan Sketch



[Handwritten signature]

THIS IS EXHIBIT 10 REFERRED
TO IN THE AFFIDAVIT OF

Adam Hoffmann
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault 400406
A COMMISSIONER, ETC.

Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.
r/s. 22-1-16

ServiceOntario[Main Menu](#) [New Enquiry](#)**Enquiry Result**

File Currency: 01NOV 2016



All Pages


[Show All Pages](#)

Note: All pages have been returned.

Type of Search Business Debtor
 Search Conducted On BG FURNITURE LTD.
 File Currency 01NOV 2016

File Number	Family	of Families	Page	of Pages	Expiry Date	Status
697507524	1	10	1	23	27JUN 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
697507524		01	002		20140627 1040 1529 8606	P PPSA	5

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor				
Business Debtor Name		Ontario Corporation Number		
BG FURNITURE LTD				
Address		City	Province	Postal Code
75 RIDOUT STREET PO BOX 1240		WALKERTON	ON	N0G 2V0

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor				
Business Debtor Name		Ontario Corporation Number		
Address		City	Province	Postal Code

Secured Party	Secured Party / Lien Claimant			
CNH INDUSTRIAL CAPITAL CANADA LTD.				
Address	City	Province	Postal Code	
4475 NORTH SERVICE ROAD	BURLINGTON	ON	L7L 4X7	

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X			X		24JUN2019	

Motor Vehicle Description	Year	Make	Model	V.I.N.
	2012	CASEIH	95	ZCJP50560

General Collateral Description	General Collateral Description
	2013 HORST 7 INCH OTHERAG, SERIAL 13LA36302
	2013 CASEIH L735 LOADERS, SERIAL YCWLE5584
	2013 HORST PALLET HORST PALLET FORKS, SERIAL NSN

Registering Agent	Registering Agent			
	D+H LIMITED PARTNERSHIP			
	Address	City	Province	Postal Code
	SUITE 200, 4126 NORLAND AVENUE	BURNABY	BC	V5G 3S8

CONTINUED

Type of Search	Business Debtor													
Search Conducted On	BG FURNITURE LTD.													
File Currency	01NOV 2016													
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status							
	697507524	1	10	2	23	27JUN 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							
697507524		02	002		20140627 1040 1529 8606									
Individual Debtor	Date of Birth	First Given Name			Initial	Surname								
Business Debtor	Business Debtor Name					Ontario Corporation Number								
	Address				City	Province	Postal Code							
Individual Debtor	Date of Birth	First Given Name			Initial	Surname								
Business Debtor	Business Debtor Name					Ontario Corporation Number								
	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													
	2013 HLA 3800 BLADE, SERIAL 147047													
Registering Agent	Registering Agent													
	Address				City	Province	Postal Code							

END OF FAMILY

Type of Search	Business Debtor
	BG FURNITURE LTD.

Search Conducted On							
File Currency	01NOV 2016						
File Number	Family	of Families	Page	of Pages	Expiry Date	Status	
697884291	2	10	3	23	10JUL 2018		
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN							
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
697884291		001	1		20140710 1314 1532 3258	P PPSA	4
Individual Debtor	Date of Birth	First Given Name		Initial	Surname		
Business Debtor	Business Debtor Name			Ontario Corporation Number			
	BG FURNITURE LTD.						
	Address		City	Province	Postal Code		
	75 RIDEOUT STREET, BOX 140		WALKERTON	ON	N0G 2V0		
Individual Debtor	Date of Birth	First Given Name		Initial	Surname		
Business Debtor	Business Debtor Name			Ontario Corporation Number			
	Address			City	Province	Postal Code	
Secured Party	Secured Party / Lien Claimant						
	RPG RECEIVABLES PURCHASE GROUP INC.						
	Address		City	Province	Postal Code		
	300 - 221 LAKESHORE ROAD EAST		OAKVILLE	ON	L6J 1H7		
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount
		X	X	X	X	X	
Motor Vehicle Description	Year	Make		Model	V.I.N.		
General Collateral Description	General Collateral Description						

Registering Agent	Registering Agent			
	CSRS			
	Address		City	Province
	4126 NORLAND AVE		BURNABY	BC
				Postal Code
				V5G 3S8

CONTINUED

Type of Search	Business Debtor						
Search Conducted On	BG FURNITURE LTD.						
File Currency	01NOV 2016						
	File Number	Family	of Families	Page	of Pages		
	697884291	2	10	4	23		
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT							
	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under	
		01	001		20140710 1949 1531 6203		

Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	697884291	X		A AMNDMNT		
Reference Debtor/ Transferor	First Given Name	Initial	Surname			
	Business Debtor Name					
	BG FURNITURE LTD.					
Other Change	Other Change					
Reason / Description	Reason / Description					
	AMEND DEBTOR ADDRESS FROM 75 RIDEOUT STREET, BOX 140, WALKERTON, ON N0G 2V0 TO 75 RIDEOUT STREET, BOX 1240, WALKERTON, ON N0G 2V0					
Debtor/ Transferee	Date of Birth	First Given Name	Initial	Surname		
	Business Debtor Name					
	BG FURNITURE LTD.					
	Address	City	Province	Postal Code		
	75 RIDEOUT STREET, BOX 1240	WALKERTON	ON	N0G 2V0		
Assignor Name	Assignor Name					
Secured Party	Secured party, lien claimant, assignee					
	Address	City	Province	Postal Code		
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included
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		

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	BG FURNITURE LTD.						
File Currency	01NOV 2016						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	698259708	3	10	5	23	23JUL 2020	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
698259708		001	002		20140723 1319 1862 7063	P PPSA	6		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name			Ontario Corporation Number					
	BG FURNITURE LTD.								
	Address			City	Province	Postal Code			
	75 RIDOUT STREET			WALKERTON	ON	N0G 2V0			
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name			Ontario Corporation Number					
	Address			City	Province	Postal Code			
Secured Party	Secured Party / Lien Claimant								
	SAUGEEN ECONOMIC DEVELOPMENT CORPORATION								
	Address			City	Province	Postal Code			
	515 MILL STREET, P. O. BOX 177			NEUSTADT	ON	N0G 2M0			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
				X	X				X
Motor Vehicle Description	Year	Make			Model			V.I.N.	
General Collateral Description	General Collateral Description								
	INCLUDES BUT NOT LIMITED TO THE SCIENTIFIC RESEARCH & EXPERIMENTAL DEVELOPMENT PROGRAM TAX CREDIT ADMINISTERED BY THE FEDERAL GOVERNMENT AND THE INVESTMENT TAX CREDIT PROGRAM AS ADMINISTERED BY THE								
Registering Agent	Registering Agent								
	GRANT & ACHESON								
	Address				City	Province	Postal Code		
	265 BRIDGE STREET, P.O. BOX 128				FERGUS	ON	N1M 2W7		

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	698259708	3	10	6	23	23JUL 2020			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
698259708		002	002		20140723 1319 1862 7063				
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			

Address		City	Province	Postal Code
Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name		Ontario Corporation Number	
Address		City	Province	Postal Code
Secured Party	Secured Party / Lien Claimant			
BRUCE COMMUNITY FUTURES DEVELOPMENT CORPORATION				
Address		City	Province	Postal Code
233 BROADWAY STREET		KINCARDINE	ON	N2Z 2X9
Collateral Classification	Consumer Goods	Inventory Equipment	Accounts	Other
Motor Vehicle Description	Year	Make	Model	V.I.N.
General Collateral Description	General Collateral Description			
PROVINCE OF ONTARIO				

Registering Agent	Registering Agent			
Address				
City	Province	Postal Code		

CONTINUED

Type of Search	Business Debtor					
Search Conducted On	BG FURNITURE LTD.					
File Currency	01NOV 2016					
File Number	Family	of Families	Page	of Pages		
698259708	3	10	7	23		
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT						
Cautlon Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under	
	001	2		20140926 1306 2227 4480		
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	698259708			A AMNDMNT		
Reference Debtor/ Transferor	First Given Name		Initial	Surname		
	Business Debtor Name					
	BG FURNITURE LTD.					
Other Change	Other Change					

Reason / Description	Reason / Description TO AMEND THE GENERAL COLLATERAL DESCRIPTION IN THE ORIGINAL REGISTRATION BY REMOVING THE WORDS "INCLUDES BUT NOT"								
Debtor/ Transferee	Date of Birth	First Given Name			Initial		Surname		
				Business Debtor Name			Ontario Corporation Number		
				Address		City	Province	Postal Code	
Assignor Name					Assignor Name				
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 LIMITED TO THE SCIENTIFIC RESEARCH & EXPERIMENTAL DEVELOPMENT PROGRAM TAX CREDIT ADMINISTERED BY THE FEDERAL GOVERNMENT AND THE INVESTMENT TAX CREDIT PROGRAM AS ADMINISTERED BY THE PROVINCE OF								
Registering Agent	Registering Agent or Secured Party/ Lien Claimant								
GRANT & ACHESON LLP									
Address						City	Province	Postal Code	
265 BRIDGE STREET, P.O. BOX 128						FERGUS	ON	N1M 2W7	

CONTINUED

Type of Search	Business Debtor						
Search Conducted On	BG FURNITURE LTD.						
File Currency	01NOV 2016						
	File Number	Family	of Families	Page	of Pages		
	698259708	3	10	8	23		
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT							
	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under	
		002	2		20140926 1306 2227 4480		
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period	
	698259708						
Reference Debtor/ Transferor	First Given Name			Initial	Surname		
	Business Debtor Name						

Other Change	Other Change								
Reason / Description	Reason / Description								
Debtor/ Transferee	Date of Birth	First Given Name			Initial		Surname		
		Business Debtor Name					Ontario Corporation Number		
		Address				City	Province	Postal Code	
Assignor Name		Assignor Name							
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								
	ONTARIO.								
Registering Agent		Registering Agent or Secured Party/ Lien Claimant							
		Address				City	Province	Postal Code	

END OF FAMILY

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
File Number	Family	of Families	Page	of Pages	Expiry Date	Status			
699347934	4	10	9	23	28AUG 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		
699347934		001	1		20140828 1637 6083 7593	P PPSA	5		
Individual Debtor	Date of Birth	First Given Name			Initial		Surname		
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	BG FURNITURE LTD.								
		Address				City	Province	Postal Code	

75 RIDEOUT STREET, PO BOX 1240		WALKERTON		ON	N0G 2V0				
Individual Debtor	Date of Birth	First Given Name	Initial	Surname					
Business Debtor	Business Debtor Name		Ontario Corporation Number						
	Address		City	Province	Postal Code				
Secured Party	Secured Party / Lien Claimant								
	MANORHOUSE LIMITED								
	Address		City	Province	Postal Code				
	54 CRICKLEWOOD CRESCENT		THORNHILL	ON	L3T 4T9				
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X		250000		X
Motor Vehicle Description	Year	Make		Model		V.I.N.			
General Collateral Description	General Collateral Description								

Registering Agent	Registering Agent			
	ESC CORPORATE SERVICES LTD.			
	Address	City	Province	Postal Code
	400 - 445 KING STREET WEST	TORONTO	ON	M5V 1K4

CONTINUED

Type of Search	Business Debtor					
Search Conducted On	BG FURNITURE LTD.					
File Currency	01NOV 2016					
	File Number	Family	of Families	Page	of Pages	
	699347934	4	10	10	23	
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT						
	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under
		001	1		20140917 1708 1793 8881	
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	699347934			A AMNDMNT		
Reference Debtor/Transferor	First Given Name		Initial	Surname		
	Business Debtor Name					
	BG FURNITURE LTD.					
Other Change	Other Change					
Reason / Description	Reason / Description					
	TO INCLUDE IN SECURITY CONSUMER GOODS AND MOTOR VEHICLES					

Debtor/ Transferee	Date of Birth	First Given Name		Initial		Surname			
Business Debtor Name					Ontario Corporation Number				
Address				City		Province Postal Code			
Assignor Name					Assignor Name				
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
	X					X			
Motor Vehicle Description	Year	Make		Model		V.I.N.			
General Collateral Description					General Collateral Description				
Registering Agent					Registering Agent or Secured Party/ Lien Claimant				
ESC CORPORATE SERVICES LTD.									
Address				City		Province	Postal Code		
445 KING STREET WEST, SUITE 400				TORONTO		ON	M5V1K4		

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	BG FURNITURE LTD.						
File Currency	01NOV 2016						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	701243604	5	10	11	23	03NOV 2020	
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN							
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
701243604		01	001		20141103 1703 1462 9616	P PPSA	6
Individual Debtor	Date of Birth	First Given Name		Initial		Surname	
Business Debtor	Business Debtor Name					Ontario Corporation Number	
	BG FURNITURE LTD						
	Address				City	Province	Postal Code
	75 RIDEOUT ST				WALKERTON	ON	N0G2V0
Individual Debtor	Date of Birth	First Given Name		Initial		Surname	
	10MAR1964	ADAM				HOFMANN	
Business Debtor	Business Debtor Name					Ontario Corporation Number	

Address		City	Province	Postal Code
257 4TH STREET CRESCENT		HANOVER	ON	N4N3S9
Secured Party	Secured Party / Lien Claimant			
XEROX CANADA LTD				
Address		City	Province	Postal Code
33 BLOOR ST. E. 3RD FLOOR		TORONTO	ON	M4W3H1
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts
		X		X
				X
Motor Vehicle Description	Year	Make	Model	V.I.N.
General Collateral Description		General Collateral Description		

Registering Agent	Registering Agent			
PPSA CANADA INC. - (3992)				
Address		City	Province	Postal Code
110 SHEPPARD AVE EAST, SUITE 303		TORONTO	ON	M2N6Y8

END OF FAMILY

Type of Search	Business Debtor						
Search Conducted On	BG FURNITURE LTD.						
File Currency	01NOV 2016						
File Number	Family	of Families	Page	of Pages	Expiry Date	Status	
706716855	6	10	12	23	03JUN 2018		
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN							
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
706716855		01	002		20150603 1033 8077 3122	P PPSA	3
Individual Debtor	Date of Birth	First Given Name		Initial	Surname		
Business Debtor	Business Debtor Name		Ontario Corporation Number				
	BG FURNITURE LTD.						
	Address		City	Province	Postal Code		
	75 RIDEOUT STREET		WALKERTON	ON	N0G 2K0		
Individual Debtor	Date of Birth	First Given Name		Initial	Surname		
	02FEB1986	DIRK		P	NIELSON		
Business Debtor	Business Debtor Name		Ontario Corporation Number				
Address		City	Province	Postal Code			
302 WESTWOOD DR S55		WALKERTON	ON	N0G 2V0			
Secured Party	Secured Party / Lien Claimant						
BLUE CHIP LEASING CORPORATION							
Address		City	Province	Postal Code			
156 DUNCAN MILL ROAD, UNIT 16		TORONTO	ON	M3B 3N2			

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X		X				X
Motor Vehicle Description	Year		Make			Model			V.I.N.
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent								
	REGISTRY = RECOVERY INC.								
	Address					City	Province	Postal Code	
	1551 THE QUEENSWAY					TORONTO	ON	M8Z 1T5	

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
File Number	Family	of Families	Page	of Pages	Expiry Date	Status			
706716855	6	10	13	23	03JUN 2018				
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
706716855		02	002		20150603 1033 8077 3122				
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
	02FEB1986	DIRK				NIELSON			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address					City	Province	Postal Code	
	302 WESTWOOD DR SS5					WALKERTON	ON	N0G 2V0	
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
	10MAR1964	ADAM				HOFMANN			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address					City	Province	Postal Code	
	257 4TH ST CRES					HANOVER	ON	N4N 3S9	
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		
Registering Agent		Registering Agent		
Address		City	Province	Postal Code

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages				
	706716855	6	10	14	23				
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT									
	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under			
		001	3		20150901 0944 1901 8919				
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period			
	706716855			A AMNDMNT					
Reference Debtor/ Transferor	First Given Name			Initial	Surname				
	Business Debtor Name								
	BG FURNITURE LTD.								
Other Change	Other Change								
Reason / Description	Reason / Description								
	AMEND GENERAL COLLATERAL AMEND DEBTOR FROM ADAM MICHAEL HOFMANN 257 4TH ST CRES HANOVER, ON, N4N3S9 (DOB 10 MAR 1964) TO ADAM M HOFMANN 257 4TH ST CRES HANOVER, ON, N4N3S9 (DOB 10 MAR 1964)								
Debtor/ Transferee	Date of Birth	First Given Name		Initial	Surname				
	10MAR1964	ADAM		M	HOFMANN				
	Business Debtor Name					Ontario Corporation Number			
	Address			City	Province	Postal Code			
	257 4TH ST CRES			HANOVER	ON	N4N 3S9			
Assignor Name	Assignor Name								
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**
 1 - OMGA DOUBLE (TWO HEAD) MITRE SAW, WITH VERTICAL CLAMPS,
 HORIZONTAL CLAMPS AND ALL CARPENTRY EQUIPMENT OF EVERY NATURE OR KIND
 DESCRIBED IN LEASE NUMBER 40116 (40636) BETWEEN THE SECURED PARTY,

Registering Agent **Registering Agent or Secured Party/ Lien Claimant**

AVS SYSTEMS INC.				
Address	City	Province	Postal Code	
201 - 1325 POLSON DR.	VERNON	BC	V1T 8H2	

CONTINUED

Type of Search	Business Debtor					
Search Conducted On	BG FURNITURE LTD.					
File Currency	01NOV 2016					
	File Number	Family	of Families	Page	of Pages	
	706716855	6	10	15	23	
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT						
	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under
		002	3		20150901 0944 1901 8919	
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	706716855					
Reference Debtor/ Transferor	First Given Name			Initial	Surname	
	Business Debtor Name					
Other Change	Other Change					
Reason / Description	Reason / Description					
Debtor/ Transferee	Date of Birth	First Given Name		Initial	Surname	
	Business Debtor Name					Ontario Corporation Number
	Address			City	Province	Postal Code
Assignor Name	Assignor Name					
Secured Party	Secured party, lien claimant, assignee					
	Address			City	Province	Postal Code
		Inventory	Equipment	Accounts	Other	Amount

Collateral Classification	Consumer Goods					Motor Vehicle Included		Date of Maturity or	No Fixed Maturity Date
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Motor Vehicle Description	Year	Make	Model	V.I.N.
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General Collateral Description	General Collateral Description
	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

Registering Agent	Registering Agent or Secured Party/ Lien Claimant
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	Address	City	Province	Postal Code

CONTINUED

Type of Search Business Debtor
Search Conducted BG FURNITURE LTD.
On

File Currency 01NOV 2016

File Number	Family	of Families	Page	of Pages
706716855	6	10	16	23

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under
	003	3		20150901 0944 1901 8919	

Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	706716855					

Reference Debtor/ Transferor	First Given Name	Initial	Surname
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Business Debtor Name

Other Change	Other Change
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Reason / Description	Reason / Description
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Debtor/ Transferee	Date of Birth	First Given Name	Initial	Surname
		Business Debtor Name		Ontario Corporation Number
		Address	City	Province Postal Code

Assignor Name	Assignor Name
---------------	---------------

Secured Party	Secured party, lien claimant, assignee
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		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 WITH THE COLLATERAL OR PROCEEDS THEREOF.								
Registering Agent		Registering Agent or Secured Party/ Lien Claimant							
		Address			City	Province	Postal Code		

END OF FAMILY

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	709217757	7	10	17	23	21AUG 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		
709217757		001	1		20150821 1712 6083 5601	P PPSA	2		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	BG FURNITURE LTD.					2404489			
	Address				City	Province	Postal Code		
	75 RIDOUT STREET				WALKERTON	ON	N0G 2V0		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address				City	Province	Postal Code		
Secured Party	Secured Party / Lien Claimant								
	PLATINUM INVESTMENT GROUP INC.								
	Address				City	Province	Postal Code		
	3-109 OLD KINGSTON ROAD				AJAX	ON	L1T 3A6		
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		287500		
	Year	Make		Model		V.I.N.			

Motor Vehicle Description				
General Collateral Description	General Collateral Description 2ND CHARGE/MORTGAGE ON THE PROPERTY LOCATED AT 75 RIDOUT STREET, WALKERTON, ONTARIO			
Registering Agent	Registering Agent			
	TIM VANULAR LAWYERS PROFESSIONAL CORPORATION			
	Address	City	Province	Postal Code
	2200 BROCK ROAD NORTH, UNITS C10 & C11	PICKERING	ON	L1X 2R2

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages				
	709217757	7	10	18	23				
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT									
	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under			
		001	1		20150901 1705 6083 5849				
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period			
	709217757		X	A AMNDMNT					
Reference Debtor/ Transferor	First Given Name		Initial	Surname					
	Business Debtor Name								
	BG FURNITURE LTD.								
Other Change	Other Change								
Reason / Description	Reason / Description								
	CHANGE COLLATERAL CLASSIFICATION TO JUST "OTHER"								
Debtor/ Transferee	Date of Birth	First Given Name		Initial	Surname				
	Business Debtor Name				Ontario Corporation Number				
	Address			City	Province	Postal Code			
Assignor Name	Assignor Name								
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

				X					
Motor Vehicle Description	Year	Make	Model	V.I.N.					
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent or Secured Party/ Lien Claimant								
TIM VANULAR LAWYERS PROFESSIONAL CORP.									
Address		City		Province	Postal Code				
2200 BROCK RD. N., UNITS C10 & 11		PICKERING		ON	L1X 2R2				

END OF FAMILY

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	709508421	8	10	19	23	01SEP 2025			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
709508421		001	1		20150901 0815 1590 2566	P PPSA	10		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	BG FURNITURE LTD.					002404489			
	Address				City	Province	Postal Code		
	75 RIDOUT ST				WALKERTON	ON	N0G 2V0		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address				City	Province	Postal Code		
Secured Party	Secured Party / Lien Claimant								
GRENVILLE STRATEGIC ROYALTY CORP.									
Address					City	Province	Postal Code		
220 BAY STREET, SUITE 5000					TORONTO	ON	M5J 2W4		
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					
OWENS WRIGHT LLP (JUSTINE DE PALMA)										
Address					City		Province		Postal Code	
300 - 20 HOLLY STREET					TORONTO		ON		M4S 3B1	

END OF FAMILY

Type of Search		Business Debtor								
Search Conducted On		BG FURNITURE LTD.								
File Currency		01NOV 2016								
	File Number	Family	of Families	Page	of Pages	Expiry Date		Status		
	712901835	9	10	20	23	24DEC 2020				
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN										
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule		Registration Number		Registered Under	Registration Period	
712901835		001	3			20151224 1045 2350 0073		P PPSA	05	
Individual Debtor										
Date of Birth		First Given Name				Initial		Surname		
Business Debtor										
Business Debtor Name								Ontario Corporation Number		
BG FURNITURE LTD.								2404489		
Address						City		Province	Postal Code	
75 RIDOUT STREET						WALKERTON		ON	N0G 2V0	
Individual Debtor										
Date of Birth		First Given Name				Initial		Surname		
Business Debtor										
Business Debtor Name								Ontario Corporation Number		
Address						City		Province	Postal Code	
Secured Party										
Secured Party / Lien Claimant										
ADAM HOFFMAN										
Address						City		Province	Postal Code	
75 RIDOUT STREET						WALKERTON		ON	N0G 2V0	
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		1500000		X		
Motor Vehicle Description										
Year	Make				Model		V.I.N.			
General Collateral Description										
ACCOUNTS, EQUIPMENT, DOCUMENTS, AGREEMENTS, GOODWILL, LICENCES, CHATTELS, INVENTORY, LEASES, SHARES										
Registering Agent										
Registering Agent										
ANDREW S. MACDONALD										
Address						City		Province	Postal Code	
42 WATERLOO STREET SOUTH						STRATFORD		ON	N5A 4A7	

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	712901835	9	10	21	23	24DEC 2020			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
712901835		002	3		20151224 1045 2350 0073				
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address				City	Province	Postal Code		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address				City	Province	Postal Code		
Secured Party	Secured Party / Lien Claimant								
	DIRK PETER NIELSON								
	Address				City	Province	Postal Code		
	75 RIDOUT STREET				WALKERTON	ON	N0G 2V0		
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		

CONTINUED

Type of Search	Business Debtor						
Search Conducted On	BG FURNITURE LTD.						
File Currency	01NOV 2016						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	712901835	9	10	22	23	24DEC 2020	
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN							

File Number	Cautions Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
712901835		003	3		20151224 1045 2350 0073		

Individual Debtor Date of Birth First Given Name Initial Surname

Business Debtor Business Debtor Name Ontario Corporation Number

Address City Province Postal Code

Individual Debtor Date of Birth First Given Name Initial Surname

Business Debtor Business Debtor Name Ontario Corporation Number

Address City Province Postal Code

Secured Party Secured Party / Lien Claimant

2110785 ONTARIO INC.

Address City Province Postal Code
75 RIDOUT STREET WALKERTON ON N0G 2V0

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

END OF FAMILY

Type of Search Business Debtor
Search Conducted On BG FURNITURE LTD.

File Currency 01NOV 2016

File Number	Family	of Families	Page	of Pages	Expiry Date	Status
716991237	10	10	23	23	26MAY 2021	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Cautions Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
716991237		001	001		20160526 0952 1031 3970	P PPSA	05

Individual Debtor Date of Birth First Given Name Initial Surname

Business Debtor Business Debtor Name Ontario Corporation Number

BG FURNITURE LTD.

Registering Agent	Registering Agent			
	MINISTRY OF FINANCE, AM & COLLECTIONS BRANCH, EHT 829530971			
	Address	City	Province	Postal Code
	5 PARK HOME AVENUE, 2ND FLOOR (594/387)	TORONTO	ON	M2N 6W8

[BACK TO TOP](#)



ServiceOntario Contact Centre

Last Modified: March 19, 2016

Contact us

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THIS IS EXHIBIT E REFERRED
TO IN THE AFFIDAVIT OF

Adam Hoffmann
SWORN BEFORE ME ON THIS THE

19 DAY OF December 2011

Scott Thibault #00406
A COMMISSIONER, ETC.

Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.



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PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

LAND
REGISTRY
OFFICE #3

33198-0287 (LT)

PAGE 1 OF 3
PREPARED FOR CNSkipper
ON 2016/11/03 AT 16:44:39

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

PROPERTY DESCRIPTION: LT 2-12 PL 140; DORLAND ST, SHIELDS ST PL 140 CLOSED BY WK4779; LT 2-6, 12-13, 7-8 BLK B PL 106; PT LT 1 PL 140 AS IN R54132 & R28616; PT LT 21-22 CON 2 SDR BRANT AS IN R55876, WK13381; PT LT 9-11 BLK B PL 106; PT ST. JOSEPH ST PL 106 CLOSED BY WK4779 AS IN WK14045 EXCEPT PT 2, 3R4068, EXCEPT LT 7-8 BLK B PL 106 & EXCEPT PT 1 3R8588; S/T R233229; S/T WK13381, WK14045 & S/T MINERAL RIGHTS CONTAINED IN R55876; MUNICIPALITY OF BROCKTON

PROPERTY REMARKS:

ESTATE/QUALIFIER:

FEE SIMPLE

LT CONVERSION QUALIFIED

OWNERS' NAMES

BG FURNITURE LTD.

RECENTLY:

DIVISION FROM 33198-0285

PIN CREATION DATE:

2011/06/30

CAPACITY SHARE

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2011/06/30 **						
**SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:						
** SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES *						
** AND ESCHEATS OR FORFEITURE TO THE CROWN.						
** THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF						
** IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY						
** CONVENTION.						
** ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.						
**DATE OF CONVERSION TO LAND TITLES: 2006/07/24 **						
WK13381	1944/12/05	TRANSFER		*** DELETED AGAINST THIS PROPERTY ***	BOGDON & GROSS FURNITURE COMPANY LIMITED	
WK14045	1948/01/13	TRANSFER		*** DELETED AGAINST THIS PROPERTY ***	BOGDON & GROSS FURNITURE COMPANY LIMITED	
R28616	1962/09/19	TRANSFER		*** DELETED AGAINST THIS PROPERTY ***	BOGDON & GROSS FURNITURE COMPANY LIMITED	
R28617	1962/09/19	TRANSFER		*** DELETED AGAINST THIS PROPERTY ***	BOGDON & GROSS FURNITURE COMPANY LIMITED	
R54132	1967/02/07	TRANSFER		*** DELETED AGAINST THIS PROPERTY ***	BOGDON & GROSS FURNITURE COMPANY LIMITED	

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.



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* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
R54212	1967/02/15	TRANSFER		*** DELETED AGAINST THIS PROPERTY ***	BOGDON & GROSS FURNITURE COMPANY LIMITED	C
R54809	1967/04/05	TRANSFER		*** DELETED AGAINST THIS PROPERTY ***	BOGDON & GROSS FURNITURE COMPANY LIMITED	
R55876	1967/06/05	TRANSFER		*** DELETED AGAINST THIS PROPERTY ***	BOGDON & GROSS FURNITURE COMPANY LIMITED	
REMARKS: SKETCH ATTACHED.						
3R4068	1987/03/10	PLAN REFERENCE				
BR122	2006/11/30	CHARGE		*** DELETED AGAINST THIS PROPERTY *** BOGDON & GROSS FURNITURE COMPANY LIMITED	BOGDON, BARBARA	
BR246	2006/12/01	CHARGE		*** DELETED AGAINST THIS PROPERTY *** BOGDON & GROSS FURNITURE COMPANY LIMITED	SAUGEEN ECONOMIC DEVELOPMENT CORPORATION BRUCE COMMUNITY FUTURES DEVELOPMENT CORPORATION	
BR257	2006/12/01	POSTPONEMENT		*** DELETED AGAINST THIS PROPERTY *** BOGDON, BARBARA	SAUGEEN ECONOMIC DEVELOPMENT CORPORATION BRUCE COMMUNITY FUTURES DEVELOPMENT CORPORATION	
REMARKS: BR122 TO BR246						
BR21326	2008/10/29	CHARGE		*** DELETED AGAINST THIS PROPERTY *** BOGDON & GROSS FURNITURE COMPANY LIMITED	2110785 ONTARIO INC.	
BR61641	2012/01/20	DISCH OF CHARGE		*** COMPLETELY DELETED *** BOGDON, BARBARA		
REMARKS: BR122.						
BR62571	2012/02/24	CHARGE		*** COMPLETELY DELETED *** BOGDON & GROSS FURNITURE COMPANY LIMITED	TCE CAPITAL CORPORATION	
BR62572	2012/02/24	POSTPONEMENT		*** COMPLETELY DELETED *** 2110785 ONTARIO INC.	TCE CAPITAL CORPORATION	
REMARKS: BR21326 TO BR62571						
BR78161	2013/07/25	LIEN		*** COMPLETELY DELETED *** HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE		
REMARKS: TAX LIEN						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
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* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
BR88043	2014/07/28	APL VESTING ORDER	\$469,000	ONTARIO SUPERIOR COURT OF JUSTICE	BG FURNITURE LTD.	C
BR88053	2014/07/28	CHARGE	\$300,000	BG FURNITURE LTD.	PLATINUM INVESTMENT GROUP INC.	C
BR88055	2014/07/28	CHARGE	\$624,000	BG FURNITURE LTD.	SAUGEEN ECONOMIC DEVELOPMENT CORPORATION BRUCE COMMUNITY FUTURES DEVELOPMENT CORPORATION	C
BR99317	2015/08/21	CHARGE	\$287,500	BG FURNITURE LTD.	PLATINUM INVESTMENT GROUP INC.	C
BR99318	2015/08/21	POSTPONEMENT		SAUGEEN ECONOMIC DEVELOPMENT CORPORATION BRUCE COMMUNITY FUTURES DEVELOPMENT CORPORATION	PLATINUM INVESTMENT GROUP INC.	C
REMARKS: BR88055 TO BR99317						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

THIS IS EXHIBIT F REFERRED
TO IN THE AFFIDAVIT OF

Adam Horvath
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault p00406
A COMMISSIONER, ETC.

Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.

2016 12 19

SECURED PROMISSORY NOTE
(the "Note")

Date: September 2, 2015

\$87,813.00 CDN.

FOR VALUE RECEIVED, BG Furniture Ltd. (the "Payor"), **PROMISES TO PAY** to the Order of Manorhouse Limited (the "Payee") at Thornhill, Ontario, or at such other place as the Payee may designate in writing from time to time, the amount of **EIGHTY-SEVEN THOUSAND EIGHT HUNDRED AND THIRTEEN DOLLARS (\$87,813.00)** of lawful money of Canada (the "**Principal Sum**"), with 9% annual interest compounded monthly as per a Confirmation Letter dated September 2, 2015 among BG Furniture Ltd. Manorhouse Limited and Grenville Strategic Royalty Corp.

This Note is being delivered by the Payor to the Payee as evidence of the Payor's obligation to pay an outstanding balance to the Payee as set out in a Confirmation Letter dated September 2, 2015.

The Payor shall have the right and privilege of prepaying the whole or any portion of the principal under this Note from time to time remaining unpaid and outstanding at any time or times without notice, bonus or penalty.

The Payor hereby waives presentment for payment, notice of non-payment, protest and notice of protest and agrees and consents to all extensions or renewals of this Note without notice.

The Payor acknowledges and agrees that mention in this Note of any particular right or remedy available to the Payee in regards to any default by the Payor shall not preclude the Payee from exercising, or limit the extent of, any other remedy in respect thereof, whether at law or in equity, or any other provision of this Note. No remedy available hereunder to the Payee shall be interpreted as being exclusive or dependent upon any other remedy, and the Payee may from time to time exercise, at his option, any one or more remedies independently or in combination.

No condoning, excusing or overlooking by the Payee of any default by the Payor under this Note shall operate as a waiver of any of the Payee's rights or any of the Payor's obligations hereunder and no waiver shall be inferred from or implied by anything done, delayed or omitted to be done by the Payee, save and except only an express waiver in writing given by the Payee to the Payor.


This Note shall be construed, governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Payor irrevocably submits and agrees to attorn to the Courts of the Province of Ontario in the event of any suit, action or other legal proceeding in regards to this Note or any matter arising therefrom.

The obligations of the Payor under this Note are secured by way of a general security agreement (the "Security Agreement") executed and delivered by the Payor to the Payee with effect as of the date hereof. Manorhouse Limited, in its sole discretion, may call on their outstanding loan to BG Furniture Ltd. at any time for reason of non-payment in full, until fully paid.

This Note shall be binding upon the Payor its successors and permitted assigns. This Note shall enure to the benefit of the Payee and its successors and permitted assigns.

IN WITNESS WHEREOF the Payor has executed this Note.

BG FURNITURE LTD.


Name: Adam Hoffmann
Title: PRESIDENT

THIS IS EXHIBIT 6 REFERRED
TO IN THE AFFIDAVIT OF
Adam Hoffmann
SWORN BEFORE ME ON THIS THE

19 DAY OF December 2016


A COMMISSIONER, ETC.

Scott Stewart Thilbaudeau, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.
12/19/16

GENERAL SECURITY AGREEMENT

THIS AGREEMENT made the 29th day of July, 2014

BETWEEN:

BG FURNITURE LTD.,
(the "Debtor"), a corporation incorporated under the laws
of the Province of Ontario

Address: 75 Ridout Street,
Walkerton, Ontario,
Canada N0G 2V0

- and -

MANORHOUSE LIMITED
(the "Secured Party"), a corporation incorporated under
the laws of the Province of Ontario

Address: 54 Cricklewood Crescent,
Thornhill, Ontario,
Canada L3T 4T9

WHEREAS the Secured Party carries on the business of providing financial solutions to businesses and corporations;

AND WHEREAS the Debtor has requested that the Secured Party transact business with the Debtor;

AND WHEREAS the Secured Party agreed to transact such business with the Debtor as the Secured Party in its discretion may determine from time to time subject to the condition that the Debtor execute and deliver to the Secured Party this Agreement, and in consideration of such agreement, the Debtor agreed to execute and deliver this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that for the consideration hereinbefore recited and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties, the parties hereto hereby covenant and agree as follows:

1. **Grant of Security Interest:** The Debtor hereby grants to the Secured Party a security interest (to which the Personal Property Security Act (Ontario) and the regulations thereto, as the same may be amended from time to time (the "PPSA") applies) in and grants, mortgages and charges as and by way of a fixed and floating mortgage and

charge to and in favour of the Secured Party, all of the Debtor's rights, title and interests in and to each and every property described or referred to below (collectively, the "Collateral"), all pursuant to and in accordance with the provisions of this Agreement.

2. **Description of Collateral:** The Collateral includes all of the following personal property and fixtures, and all of the leasehold interests and other property described in paragraph (j) below:

(a) all goods now or hereafter comprising part of the inventory of the Debtor and all interests, rights and benefits, both present and future of the Debtor in or to inventory including, without limitation, goods now or hereafter held for sale or lease or furnished or to be furnished under a contract of service or that are raw materials, work in process or materials used or consumed in a business or profession or finished goods;

(b) all equipment now or hereafter owned by the Debtor and all interests, rights and benefits, both present and future, of the Debtor in or to equipment including, without limitation, office, warehouse and other furniture, fixtures, machinery, tools, rolling stock, vehicles, accessories, spare parts, supplies and other tangible personal property;

(c) all fixtures now or hereafter owned by the Debtor and all interests, rights and benefits, both present and future, of the Debtor in or to fixtures;

(d) all chattel paper now or hereafter owned or held by the Debtor and all interests, rights and benefits, both present and future, of the Debtor in, under or to chattel paper;

(e) each and every document of title now or hereafter owned by the Debtor or of which the Debtor is or becomes a holder, whether negotiable or non-negotiable, including, without limitation, each and every warehouse receipt and bill of lading, and all interests, rights and benefits, both present and future, of the Debtor in, under or to each and every document of title;

(f) each and every instrument now or hereafter owned by the Debtor or of which the Debtor is or becomes a holder, and all interests, rights and benefits, both present and future, of the Debtor in, under or to each and every instrument;

(g) each and every security now or hereafter owned by the Debtor or of which the Debtor is or becomes a holder including, without limitation, all shares, stock, warrants, bonds, debentures, debenture stock or the like issued by a corporation or other person, or a partnership, association or government, and all interests, rights and benefits, both present and future, of the Debtor in, under or to each and every security;

(h) all money of the Debtor and all money hereafter acquired by the Debtor and each and every account, debt, claim and demand of every nature and kind which is now due, owing or accruing due or which may hereafter become due, owing or accruing due to the Debtor, or which the Debtor now has or may hereafter have and all interests, rights

and benefits, both present and future of the Debtor in or to each and every account, debt, claim and demand including, without limitation, claims against the Crown and claims under insurance policies;

(i) all goodwill, patents, trade marks, trade names, copyrights and other intellectual property and industrial property now or hereafter owned by the Debtor and all interests, rights and benefits, both present and future, of the Debtor in, under or to the same;

(j) each and every lease, agreement to lease and leasehold interest of the Debtor and all interests, rights and benefits, both present and future, of the Debtor, in, under or to the same, except the last day of any term of years reserved by any such lease or agreement therefore of which reversion of one day the Debtor shall stand possessed upon trust to assign and dispose of the same as the Secured Party shall direct;

(k) each and every intangible now or hereafter owned by the Debtor or of which the Debtor is or becomes a holder, and all interests, rights and benefits, both present and future, of the Debtor in, under or to each and every intangible;

(l) with respect to the property described in each of subparagraphs (a) to (k) inclusive, all substitutions and replacements thereof, improvements, increases, additions and accessions thereto and all interests, rights and benefits, both present and future, of the Debtor in, under or to the same;

(m) with respect to the property described in each of subparagraphs (a) to (l) inclusive, identifiable or traceable personal property in any form derived directly or indirectly from any dealing with such property or the proceeds therefrom and includes any payment representing indemnity or compensation for loss of or damage to such property or proceeds therefrom; and

(n) with respect to the property described in each of subparagraphs (a) to (m) inclusive, all books, accounts, invoices, letters, deeds, contracts, security, securities, instruments, bills, notes, writings, papers, documents and records in any form evidencing or relating thereto, and all other rights and benefits to which the Debtor is now or may hereafter become entitled in respect thereof;

In this Agreement, the words "goods", "inventory", "equipment", "chattel paper", "document of title", "instrument", "security", "money", "account", "motor vehicle", "vehicle identification number", "proceeds", "intangible" and "accessions" shall have the same meanings as their defined meanings in the PPSA. In this Agreement, each reference to "Collateral" shall, unless the context otherwise requires, include and be read as "Collateral or any part thereof".

All of the Collateral, insofar as the same is not intangible property, is now and will hereafter be kept at the address set out above:

3. **Secured Obligations:** The security interests, mortgages and charges granted hereby secure all of the following (collectively, the "Obligations"): both the performance and the payment to the Secured Party of all obligations, debts and liabilities (including, without limitation, on account of damages) of the Debtor to the Secured Party, present or future, direct or indirect, absolute or contingent, liquidated or unliquidated, matured or not, wheresoever and howsoever incurred,

(a) whether arising under this or any other agreement (whether written or oral), instrument or writing;

(b) whether arising from dealings between the Secured Party and the Debtor or from other dealings or proceedings by which the Secured Party may be or become in any manner whatever a creditor, obligee or promisee of the Debtor;

(c) whether incurred by the Debtor alone or with another or others;

(d) whether incurred by the Debtor as principal, surety, indemnitor, obligor or promisor; and

(e) whether such obligations, debts and liabilities are from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again;

including, without limitation, the full amounts of all accounts receivable which may at any time be or have been purchased by the Secured Party from the Debtor and all amounts which may at any time be or become payable by the Debtor to the Secured Party under or pursuant to any agreement, instrument or document which may be or have been made or entered into by the Debtor with or in favour of the Secured Party in connection with the assignment of any accounts receivable by the Debtor to the Secured Party, and all including, without limitation, all interest, commissions, legal costs (on a solicitor and client basis) and other costs, charges and expenses payable in connection with any and all of the foregoing and in addition thereto, the Expenses (provided for and defined below).

4. **Attachment:** Each of the Debtor and the Secured Party acknowledges and confirms that the security interests, mortgages and charges granted hereby shall attach:

(a) forthwith upon the date first written above (the "Effective Date") with respect to each and every property included in the Collateral and in which the Debtor then has rights; and

(b) forthwith upon the Debtor first acquiring rights in each and every property included in the Collateral and in which the Debtor first acquires such rights subsequent to the Effective Date.

For greater certainty, without in any way limiting the above, each of the Debtor and the Secured Party acknowledges and confirms that they have not agreed to postpone the time for attachment of the said security interests, mortgages and charges.

5. **Debtor's Warranties:** The Debtor hereby represents and warrants to and covenants with the Secured Party as follows and acknowledges that the Secured Party is, in part, relying upon such representations, warranties and covenants in accepting the security interests, mortgages and charges granted upon the terms of this Agreement:

(a) **Title to Collateral:** The Debtor is the absolute and beneficial owner of the Collateral and none of the Collateral is held in the name of any person other than the Debtor, whether as agent, trustee or other nominee for the Debtor, and all registrations and filings which may be required to preserve the Debtor's title, rights or other interests in the Collateral vis-a-vis others have been made.

(b) **Right to Grant:** The Debtor has and shall at all relevant times have the full right, power and authority to enter into and perform its obligations under this Agreement and to grant the security interests, mortgages and charges as herein provided.

6. **Debtor's Covenants:** (a) **Obligations:** The Debtor agrees to pay, perform, satisfy, fulfill and discharge the Obligations as and when due;

(b) **Possession/Description:** Forthwith upon request by the Secured Party, the Debtor shall deliver possession of the Collateral to the Secured Party and shall, if requested by the Secured Party, deliver forthwith to the Secured Party such further details respecting the Collateral. Such further details and legal description so delivered shall be deemed to be contained in and form part of this Agreement.

7. **Events of Default:** Forthwith upon the occurrence of any of the following events (an "Event of Default"), the Obligations will, without the Secured Party being required to give notice or demand, at the option of the Secured Party become due and payable in full and, to the extent applicable, be required to be fully performed:

(a) the failure of the Debtor to pay when due any payment of any of the Obligations;

(b) the failure of the Debtor to perform any of the Obligations;

(c) any representation, warranty, statement or report which is false or incorrect in any respect having been made or given by the Debtor to the Secured Party, whether contained herein or in any other agreement (written or oral) instrument or writing;

(d) the failure or inability of the Debtor to pay any of its debts or liabilities as the same fall due;

(e) the occurrence of a default by the Debtor under any agreement, instrument or writing entered into by the Debtor with any person(s);

(f) the Debtor making or agreeing to make an assignment, disposition or conveyance, whether by way of sale or otherwise, of its assets in bulk;

(g) the abandonment by the Debtor of the Collateral or any part thereof;

(h) the Debtor ceasing or threatening to cease carrying on its business or any of its businesses;

(i) the filing of an application or petition or the passing of a resolution for the winding-up or dissolution of the Debtor, or the granting or issuing of an order for the winding-up or dissolution of the Debtor;

(j) an execution, sequestration or any other process of any court or other tribunal becoming enforceable against the Debtor or a distress or analogous process being taken or issued against the Debtor or levied upon the property of the Debtor or any part thereof including, without limitation, a warrant of distress for any rent or taxes in respect of any premises occupied by the Debtor or in respect of any premises in or upon which the Collateral or any part thereof may at any time be situate;

(k) the appointment of a receiver, receiver and manager, agent, liquidator or other similar administrator of any part(s) of the Collateral or the taking by a secured party or any other encumbrancer of possession of the Collateral or any part(s) thereof;

(l) any proceedings which relate or extend to the Debtor being commenced under the Companies' Creditors Arrangement Act or any other legislation of the Province of Ontario, any other province or territory in Canada, the Parliament of Canada or any other country, state or jurisdiction, which legislation deals with companies' creditors arrangements or other creditors' arrangements;

(m) the Debtor committing or threatening to commit any act of bankruptcy, filing a voluntary assignment in bankruptcy, making a proposal under the Bankruptcy and Insolvency Act or otherwise, or taking any action in respect of the settlement of any claims of its creditors whether under the provisions of the Bankruptcy and Insolvency Act or otherwise, or any person(s) taking any proceedings which may result in the Debtor being declared bankrupt;

(n) the loss, damage, destruction or confiscation of any part of the Collateral, unless upon such event, the Debtor pays to the Secured Party forthwith such amount as the Secured Party in its absolute and uncontrolled discretion determines is satisfactory; and

(o) the Secured Party in good faith and having commercially reasonable grounds for believing that the ability of the Debtor to pay any monies hereby secured or to perform any requirement of any provision contained in this Agreement or any other agreement (written or oral), instrument or writing heretofore or hereafter given by the Debtor to the Secured Party is impaired or that the Collateral is in danger of being lost, damaged, destroyed or confiscated.

8. **Rights and Remedies:** Forthwith upon the occurrence of an Event of Default, the security interests, mortgages and charges granted herein shall be enforceable and the Debtor and the Secured Party shall have, in addition to any other rights and remedies provided by law, the rights and remedies of a debtor and a secured party respectively under the PPSA and those provided by this Agreement. In addition, the Secured Party may take possession of the Collateral and enforce any rights of the Debtor in respect of the Collateral by any method available in or permitted by law and may require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at any place within Metropolitan Toronto and surrounding area as may be designated by the Secured Party.

9. **Expenses:** The reasonable costs and expenses of the Secured Party in the preparation, execution and delivery of this Agreement, the registration of this Agreement or of notices, financing statements or other filings in respect thereof, the reasonable costs and expenses of the Secured Party in connection with the preparation or review of waivers, consents, amendments, subordination agreements or other matters pertaining to the subject matter of this Agreement, the reasonable costs and expenses expressly provided for in the PPSA and, in addition thereto, the cost of any insurance, taxes, solicitor's fees, costs and other legal expenses and all other costs, charges and expenses of or incurred (on a scale as between a solicitor and his own client) by the Secured Party in respect of any of the foregoing and in respect of the enforcement of the Obligations, including taking possession, custody, holding, preserving, protecting, repairing, using or operating, collecting, realizing, processing, preparing for disposition and disposing of the Collateral (collectively, the "Expenses") shall be payable by the Debtor to the Secured Party forthwith upon demand, shall be deemed advanced to the Debtor by the Secured Party, shall bear interest at a rate equal to 1% per month calculated, both before and after demand, maturity, default and judgment, from the date each of the Expenses, respectively, were incurred until fully paid by the Debtor and shall be secured by this Agreement.

The Debtor authorizes the Secured Party to designate, in its sole discretion, any number of years as the registration period in any financing statement or financing change statement filed with respect to this Agreement or any other agreement delivered by the Debtor to the Secured Party ("Designated Period")

The Debtor acknowledges and confirms that:

(a) all registration costs in connection with the filing of the aforesaid financing statements or financing change statements are and shall be reasonable and shall form part of the Expenses;

(b) the designation of the number of years comprising the Designated Period shall not constitute an acknowledgement by or commitment or other obligation of the Secured

Party to provide financial assistance (whether by loan, agreement or otherwise) to the Debtor; and

(c) the Secured Party shall be entitled to exercise all of its rights and remedies provided for in this Agreement forthwith upon the occurrence of an Event of Default notwithstanding that such Event of Default may occur prior to the expiration of the Designated Period.

10. **Notice of Disposition:** Unless not required to do so by applicable law, the Secured Party shall give to the Debtor at least 10 days written notice of the Secured Party's intention to dispose of the Collateral. Such notice may be sent by registered mail to the last known post office address of the Debtor.

11. **Receiver - Appointment:** The Secured Party may take proceedings in any court of competent jurisdiction for the appointment of a receiver or a receiver and manager (the "receiver") of the Collateral or of any part thereof or may by instrument in writing appoint any person to be a receiver of the Collateral or of any part thereof and may remove any receiver so appointed by the Secured Party and appoint another in his stead.

12. **Receiver - Powers:** Any receiver appointed hereunder by instrument in writing shall have power (a) to take possession of the Collateral or any part thereof and, without liability or obligation to the Debtor, to maintain, preserve and protect the same; (b) to carry on or concur in carrying on all or any part of the business or businesses of the Debtor; (c) to borrow money which such receiver, in its sole discretion, determines is required in connection with either or both of the powers provided for in paragraph (a) and (b); and (d) to dispose of the Collateral in whole or in part, and any such disposition may be by public sale (whether by auction, tender or otherwise), private sale, lease or otherwise, and at such time and place and on such terms and for such price and manner of payment thereof, all as such receiver may, in its sole discretion, determine; provided that any such receiver shall be and is deemed to be the agent of the Debtor and the Secured Party shall not in any way be responsible for any misconduct, negligence or non-feasance of any such receiver.

13. **Proceeds of Disposition/Deficiency:** Any proceeds of any disposition of any of the Collateral shall be applied by the Secured Party firstly on account of the Expenses, and any balance of such proceeds shall be applied by the Secured Party on account of the Obligations (other than the Expenses) in such order of application as the Secured Party may from time to time effect and the same shall not be subject to dispute by the Debtor. If such proceeds fail to satisfy the Obligations, the Debtor shall be liable for the full amount of the deficiency resulting to the Secured Party.

14. **General Provisions:** (a) Discharge: The Debtor shall not be discharged from the Obligations by any extension of time, additional advances, renewals, amendments or extensions to this Agreement, the taking of further security, releasing security, extinguishment of the security interests, mortgages and charges as to all or any part of the Collateral, or any other act except a release or discharge by the Secured Party of the security interests, mortgages and charges granted hereby upon the full payment and performance of the Obligations, at which time the Secured Party shall, at the Debtor's expense, deliver all necessary discharges and releases of such security interests, mortgages and charges.

(b) Other Security: (i) The security constituted by this Agreement is in addition to and not in substitution for any other security from time to time held by the Secured Party;

(ii) The Secured Party may realize upon all or part of any security from time to time held by it in any order it desires and any realization by any means upon any security shall not bar realization upon any other security; and

(iii) The taking of any action or proceeding or refraining from so doing or any other dealings with any other security for the Obligations shall not release or affect the security provided for in this Agreement and the taking of the security hereby granted or any proceedings hereunder for the realization of the security hereby granted shall not release or affect any other security and rights held by the Secured Party for the Obligations.

(c) Waiver, etc.: No failure or delay on the part of the Secured Party to exercise any right provided for in or contemplated by this Agreement and no waiver as to an Event of Default hereunder shall operate as a waiver thereof unless made in writing and signed by the Secured Party and, in that event, such waiver shall operate only as a waiver of the right or Event of Default expressly referred to therein. Nothing in this Agreement and nothing referred to in the Obligations shall preclude any other remedy by action or otherwise for the enforcement of this Agreement or the payment and performance in full of the Obligations.

(d) Secured Party Assignment: All rights and obligations of the Secured Party hereunder shall be freely assignable in whole or in part without the consent of the Debtor and in any action brought by any assignee to enforce such rights, the Debtor shall not assert against such assignee any claim, defence, right of set-off, or the benefit of any equities which the Debtor now has or may hereafter have against the Secured Party.

(e) Entire Agreement: This Agreement sets forth the entire intent and understanding of the parties relating to the subject-matter hereof and supersedes and replaces all prior agreements and commitments, whether written or oral, made between the parties and all earlier discussions and negotiations between them. The parties are not relying upon and there are no collateral or other representations, warranties, agreements, or covenants made by any of the parties hereto which are not contained herein.

(f) Further Assurances: Each of the parties hereto shall and will, from time to time and at all times hereafter upon every reasonable written request so to do, make, do, execute and deliver, or cause to be made, done, executed and delivered, all such further acts, deeds, assurances and things as may be necessary in the opinion of any party or counsel for any party, acting reasonably, for implementing and carrying out more effectually the true intent and meaning of this Agreement including, without limitation, to perfect or better perfect the security interests, mortgages and charges of the Secured Party in the Collateral or any part thereof.

(g) Severability: In the event that any covenant or provision contained in this Agreement is held to be invalid, illegal or unenforceable in whole or in part, the validity, legality and enforceability of the remaining covenants and provisions shall not be affected or impaired thereby and all such remaining covenants and provisions shall continue in full force and effect. All covenants and provisions hereof are declared to be separate and distinct covenants or provisions, as the case may be.

(h) Headings: All headings and titles in this Agreement are convenience of reference only and shall not affect the interpretation of the terms hereof.

(i) Gender, etc.: In construing this Agreement, all words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case require, and the verb agreeing therewith shall be construed as agreeing with the required word and pronoun. Words such as "hereunder", "hereto", "hereof", "herein" and other words commencing with "here" shall, unless the context clearly indicates the contrary, refer to the whole of this Agreement and not to any particular paragraph or part thereof.

(j) Binding Effect: All rights of the Secured Party hereunder shall enure to the benefit of its successors and assigns and all obligations of the Debtor hereunder shall bind the Debtor, its successors and assigns. Each reference to the Secured Party in this Agreement shall be deemed to include a reference to the Secured Party, its successors and assigns and each reference to the Debtor in this Agreement shall be deemed to include a reference to the Debtor, its successors and assigns.

(k) Multiple Debtors: If more than one person executes this Agreement as Debtor, their obligations under this Agreement shall be joint and several.

(l) Governing Law: This Agreement shall be governed in all respects exclusively by the laws of the Province of Ontario and the laws of Canada to the extent they apply and each of the parties hereto hereby attorns to such jurisdiction.

(m) Notice: Subject to the specific requirements of the PPSA, any demand, notice, consent, approval or other communication required or permitted to be made or given by any party hereto to any other party hereto in connection with this Agreement shall be in writing and may be made or given by personal delivery or by transmittal by telex, telecopy, rapifax or similar electronic means of communication to such party or, if a corporation, to a director thereof or, if postal services and deliveries are then operating,

by mailing the same by prepaid registered post to such party at its address noted on page 1 of this Agreement or at such other address which the party to whom such communication is being given may have designated by notice given in accordance with the provisions of this paragraph. Any communication so delivered or transmitted by electronic means of communication shall be deemed to have been given and received on the day of delivery or transmittal, if a business day, or if not a business day, on the business day next following the day of delivery or transmittal, and any communication so mailed shall be deemed to have been given and received on the fourth business day following and exclusive of the date of mailing. In this paragraph, "business day" means any day except a Saturday, Sunday or statutory holiday in the Province of Ontario. Either party may give notice in writing to the other in the manner provided in this paragraph of any change of address of the party giving such notice, and from and after the giving of such notice, the address therein specified shall be deemed to be the address of such party for purposes of this paragraph.

(n) Failure to Perfect: The Secured Party shall not be liable or accountable for any negligence or failure to perfect its security interests, mortgages and charges granted herein, seize, collect, realize, sell or obtain payment for the Collateral or any part thereof and shall not be bound to institute proceedings for the purpose of seizing, collecting, realizing or obtaining possession or payment of the same for the purpose of preserving the rights of the Debtor or any other person, firm or corporation in respect of same.

(o) No Amendment: This Agreement may not be amended, altered or qualified except by a memorandum in writing signed by all of the parties hereto and any amendment, alteration or qualification hereof by memorandum in writing shall not be binding upon any party who has not signed such memorandum.

(p) Power of Attorney: The Secured Party, or any receiver appointed hereunder is hereby irrevocably constituted as the duly appointed lawful attorney of the Debtor in accordance with the Powers of Attorney Act (Ontario) and the Substitute Decisions Act (Ontario), as applicable, with full power to make, do, execute and deliver all such documents, assignments, acts, matters or things on behalf of the Debtor with the right to use the name of the Debtor whenever and wherever it may be deemed necessary or expedient. The power of attorney hereby granted is a power coupled with an interest and shall survive the dissolution, liquidation, winding-up or other termination of existence of the Debtor. The Debtor hereby ratifies all acts done and all documents executed and delivered by the Secured Party pursuant to the power of attorney hereby granted and the Debtor hereby confirms that the Secured Party and all third parties are entitled to rely upon such ratification.

(q) Time of Essence: Time shall be strictly of the essence of this Agreement and of every part thereof and no extension of this Agreement shall operate as a waiver of this provision.

(r) Debtor's Receipt: The Debtor hereby acknowledges receipt of a fully signed copy of this Agreement.

This Agreement shall become effective when it is signed by the Debtor.

IN WITNESS WHEREOF the Debtor and the Secured Party have executed this Agreement under their respective seals and agree to be bound thereby as of the date first written above.

SIGNED, SEALED AND DELIVERED

MANORHOUSE LIMITED

Per:

David Harding - President
(I have the authority to bind the Corporation)

BG FURNITURE LTD.

Per:

Adam Hofmann - President
(I have the authority to bind the Corporation)

BG FURNITURE LTD.

Per:

Dirk Nielsen
(I have the authority to bind the Corporation)

THIS IS EXHIBIT 14 REFERRED
TO IN THE AFFIDAVIT OF
Ayman Houtouche
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault p00406
A COMMISSIONER, ETC.

Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario,
RS. 2016.01.01

Assignment of Debt & Security

This Assignment Agreement is made on this 5th day of December, 2016.

B E T W E E N

MANORHOUSE LIMITED

(the "**Assignor**")

-and-

2544311 ONTARIO LIMITED

(the "**Assignee**")

WHEREAS:

- A. Pursuant to the documents listed at Schedule "A" hereto (the "**Debt Instruments**"), BG Furniture Ltd. (the "**Company**") is indebted to the Assignor in the amount of FORTY THOUSAND TWO HUNDRED FIFTY FIVE DOLLARS AND THIRTEEN CENTS (\$40,255.13) (the "**Indebtedness**") as at December 6, 2016;
- B. The Indebtedness and the Company's other obligations pursuant to the Debt Instruments are secured pursuant to the documents listed at Schedule "B" hereto (the "**Security**");
- C. The Security has been registered pursuant to the *Personal Property Security Act*, R.S.O. 1990, c.P.10, as amended (the "**PPSA**"), particulars of which are set out at Schedule "C" hereto (the "**Registrations**"); and
- D. The Assignor seeks to assign to the Assignee the Debt Instruments, the Indebtedness, the Security and the Registrations,

NOW THEREFORE, in consideration of the premises and mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are each hereby acknowledged by the parties hereto (together, the "**Parties**" and each a "**Party**"), the Parties each agree as follows:


- 1. Recitals. The Parties acknowledge and agree that to the best of their knowledge the Recitals herein are true and correct statements of fact.
- 2. Assignment. In consideration of the Purchase Price, the Assignor hereby assigns, transfers and conveys to the Assignee all of the Assignor's right, title and interest, if any, in and to the Debt Instruments, the Indebtedness, the Security and the Registrations.

3. Purchase Price. The Assignee shall pay to the Assignor the purchase price in the amount of FORTY THOUSAND TWO HUNDRED FIFTY FIVE DOLLARS AND THIRTEEN CENTS (\$40,255.13) (the "**Purchase Price**"), which shall be paid by electronic funds transfer, bank draft or certified cheque on Closing.
4. Closing. The assignment transaction contemplated herein shall close (the "**Closing**") on December 6, 2016 or such later date as may be agreed between and among the Parties.
5. Amendment to Registrations. The Assignor hereby authorizes the Assignee to register a notice of the assignment of the Security to the Assignee pursuant to the PPSA and consents to an amendment to the Registrations.
6. Further Assurances. The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transaction contemplated by this Assignment Agreement, and each Party shall provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to effect the purpose of this Assignment Agreement and carry out its provisions.
7. Enurement: This Agreement will enure to the benefit of and be binding upon the Parties and their respective personal representatives, successors and assigns
8. Counterparts. This Assignment Agreement may be executed in one or more counterparts, including facsimile counterparts, each of which shall be deemed to be an original copy of this Assignment Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement. Delivery of such counterparts by facsimile or electronic mail (in PDF) shall be deemed effective.
9. Governing Law. This Assignment Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Acknowledged and agreed to by the Parties as of the date first written above.

MANORHOUSE LIMITED, as Assignor


Name: DAVID HARNISH
Title: PARTNER
(I have authority to bind the corporation)

**2544311 ONTARIO LIMITED, as
Assignee**

Name: _____
 Title: _____
 (I have authority to bind the corporation)

Schedule "A"
Debt Instruments

- (a) Promissory Note dated September 2, 2015 in the principal amount of \$87,813.00

Schedule "B"
Security

- (a) General Security Agreement dated July 29, 2014.

Schedule "C"
Registrations

- PPSA Registration No. 20140828 1637 6083 7593 / File No. 699347934; and
- PPSA Registration No. 20140917 1708 1793 8881 / File No. 699347934.

THIS IS EXHIBIT I REFERRED
TO IN THE AFFIDAVIT OF

Asa Hoffman
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault *per*
A COMMISSIONER, ETC.

Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.
17. *Y. J. J.*

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY, AND ANY SECURITIES ISSUED ON CONVERSION HEREOF, MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) OCTOBER 30, 2015, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY. CLAUSE (II) WILL NOT APPLY IF THE ISSUER BECOMES A REPORTING ISSUER BY FILING A PROSPECTUS AFTER OCTOBER 30, 2015 IN ANY OF THE PROVINCES OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK OR NOVA SCOTIA AND IS A REPORTING ISSUER IN A JURISDICTION OF CANADA AT THE TIME OF THE TRADE.

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

PRINCIPAL AMOUNT: CDN\$100,000
(the "Principal Amount")

BG FURNITURE LTD. (the "Company"), for value received, acknowledges itself indebted and hereby promises to pay to Grenville Strategic Royalty Corp. (the "Holder") on the Maturity Date (as hereinafter defined) or such earlier date as the Principal Amount and all accrued but unpaid interest thereon may become due and payable (including in connection with the occurrence of an Event of Default), or otherwise converted into Preferred Shares of the Company, subject to and in accordance with the terms, conditions and provisions of Schedule "A" attached hereto and forming a part hereof, the Principal Amount and any accrued but unpaid interest thereon at the principal offices of the Holder in the City of Toronto, Ontario, or such other place as may be designated by the Holder from time to time by notice in writing to the Company (together with all costs and expenses which may become payable to the Holder in accordance with Schedule "A" attached hereto). The Principal Amount outstanding at any time, and from time to time, and any overdue interest thereon, shall bear interest at a rate of 8% per annum, accrued daily. Interest on the Principal Amount shall be calculated from the date of this Note and compounded annually, and shall be calculated on the portion of the Principal Amount that remains unpaid, both before and after maturity, default or judgment, and on any overdue interest, until fully paid, on the basis of the actual number of days for which the Principal Amount is outstanding computed on the basis of a year of 365 days, or 366 days in the case of a leap year. Any accrued and unpaid interest on the Principal Amount owing to the Holder shall be due and payable, or otherwise converted, in accordance with the terms, conditions and provisions of Schedule "A" attached hereto.

By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.



IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of October 30, 2015.

BG FURNITURE LTD.

Per: 
Name: Arifur Hossain
Title: Chief Executive Officer / PRESIDENT

GRENVILLE STRATEGIC ROYALTY CORP.

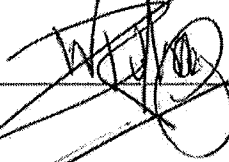
Per: 
Name: William K. King
Title: CEO & Dir.

TABLE OF CONTENTS TO SCHEDULE "A"

ARTICLE 1 INTERPRETATION.....	1
1.1 Definitions	1
1.2 Interpretation	2
1.3 Headings, Etc.....	2
1.4 Day Not a Business Day	2
1.5 Currency	2
1.6 Interest	2
1.7 Prepayment	2
ARTICLE 2 COVENANTS.....	2
2.1 Covenants	2
ARTICLE 3 CONVERSION	3
3.1 Optional Conversion prior to Maturity Date	3
3.2 Whole Shares Only	4
3.3 No Requirement to Issue Fractional Shares.....	4
3.4 Company to Create Preferred Shares.....	4
3.5 Corporate Agreements	4
3.6 Adjustments	5
ARTICLE 4.....	8
EVENTS OF DEFAULT	8
4.1 Events of Default	8
4.2 Consequences of an Event of Default.....	10
4.3 Costs of Realization.....	10
ARTICLE 5 MISCELLANEOUS.....	10
5.1 Discharge	10
5.2 Waiver	10
5.3 No Merger or Novation	10
5.4 Governing Law	11
5.5 Notices	11
5.6 Time of the Essence.....	11
5.7 Maximum Rate Permitted by Law.....	11
5.8 No Partnership	11
5.9 Invalidity of any Provisions.....	11
5.10 Specific Performance.....	12
5.11 Successors and Assigns, etc.....	12
5.12 Amendments	12
5.13 Expenses.....	12
5.14 Counterparts	12

SCHEDULE "A"

The following conditions are applicable to the Convertible Promissory Note of BG Furniture Ltd.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Note, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

"this Note", **"the Note"**, **"Note"**, **"hereto"**, **"herein"**, **"hereby"**, **"hereunder"**, **"hereof"** and similar expressions refer to the Note represented hereby and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto and every Note issued in replacement hereof;

"Business Day" means a day which is not a Saturday or Sunday or a civic or statutory holiday in the Province of Ontario;

"Common Shares" means the common shares of the Company;

"Company" means BG Furniture Ltd., a body corporate incorporated pursuant to the laws of Province of Ontario, and includes any successor corporation to or of the Company within the meaning of Section 5.11;

"Conversion Price" means \$1,667 per Preferred Share, as the same may be adjusted from time to time in accordance with the terms of this Note;

"Event of Default" means any event specified in Section 4.1 which has not been waived, cured or remedied in accordance with the terms hereof;

"General Security Agreement" means the general security agreement dated September 2, 2015 executed and delivered by the Company to Grenville Strategic Royalty Corp.;

"Holder" means the Person from time to time registered as the holder of this Note;

"Maturity Date" means October 31, 2016;

"Outstanding Amount" means, at any given time, the Principal Amount then outstanding and all accrued but unpaid interest thereon;

"Person" means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate or governmental authority, and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;

"Principal Amount" means the principal amount of this Note as set forth on the face page hereof;

"Royalty Purchase Agreement" means the amended and restated royalty purchase agreement between the Company and Grenville Strategic Royalty Corp. dated September 2, 2015; and

"Subsequent Installment" has the meaning ascribed to such term in the Royalty Purchase Agreement.

1.2 Interpretation

Words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the neuter or the feminine gender and vice versa.

1.3 Headings, Etc.

The division of this Note into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Note. The terms "hereof", "hereunder" and similar expressions refer to this Note and not to any particular Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, reference herein to Sections are to Sections of this Note.

1.4 Day Not a Business Day

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.

1.5 Currency

All references to currency herein shall be to lawful money of Canada.

1.6 Interest

Interest as calculated under this Note will be payable annually in arrears commencing on January 2, 2016 (and thereafter on January 2 of each calendar year until the Outstanding Amount is fully repaid or otherwise converted in accordance with the terms of this Note).

1.7 Prepayment

The Principal Amount of, and interest on, this Note may not be prepaid by the Company, in whole or in part, without the prior written consent of the Holder.

ARTICLE 2 COVENANTS

2.1 Covenants

For So long as any portion of the Outstanding Amount remains outstanding, the prior written consent of the Holder shall be required before any of the following actions are or may be taken (whether directly or by amendment, merger, consolidation or otherwise):

- (a) the payment or declaration of any dividend or other distribution by the Company;
- (b) the entering into by the Company of any contract involving payments by the Company individually in excess of \$50,000 or in the aggregate in excess of \$100,000, or the making of any capital expenditure, individually or in the aggregate, in excess of \$100,000;

- (c) the Company creating any subsidiary or establishing, acquiring or otherwise becoming involved in any corporate entity or any partnership, joint venture or similar arrangements outside the ordinary course of business, or the Company entering into any advisory agreement or other form of agreement in contemplation thereof;
- (d) the Company incurring any indebtedness (other than trade payables in the ordinary course of business) or granting guarantees in excess of \$100,000 outside the ordinary course of business, or permitting the creation of liens on the Company's assets (except for customary, permitted liens);
- (e) the issuance by the Company of any shares or other securities of the Company (including any securities or other rights convertible into shares of the Company), other than issuances made pursuant to the conversion of convertible securities of the Company outstanding as of the date hereof;
- (f) the creation of any new class or series of shares of the Company;
- (g) the granting of any options by the Company;
- (h) any change to the primary line of business of the Company or the making of any other material change to the Company's business;
- (i) any increase or decrease in the number of members of the Board;
- (j) the entering into or completion by the Company of any merger, amalgamation, arrangement, other corporate reorganization, including a recapitalization, change of control or any transaction in which all or a material portion of the assets of the Company or any of its subsidiaries are sold, leased, exchanged, transferred or exclusively licensed, or any liquidation, dissolution or winding up of the Company or any of its subsidiaries; or
- (k) the completion of any sale, lease, exchange, transfer or other disposition or license of any assets of the Company outside the ordinary course of business.

ARTICLE 3 CONVERSION

3.1 Optional Conversion prior to Maturity Date

At any time during the period commencing on July 1, 2016 and ending at 11:59 p.m. (Toronto time) on the date immediately prior to the Maturity Date, the Holder may in its sole discretion elect to convert the Outstanding Amount (in whole and not in part) into:

- (a) additional royalty interests of the Company pursuant to and in accordance with the terms of the Royalty Purchase Agreement on the basis that, upon such conversion, for the purposes of the Royalty Purchase Agreement, the Outstanding Amount will be deemed for all purposes to be a "Subsequent Installment" under the Royalty Purchase Agreement (the "**Additional Royalty Interest**"). To convert the Outstanding Amount into the Additional Royalty Interest, the Holder shall deliver to the Company written notice in the form of Exhibit "A" attached hereto, duly executed by the Holder or its legal representative or attorney duly appointed by an instrument in writing in a form satisfactory to the Company (a "**Conversion Notice**"), exercising such conversion right in accordance with the provisions hereof and, effective as of the date of the Conversion Notice, the Outstanding Amount will be deemed to be a Subsequent Installment in the

amount of the Outstanding Amount for the purposes of the Royalty Purchase Agreement, and the Company will execute and deliver all such documents and instruments, and take all such actions, as the Holder may request to evidence or effectuate such conversion; or

- (b) the number of preferred shares of the Company (rounded down to the nearest whole number) (the "**Preferred Shares**") bearing the attributes listed in the term sheet attached hereto as Schedule "B" (the "**Term Sheet**"), and such other terms as may be determined by the Holder in its sole discretion, determined by reference to the following formula:

$$\text{Outstanding Amount/Conversion Price}$$

If the Holder elects pursuant to this Section 3.1 to convert the Outstanding Amount into Preferred Shares, the Holder shall surrender this Note to the Company, together with a Conversion Notice substantially in the form of Exhibit "C" attached hereto, duly executed by the Holder or its legal representative or attorney duly appointed by an instrument in writing in a form satisfactory to the Company, exercising such conversion right in accordance with the provisions hereof. Thereupon, the Holder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges, its nominee(s) or assignee(s), shall be entitled to be entered in the books of the Company as at the date of the Conversion Notice as the holder of the number of Preferred Shares determined pursuant to this Section 3.1(b) based on the Outstanding Amount, and, as soon as practicable thereafter, the Company shall deliver to the Holder or, subject as aforesaid, to its nominee(s), or assignee(s), a certificate or certificates for such Preferred Shares.

3.2 Whole Shares Only

The rights of conversion set forth in this Article 3 shall extend only to the maximum number of whole Preferred Shares into which the Outstanding Amount may be converted in accordance with the provisions of this Article 3. Fractional interests in Preferred Shares shall be adjusted for in the manner provided in Section 3.3. All Preferred Shares issued in connection with the conversion of the Outstanding Amount will for all purposes be deemed to be issued and outstanding as fully paid and non-assessable.

3.3 No Requirement to Issue Fractional Shares

The Company shall not be required to issue fractional shares upon the conversion of the Outstanding Amount into Preferred Shares. If any fractional interest in a Preferred Share would, except for the provisions of this Section 3.3, be deliverable upon the conversion of the Outstanding Amount, the Company shall, in lieu of delivering any certificate for such fractional interest, satisfy such fractional interest by paying to the Holder an amount (computed to the nearest cent) in respect of such fractional determined by the directors of the Company, acting reasonably.

3.4 Company to Create Preferred Shares

The Company covenants with the Holder that it will, in connection with the conversion of the Outstanding Amount into Preferred Shares, take all actions necessary to cause the creation of the Preferred Shares in accordance with the terms of this Note and the Term Sheet, and to thereafter at all times reserve and keep available out of its authorized shares such number of Preferred Shares as shall then be issuable upon the conversion of the Outstanding Amount.

3.5 Corporate Agreements

Notwithstanding anything else contained herein, if the Purchaser elects to convert the Outstanding Amount into Preferred Shares the Company, the Holder and each shareholder of the

Company will, contemporaneously with the issuance of such Preferred Shares to the Holder, enter into an investor rights agreement or similar agreement which shall include, *inter alia*, the terms set out under the headings "Board of Directors", "Forced Sale", "Information Rights", "Rights of First Refusal and Co Sale" and "Drag Along Rights" in the Term Sheet (and such other terms as may be determined by the Holder in its sole discretion), and the Holder covenants and agrees to execute and deliver, and to cause each of the shareholders of the Company to execute and deliver, all such documents and instruments, and take all such actions, as the Holder may request in connection with the conversion of the Outstanding Amount into Preferred Shares.

3.6 Adjustments

The Conversion Price in effect at any date shall be subject to adjustment from time to time as follows:

- (a) If, and whenever at any time and from time to time the Company shall (i) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine, consolidate or change its then outstanding Common Shares into a lesser number of Common Shares, or (iii) issue Common Shares (or securities exchangeable or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of stock dividend or other distribution (other than a dividend in the ordinary course paid in Common Shares or securities exchangeable or convertible into Common Shares) (any of such events being a "Share Reorganization"), the Conversion Price shall be adjusted effective immediately after the effective date or record date for the Share Reorganization, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by the quotient obtained when:
 - A. the number of Common Shares outstanding on such effective date or record date before giving effect to the Share Reorganization,

is divided by

 - B. the number of Common Shares outstanding immediately after the completion of such Share Reorganization (but before giving effect to the issue of any Common Shares issued after such record date otherwise than as part of such Share Reorganization) including, in the case where securities exchangeable or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date.
- (b) If and whenever there is a capital reorganization of the Company not otherwise provided for in Section 3.6(a) or a consolidation, merger, arrangement or amalgamation (statutory or otherwise) of the Company with or into another body corporate (any such event being a "Capital Reorganization"), if the Outstanding Amount has not been converted prior to the effective date or record date for such Capital Reorganization then the Holder shall be entitled to receive and shall accept, upon the conversion of the Outstanding Amount at any time after the effective date or record date for such Capital Reorganization, in lieu of the number of Preferred Shares to which the Holder was theretofore entitled upon conversion, the aggregate number of Preferred Shares, or other securities of the Company

or of the corporation or body corporate resulting, surviving or continuing from the Capital Reorganization, that the Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date or record date, it had been the registered holder of the number of Preferred Shares to which it was theretofore entitled upon the conversion of the Outstanding Amount; provided that no such Capital Reorganization shall be carried into effect unless all necessary steps shall have been taken so that the Holder shall immediately thereafter be entitled to receive such number of Preferred Shares or other securities of the Company or of the corporation or body corporate resulting, surviving or continuing from the Capital Reorganization.

- (c) In the case of any reclassification of, or other change in, the outstanding Common Shares other than a Share Reorganization or a Capital Reorganization, the right of conversion shall be adjusted immediately after the effective date or record date for such reclassification or other change so that the Holder shall be entitled to receive, upon the conversion of the Outstanding Amount at any time after the effective date or record date of such reclassification or other change, such shares, securities or rights as the Holder would have received had the Outstanding Amount been converted into Preferred Shares immediately prior to such effective date or record date, subject to adjustment thereafter in accordance with provisions the same as nearly may be possible as those contained in Sections 3.6(a) and 3.6(b).
- (d) If at any time or from time to time after the issue of this Note, the Company issues or sells, or is deemed to have issued or sold, Additional Shares (as defined below) for an Effective Price (as defined below) less than the then effective Conversion Price, then and in each such case, the then effective Conversion Price shall be reduced as of the opening of business on the date of such issue or sale, to an amount (calculated to the same number of decimal places as the original Conversion Price) determined by multiplying the Conversion Price then in effect by a fraction:
 - (i) A. the numerator of which shall be the sum of the Outstanding Issue (as defined below) and the number of Common Shares that the consideration received by the Company for the total number of Additional Shares so issued (or deemed to be issued) would purchase at the Conversion Price in effect immediately prior to such issuance, and
 - (ii) B. the denominator of which shall be the sum of the Outstanding Issue plus the number of such Additional Shares so issued (or deemed to be issued).

For illustrative purposes only, if the Conversion Price is \$1.50, the Outstanding Issue is 10,000,000 Common Shares and the Company issues 2,000,000 Additional Shares for consideration of \$2,700,000 (being an Effective Price of \$1.35 for such Additional Shares ($\$2,700,000 / 2,000,000 = \1.35)), the then effective Conversion Price shall be reduced to \$1.48, being the product of $\$1.50 \times ((10,000,000 + 1,800,000) / (10,000,000 + 2,000,000))$.

- (e) For the purposes of this Note:
 - (i) the term "**Additional Shares**" shall mean all Common Shares issued or deemed to be issued by the Company after the date of this Note, other than: (A) Common Shares or Convertible Securities (as defined below) issued pursuant to a Share Reorganization, Capital Reorganization or similar transactions described in this Section 3.6; (B) Common Shares or Convertible Securities issued upon the

exercise of other Convertible Securities, or Common Shares issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Convertible Security; (C) Common Shares or Convertible Securities issued to employees or directors of, or consultants or advisors to, the Company or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the board of directors of the Company; (D) Common Shares or Convertible Securities issued pursuant to the acquisition of another corporation by the Company or any of its subsidiaries by amalgamation, arrangement, purchase of all or substantially all of the assets or shares or other reorganization or to a joint venture agreement, provided that such issuances are approved by the board of directors of the Company; or (G) Common Shares issued upon conversion of the Outstanding Amount;

- (ii) the term "**Outstanding Issue**" shall mean the sum of: (A) the number of shares of the Company outstanding immediately prior to such issue; plus (B) the number of Preferred Shares issuable on the conversion of the Outstanding Amount, calculated immediately prior to such issue and prior to effecting any adjustment to the Conversion Price pursuant to Section 3.6(d); and
 - (iii) the term "**Effective Price**" shall mean the quotient determined by dividing the total number of Additional Shares issued or sold, or deemed to have been issued or sold by the Company, under Section 3.6(d), into the consideration received, or deemed to have been received by the Company for such issue, under Section 3.6(d), for such Additional Shares.
- (f) For the purpose of making any adjustment required under Section 3.6(d):
- (i) the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash, be computed at the net amount of cash received by the Company after deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Company in connection with such issue or sale but without deduction of any other expenses payable by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the board of directors of the Company, and (C) to the extent that Additional Shares, Convertible Securities or rights or options to purchase either Additional Shares or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the board of directors of the Company to be allocable to such Additional Shares, Convertible Securities or rights or options.
 - (ii) if the Company issues or sells (A) stock or other securities convertible into Additional Shares (such convertible stock or securities being herein referred to as "**Convertible Securities**"), or (B) rights or options for the purchase of Additional Shares or Convertible Securities, and if the Effective Price of such Additional Shares is less than the Conversion Price then in effect, in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount

of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company upon the conversion thereof; provided that if in the case of Convertible Securities the minimum amounts of such consideration cannot be ascertained, but are a function of anti-dilution or similar protective clauses, the Company shall be deemed to have received the minimum amounts of consideration without reference to such clauses; provided further that if, at any time and from time to time following the issuance thereof, the minimum amount of consideration payable to the Company upon the exercise or conversion of rights, options or Convertible Securities is reduced over time or on the occurrence or non-occurrence of specified events other than by reason of anti-dilution adjustments, the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; provided further that if, at any time and from time to time following the issuance thereof, the minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities; provided, further that in no event shall the Conversion Price be adjusted above the Conversion Price in effect immediately prior to the particular adjustment required under Section 3.6(d). No further adjustment of the Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be made as a result of the actual issuance of Additional Shares on the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares so issued were the Additional Shares, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and such Additional Shares, if any, were issued or sold for: (C) the consideration, if any, actually received by the Company upon the exercise of such rights or options or on the conversion of such Convertible Securities, plus (D) the consideration, if any, actually received by the Company for the granting of all such rights or options or the issue and sale of the Convertible Securities, whether or not exercised or converted.

ARTICLE 4 EVENTS OF DEFAULT

4.1 Events of Default

The occurrence of any of the following events shall constitute an Event of Default under this Note:

- (a) If a default occurs in the payment of any amount owing to the Holder hereunder when due;
- (b) If default occurs in the performance of any other covenant or obligation of the Company in favour of the Holder under this Note, the Royalty Purchase Agreement or the General Security Agreement and such default is not waived in writing by the Holder or, to the extent such default may be remedied, such default remains unremedied: (i) in the case of a default under this Note or under the General Security Agreement, for a period of 10 consecutive days following receipt by the Company of written notice from the Holder of such default; or (ii) in the case of a default under the Royalty Purchase Agreement, for the period referenced in the Royalty Purchase Agreement;
- (c) If an event of default occurs in payment or performance of any obligation in favour of any Person from whom the Company has borrowed money, and such default is not waived in writing or remains unremedied for a period of 10 consecutive days after receipt by the Company of written notice of such default from such Person;
- (d) The Company (i) becomes insolvent or generally not able to pay its debts as they become due, (ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors; (iii) institutes or has instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or (z) the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its properties and assets, and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs, or (iv) takes any corporate action to authorize any of the above actions;
- (e) If any judgment or order for the payment of money in excess of \$25,000 shall be rendered against the Company and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order, or (ii) there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;
- (f) If any act, matter or thing is done, or any action or proceeding is launched or taken, to terminate the corporate existence of the Company, whether by winding-up, liquidation or otherwise;
- (g) If any proposal is made or any petition is filed by or against the Company under any law having for its purpose the extension of time for payment, composition or compromise of the liabilities of the Company or other reorganization or arrangement respecting its liabilities or if the Company gives notice of its intention to make or file any such proposal or petition including an application to any court to stay or suspend any proceedings of creditors pending the making or filing of any such proposal or petition;
- (h) If any receiver, administrator or manager, receiver-manager or interim receiver of the property, assets or undertaking of the Company or a substantial part thereof is appointed

pursuant to the terms of any trust deed, trust indenture, debenture or similar instrument or by or under any judgment or order of any court;

- (i) A suspension by the Company of its operations other than in the ordinary course of business; or
- (j) Any representation, warranty, certificate, or other statement (financial or otherwise) made or furnished by or on behalf of the Company to the Holder in writing in connection with this Note, or as an inducement to the Holder to enter into this Note, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished.

4.2 Consequences of an Event of Default

Upon the occurrence of an Event of Default, the Holder may, by notice to the Company, declare the Outstanding Amount and all other amounts (if any) owing hereunder to be immediately due and payable whereupon all such amounts shall immediately become and be due and payable without further demand or other notice of any kind, all of which are expressly waived by the Company. The Holder shall thereafter be entitled to take any action, remedy or proceeding available to it under this Note, at law or in equity. All or any rights of remedies of the Holder upon the occurrence of an Event of Default may from time to time be exercised independently or in any combination.

4.3 Costs of Realization

The Company agrees to pay to the Holder forthwith upon demand all reasonable costs, charges and expenses (including reasonable legal fees on a solicitor and client basis) of, or incurred by, the Holder in recovering or enforcing payment of any of the monies owing hereunder.

ARTICLE 5 MISCELLANEOUS

5.1 Discharge

Upon full payment by the Company to the Holder of, or the conversion of, the Outstanding Amount, the Holder shall, upon the written request of the Company, deliver up this Note to the Company and shall at the expense of the Company execute and deliver to the Company such deeds and other documents as shall be required to release and discharge this Note.

5.2 Waiver

No act or omission by the Holder in any manner whatever shall extend to or be taken to affect any provision hereof or any subsequent breach or default or the rights resulting therefrom save only express waiver in writing. A waiver of default shall not extend to, or be taken in any manner whatsoever to affect the rights of the Holder with respect to any subsequent default, whether similar or not.

5.3 No Merger or Novation

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Company to pay the moneys hereby secured nor shall the same operate as a merger of any covenant herein contained, nor shall the acceptance of any payment or other security constitute or create any novation.

5.4 Governing Law

This Note shall be deemed to have been made and shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract. The Company hereby irrevocably submits to the jurisdiction of the courts of the Province of Ontario for any action, suit or any other proceeding arising out of or relating to this Note and any other agreement or instrument mentioned therein or any of the transactions contemplated thereby.

5.5 Notices

Any notice or other communication required or which may be given hereunder will be in writing and will be delivered in accordance with Section 6.1 of the Royalty Purchase Agreement.

5.6 Time of the Essence

Time shall be of the essence of this Note.

5.7 Maximum Rate Permitted by Law

Under no circumstances shall the Holder be entitled to receive nor shall it in fact receive a payment or partial payment of interest, fees or other amounts under or in relation to this Note at a rate that is prohibited by applicable law. Accordingly, notwithstanding anything herein or elsewhere contained, if and to the extent that under any circumstances, the effective annual rate of "interest" (as defined in section 347 of the Criminal Code of Canada) received or to be received by the Holder (determined in accordance with such section) on any amount of "credit advanced" (as defined in that section) pursuant to these presents or any agreement or arrangement collateral hereto entered into in consequence or implementation hereof would, but for this Section 5.7, be a rate that is prohibited by applicable law, then the effective annual rate of interest, as so determined, received or to be received by the Holder on such amount of credit advanced shall be and be deemed to be adjusted to a rate that is one whole percentage point less than the lowest effective annual rate of interest that is so prohibited (the "**adjusted rate**"); and, if the Holder has received a payment or partial payment which would, but for this Section 5.7, be so prohibited then any amount or amounts so received by the Holder in excess of the lowest effective annual rate that is so prohibited shall and shall be deemed to have comprised a credit to be applied to subsequent payments on account of interest, fees or other amounts due to the Holder at the adjusted rate.

5.8 No Partnership

The parties agree that nothing contained in this Note, or the conduct of any party, shall in any manner whatsoever constitute or be intended to constitute any party as the agent or a representative or fiduciary of any party nor constitute or be intended to constitute a partnership or joint venture among the parties.

5.9 Invalidity of any Provisions

Any provision of this Note or any provisions of the security contemplated hereunder which is prohibited by the laws of any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition without invalidating the remaining terms and provisions hereof or thereof and no such invalidity shall affect the obligation of the Company to repay the Outstanding Amount.

5.10 Specific Performance

In addition to any and all other remedies that may be available at law in the event of any breach of this Note, the Holder shall be entitled to specific performance of the agreements of the Company hereunder and to such other injunctive or other equitable relief as may be granted in connection therewith.

5.11 Successors and Assigns, etc.

This Note shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns; provided, however, that neither this Note nor any rights or obligations hereunder shall be assigned by the Company without the prior written consent of the Holder.

5.12 Amendments

This Note may only be amended by a written agreement signed by the Company and the Holder.

5.13 Expenses

The Company will pay all of the reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Holder in connection with the preparation and execution of this Note and the various agreements and documents referred to herein (including all documents referenced in or required by the Term Sheet), up to a maximum amount of \$35,000 (plus all disbursements incurred by counsel to the Holder and all applicable taxes on any of the foregoing amounts), which amounts will be deducted from the Principal Amount and/or paid by the Company on demand by the Holder.

5.14 Counterparts

This Note may be executed in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of such counterparts shall together constitute one and the same instrument. The delivery of an executed counterpart of this Note by facsimile or telecopy or by electronic transmission in portable document format (PDF) shall be deemed to be the equivalent of the delivery of an original executed copy thereof.

EXHIBIT "A" TO SCHEDULE "A" OF CONVERTIBLE PROMISSORY NOTE

CONVERSION NOTICE RE ADDITIONAL ROYALTY INTERESTS

To: BG Furniture Ltd.

Reference is made to the Convertible Promissory Note dated October 30, 2015 (the "Note") issued to the undersigned by BG Furniture Ltd. (the "Company"). In accordance with and pursuant to the terms of the Note, the undersigned hereby elects to convert the Outstanding Amount into the Additional Royalty Interest effective as of the date hereof.

Initially capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Note.

Dated the ____ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____

Name:

Title:

EXHIBIT "B" TO SCHEDULE "A" OF CONVERTIBLE PROMISSORY NOTE

TERM SHEET

SUMMARY OF PREFERRED SHARE TERMS

Issuer:	BG Furniture Ltd. (the "Company")
Investor:	Grenville Strategic Royalty Corp. ("Grenville")
Capitalization of the Company:	Grenville to invest up to CDN\$400,000 in exchange for preferred shares representing 20% of the fully diluted share ownership of the Company post financing.
Price:	\$XX per share (the "Original Purchase Price").
Type of Security:	Series A Convertible Preferred Shares (the "Series A Preferred") of the Company, initially convertible on a 1:1 basis into common shares of the Company (the "Common Stock").
Ranking:	The Series A Preferred will rank senior to the Company's Common Stock with respect to dividends, liquidation, dissolution, voting and redemption.
Dividends:	The Series A Preferred will carry a cumulative annual dividend at the rate of 8% of the Original Purchase Price, payable upon a liquidation, whether or not declared, and prior and in preference to any declaration or payment of dividends to holders of the Common Stock. For any other dividends or similar distributions (other than a return of capital), the Series A Preferred will participate with the Common Stock on an as-if-converted basis.
Liquidation Preference:	<p>In the event of a liquidation, dissolution or winding-up of the Company, the proceeds shall be distributed to the stockholders as follows:</p> <p>The Series A Preferred shall be entitled to receive, prior and in preference to the holders of the Common, a per share amount equal to 1 times the Original Purchase Price plus all declared and un-paid dividends. After such distribution, the remaining assets of the Corporation, if any, available for distribution to shareholders shall be distributed on a <i>pro rata</i> basis to holders of the Series A Preferred and the holders of Common Stock.</p> <p>A merger, acquisition, sale or transfer of 50% or more of the outstanding voting power of the Company, or sale or exclusive license of all or a material portion of the assets or intellectual property of the Company</p>

shall be deemed to be a liquidation provided, however, that a transaction shall not be deemed a liquidation if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's capital stock immediately prior to such transaction. The holders of at least sixty-six and two-thirds percent (66 2/3%) of the shares of Series A Preferred may elect to waive the treatment of such a transaction as a liquidation event.

Conversion:

The holders of the Series A Preferred shall have the right to convert their shares of Series A Preferred at any time into shares of Common Stock. The initial conversion rate shall be 1:1, subject to adjustment as provided below.

Antidilution Provisions:

The conversion price of the Series A Preferred shall be subject to a broad-based weighted average adjustment to reduce dilution in the event that the Company issues additional equity securities (other than shares reserved as employee shares described under "Employee Matters" below, the issuances of stock to banks, equipment lenders, etc. pursuant to debt financing or equipment leasing transactions and other customary exceptions) at a purchase price less than the then applicable conversion price. The conversion price will also be subject to proportional adjustment for stock splits, stock dividends, recapitalizations and the like.

Voting Rights:

The Series A Preferred will vote together with the Common Stock, and not as a separate class, except as specifically provided herein or as otherwise required by law. Each share of the Series A Preferred shall be entitled to a number of votes equal to the number of shares of Common Stock then issuable upon conversion of such share of Series A Preferred.

Board of Directors:

The size of the Company's Board of Directors (the "Board") shall be set at three (3) members, all designated by the holders of the Series A Preferred and the holders of Common Stock voting as a single class.

Grenville will be entitled to designate one observer to the Board. Subject to agreeing to customary confidentiality restrictions, such observer will be provided with all information and materials provided to the members of the Board.

Forced Sale:

At any time, subject to the approval of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the Series A Preferred, the Series A Preferred holders may elect to cause the Company be sold pursuant to an asset sale, merger, amalgamation or some other combination transaction and all shareholders will be required to sell their shares or otherwise tender their interest into such a transaction. The holders of the Series A Preferred Shares will be entitled to a price per share in any such transaction equal to the greater of (i) the Original Purchase Price for such share plus all accrued and/or declared and unpaid dividends and (ii)

the fair value of such share.

Information Rights:

So long as a holder of Series A Preferred continues to hold at least 5% of its originally issued shares of Series A Preferred or Common Stock issued upon conversion thereof, the Company shall deliver to each such holder audited annual financial statements within 120 days of year end, unaudited quarterly financial statements within 45 days of quarter end and unaudited monthly financial statements compared against the then existing business plan within 30 days of month end, and will provide such holder with a copy of the Company's annual operating plan and budget within 30 days prior to the beginning of each fiscal year. Each such holder shall also be entitled to standard inspection and visitation rights.

Rights of First Refusal and Co-Sale:

The holders of Series A Preferred Shares and holders of Common Stock shall have the right in the event the Company proposes to offer equity securities, or other securities convertible into equity securities, to any person to purchase their pro rata portion of such securities (based on their percentage equity ownership in the Company assuming the conversion of all outstanding convertible securities into Common Stock).

In addition, all current and future holders of Common Stock (other than the Investor), unless waived by the holders of at least sixty-six and two-thirds percent (66 2/3%) of the shares of Series A Preferred, will execute a Right of First Refusal and Co-Sale Agreement with the holders of the Series A Preferred and the Company pursuant to which the Company (through an affiliate to be designated by it) first and the holders of the Series A Preferred second, will have a right of first refusal with respect to any shares proposed to be sold by such holder. The Right of First Refusal and Co-Sale Agreement will also contain a right of co-sale in favour of each of the holders of Series A Preferred providing that before any such holder may sell any of his, her or its shares of Common Stock, he, she or it will give the holders of Series A Preferred an opportunity to participate in such sale on a basis proportionate to the amount of securities held by the seller and those held by the holders of Series A Preferred. Such restrictions referred to in the prior two sentences will not apply in the event a holder transfers such shares to a wholly-owned subsidiary or other wholly-owned entity provided the transferee agrees to be bound by the terms of such agreement. The option agreement governing each option granted by the Company shall require, as a condition to the exercise thereof, that the optionee execute a counterpart signature page to the Right of First Refusal and Co-Sale Agreement. In addition, the Company shall require, as a condition to any grant or sale by the Company of any shares of Common Stock to any party other than the holders of Series A Preferred, that such party execute a counterpart signature page to the Right of First Refusal and Co-Sale Agreement.

Drag-Along Rights:

In the event that the holders of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of Series A Preferred propose to sell their shares of capital stock or approve a merger, consolidation, sale of all or substantially all of the Company's assets or such other change of control transaction in which stockholders of the Company immediately prior to such transaction hold or own less than a majority of the voting power of the Company immediately after such transaction, then each shareholder of the Company shall be required to sell his, her or its shares of capital stock and/or vote his, her or its shares in favour of such transaction. All shareholders of the Company shall be party to the drag-along provision.

EXHIBIT "C" TO SCHEDULE "A" OF CONVERTIBLE PROMISSORY NOTE
CONVERSION NOTICE RE PREFERRED SHARES

To: BG Furniture Ltd.

Reference is made to the Convertible Promissory Note dated October 30, 2015 (the "Note") issued to the undersigned by BG Furniture Ltd. (the "**Company**"). In accordance with and pursuant to the terms of the Note, effective as of the date hereof the undersigned hereby elects to convert the Outstanding Amount into such number of Preferred Shares as is determined pursuant to the terms of the Note and directs that such shares be registered, issued and delivered to the undersigned or as the undersigned may otherwise direct in writing.

Initially capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Note.

Dated the __ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY, AND ANY SECURITIES ISSUED ON CONVERSION HEREOF, MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) NOVEMBER 26, 2015, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY. CLAUSE (II) WILL NOT APPLY IF THE ISSUER BECOMES A REPORTING ISSUER BY FILING A PROSPECTUS AFTER NOVEMBER 26, 2015 IN ANY OF THE PROVINCES OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK OR NOVA SCOTIA AND IS A REPORTING ISSUER IN A JURISDICTION OF CANADA AT THE TIME OF THE TRADE.

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

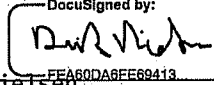
PRINCIPAL AMOUNT: CDN\$50,000
(the "Principal Amount")

BG FURNITURE LTD. (the "**Company**"), for value received, acknowledges itself indebted and hereby promises to pay to Grenville Strategic Royalty Corp. (the "**Holder**") on the Maturity Date (as hereinafter defined) or such earlier date as the Principal Amount and all accrued but unpaid interest thereon may become due and payable (including in connection with the occurrence of an Event of Default), or otherwise converted into Preferred Shares of the Company, subject to and in accordance with the terms, conditions and provisions of Schedule "A" attached hereto and forming a part hereof, the Principal Amount and any accrued but unpaid interest thereon at the principal offices of the Holder in the City of Toronto, Ontario, or such other place as may be designated by the Holder from time to time by notice in writing to the Company (together with all costs and expenses which may become payable to the Holder in accordance with Schedule "A" attached hereto). The Principal Amount outstanding at any time, and from time to time, and any overdue interest thereon, shall bear interest at a rate of 8% per annum, accrued daily. Interest on the Principal Amount shall be calculated from the date of this Note and compounded annually, and shall be calculated on the portion of the Principal Amount that remains unpaid, both before and after maturity, default or judgment, and on any overdue interest, until fully paid, on the basis of the actual number of days for which the Principal Amount is outstanding computed on the basis of a year of 365 days, or 366 days in the case of a leap year. Any accrued and unpaid interest on the Principal Amount owing to the Holder shall be due and payable, or otherwise converted, in accordance with the terms, conditions and provisions of Schedule "A" attached hereto.

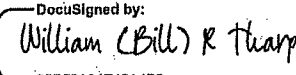
By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.

IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of November 26, 2015.

BG FURNITURE LTD.

DocuSigned by:

Per: Dirk Nielsen
Name: Dirk Nielsen
Title: VP Manufacturing

GRENVILLE STRATEGIC ROYALTY CORP.

DocuSigned by:

Per: William (Bill) R. Tharp
Name: William (Bill) R. Tharp
Title: CEO & Director

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY, AND ANY SECURITIES ISSUED ON CONVERSION HEREOF, MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) DECEMBER 15, 2015, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY. CLAUSE (II) WILL NOT APPLY IF THE ISSUER BECOMES A REPORTING ISSUER BY FILING A PROSPECTUS AFTER DECEMBER 15, 2015 IN ANY OF THE PROVINCES OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK OR NOVA SCOTIA AND IS A REPORTING ISSUER IN A JURISDICTION OF CANADA AT THE TIME OF THE TRADE.

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

PRINCIPAL AMOUNT: CDNS\$25,000
(the "Principal Amount")

BG FURNITURE LTD. (the "Company"), for value received, acknowledges itself indebted and hereby promises to pay to Grenville Strategic Royalty Corp. (the "Holder") on the Maturity Date (as hereinafter defined) or such earlier date as the Principal Amount and all accrued but unpaid interest thereon may become due and payable (including in connection with the occurrence of an Event of Default), or otherwise converted into Preferred Shares of the Company, subject to and in accordance with the terms, conditions and provisions of Schedule "A" attached hereto and forming a part hereof, the Principal Amount and any accrued but unpaid interest thereon at the principal offices of the Holder in the City of Toronto, Ontario, or such other place as may be designated by the Holder from time to time by notice in writing to the Company (together with all costs and expenses which may become payable to the Holder in accordance with Schedule "A" attached hereto). The Principal Amount outstanding at any time, and from time to time, and any overdue interest thereon, shall bear interest at a rate of 8% per annum, accrued daily. Interest on the Principal Amount shall be calculated from the date of this Note and compounded annually, and shall be calculated on the portion of the Principal Amount that remains unpaid, both before and after maturity, default or judgment, and on any overdue interest, until fully paid, on the basis of the actual number of days for which the Principal Amount is outstanding computed on the basis of a year of 365 days, or 366 days in the case of a leap year. Any accrued and unpaid interest on the Principal Amount owing to the Holder shall be due and payable, or otherwise converted, in accordance with the terms, conditions and provisions of Schedule "A" attached hereto.

By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.

DN

IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of December 15, 2015.

BG FURNITURE LTD.

Per: Dirk Nielsen
Name: Dirk Nielsen
Title: Chief Executive Officer Vice President

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name: _____
Title: _____

TABLE OF CONTENTS TO SCHEDULE "A"

ARTICLE 1 INTERPRETATION	1
1.1 Definitions	1
1.2 Interpretation	2
1.3 Headings, Etc.	2
1.4 Day Not a Business Day	2
1.5 Currency	2
1.6 Interest	2
1.7 Prepayment	2
ARTICLE 2 COVENANTS	2
2.1 Covenants	2
ARTICLE 3 CONVERSION	3
3.1 Optional Conversion prior to Maturity Date	3
3.2 Whole Shares Only	4
3.3 No Requirement to Issue Fractional Shares	4
3.4 Company to Create Preferred Shares	4
3.5 Corporate Agreements	5
3.6 Adjustments	5
ARTICLE 4	9
EVENTS OF DEFAULT	9
4.1 Events of Default	9
4.2 Consequences of an Event of Default	10
4.3 Costs of Realization	10
ARTICLE 5 MISCELLANEOUS	10
5.1 Discharge	10
5.2 Waiver	10
5.3 No Merger or Novation	11
5.4 Governing Law	11
5.5 Notices	11
5.6 Time of the Essence	11
5.7 Maximum Rate Permitted by Law	11
5.8 No Partnership	11
5.9 Invalidity of any Provisions	11
5.10 Specific Performance	12
5.11 Successors and Assigns, etc.	12
5.12 Amendments	12
5.13 Expenses	12
5.14 Counterparts	12

SCHEDULE "A"

The following conditions are applicable to the Convertible Promissory Note of BG Furniture Ltd.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Note, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

"this Note", "the Note", "Note", "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions refer to the Note represented hereby and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto and every Note issued in replacement hereof;

"Business Day" means a day which is not a Saturday or Sunday or a civic or statutory holiday in the Province of Ontario;

"Common Shares" means the common shares of the Company;

"Company" means BG Furniture Ltd., a body corporate incorporated pursuant to the laws of Province of Ontario, and includes any successor corporation to or of the Company within the meaning of Section 5.11;

"Conversion Price" means \$1,667 per Preferred Share, as the same may be adjusted from time to time in accordance with the terms of this Note;

"Event of Default" means any event specified in Section 4.1 which has not been waived, cured or remedied in accordance with the terms hereof;

"General Security Agreement" means the general security agreement dated September 2, 2015 executed and delivered by the Company to Grenville Strategic Royalty Corp.;

"Holder" means the Person from time to time registered as the holder of this Note;

"Maturity Date" means December 15, 2016;

"Outstanding Amount" means, at any given time, the Principal Amount then outstanding and all accrued but unpaid interest thereon;

"Person" means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate or governmental authority, and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;

"Principal Amount" means the principal amount of this Note as set forth on the face page hereof;

"Royalty Purchase Agreement" means the amended and restated royalty purchase agreement between the Company and Grenville Strategic Royalty Corp. dated September 2, 2015; and

"Subsequent Installment" has the meaning ascribed to such term in the Royalty Purchase Agreement.

1.2 Interpretation

Words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the neuter or the feminine gender and vice versa.

1.3 Headings, Etc.

The division of this Note into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Note. The terms "hereof", "hereunder" and similar expressions refer to this Note and not to any particular Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, reference herein to Sections are to Sections of this Note.

1.4 Day Not a Business Day

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.

1.5 Currency

All references to currency herein shall be to lawful money of Canada.

1.6 Interest

Interest as calculated under this Note will be payable annually in arrears commencing on January 2, 2016 (and thereafter on January 2 of each calendar year until the Outstanding Amount is fully repaid or otherwise converted in accordance with the terms of this Note).

1.7 Prepayment

The Principal Amount of, and interest on, this Note may not be prepaid by the Company, in whole or in part, without the prior written consent of the Holder.

1.8 Additional Note

This Note is in addition to, and not in substitution for: (a) the promissory note in the principal amount of \$100,000 dated October 30, 2015 issued by the Company to the Holder; and (b) the promissory note in the principal amount of \$50,000 dated November 26, 2015 issued by the Company to the Holder.

ARTICLE 2 COVENANTS

2.1 Covenants

For So long as any portion of the Outstanding Amount remains outstanding, the prior written consent of the Holder shall be required before any of the following actions are or may be taken (whether directly or by amendment, merger, consolidation or otherwise):

- (a) the payment or declaration of any dividend or other distribution by the Company;

- (b) the entering into by the Company of any contract involving payments by the Company individually in excess of \$50,000 or in the aggregate in excess of \$100,000, or the making of any capital expenditure, individually or in the aggregate, in excess of \$100,000;
- (c) the Company creating any subsidiary or establishing, acquiring or otherwise becoming involved in any corporate entity or any partnership, joint venture or similar arrangements outside the ordinary course of business, or the Company entering into any advisory agreement or other form of agreement in contemplation thereof;
- (d) the Company incurring any indebtedness (other than trade payables in the ordinary course of business) or granting guarantees in excess of \$100,000 outside the ordinary course of business, or permitting the creation of liens on the Company's assets (except for customary, permitted liens);
- (e) the issuance by the Company of any shares or other securities of the Company (including any securities or other rights convertible into shares of the Company), other than issuances made pursuant to the conversion of convertible securities of the Company outstanding as of the date hereof;
- (f) the creation of any new class or series of shares of the Company;
- (g) the granting of any options by the Company;
- (h) any change to the primary line of business of the Company or the making of any other material change to the Company's business;
- (i) any increase or decrease in the number of members of the Board;
- (j) the entering into or completion by the Company of any merger, amalgamation, arrangement, other corporate reorganization, including a recapitalization, change of control or any transaction in which all or a material portion of the assets of the Company or any of its subsidiaries are sold, leased, exchanged, transferred or exclusively licensed, or any liquidation, dissolution or winding up of the Company or any of its subsidiaries; or
- (k) the completion of any sale, lease, exchange, transfer or other disposition or license of any assets of the Company outside the ordinary course of business.

ARTICLE 3 CONVERSION

3.1 Optional Conversion prior to Maturity Date

At any time during the period commencing on July 1, 2016 and ending at 11:59 p.m. (Toronto time) on the date immediately prior to the Maturity Date, the Holder may in its sole discretion elect to convert the Outstanding Amount (in whole and not in part) into:

- (a) additional royalty interests of the Company pursuant to and in accordance with the terms of the Royalty Purchase Agreement on the basis that, upon such conversion, for the purposes of the Royalty Purchase Agreement, the Outstanding Amount will be deemed for all purposes to be a "Subsequent Installment" under the Royalty Purchase Agreement (the "Additional Royalty Interest"). To convert the Outstanding Amount into the Additional Royalty Interest, the Holder shall deliver to the Company written notice in the

form of Exhibit "A" attached hereto, duly executed by the Holder or its legal representative or attorney duly appointed by an instrument in writing in a form satisfactory to the Company (a "**Conversion Notice**"), exercising such conversion right in accordance with the provisions hereof and, effective as of the date of the Conversion Notice, the Outstanding Amount will be deemed to be a Subsequent Installment in the amount of the Outstanding Amount for the purposes of the Royalty Purchase Agreement, and the Company will execute and deliver all such documents and instruments, and take all such actions, as the Holder may request to evidence or effectuate such conversion; or

- (b) the number of preferred shares of the Company (rounded down to the nearest whole number) (the "**Preferred Shares**") bearing the attributes listed in the term sheet attached hereto as Schedule "B" (the "**Term Sheet**"), and such other terms as may be determined by the Holder in its sole discretion, determined by reference to the following formula:

Outstanding Amount/Conversion Price

If the Holder elects pursuant to this Section 3.1 to convert the Outstanding Amount into Preferred Shares, the Holder shall surrender this Note to the Company, together with a Conversion Notice substantially in the form of Exhibit "C" attached hereto, duly executed by the Holder or its legal representative or attorney duly appointed by an instrument in writing in a form satisfactory to the Company, exercising such conversion right in accordance with the provisions hereof. Thereupon, the Holder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges, its nominee(s) or assignee(s), shall be entitled to be entered in the books of the Company as at the date of the Conversion Notice as the holder of the number of Preferred Shares determined pursuant to this Section 3.1(b) based on the Outstanding Amount, and, as soon as practicable thereafter, the Company shall deliver to the Holder or, subject as aforesaid, to its nominee(s), or assignee(s), a certificate or certificates for such Preferred Shares.

3.2 Whole Shares Only

The rights of conversion set forth in this Article 3 shall extend only to the maximum number of whole Preferred Shares into which the Outstanding Amount may be converted in accordance with the provisions of this Article 3. Fractional interests in Preferred Shares shall be adjusted for in the manner provided in Section 3.3. All Preferred Shares issued in connection with the conversion of the Outstanding Amount will for all purposes be deemed to be issued and outstanding as fully paid and non-assessable.

3.3 No Requirement to Issue Fractional Shares

The Company shall not be required to issue fractional shares upon the conversion of the Outstanding Amount into Preferred Shares. If any fractional interest in a Preferred Share would, except for the provisions of this Section 3.3, be deliverable upon the conversion of the Outstanding Amount, the Company shall, in lieu of delivering any certificate for such fractional interest, satisfy such fractional interest by paying to the Holder an amount (computed to the nearest cent) in respect of such fractional determined by the directors of the Company, acting reasonably.

3.4 Company to Create Preferred Shares

The Company covenants with the Holder that it will, in connection with the conversion of the Outstanding Amount into Preferred Shares, take all actions necessary to cause the creation of the Preferred Shares in accordance with the terms of this Note and the Term Sheet, and to thereafter at all times reserve and keep available out of its authorized shares such number of Preferred Shares as shall then be issuable upon the conversion of the Outstanding Amount.

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3.5 Corporate Agreements

Notwithstanding anything else contained herein, if the Purchaser elects to convert the Outstanding Amount into Preferred Shares the Company, the Holder and each shareholder of the Company will, contemporaneously with the issuance of such Preferred Shares to the Holder, enter into an investor rights agreement or similar agreement which shall include, *inter alia*, the terms set out under the headings "*Board of Directors*", "*Forced Sale*", "*Information Rights*", "*Rights of First Refusal and Co Sale*" and "*Drag Along Rights*" in the Term Sheet (and such other terms as may be determined by the Holder in its sole discretion), and the Holder covenants and agrees to execute and deliver, and to cause each of the shareholders of the Company to execute and deliver, all such documents and instruments, and take all such actions, as the Holder may request in connection with the conversion of the Outstanding Amount into Preferred Shares.

3.6 Adjustments

The Conversion Price in effect at any date shall be subject to adjustment from time to time as follows:

- (a) If, and whenever at any time and from time to time the Company shall (i) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine, consolidate or change its then outstanding Common Shares into a lesser number of Common Shares, or (iii) issue Common Shares (or securities exchangeable or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of stock dividend or other distribution (other than a dividend in the ordinary course paid in Common Shares or securities exchangeable or convertible into Common Shares) (any of such events being a "Share Reorganization"), the Conversion Price shall be adjusted effective immediately after the effective date or record date for the Share Reorganization, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by the quotient obtained when:
 - A. the number of Common Shares outstanding on such effective date or record date before giving effect to the Share Reorganization,

is divided by

 - B. the number of Common Shares outstanding immediately after the completion of such Share Reorganization (but before giving effect to the issue of any Common Shares issued after such record date otherwise than as part of such Share Reorganization) including, in the case where securities exchangeable or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date.
- (b) If and whenever there is a capital reorganization of the Company not otherwise provided for in Section 3.6(a) or a consolidation, merger, arrangement or amalgamation (statutory or otherwise) of the Company with or into another body corporate (any such event being a "Capital Reorganization"), if the Outstanding Amount has not been converted prior to the effective date or record date for such Capital Reorganization then the Holder shall be

entitled to receive and shall accept, upon the conversion of the Outstanding Amount at any time after the effective date or record date for such Capital Reorganization, in lieu of the number of Preferred Shares to which the Holder was theretofore entitled upon conversion, the aggregate number of Preferred Shares, or other securities of the Company or of the corporation or body corporate resulting, surviving or continuing from the Capital Reorganization, that the Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date or record date, it had been the registered holder of the number of Preferred Shares to which it was theretofore entitled upon the conversion of the Outstanding Amount; provided that no such Capital Reorganization shall be carried into effect unless all necessary steps shall have been taken so that the Holder shall immediately thereafter be entitled to receive such number of Preferred Shares or other securities of the Company or of the corporation or body corporate resulting, surviving or continuing from the Capital Reorganization.

- (c) In the case of any reclassification of, or other change in, the outstanding Common Shares other than a Share Reorganization or a Capital Reorganization, the right of conversion shall be adjusted immediately after the effective date or record date for such reclassification or other change so that the Holder shall be entitled to receive, upon the conversion of the Outstanding Amount at any time after the effective date or record date of such reclassification or other change, such shares, securities or rights as the Holder would have received had the Outstanding Amount been converted into Preferred Shares immediately prior to such effective date or record date, subject to adjustment thereafter in accordance with provisions the same as nearly may be possible as those contained in Sections 3.6(a) and 3.6(b).
- (d) If at any time or from time to time after the issue of this Note, the Company issues or sells, or is deemed to have issued or sold, Additional Shares (as defined below) for an Effective Price (as defined below) less than the then effective Conversion Price, then and in each such case, the then effective Conversion Price shall be reduced as of the opening of business on the date of such issue or sale, to an amount (calculated to the same number of decimal places as the original Conversion Price) determined by multiplying the Conversion Price then in effect by a fraction:
 - (i) A. the numerator of which shall be the sum of the Outstanding Issue (as defined below) and the number of Common Shares that the consideration received by the Company for the total number of Additional Shares so issued (or deemed to be issued) would purchase at the Conversion Price in effect immediately prior to such issuance, and
 - (ii) B. the denominator of which shall be the sum of the Outstanding Issue plus the number of such Additional Shares so issued (or deemed to be issued).

For illustrative purposes only, if the Conversion Price is \$1.50, the Outstanding Issue is 10,000,000 Common Shares and the Company issues 2,000,000 Additional Shares for consideration of \$2,700,000 (being an Effective Price of \$1.35 for such Additional Shares ($\$2,700,000 / 2,000,000 = \1.35)), the then effective Conversion Price shall be reduced to \$1.48, being the product of $\$1.50 \times ((10,000,000 + 1,800,000) / (10,000,000 + 2,000,000))$.

- (e) For the purposes of this Note:

- (i) the term “**Additional Shares**” shall mean all Common Shares issued or deemed to be issued by the Company after the date of this Note, other than: (A) Common Shares or Convertible Securities (as defined below) issued pursuant to a Share Reorganization, Capital Reorganization or similar transactions described in this Section 3.6; (B) Common Shares or Convertible Securities issued upon the exercise of other Convertible Securities, or Common Shares issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Convertible Security; (C) Common Shares or Convertible Securities issued to employees or directors of, or consultants or advisors to, the Company or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the board of directors of the Company; (D) Common Shares or Convertible Securities issued pursuant to the acquisition of another corporation by the Company or any of its subsidiaries by amalgamation, arrangement, purchase of all or substantially all of the assets or shares or other reorganization or to a joint venture agreement, provided that such issuances are approved by the board of directors of the Company; or (G) Common Shares issued upon conversion of the Outstanding Amount;
 - (ii) the term “**Outstanding Issue**” shall mean the sum of: (A) the number of shares of the Company outstanding immediately prior to such issue; plus (B) the number of Preferred Shares issuable on the conversion of the Outstanding Amount, calculated immediately prior to such issue and prior to effecting any adjustment to the Conversion Price pursuant to Section 3.6(d); and
 - (iii) the term “**Effective Price**” shall mean the quotient determined by dividing the total number of Additional Shares issued or sold, or deemed to have been issued or sold by the Company, under Section 3.6(d), into the consideration received, or deemed to have been received by the Company for such issue, under Section 3.6(d), for such Additional Shares.
- (f) For the purpose of making any adjustment required under Section 3.6(d):
- (i) the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash, be computed at the net amount of cash received by the Company after deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Company in connection with such issue or sale but without deduction of any other expenses payable by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the board of directors of the Company, and (C) to the extent that Additional Shares, Convertible Securities or rights or options to purchase either Additional Shares or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the board of directors of the Company to be allocable to such Additional Shares, Convertible Securities or rights or options.
 - (ii) if the Company issues or sells (A) stock or other securities convertible into Additional Shares (such convertible stock or securities being herein referred to as “**Convertible Securities**”), or (B) rights or options for the purchase of Additional Shares or Convertible Securities, and if the Effective Price of such Additional

Shares is less than the Conversion Price then in effect, in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company upon the conversion thereof; provided that if in the case of Convertible Securities the minimum amounts of such consideration cannot be ascertained, but are a function of anti-dilution or similar protective clauses, the Company shall be deemed to have received the minimum amounts of consideration without reference to such clauses; provided further that if, at any time and from time to time following the issuance thereof, the minimum amount of consideration payable to the Company upon the exercise or conversion of rights, options or Convertible Securities is reduced over time or on the occurrence or non-occurrence of specified events other than by reason of anti-dilution adjustments, the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; provided further that if, at any time and from time to time following the issuance thereof, the minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities; provided, further that in no event shall the Conversion Price be adjusted above the Conversion Price in effect immediately prior to the particular adjustment required under Section 3.6(d). No further adjustment of the Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be made as a result of the actual issuance of Additional Shares on the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares so issued were the Additional Shares, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and such Additional Shares, if any, were issued or sold for: (C) the consideration, if any, actually received by the Company upon the exercise of such rights or options or on the conversion of such Convertible Securities, plus (D) the consideration, if any, actually received by the Company for the granting of all such rights or options or the issue and sale of the Convertible Securities, whether or not exercised or converted.

**ARTICLE 4
EVENTS OF DEFAULT**

4.1 Events of Default

The occurrence of any of the following events shall constitute an Event of Default under this Note:

- (a) If a default occurs in the payment of any amount owing to the Holder hereunder when due;
- (b) If default occurs in the performance of any other covenant or obligation of the Company in favour of the Holder under this Note, the Royalty Purchase Agreement or the General Security Agreement and such default is not waived in writing by the Holder or, to the extent such default may be remedied, such default remains unremedied: (i) in the case of a default under this Note or under the General Security Agreement, for a period of 10 consecutive days following receipt by the Company of written notice from the Holder of such default; or (ii) in the case of a default under the Royalty Purchase Agreement, for the period referenced in the Royalty Purchase Agreement;
- (c) If an event of default occurs in payment or performance of any obligation in favour of any Person from whom the Company has borrowed money, and such default is not waived in writing or remains unremedied for a period of 10 consecutive days after receipt by the Company of written notice of such default from such Person;
- (d) The Company (i) becomes insolvent or generally not able to pay its debts as they become due, (ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors; (iii) institutes or has instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or (z) the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its properties and assets, and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs, or (iv) takes any corporate action to authorize any of the above actions;
- (e) If any judgment or order for the payment of money in excess of \$25,000 shall be rendered against the Company and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order, or (ii) there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;
- (f) If any act, matter or thing is done, or any action or proceeding is launched or taken, to terminate the corporate existence of the Company, whether by winding-up, liquidation or otherwise;

- (g) If any proposal is made or any petition is filed by or against the Company under any law having for its purpose the extension of time for payment, composition or compromise of the liabilities of the Company or other reorganization or arrangement respecting its liabilities or if the Company gives notice of its intention to make or file any such proposal or petition including an application to any court to stay or suspend any proceedings of creditors pending the making or filing of any such proposal or petition;
- (h) If any receiver, administrator or manager, receiver-manager or interim receiver of the property, assets or undertaking of the Company or a substantial part thereof is appointed pursuant to the terms of any trust deed, trust indenture, debenture or similar instrument or by or under any judgment or order of any court;
- (i) A suspension by the Company of its operations other than in the ordinary course of business; or
- (j) Any representation, warranty, certificate, or other statement (financial or otherwise) made or furnished by or on behalf of the Company to the Holder in writing in connection with this Note, or as an inducement to the Holder to enter into this Note, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished.

4.2 Consequences of an Event of Default

Upon the occurrence of an Event of Default, the Holder may, by notice to the Company, declare the Outstanding Amount and all other amounts (if any) owing hereunder to be immediately due and payable whereupon all such amounts shall immediately become and be due and payable without further demand or other notice of any kind, all of which are expressly waived by the Company. The Holder shall thereafter be entitled to take any action, remedy or proceeding available to it under this Note, at law or in equity. All or any rights of remedies of the Holder upon the occurrence of an Event of Default may from time to time be exercised independently or in any combination.

4.3 Costs of Realization

The Company agrees to pay to the Holder forthwith upon demand all reasonable costs, charges and expenses (including reasonable legal fees on a solicitor and client basis) of, or incurred by, the Holder in recovering or enforcing payment of any of the monies owing hereunder.

ARTICLE 5 MISCELLANEOUS

5.1 Discharge

Upon full payment by the Company to the Holder of, or the conversion of, the Outstanding Amount, the Holder shall, upon the written request of the Company, deliver up this Note to the Company and shall at the expense of the Company execute and deliver to the Company such deeds and other documents as shall be required to release and discharge this Note.

5.2 Waiver

No act or omission by the Holder in any manner whatever shall extend to or be taken to affect any provision hereof or any subsequent breach or default or the rights resulting therefrom save only express waiver in writing. A waiver of default shall not extend to, or be taken in any manner whatsoever to affect the rights of the Holder with respect to any subsequent default, whether similar or not.

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5.3 No Merger or Novation

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Company to pay the moneys hereby secured nor shall the same operate as a merger of any covenant herein contained, nor shall the acceptance of any payment or other security constitute or create any novation.

5.4 Governing Law

This Note shall be deemed to have been made and shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract. The Company hereby irrevocably submits to the jurisdiction of the courts of the Province of Ontario for any action, suit or any other proceeding arising out of or relating to this Note and any other agreement or instrument mentioned therein or any of the transactions contemplated thereby.

5.5 Notices

Any notice or other communication required or which may be given hereunder will be in writing and will be delivered in accordance with Section 6.1 of the Royalty Purchase Agreement.

5.6 Time of the Essence

Time shall be of the essence of this Note.

5.7 Maximum Rate Permitted by Law

Under no circumstances shall the Holder be entitled to receive nor shall it in fact receive a payment or partial payment of interest, fees or other amounts under or in relation to this Note at a rate that is prohibited by applicable law. Accordingly, notwithstanding anything herein or elsewhere contained, if and to the extent that under any circumstances, the effective annual rate of "interest" (as defined in section 347 of the Criminal Code of Canada) received or to be received by the Holder (determined in accordance with such section) on any amount of "credit advanced" (as defined in that section) pursuant to these presents or any agreement or arrangement collateral hereto entered into in consequence or implementation hereof would, but for this Section 5.7, be a rate that is prohibited by applicable law, then the effective annual rate of interest, as so determined, received or to be received by the Holder on such amount of credit advanced shall be and be deemed to be adjusted to a rate that is one whole percentage point less than the lowest effective annual rate of interest that is so prohibited (the "adjusted rate"); and, if the Holder has received a payment or partial payment which would, but for this Section 5.7, be so prohibited then any amount or amounts so received by the Holder in excess of the lowest effective annual rate that is so prohibited shall and shall be deemed to have comprised a credit to be applied to subsequent payments on account of interest, fees or other amounts due to the Holder at the adjusted rate.

5.8 No Partnership

The parties agree that nothing contained in this Note, or the conduct of any party, shall in any manner whatsoever constitute or be intended to constitute any party as the agent or a representative or fiduciary of any party nor constitute or be intended to constitute a partnership or joint venture among the parties.

5.9 Invalidity of any Provisions

Any provision of this Note or any provisions of the security contemplated hereunder which is prohibited by the laws of any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such

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prohibition without invalidating the remaining terms and provisions hereof or thereof and no such invalidity shall affect the obligation of the Company to repay the Outstanding Amount.

5.10 Specific Performance

In addition to any and all other remedies that may be available at law in the event of any breach of this Note, the Holder shall be entitled to specific performance of the agreements of the Company hereunder and to such other injunctive or other equitable relief as may be granted in connection therewith.

5.11 Successors and Assigns, etc.

This Note shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns; provided, however, that neither this Note nor any rights or obligations hereunder shall be assigned by the Company without the prior written consent of the Holder.

5.12 Amendments

This Note may only be amended by a written agreement signed by the Company and the Holder.

5.13 Expenses

The Company will pay all of the reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Holder in connection with the preparation and execution of this Note and the various agreements and documents referred to herein (including all documents referenced in or required by the Term Sheet), up to a maximum amount of \$35,000 (plus all disbursements incurred by counsel to the Holder and all applicable taxes on any of the foregoing amounts), which amounts will be deducted from the Principal Amount and/or paid by the Company on demand by the Holder.

5.14 Counterparts

This Note may be executed in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of such counterparts shall together constitute one and the same instrument. The delivery of an executed counterpart of this Note by facsimile or telecopy or by electronic transmission in portable document format (PDF) shall be deemed to be the equivalent of the delivery of an original executed copy thereof.

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EXHIBIT "A" TO SCHEDULE "A" OF CONVERTIBLE PROMISSORY NOTE
CONVERSION NOTICE RE ADDITIONAL ROYALTY INTERESTS

To: BG Furniture Ltd.

Reference is made to the Convertible Promissory Note dated December 15, 2015 (the "Note") issued to the undersigned by BG Furniture Ltd. (the "Company"). In accordance with and pursuant to the terms of the Note, the undersigned hereby elects to convert the Outstanding Amount into the Additional Royalty Interest effective as of the date hereof.

Initially capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Note.

Dated the ____ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

EXHIBIT "B" TO SCHEDULE "A" OF CONVERTIBLE PROMISSORY NOTE**TERM SHEET****SUMMARY OF PREFERRED SHARE TERMS**

Issuer:	BG Furniture Ltd. (the "Company")
Investor:	Grenville Strategic Royalty Corp. ("Grenville")
Capitalization of the Company:	Grenville to invest up to CDN\$400,000 in exchange for preferred shares representing 20% of the fully diluted share ownership of the Company post financing.
Price:	\$XX per share (the "Original Purchase Price").
Type of Security:	Series A Convertible Preferred Shares (the "Series A Preferred") of the Company, initially convertible on a 1:1 basis into common shares of the Company (the "Common Stock").
Ranking:	The Series A Preferred will rank senior to the Company's Common Stock with respect to dividends, liquidation, dissolution, voting and redemption.
Dividends:	The Series A Preferred will carry a cumulative annual dividend at the rate of 8% of the Original Purchase Price, payable upon a liquidation, whether or not declared, and prior and in preference to any declaration or payment of dividends to holders of the Common Stock. For any other dividends or similar distributions (other than a return of capital), the Series A Preferred will participate with the Common Stock on an as-if-converted basis.
Liquidation Preference:	<p>In the event of a liquidation, dissolution or winding-up of the Company, the proceeds shall be distributed to the stockholders as follows:</p> <p>The Series A Preferred shall be entitled to receive, prior and in preference to the holders of the Common, a per share amount equal to 1 times the Original Purchase Price plus all declared and un-paid dividends. After such distribution, the remaining assets of the Corporation, if any, available for distribution to shareholders shall be distributed on a <i>pro rata</i> basis to holders of the Series A Preferred and the holders of Common Stock.</p> <p>A merger, acquisition, sale or transfer of 50% or more of the outstanding voting power of the Company, or sale or exclusive license of all or a material portion of the assets or intellectual property of the Company</p>

shall be deemed to be a liquidation provided, however, that a transaction shall not be deemed a liquidation if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's capital stock immediately prior to such transaction. The holders of at least sixty-six and two-thirds percent (66 2/3%) of the shares of Series A Preferred may elect to waive the treatment of such a transaction as a liquidation event.

- Conversion:** The holders of the Series A Preferred shall have the right to convert their shares of Series A Preferred at any time into shares of Common Stock. The initial conversion rate shall be 1:1, subject to adjustment as provided below.
- Antidilution Provisions:** The conversion price of the Series A Preferred shall be subject to a broad-based weighted average adjustment to reduce dilution in the event that the Company issues additional equity securities (other than shares reserved as employee shares described under "Employee Matters" below, the issuances of stock to banks, equipment lenders, etc. pursuant to debt financing or equipment leasing transactions and other customary exceptions) at a purchase price less than the then applicable conversion price. The conversion price will also be subject to proportional adjustment for stock splits, stock dividends, recapitalizations and the like.
- Voting Rights:** The Series A Preferred will vote together with the Common Stock, and not as a separate class, except as specifically provided herein or as otherwise required by law. Each share of the Series A Preferred shall be entitled to a number of votes equal to the number of shares of Common Stock then issuable upon conversion of such share of Series A Preferred.
- Board of Directors:** The size of the Company's Board of Directors (the "Board") shall be set at three (3) members, all designated by the holders of the Series A Preferred and the holders of Common Stock voting as a single class.
- Grenville will be entitled to designate one observer to the Board. Subject to agreeing to customary confidentiality restrictions, such observer will be provided with all information and materials provided to the members of the Board.
- Forced Sale:** At any time, subject to the approval of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the Series A Preferred, the Series A Preferred holders may elect to cause the Company be sold pursuant to an asset sale, merger, amalgamation or some other combination transaction and all shareholders will be required to sell their shares or otherwise tender their interest into such a transaction. The holders of the Series A Preferred Shares will be entitled to a price per share in any such transaction equal to the greater of (i) the Original Purchase Price for such share plus all accrued and/or declared and unpaid dividends and (ii)

the fair value of such share.

Information Rights:

So long as a holder of Series A Preferred continues to hold at least 5% of its originally issued shares of Series A Preferred or Common Stock issued upon conversion thereof, the Company shall deliver to each such holder audited annual financial statements within 120 days of year end, unaudited quarterly financial statements within 45 days of quarter end and unaudited monthly financial statements compared against the then existing business plan within 30 days of month end, and will provide such holder with a copy of the Company's annual operating plan and budget within 30 days prior to the beginning of each fiscal year. Each such holder shall also be entitled to standard inspection and visitation rights.

Rights of First Refusal and Co-Sale:

The holders of Series A Preferred Shares and holders of Common Stock shall have the right in the event the Company proposes to offer equity securities, or other securities convertible into equity securities, to any person to purchase their pro rata portion of such securities (based on their percentage equity ownership in the Company assuming the conversion of all outstanding convertible securities into Common Stock).

In addition, all current and future holders of Common Stock (other than the Investor), unless waived by the holders of at least sixty-six and two-thirds percent (66 2/3%) of the shares of Series A Preferred, will execute a Right of First Refusal and Co-Sale Agreement with the holders of the Series A Preferred and the Company pursuant to which the Company (through an affiliate to be designated by it) first and the holders of the Series A Preferred second, will have a right of first refusal with respect to any shares proposed to be sold by such holder. The Right of First Refusal and Co-Sale Agreement will also contain a right of co-sale in favour of each of the holders of Series A Preferred providing that before any such holder may sell any of his, her or its shares of Common Stock, he, she or it will give the holders of Series A Preferred an opportunity to participate in such sale on a basis proportionate to the amount of securities held by the seller and those held by the holders of Series A Preferred. Such restrictions referred to in the prior two sentences will not apply in the event a holder transfers such shares to a wholly-owned subsidiary or other wholly-owned entity provided the transferee agrees to be bound by the terms of such agreement. The option agreement governing each option granted by the Company shall require, as a condition to the exercise thereof, that the optionee execute a counterpart signature page to the Right of First Refusal and Co-Sale Agreement. In addition, the Company shall require, as a condition to any grant or sale by the Company of any shares of Common Stock to any party other than the holders of Series A Preferred, that such party execute a counterpart signature page to the Right of First Refusal and Co-Sale Agreement.

Drag-Along Rights:

In the event that the holders of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of Series A Preferred propose to sell their shares of capital stock or approve a merger, consolidation, sale of all or substantially all of the Company's assets or such other change of control transaction in which stockholders of the Company immediately prior to such transaction hold or own less than a majority of the voting power of the Company immediately after such transaction, then each shareholder of the Company shall be required to sell his, her or its shares of capital stock and/or vote his, her or its shares in favour of such transaction. All shareholders of the Company shall be party to the drag-along provision.

EXHIBIT "C" TO SCHEDULE "A" OF CONVERTIBLE PROMISSORY NOTE
CONVERSION NOTICE RE PREFERRED SHARES

To: BG Furniture Ltd.

Reference is made to the Convertible Promissory Note dated December 15, 2015 (the "Note") issued to the undersigned by BG Furniture Ltd. (the "Company"). In accordance with and pursuant to the terms of the Note, effective as of the date hereof the undersigned hereby elects to convert the Outstanding Amount into such number of Preferred Shares as is determined pursuant to the terms of the Note and directs that such shares be registered, issued and delivered to the undersigned or as the undersigned may otherwise direct in writing.

Initially capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Note.

Dated the ____ day of _____, ____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY, AND ANY SECURITIES ISSUED ON CONVERSION HEREOF, MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (i) DECEMBER 21, 2015, AND (ii) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY. CLAUSE (ii) WILL NOT APPLY IF THE ISSUER BECOMES A REPORTING ISSUER BY FILING A PROSPECTUS AFTER DECEMBER 21, 2015 IN ANY OF THE PROVINCES OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK OR NOVA SCOTIA AND IS A REPORTING ISSUER IN A JURISDICTION OF CANADA AT THE TIME OF THE TRADE.

CONVERTIBLE PROMISSORY NOTE

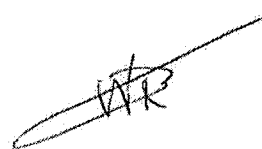
BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

PRINCIPAL AMOUNT: CDN\$105,000
(the "Principal Amount")


BG FURNITURE LTD. (the "Company"), for value received, acknowledges itself indebted and hereby promises to pay to Grenville Strategic Royalty Corp. (the "Holder") on the Maturity Date (as hereinafter defined) or such earlier date as the Principal Amount and all accrued but unpaid interest thereon may become due and payable (including in connection with the occurrence of an Event of Default), or otherwise converted into Preferred Shares of the Company, subject to and in accordance with the terms, conditions and provisions of Schedule "A" attached hereto and forming a part hereof, the Principal Amount and any accrued but unpaid interest thereon at the principal offices of the Holder in the City of Toronto, Ontario, or such other place as may be designated by the Holder from time to time by notice in writing to the Company (together with all costs and expenses which may become payable to the Holder in accordance with Schedule "A" attached hereto). The Principal Amount outstanding at any time, and from time to time, and any overdue interest thereon, shall bear interest at a rate of 8% per annum, accrued daily. Interest on the Principal Amount shall be calculated from the date of this Note and compounded annually and shall be calculated on the portion of the Principal Amount that remains unpaid, both before and after maturity, default or judgment, and on any overdue interest, until fully paid, on the basis of the actual number of days for which the Principal Amount is outstanding computed on the basis of a year of 365 days, or 366 days in the case of a leap year. Any accrued and unpaid interest on the Principal Amount owing to the Holder shall be due and payable, or otherwise converted, in accordance with the terms, conditions and provisions of Schedule "A" attached hereto.

By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.

A handwritten signature, possibly reading "WTR", is written in dark ink over a horizontal line.

IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of December 21, 2013.

IG FURNITURE LTD.

Per: 
Name: AXEL H. HJALTE
Title: Chief Executive Officer / PRESIDENT

GRENVILLE STRATEGIC ROYALTY CORP.


Per: 
Name: WILLIAM R. THARP
Title: CEO & Director

TABLE OF CONTENTS TO SCHEDULE "A"

ARTICLE 1 INTERPRETATION	1
1.1 Definitions	1
1.2 Interpretation	2
1.3 Headings, Etc.	3
1.4 Day Not a Business Day	3
1.5 Currency	3
1.6 Interest	3
1.7 Prepayment	3
ARTICLE 2 COVENANTS	2
2.1 Covenants	2
ARTICLE 3 CONVERSION	3
3.1 Optional Conversion prior to Maturity Date	3
3.2 Whole Shares Only	4
3.3 No Requirement to Issue Fractional Shares	4
3.4 Company to Create Preferred Shares	4
3.5 Corporate Agreements	5
3.6 Adjustments	5
ARTICLE 4	4
EVENTS OF DEFAULT	4
4.1 Events of Default	4
4.2 Consequences of an Event of Default	10
4.3 Costs of Realization	10
ARTICLE 5 MISCELLANEOUS	10
5.1 Discharge	10
5.2 Waiver	11
5.3 No Merger or Novation	11
5.4 Governing Law	11
5.5 Notices	11
5.6 Time of the Essence	11
5.7 Maximum Rate Permitted by Law	11
5.8 No Partnership	11
5.9 Invalidity of any Provisions	12
5.10 Specific Performance	12
5.11 Successors and Assigns, etc.	12
5.12 Amendments	12
5.13 Expenses	12
5.14 Counterparts	12

SCHEDULE "A"

The following conditions are applicable to the Convertible Promissory Note of BCI Furniture Ltd.

ARTICLE I INTERPRETATION

1.1 Definitions

In this Note, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

"**this Note**", "**the Note**", "**Note**", "**hereto**", "**herein**", "**hereby**", "**hereunder**", "**hereof**" and similar expressions refer to the Note represented hereby and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto and every Note issued in replacement hereof;

"**Business Day**" means a day which is not a Saturday or Sunday or a civic or statutory holiday in the Province of Ontario;

"**Common Shares**" means the common shares of the Company;

"**Company**" means BCI Furniture Ltd., a body corporate incorporated pursuant to the laws of Province of Ontario, and includes any successor corporation to or of the Company within the meaning of Section 5.11;

"**Conversion Price**" means \$1.667 per Preferred Share, as the same may be adjusted from time to time in accordance with the terms of this Note;

"**Event of Default**" means any event specified in Section 4.1 which has not been waived, cured or remedied in accordance with the terms hereof;

"**General Security Agreement**" means the general security agreement dated September 2, 2015 executed and delivered by the Company to Greenville Strategic Royalty Corp.

"**Holder**" means the Person from time to time registered as the holder of this Note;

"**Maturity Date**" means December 21, 2016;

"**Outstanding Amount**" means, at any given time, the Principal Amount then outstanding and all accrued but unpaid interest thereon;

"**Person**" means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate or governmental authority, and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;

"**Principal Amount**" means the principal amount of this Note as set forth on the face page hereof;

"**Royalty Purchase Agreement**" means the amended and restated royalty purchase agreement between the Company and Greenville Strategic Royalty Corp. dated September 2, 2015, and

'Subsequent Installment' has the meaning ascribed to such term in the Royalty Purchase Agreement.

1.2 Interpretation

Words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the neuter or the feminine gender and vice versa.

1.3 Headings, Etc.

The division of this Note into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Note. The terms "hereof", "hereunder" and similar expressions refer to this Note and not to any particular Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, reference herein to Sections are to Sections of this Note.

1.4 Day Not a Business Day

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.

1.5 Currency

All references to currency herein shall be to lawful money of Canada.

1.6 Interest

Interest as calculated under this Note will be payable annually in arrears commencing on January 2, 2016 (and thereafter on January 2 of each calendar year until the Outstanding Amount is fully repaid or otherwise converted in accordance with the terms of this Note).

1.7 Prepayment

The Principal Amount of, and interest on, this Note may not be prepaid by the Company, in whole or in part, without the prior written consent of the Holder.

1.8 Additional Note

This Note is in addition to, and not in substitution for, (a) the promissory note in the principal amount of \$100,000 dated October 30, 2015 issued by the Company to the Holder; (b) the promissory note in the principal amount of \$50,000 dated November 26, 2015 issued by the Company to the Holder; and (c) the promissory note in the principal amount of \$25,000 dated December 15, 2015 issued by the Company to the Holder.

ARTICLE 2 COVENANTS

2.1 Covenants

For so long as any portion of the Outstanding Amount remains outstanding, the prior written consent of the Holder shall be required before any of the following actions are or may be taken (whether directly or by amalgamation, merger, consolidation or otherwise):

- (a) the payment or declaration of any dividend or other distribution by the Company;
- (b) the entering into by the Company of any contract involving payments by the Company individually in excess of \$500,000 or in the aggregate in excess of \$1,000,000, or the making of any capital expenditure, individually or in the aggregate, in excess of \$1,000,000;
- (c) the Company creating any subsidiary or establishing, acquiring or otherwise becoming involved in any corporate entity or any partnership, joint venture or similar arrangements outside the ordinary course of business, or the Company entering into any advisory agreement or other form of agreement in contemplation thereof;
- (d) the Company incurring any indebtedness (other than trade payables in the ordinary course of business) or granting guarantees in excess of \$100,000 outside the ordinary course of business, or permitting the creation of liens on the Company's assets (except for customary, permitted liens);
- (e) the issuance by the Company of any shares or other securities of the Company (including any securities or other rights convertible into shares of the Company), other than issuances made pursuant to the conversion of convertible securities of the Company outstanding as of the date hereof;
- (f) the creation of any new class or series of shares of the Company;
- (g) the granting of any options by the Company;
- (h) any change to the primary line of business of the Company or the making of any other material change to the Company's business;
- (i) any increase or decrease in the number of members of the Board;
- (j) the entering into or completion by the Company of any merger, amalgamation, arrangement, other corporate reorganization, including a recapitalization, change of control or any transaction in which all or a material portion of the assets of the Company or any of its subsidiaries are sold, leased, exchanged, transferred or exclusively licensed, or any liquidation, dissolution or winding up of the Company or any of its subsidiaries; or
- (k) the completion of any sale, lease, exchange, transfer or other disposition or license of any assets of the Company outside the ordinary course of business.

ARTICLE 3 CONVERSION

3.1 Optional Conversion prior to Maturity Date

At any time during the period commencing on July 1, 2016 and ending at 11:59 p.m. (Toronto time) on the date immediately prior to the Maturity Date, the Holder may in its sole discretion elect to convert the Outstanding Amount (in whole and not in part) into:

- (a) additional royalty interests of the Company pursuant to and in accordance with the terms of the Royalty Purchase Agreement on the basis that, upon such conversion, for the purposes of the Royalty Purchase Agreement, the Outstanding Amount will be deemed for all purposes to be a "Subsequent Installment" under the Royalty Purchase Agreement

(the "Additional Royalty Interest"). To convert the Outstanding Amount into the Additional Royalty Interest, the Holder shall deliver to the Company written notice in the form of Exhibit "A" attached hereto, duly executed by the Holder or its legal representative or attorney duly appointed by an instrument in writing in a form satisfactory to the Company (a "Conversion Notice"), exercising such conversion right in accordance with the provisions hereof and, effective as of the date of the Conversion Notice, the Outstanding Amount will be deemed to be a Subsequent Installment in the amount of the Outstanding Amount for the purposes of the Royalty Purchase Agreement, and the Company will execute and deliver all such documents and instruments, and take all such actions, as the Holder may request to evidence or effectuate such conversion; or

- (b) the number of preferred shares of the Company (rounded down to the nearest whole number) (the "Preferred Shares") bearing the attributes listed in the term sheet attached hereto as Schedule "B" (the "Term Sheet"), and such other terms as may be determined by the Holder in its sole discretion, determined by reference to the following formula:

$$\text{Outstanding Amount/Conversion Price}$$

If the Holder elects pursuant to this Section 3.1 to convert the Outstanding Amount into Preferred Shares, the Holder shall surrender this Note to the Company, together with a Conversion Notice substantially in the form of Exhibit "C" attached hereto, duly executed by the Holder or its legal representative or attorney duly appointed by an instrument in writing in a form satisfactory to the Company, exercising such conversion right in accordance with the provisions hereof. Thereupon, the Holder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges, its nominee(s) or assignee(s), shall be entitled to be entered in the books of the Company as at the date of the Conversion Notice as the holder of the number of Preferred Shares determined pursuant to this Section 3.1(b) based on the Outstanding Amount, and, as soon as practicable thereafter, the Company shall deliver to the Holder or, subject as aforesaid, to its nominee(s), or assignee(s), a certificate or certificates for such Preferred Shares.

3.2 Whole Shares Only

The rights of conversion set forth in this Article 3 shall extend only to the maximum number of whole Preferred Shares into which the Outstanding Amount may be converted in accordance with the provisions of this Article 3. Fractional interests in Preferred Shares shall be adjusted for in the manner provided in Section 3.3. All Preferred Shares issued in connection with the conversion of the Outstanding Amount will for all purposes be deemed to be issued and outstanding as fully paid and non-assessable.

3.3 No Requirement to Issue Fractional Shares

The Company shall not be required to issue fractional shares upon the conversion of the Outstanding Amount into Preferred Shares. If any fractional interest in a Preferred Share would, except for the provisions of this Section 3.3, be deliverable upon the conversion of the Outstanding Amount, the Company shall, in lieu of delivering any certificate for such fractional interest, satisfy such fractional interest by paying to the Holder an amount (computed to the nearest cent) in respect of such fractional determined by the directors of the Company, acting reasonably.

3.4 Company to Create Preferred Shares

The Company covenants with the Holder that it will, in connection with the conversion of the Outstanding Amount into Preferred Shares, take all actions necessary to cause the creation of the Preferred Shares in accordance with the terms of this Note and the Term Sheet, and to thereafter at all

times reserve and keep available out of its authorized shares such number of Preferred Shares as shall then be issuable upon the conversion of the Outstanding Amount.

3.5 Corporate Agreements

Notwithstanding anything else contained herein, if the Purchaser elects to convert the Outstanding Amount into Preferred Shares the Company, the Holder and each shareholder of the Company will, contemporaneously with the issuance of such Preferred Shares to the Holder, enter into an order for rights agreement or similar agreement which shall include, *inter alia*, the terms set out under the headings "Board of Directors", "Forced Sale", "Information Rights", "Rights of First Refusal and Co Sale" and "Drag Along Rights" in the Term Sheet (and such other terms as may be determined by the Holder in its sole discretion), and the Holder covenants and agrees to execute and deliver, and to cause each of the shareholders of the Company to execute and deliver, all such documents and instruments, and take all such actions, as the Holder may request in connection with the conversion of the Outstanding Amount into Preferred Shares.

3.6 Adjustments

The Conversion Price in effect at any date shall be subject to adjustment from time to time as follows:

- (a) If, and whenever at any time and from time to time the Company shall (i) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine, consolidate or change its then outstanding Common Shares into a lesser number of Common Shares, or (iii) issue Common Shares (or securities exchangeable or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of stock dividend or other distribution (other than a dividend in the ordinary course paid in Common Shares or securities exchangeable or convertible into Common Shares) (any of such events being a "Share Reorganization"), the Conversion Price shall be adjusted effective immediately after the effective date or record date for the Share Reorganization, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by the quotient obtained when:

- A. the number of Common Shares outstanding on such effective date or record date before giving effect to the Share Reorganization,

is divided by

- B. the number of Common Shares outstanding immediately after the completion of such Share Reorganization (but before giving effect to the issue of any Common Shares issued after such record date otherwise than as part of such Share Reorganization) including, in the case where securities exchangeable or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date.

- (b) If and whenever there is a capital reorganization of the Company not otherwise provided for in Section 3.6(a) or a consolidation, merger, arrangement or amalgamation (statutory

or otherwise of the Company with or into another body corporate (any such event being a "Capital Reorganization"); if the Outstanding Amount has not been converted prior to the effective date or record date for such Capital Reorganization then the Holder shall be entitled to receive and shall accept, upon the conversion of the Outstanding Amount at any time after the effective date or record date for such Capital Reorganization, in lieu of the number of Preferred Shares to which the Holder was theretofore entitled upon conversion, the aggregate number of Preferred Shares, or other securities of the Company or of the corporation or body corporate resulting, surviving or continuing from the Capital Reorganization, that the Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date or record date, it had been the registered holder of the number of Preferred Shares to which it was theretofore entitled upon the conversion of the Outstanding Amount; provided that no such Capital Reorganization shall be carried into effect unless all necessary steps shall have been taken so that the Holder shall immediately thereafter be entitled to receive such number of Preferred Shares or other securities of the Company or of the corporation or body corporate resulting, surviving or continuing from the Capital Reorganization.

- (c) In the case of any reclassification of, or other change in, the outstanding Common Shares other than a Share Reorganization or a Capital Reorganization, the right of conversion shall be adjusted immediately after the effective date or record date for such reclassification or other change so that the Holder shall be entitled to receive, upon the conversion of the Outstanding Amount at any time after the effective date or record date of such reclassification or other change, such shares, securities or rights as the Holder would have received had the Outstanding Amount been converted into Preferred Shares immediately prior to such effective date or record date, subject to adjustment thereafter in accordance with provisions the same as nearly may be possible as those contained in Sections 3.6(a) and 3.6(b).
- (d) If at any time or from time to time after the issue of this Note, the Company issues or sells, or is deemed to have issued or sold, Additional Shares (as defined below) for an Effective Price (as defined below) less than the then effective Conversion Price, then and in each such case, the then effective Conversion Price shall be reduced as of the opening of business on the date of such issue or sale, in an amount (calculated to the same number of decimal places as the original Conversion Price) determined by multiplying the Conversion Price then in effect by a fraction
 - (i) A, the numerator of which shall be the sum of the Outstanding Issue (as defined below) and the number of Common Shares that the consideration received by the Company for the total number of Additional Shares so issued (or deemed to be issued) would purchase at the Conversion Price in effect immediately prior to such issuance; and
 - (ii) B, the denominator of which shall be the sum of the Outstanding Issue plus the number of such Additional Shares so issued (or deemed to be issued)

For illustrative purposes only: If the Conversion Price is \$1.50, the Outstanding Issue is 10,000,000 Common Shares and the Company issues 2,000,000 Additional Shares for consideration of \$2,700,000 (being an Effective Price of \$1.35 for such Additional Shares ($\$2,700,000 / 2,000,000 = \1.35)), the then effective Conversion Price shall be reduced to \$1.48, being the product of $\$1.50 \times (10,000,000 + 1,800,000) / (10,000,000 + 2,000,000)$.

(c) For the purposes of this Nine:

- (i) the term "Additional Shares" shall mean all Common Shares issued or deemed to be issued by the Company after the date of this Note, other than: (A) Common Shares or Convertible Securities (as defined below) issued pursuant to a Share Reorganization, Capital Reorganization or similar transactions described in this Section 3.6; (B) Common Shares or Convertible Securities issued upon the exercise of other Convertible Securities, or Common Shares issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Convertible Security; (C) Common Shares or Convertible Securities issued to employees or directors of, or consultants or advisors to, the Company or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the board of directors of the Company; (D) Common Shares or Convertible Securities issued pursuant to the acquisition of another corporation by the Company or any of its subsidiaries by amalgamation, arrangement, purchase of all or substantially all of the assets or shares or other reorganization or to a joint venture agreement, provided that such issuances are approved by the board of directors of the Company; or (E) Common Shares issued upon conversion of the Outstanding Amount;
- (ii) the term "Outstanding Issue" shall mean the sum of: (A) the number of shares of the Company outstanding immediately prior to such issue; plus (B) the number of Preferred Shares issuable on the conversion of the Outstanding Amount, calculated immediately prior to such issue and prior to effecting any adjustment to the Conversion Price pursuant to Section 3.6(d); and
- (iii) the term "Effective Price" shall mean the quotient determined by dividing the total number of Additional Shares issued or sold, or deemed to have been issued or sold by the Company, under Section 3.6(d), into the consideration received, or deemed to have been received by the Company for such issue, under Section 3.6(d), for such Additional Shares.

(d) For the purpose of making any adjustment required under Section 3.6(d):

- (i) the consideration received by the Company for any issue or sale of securities shall: (A) to the extent it consists of cash, be computed at the net amount of cash received by the Company after deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Company in connection with such issue or sale but without deduction of any other expenses payable by the Company; (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the board of directors of the Company; and (C) to the extent that Additional Shares, Convertible Securities or rights or options to purchase either Additional Shares or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed

as the portion of the consideration so received that may be reasonably determined in good faith by the board of directors of the Company to be allocable to such Additional Shares, Convertible Securities or rights or options.

- (ii) if the Company issues or sells (A) stock or other securities convertible into Additional Shares (such convertible stock or securities being herein referred to as "Convertible Securities"), or (B) rights or options for the purchase of Additional Shares or Convertible Securities, and if the Effective Price of such Additional Shares is less than the Conversion Price then in effect, in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the minimum number of Additional Shares issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company upon the conversion thereof; provided that if in the case of Convertible Securities the minimum amounts of such consideration cannot be ascertained, but are a function of anti-dilution or similar protective clauses, the Company shall be deemed to have received the minimum amounts of consideration without reference to such clauses; provided further that if, at any time and from time to time following the issuance thereof, the minimum amount of consideration payable to the Company upon the exercise or conversion of rights, options or Convertible Securities is reduced over time or on the occurrence or non-occurrence of specified events other than by reason of anti-dilution adjustments, the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; provided further that if, at any time and from time to time following the issuance thereof, the minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities; provided, further that in no event shall the Conversion Price be adjusted above the Conversion Price in effect immediately prior to the particular adjustment required under Section 3.6(d). No further adjustment of the Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be made as a result of the actual issuance of Additional Shares on the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares so issued were the Additional Shares, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and such Additional Shares, if any, were issued or sold for (C) the consideration, if any, actually received by the Company upon the exercise of such rights or options or on the conversion of such Convertible Securities, plus (D) the consideration, if any, actually received

by the Company for the granting of all such rights or options or the issue and sale of the Convertible Securities, whether or not exercised or converted.

ARTICLE 4 EVENTS OF DEFAULT

4.1 Events of Default

The occurrence of any of the following events shall constitute an Event of Default under this Note:

- (a) If a default occurs in the payment of any amount owing to the Holder hereunder when due;
- (b) If default occurs in the performance of any other covenant or obligation of the Company in favour of the Holder under this Note, the Royalty Purchase Agreement or the General Security Agreement and such default is not waived in writing by the Holder or, to the extent such default may be remedied, such default remains unremedied; (i) in the case of a default under this Note or under the General Security Agreement, for a period of 10 consecutive days following receipt by the Company of written notice from the Holder of such default; or (ii) in the case of a default under the Royalty Purchase Agreement, for the period referenced in the Royalty Purchase Agreement;
- (c) If an event of default occurs in payment or performance of any obligation in favour of any Person from whom the Company has borrowed money, and such default is not waived in writing or remains unremedied for a period of 10 consecutive days after receipt by the Company of written notice of such default from such Person;
- (d) The Company (i) becomes insolvent or generally not able to pay its debts as they become due, (ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors; (iii) institutes or has instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or (z) the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its properties and assets, and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs, or (v) takes any corporate action to authorize any of the above actions;
- (e) If any judgment or order for the payment of money in excess of \$25,000 shall be rendered against the Company and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order, or (ii) there shall be any period of 181 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

- (f) If any act, matter or thing is done, or any action or proceeding is launched or taken, to terminate the corporate existence of the Company, whether by winding-up, liquidation or otherwise;
- (g) If any proposal is made or any petition is filed by or against the Company under any law having for its purpose the extension of time for payment, composition or compromise of the liabilities of the Company or other reorganization or arrangement respecting its liabilities or if the Company gives notice of its intention to make or file any such proposal or petition including an application to any court to stay or suspend any proceedings or creditors pending the making or filing of any such proposal or petition;
- (h) If any receiver, administrator or manager, receiver-manager or interim receiver of the property, assets or undertaking of the Company or a substantial part thereof is appointed pursuant to the terms of any trust deed, trust indenture, debenture or similar instrument or by or under any judgment or order of any court;
- (i) A suspension by the Company of its operations (other than in the ordinary course of business); or
- (j) Any representation, warranty, certificate, or other statement (financial or otherwise) made or furnished by or on behalf of the Company to the Holder in writing in connection with this Note, or as an inducement to the Holder to enter into this Note, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished.

4.2 Consequences of an Event of Default

Upon the occurrence of an Event of Default, the Holder may, by notice to the Company, declare the Outstanding Amount and all other amounts (if any) owing hereunder to be immediately due and payable whereupon all such amounts shall immediately become and be due and payable without further demand or other notice of any kind, all of which are expressly waived by the Company. The Holder shall thereafter be entitled to take any action, remedy or proceeding available to it under this Note, at law or in equity. All or any rights of remedies of the Holder upon the occurrence of an Event of Default may from time to time be exercised independently or in any combination.

4.3 Costs of Realization

The Company agrees to pay to the Holder forthwith upon demand all reasonable costs, charges and expenses (including reasonable legal fees on a solicitor and client basis) of, or incurred by, the Holder in recovering or enforcing payment of any of the monies owing hereunder.

ARTICLE 5 MISCELLANEOUS

5.1 Discharge

Upon full payment by the Company to the Holder of, or the conversion of, the Outstanding Amount, the Holder shall, upon the written request of the Company, deliver up this Note to the Company and shall at the expense of the Company execute and deliver to the Company such deeds and other documents as shall be required to release and discharge this Note.

5.2 Waiver

No act or omission by the Holder in any manner whatever shall extend to or be taken to affect any provision hereof or any subsequent breach or default or the rights resulting therefrom save only express waiver in writing. A waiver of default shall not extend to, or be taken in any manner whatever to affect the rights of the Holder with respect to any subsequent default, whether similar or not.

5.3 No Merger or Novation

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Company to pay the moneys hereby secured nor shall the same operate as a merger of any covenant herein contained, nor shall the acceptance of any payment or other security constitute or create any novation.

5.4 Governing Law

This Note shall be deemed to have been made and shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract. The Company hereby irrevocably submits to the jurisdiction of the courts of the Province of Ontario for any action, suit or any other proceeding arising out of or relating to this Note and any other agreement or instrument mentioned therein or any of the transactions contemplated thereby.

5.5 Notices

Any notice or other communication required or which may be given hereunder will be in writing and will be delivered in accordance with Section 6.1 of the Royalty Purchase Agreement.

5.6 Time of the Essence

Time shall be of the essence of this Note.

5.7 Maximum Rate Permitted by Law

Under no circumstances shall the Holder be entitled to receive nor shall it in fact receive a payment or partial payment of interest, fees or other amounts under or in relation to this Note at a rate that is prohibited by applicable law. Accordingly, notwithstanding anything herein or elsewhere contained, if and to the extent that under any circumstances, the effective annual rate of interest (as defined in section 347 of the Criminal Code of Canada) received or to be received by the Holder (determined in accordance with such section) on any amount of "credit advanced" (as defined in that section) pursuant to these presents or any agreement or arrangement collateral hereto entered into in consequence or implementation hereof would, but for this Section 5.7, be a rate that is prohibited by applicable law, then the effective annual rate of interest, as so determined, received or to be received by the Holder on such amount of credit advanced shall be and be deemed to be adjusted to a rate that is one whole percentage point less than the lowest effective annual rate of interest that is so prohibited (the "adjusted rate"); and, if the Holder has received a payment or partial payment which would, but for this Section 5.7, be so prohibited then any amount or amounts so received by the Holder in excess of the lowest effective annual rate that is so prohibited shall and shall be deemed to have comprised a credit to be applied to subsequent payments on account of interest, fees or other amounts due to the Holder at the adjusted rate.

5.8 No Partnership

The parties agree that nothing contained in this Note, or the conduct of any party, shall in any manner whatsoever constitute or be intended to constitute any party as the agent or a representative of

fiduciary of any party nor constitute or be intended to constitute a partnership or joint venture among the parties.

5.9 Invalidity of any Provisions

Any provision of this Note or any provisions of the security contemplated hereunder which is prohibited by the laws of any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition without invalidating the remaining terms and provisions hereof or thereof and no such invalidity shall affect the obligation of the Company to repay the Outstanding Amount.

5.10 Specific Performance

In addition to any and all other remedies that may be available at law in the event of any breach of this Note, the Holder shall be entitled to specific performance of the agreements of the Company hereunder and to such other injunctive or other equitable relief as may be granted in connection therewith.

5.11 Successors and Assigns, etc.

This Note shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns; provided, however, that neither this Note nor any rights or obligations hereunder shall be assigned by the Company without the prior written consent of the Holder.

5.12 Amendments

This Note may only be amended by a written agreement signed by the Company and the Holder.

5.13 Expenses

The Company will pay all of the reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Holder in connection with the preparation and execution of this Note and the various agreements and documents referred to herein (including all documents referenced in or required by the Term Sheet), up to a maximum amount of \$35,000 (plus all disbursements incurred by counsel to the Holder and all applicable taxes on any of the foregoing amounts), which amounts will be deducted from the Principal Amount and/or paid by the Company on demand by the Holder.

5.14 Counterparts

This Note may be executed in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of such counterparts shall together constitute one and the same instrument. The delivery of an executed counterpart of this Note by facsimile or telecopy or by electronic transmission in portable document format (PDF) shall be deemed to be the equivalent of the delivery of an original executed copy thereof.

**EXHIBIT "A" TO SCHEDULE "A" OF CONVERTIBLE PROMISSORY NOTE
CONVERSION NOTICE RE ADDITIONAL ROYALTY INTERESTS**

To: **BC Furniture Ltd.**

Reference is made to the Convertible Promissory Note dated December 21, 2015 (the "Note") issued to the undersigned by BC Furniture Ltd. (the "Company"). In accordance with and pursuant to the terms of the Note, the undersigned hereby elects to convert the Outstanding Amount into the Additional Royalty Interest effective as of the date hereof.

Initially capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Note.

Dated the day of _____,

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

EXHIBIT "II" TO SCHEDULE "A" OF CONVERTIBLE PROMISSORY NOTE

TERM SHEET

SUMMARY OF PREFERRED SHARE TERMS

Issuer	BC Furniture Ltd. (the "Company")
Investor	Grenville Strategic Royalty Corp. ("Grenville")
Capitalization of the Company	Grenville to invest up to CDN\$400,000 in exchange for preferred shares representing 20% of the fully diluted share ownership of the Company post financing
Price	\$XX per share (the "Original Purchase Price").
Type of Security	Series A Convertible Preferred Shares (the "Series A Preferred") of the Company, initially convertible on a 1:1 basis into common shares of the Company (the "Common Stock").
Ranking	The Series A Preferred will rank senior to the Company's Common Stock with respect to dividends, liquidation, dissolution, voting and redemption.
Dividends	The Series A Preferred will carry a cumulative annual dividend at the rate of 8% of the Original Purchase Price, payable upon a liquidation, whether or not declared, and prior and in preference to any declaration or payment of dividends to holders of the Common Stock. For any other dividends or similar distributions (other than a return of capital), the Series A Preferred will participate with the Common Stock on an as-if-converted basis.
Liquidation Preference	<p>In the event of a liquidation, dissolution or winding-up of the Company, the proceeds shall be distributed to the stockholders as follows:</p> <p>The Series A Preferred shall be entitled to receive, prior and in preference to the holders of the Common, a per share amount equal to 1 times the Original Purchase Price plus all declared and un-paid dividends. After such distribution, the remaining assets of the Corporation, if any, available for distribution to shareholders shall be distributed on a <i>pro rata</i> basis to holders of the Series A Preferred and the holders of Common Stock.</p> <p>A merger, acquisition, sale or transfer of 50% or more of the outstanding voting power of the Company, or sale or exclusive license of all or a material portion of the assets or intellectual property of the Company</p>

shall be deemed to be a liquidation provided, however, that a transaction shall not be deemed a liquidation if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's capital stock immediately prior to such transaction. The holders of at least sixty six and two-thirds percent (66 2/3%) of the shares of Series A Preferred may elect to waive the treatment of such a transaction as a liquidation event.

Conversion:

The holders of the Series A Preferred shall have the right to convert their shares of Series A Preferred at any time into shares of Common Stock. The initial conversion rate shall be 1:1, subject to adjustment as provided below.

AntiDilution Provisions:

The conversion price of the Series A Preferred shall be subject to a broad based weighted average adjustment to reduce dilution in the event that the Company issues additional equity securities (other than shares reserved as employee shares described under "Employee Matters" below, the issuances of stock to banks, equipment lenders, etc. pursuant to debt financing or equipment leasing transactions and other customary exceptions) at a purchase price less than the then applicable conversion price. The conversion price will also be subject to proportional adjustment for stock splits, stock dividends, recapitalizations and the like.

Voting Rights:

The Series A Preferred will vote together with the Common Stock, and not as a separate class, except as specifically provided herein or as otherwise required by law. Each share of the Series A Preferred shall be entitled to a number of votes equal to the number of shares of Common Stock then issuable upon conversion of such share of Series A Preferred.

Board of Directors:

The size of the Company's Board of Directors (the "Board") shall be set at three (3) members, all designated by the holders of the Series A Preferred and the holders of Common Stock voting as a single class.

Grenville will be entitled to designate one observer to the Board. Subject to agreeing to customary confidentiality restrictions, such observer will be provided with all information and materials provided to the members of the Board.

Forced Sale:

At any time, subject to the approval of the holders of at least sixty six and two-thirds percent (66 2/3%) of the Series A Preferred, the Series A Preferred holders may elect to cause the Company be sold pursuant to an asset sale, merger, amalgamation or some other combination transaction and all shareholders will be required to sell their shares or otherwise tender their interest into such a transaction. The holders of the Series A Preferred Shares will be entitled to a price per share in any such transaction equal to the greater of (i) the Original Purchase Price for such share plus all accrued and/or declared and unpaid dividends and (ii)

the fair value of such share

Information Rights:

So long as a holder of Series A Preferred continues to hold at least 5% of its originally issued shares of Series A Preferred or Common Stock issued upon conversion thereof, the Company shall deliver to each such holder audited annual financial statements within 120 days of year end, unaudited quarterly financial statements within 45 days of quarter end and unaudited monthly financial statements compared against the then existing business plan within 30 days of month end, and will provide such holder with a copy of the Company's annual operating plan and budget within 30 days prior to the beginning of each fiscal year. Each such holder shall also be entitled to standard inspection and visitation rights.

Rights of First Refusal and Co-Sale:

The holders of Series A Preferred Shares and holders of Common Stock shall have the right in the event the Company proposes to offer equity securities, or other securities convertible into equity securities, to any person to purchase their pro rata portion of such securities (based on their percentage equity ownership in the Company assuming the conversion of all outstanding convertible securities into Common Stock).

In addition, all current and future holders of Common Stock (other than the Investor), unless waived by the holders of at least sixty-six and two-thirds percent (66 2/3%) of the shares of Series A Preferred, will execute a Right of First Refusal and Co-Sale Agreement with the holders of the Series A Preferred and the Company pursuant to which the Company (through an affiliate to be designated by it) first and the holders of the Series A Preferred second, will have a right of first refusal with respect to any shares proposed to be sold by such holder. The Right of First Refusal and Co-Sale Agreement will also contain a right of co-sale in favour of each of the holders of Series A Preferred providing that before any such holder may sell any of his, her or its shares of Common Stock, he, she or it will give the holders of Series A Preferred an opportunity to participate in such sale on a basis proportionate to the amount of securities held by the seller and those held by the holders of Series A Preferred. Such restrictions referred to in the prior two sentences will not apply in the event a holder transfers such shares to a wholly-owned subsidiary or other wholly-owned entity provided the transferee agrees to be bound by the terms of such agreement. The option agreement governing each option granted by the Company shall require, as a condition to the exercise thereof, that the optionee execute a counterpart signature page to the Right of First Refusal and Co-Sale Agreement. In addition, the Company shall require, as a condition to any grant or sale by the Company of any shares of Common Stock to any party other than the holders of Series A Preferred, that such party execute a counterpart signature page to the Right of First Refusal and Co-Sale Agreement.

Drag-Along Rights:

In the event that the holders of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of Series A Preferred propose to sell their shares of capital stock or approve a merger, consolidation, sale of all or substantially all of the Company's assets or such other change of control transaction in which stockholders of the Company immediately prior to such transaction hold or own less than a majority of the voting power of the Company immediately after such transaction, then each shareholder of the Company shall be required to sell his, her or its shares of capital stock and/or vote his, her or its shares in favour of such transaction. All shareholders of the Company shall be party to the drag-along provision.

**EXHIBIT "C" TO SCHEDULE "A" OF CONVERTIBLE PROMISSORY NOTE
CONVERSION NOTICE RE PREFERRED SHARES**

To: BG Furniture Ltd.

Reference is made to the Convertible Promissory Note dated December 21, 2013 (the "Note") issued to the undersigned by BG Furniture Ltd. (the "Company"). In accordance with and pursuant to the terms of the Note, effective as of the date hereof the undersigned hereby elects to convert the Outstanding Amount into such number of Preferred Shares as is determined pursuant to the terms of the Note and directs that such shares be registered, issued and delivered to the undersigned or as the undersigned may otherwise direct in writing.

Initially capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Note.

Dated the ____ day of _____,

GRESHAM STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY, AND ANY SECURITIES ISSUED ON CONVERSION HEREOF, MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) JANUARY 7, 2016, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY. CLAUSE (II) WILL NOT APPLY IF THE ISSUER BECOMES A REPORTING ISSUER BY FILING A PROSPECTUS AFTER JANUARY 7, 2016 IN ANY OF THE PROVINCES OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK OR NOVA SCOTIA AND IS A REPORTING ISSUER IN A JURISDICTION OF CANADA AT THE TIME OF THE TRADE.

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

PRINCIPAL AMOUNT: CDN\$50,000
(the "Principal Amount")

BG FURNITURE LTD. (the "**Company**"), for value received, acknowledges itself indebted and hereby promises to pay to Grenville Strategic Royalty Corp. (the "**Holder**") on the Maturity Date (as hereinafter defined) or such earlier date as the Principal Amount and all accrued but unpaid interest thereon may become due and payable (including in connection with the occurrence of an Event of Default), or otherwise converted into Preferred Shares of the Company, subject to and in accordance with the terms, conditions and provisions of Schedule "A" attached hereto and forming a part hereof, the Principal Amount and any accrued but unpaid interest thereon at the principal offices of the Holder in the City of Toronto, Ontario, or such other place as may be designated by the Holder from time to time by notice in writing to the Company (together with all costs and expenses which may become payable to the Holder in accordance with Schedule "A" attached hereto). The Principal Amount outstanding at any time, and from time to time, and any overdue interest thereon, shall bear interest at a rate of 8% per annum, accrued daily. Interest on the Principal Amount shall be calculated from the date of this Note and compounded annually, and shall be calculated on the portion of the Principal Amount that remains unpaid, both before and after maturity, default or judgment, and on any overdue interest, until fully paid, on the basis of the actual number of days for which the Principal Amount is outstanding computed on the basis of a year of 365 days, or 366 days in the case of a leap year. Any accrued and unpaid interest on the Principal Amount owing to the Holder shall be due and payable, or otherwise converted, in accordance with the terms, conditions and provisions of Schedule "A" attached hereto.

By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.

DS
WRT



IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of January 7, 2016.

BG FURNITURE LTD.

Per: 

Name: *Adam Hoffman*

Title: Chief Executive Officer / *PRESIDENT*

GRENVILLE STRATEGIC ROYALTY CORP.

DocuSigned by:

William (Bill) R. Tharp

Per: 

Name: william (Bill) R. Tharp

Title: Director and CEO

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY, AND ANY SECURITIES ISSUED ON CONVERSION HEREOF, MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) FEBRUARY 5, 2016, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY. CLAUSE (II) WILL NOT APPLY IF THE ISSUER BECOMES A REPORTING ISSUER BY FILING A PROSPECTUS AFTER FEBRUARY 5, 2016 IN ANY OF THE PROVINCES OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK OR NOVA SCOTIA AND IS A REPORTING ISSUER IN A JURISDICTION OF CANADA AT THE TIME OF THE TRADE.

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

PRINCIPAL AMOUNT: CDN\$70,000
(the "Principal Amount")


BG FURNITURE LTD. (the "**Company**"), for value received, acknowledges itself indebted and hereby promises to pay to Grenville Strategic Royalty Corp. (the "**Holder**") on the Maturity Date (as hereinafter defined) or such earlier date as the Principal Amount and all accrued but unpaid interest thereon may become due and payable (including in connection with the occurrence of an Event of Default), or otherwise converted into Preferred Shares of the Company, subject to and in accordance with the terms, conditions and provisions of Schedule "A" attached hereto and forming a part hereof, the Principal Amount and any accrued but unpaid interest thereon at the principal offices of the Holder in the City of Toronto, Ontario, or such other place as may be designated by the Holder from time to time by notice in writing to the Company (together with all costs and expenses which may become payable to the Holder in accordance with Schedule "A" attached hereto). The Principal Amount outstanding at any time, and from time to time, and any overdue interest thereon, shall bear interest at a rate of 8% per annum, accrued daily. Interest on the Principal Amount shall be calculated from the date of this Note and compounded annually, and shall be calculated on the portion of the Principal Amount that remains unpaid, both before and after maturity, default or judgment, and on any overdue interest, until fully paid, on the basis of the actual number of days for which the Principal Amount is outstanding computed on the basis of a year of 365 days, or 366 days in the case of a leap year. Any accrued and unpaid interest on the Principal Amount owing to the Holder shall be due and payable, or otherwise converted, in accordance with the terms, conditions and provisions of Schedule "A" attached hereto.

By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.

A handwritten signature in black ink, consisting of stylized, overlapping letters, likely representing the initials of the signatory.

IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of February 5, 2016.

BG FURNITURE LTD.

Per: 
Name: Arden Hoffmann
Title: Chief Executive Officer / PRESIDENT

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name: _____
Title: _____

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY, AND ANY SECURITIES ISSUED ON CONVERSION HEREOF, MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) MARCH 23, 2016, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY. CLAUSE (II) WILL NOT APPLY IF THE ISSUER BECOMES A REPORTING ISSUER BY FILING A PROSPECTUS AFTER MARCH 23, 2016 IN ANY OF THE PROVINCES OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK OR NOVA SCOTIA AND IS A REPORTING ISSUER IN A JURISDICTION OF CANADA AT THE TIME OF THE TRADE.

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

PRINCIPAL AMOUNT: CDN\$250,000
(the "Principal Amount")


BG FURNITURE LTD. (the "**Company**"), for value received, acknowledges itself indebted and hereby promises to pay to Grenville Strategic Royalty Corp. (the "**Holder**") on the Maturity Date (as hereinafter defined) or such earlier date as the Principal Amount and all accrued but unpaid interest thereon may become due and payable (including in connection with the occurrence of an Event of Default), or otherwise converted into Preferred Shares of the Company, subject to and in accordance with the terms, conditions and provisions of Schedule "A" attached hereto and forming a part hereof, the Principal Amount and any accrued but unpaid interest thereon at the principal offices of the Holder in the City of Toronto, Ontario, or such other place as may be designated by the Holder from time to time by notice in writing to the Company (together with all costs and expenses which may become payable to the Holder in accordance with Schedule "A" attached hereto). The Principal Amount outstanding at any time, and from time to time, and any overdue interest thereon, shall bear interest at a rate of 8% per annum, accrued daily. Interest on the Principal Amount shall be calculated from the date of this Note and compounded annually, and shall be calculated on the portion of the Principal Amount that remains unpaid, both before and after maturity, default or judgment, and on any overdue interest, until fully paid, on the basis of the actual number of days for which the Principal Amount is outstanding computed on the basis of a year of 365 days, or 366 days in the case of a leap year. Any accrued and unpaid interest on the Principal Amount owing to the Holder shall be due and payable, or otherwise converted, in accordance with the terms, conditions and provisions of Schedule "A" attached hereto.

By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.

A handwritten signature in black ink, appearing to be a stylized 'M' or 'W' with a long horizontal stroke extending to the right.

IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of March 23, 2016.

BG FURNITURE LTD.

Per: 
Name: Adam H. Farquhar
Title: Chief Executive Officer

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name: _____
Title: _____

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY, AND ANY SECURITIES ISSUED ON CONVERSION HEREOF, MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) JULY 5, 2016, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY. CLAUSE (II) WILL NOT APPLY IF THE ISSUER BECOMES A REPORTING ISSUER BY FILING A PROSPECTUS AFTER JULY 5, 2016 IN ANY OF THE PROVINCES OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK OR NOVA SCOTIA AND IS A REPORTING ISSUER IN A JURISDICTION OF CANADA AT THE TIME OF THE TRADE.

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

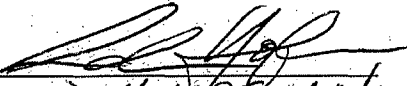
PRINCIPAL AMOUNT: CDN\$45,000
(the "Principal Amount")

BG FURNITURE LTD. (the "**Company**"), for value received, acknowledges itself indebted and hereby promises to pay to Grenville Strategic Royalty Corp. (the "**Holder**") on the Maturity Date (as hereinafter defined) or such earlier date as the Principal Amount and all accrued but unpaid interest thereon may become due and payable (including in connection with the occurrence of an Event of Default), or otherwise converted into Preferred Shares of the Company, subject to and in accordance with the terms, conditions and provisions of Schedule "A" attached hereto and forming a part hereof, the Principal Amount and any accrued but unpaid interest thereon at the principal offices of the Holder in the City of Toronto, Ontario, or such other place as may be designated by the Holder from time to time by notice in writing to the Company (together with all costs and expenses which may become payable to the Holder in accordance with Schedule "A" attached hereto). The Principal Amount outstanding at any time, and from time to time, and any overdue interest thereon, shall bear interest at a rate of 8% per annum, accrued daily. Interest on the Principal Amount shall be calculated from the date of this Note and compounded annually, and shall be calculated on the portion of the Principal Amount that remains unpaid, both before and after maturity, default or judgment, and on any overdue interest, until fully paid, on the basis of the actual number of days for which the Principal Amount is outstanding computed on the basis of a year of 365 days, or 366 days in the case of a leap year. Any accrued and unpaid interest on the Principal Amount owing to the Holder shall be due and payable, or otherwise converted, in accordance with the terms, conditions and provisions of Schedule "A" attached hereto.

By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.

IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of July 5, 2016.

BG FURNITURE LTD.

Per: 
Name: Adam H. Kohnert
Title: Chief Executive Officer

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name: _____
Title: _____

THIS IS EXHIBIT 5 REFERRED
TO IN THE AFFIDAVIT OF
Amy Hoffman
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault
A COMMISSIONER, ETC.

P00406

Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.
2016

ROYALTY PURCHASE AGREEMENT

THIS AGREEMENT is made October 17th, 2014,

BETWEEN:

BG FURNITURE LTD.
(the "Corporation")

- and -

GRENVILLE STRATEGIC ROYALTY CORP.
(the "Purchaser")

WHEREAS the Purchaser wishes to acquire from the Corporation, and the Corporation wishes to sell to the Purchaser, a gross sales royalty on the terms and conditions contained herein.

THE PARTIES agree as follows:

ARTICLE 1 **DEFINITIONS AND INTERPRETATION**

1.1 Definitions

Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to such terms in Schedule "A" attached hereto.

1.2 Certain Rules of Interpretation

In this Agreement:

- (a) **Currency** – Unless otherwise specified, all references to money amounts are to the lawful currency of Canada.
- (b) **Governing Law** – This Agreement is a contract made under, governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.
- (c) **Headings** – Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- (d) **Including** – Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".

- (e) **Number and Gender** – Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (f) **Statutory References** – A reference to a statute includes all regulations made pursuant to the statute and, unless otherwise specified, the provisions of any statute or regulation that amends, supplements or supersedes the statute or the regulation.
- (g) **Schedules** – The schedules attached to this Agreement (as the same may be amended from time to time, whether by way of an amendment to this Agreement or otherwise) are incorporated into, and form an integral part of, this Agreement.

1.3 Knowledge

Unless otherwise stated herein, any reference to the knowledge of the Corporation means the actual knowledge of the officers and directors of the Corporation and the BG Subsidiaries, after reasonable inquiry and investigation in the normal exercise of such individual's duties.

1.4 Entire Agreement; Waiver

This Agreement constitutes the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the Parties concerning the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, including those contained in the revised term sheet between the Corporation and the Purchaser. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

1.5 Disclosure Letter

Any disclosure made in a section of the Disclosure Letter shall be deemed to be disclosed for one or more sections of the Disclosure Letter to the extent that such disclosure sets forth facts in sufficient detail so that its application to such other section of the Disclosure Letter is reasonably clear.

ARTICLE 2 INSTALLMENTS AND ROYALTIES

2.1 Payment of Installments

- (a) The Purchaser hereby agrees to purchase a royalty from the Corporation for the sum of \$750,000 (the "**Initial Installment**"), which shall be paid by the Purchaser to the Corporation in immediately available funds on the date hereof to an account specified by the Corporation.

- (b) Upon mutual written agreement of the Purchaser and the Corporation, the Purchaser may (but shall have no obligation to) purchase one or more additional royalties from the Corporation in an aggregate amount of up to \$500,000 (each, a "Subsequent Installment").

2.2 Gross Sales Royalty

As consideration for, and conditional on, the payment by the Purchaser of the Initial Installment, and subject to the terms hereof, the Corporation covenants and agrees to pay to the Purchaser a monthly royalty payment (each such payment, a "**Royalty Payment**") equal to 3.75% (the "**Gross Sales Royalty**") of the Revenue of the BG Group during each calendar month plus all applicable Taxes thereon, if any, that the Purchaser is required under Law to collect from the Corporation in connection therewith. Royalty Payments will be made in perpetuity (unless terminated in accordance with this Agreement), and will be pro-rated for any partial month. It is understood by the Parties that the initial Royalty Payment will be determined on a pro-rata basis based on the Revenue of the BG Group for the period commencing on the date of this Agreement and ending on October 31, 2014, unless the applicable Minimum Monthly Amount, calculated on a pro-rated basis for the period commencing on the date of this Agreement and ending on October 31, 2014, is greater than such amount). Unless otherwise agreed by the Parties, for each \$100,000 Subsequent Installment made by the Purchaser the Gross Sales Royalty will increase proportionately. For illustrative purposes only, if the Purchaser advances a Subsequent Installment of \$100,000 to the Corporation, the Gross Sales Royalty will, effective as of the date on which the Subsequent Installment is advanced to the Corporation, automatically and without any further action or formality of any Party, increase from 3.75% to 4.25% (being $3.75 + (100,000/750,000 \times 3.75)$).

2.3 Minimum Monthly Amount

- (a) Notwithstanding the Gross Sales Royalty rate in effect from time to time, but subject to Sections 2.3(b) and 2.3(c), if only the Initial Installment is paid to the Corporation, no Royalty Payment in respect of a calendar month will be less than \$15,625 (pro-rated for any partial month), it being understood that if the actual calculation of a Royalty Payment to be paid in such circumstance is less than such amount, the Gross Sales Royalty then in effect will be deemed to be amended (in respect of such Royalty Payment only) to be such percentage as would result in such Royalty Payment being \$15,625 (pro-rated for any partial month) (the "**Minimum Monthly Amount**"); or
- (b) If the Purchaser advances a Subsequent Installment to the Corporation, the Minimum Monthly Amount will be adjusted proportionately based on the actual amount of each Subsequent Installment that is advanced to the Corporation. For illustrative purposes only, if the Purchaser initially advances a Subsequent Installment in the amount of \$100,000, the Minimum Monthly Amount will be deemed to be amended to be \$17,708.33 (pro-rated for any partial month) (being $15,625 + (100,000/750,000) \times 15,625$).
- (c) The applicable Minimum Monthly Amount will be: (i) reduced proportionately contemporaneously with the completion of the Buy-down Option; and (ii) extinguished pursuant to the completion of the Change of Control Buyout Option.

2.4 Payment Mechanism, Adjustments and Delinquent Royalty Payments

- (a) On or before the last Business Day of each calendar month (commencing as of the month of October, 2014), the Corporation shall pay to the Purchaser the greater of: (i) the applicable Minimum Monthly Amount in respect of such calendar month in accordance with Section 2.3; and (ii) the amount determined in accordance with Section 2.2, in each case in accordance with the payment procedures specified in Section 2.5.
- (b) Within 55 days following the end of the first, second and third fiscal quarters of the Corporation during each fiscal year of the Corporation, and within 75 days following the end of the fourth fiscal quarter of the Corporation of each fiscal year of the Corporation (the last day of each such 55 day and 75 day period being the "**Quarterly Determination Date**"), the Parties will determine
 - (i) the aggregate royalties in respect of such fiscal quarter that would have been payable based on an application of the applicable Gross Sales Royalty to the Revenue of the BG Group (without regard to any Minimum Monthly Amounts) for such fiscal quarter (or prorated for any partial fiscal quarter) using the consolidated financial statements of the BG Group in respect of such fiscal quarter (which in the case of the fourth fiscal quarter of the Corporation shall be the Annual Financial Statements) (the "**Pre-Adjusted Quarterly Royalties**"); and
 - (ii) whether the aggregate Minimum Monthly Amounts in respect of such fiscal quarter were greater than or less than the Pre-Adjusted Quarterly Royalties for such fiscal quarter (the greater of such amounts being the "**Confirmed Quarterly Royalties**").
- (c) If the actual Royalty Payments paid to the Purchaser in respect of a fiscal quarter were, in the aggregate, greater than the Confirmed Quarterly Royalties for such fiscal quarter, the Purchaser will pay to the Corporation the amount by which such actual Royalty Payments exceeded the Confirmed Quarterly Royalties within 5 Business Days following the Quarterly Determination Date.
- (d) If the actual Royalty Payments paid to the Purchaser in respect of a fiscal quarter were, in the aggregate, less than the Confirmed Quarterly Royalties for such fiscal quarter, the Corporation will pay to the Purchaser the amount by which the Confirmed Quarterly Royalties exceeded such actual Royalty Payments within 5 Business Days following the Quarterly Determination Date;
- (e) Notwithstanding anything else contained herein, the Parties may at any time elect to pay any amounts referenced in Sections 2.4(c) or 2.4(d) in such other manner as the Parties may agree.
- (f) Any payment required to be made under this Agreement that is not paid within 30 days following the date on which it was originally due shall bear interest at a rate of 1.0% per month, compounded monthly.

2.5 Payment of Royalty Payments and Buyout Amounts

The Corporation authorizes the Purchaser to debit an account designated by the Purchaser in writing for all Royalty Payments on the date on which each such payment is due. The Corporation shall withhold from any Royalty Payment and Buyout Payment, and remit to the appropriate Governmental Authority, all Taxes that it is required to withhold that are levied thereon by any Governmental Authority and the payment in each case of the applicable Royalty Payment or Buyout Payment net of any such withheld amount shall be deemed to satisfy the Corporation's payment obligations hereunder, provided that the Corporation shall deliver to the Purchaser copies of the filed tax return reporting such payments and official receipts (or such other evidence of payment reasonably acceptable to the Purchaser) evidencing that such payments were in fact received by the applicable Governmental Authority.

2.6 Royalty Payments Following Termination

The termination of this Agreement or the royalties payable hereunder shall not terminate the obligation of the Corporation to pay any Royalty Payment accrued prior to the date of termination. Upon termination of this Agreement or the royalties payable hereunder, the parties will determine the aggregate royalties in respect of the portion of the fiscal year of the Corporation in which the termination occurs, and will make such adjustments to the amount of royalties paid or to be paid during such period, as may be necessary, in accordance with the terms of Section 2.4(b).

2.7 Audit Right

Upon not less than fourteen days' written notice to the Corporation, the Purchaser shall have the right to audit the books and records of the members of the BG Group (including those obtained from third parties) relating to sales or other transactions included in the definition of Revenue of the BG Group for the purposes of determining the correctness of the Corporation's computation and payment of Royalty Payments in respect of a fiscal period of the Corporation. Such audit may not be conducted more than once in any calendar year and shall be conducted during normal business hours by an accounting firm selected by the Purchaser at its cost and reasonably acceptable to the Corporation, provided that such accounting firm enters into a confidentiality agreement acceptable to the Corporation, acting reasonably, prior to commencing any such audit. The Corporation shall provide such accounting firm with access to all pertinent books and records, subject to any confidentiality obligations owed to any third parties, and shall reasonably cooperate with such accounting firm's efforts to conduct such audits. If there has been an underpayment of Royalty Payments due for the fiscal period being audited of more than 10% of the amount of Royalty Payments which were actually due in respect of such fiscal period, the Corporation shall reimburse the Purchaser for the reasonable costs and expenses (including accountants' fees) incurred by the Purchaser in connection with such audit. If the Purchaser claims that any such audit reveals an underpayment of Royalty Payments, the Purchaser will make the audit papers for the relevant period available to the Corporation. For greater certainty, if an audit reveals that there has been an underpayment of Royalty Payments, an Event of Default in respect of any such underpayment shall be deemed to occur only if such underpayment is not satisfied by the Corporation within five Business Days following the date on which the Corporation has been given written notice of such underpayment.

2.8 Dispute Mechanism

If the Parties dispute the amount of one or more Royalty Payments or amounts payable under Section 2.9 ("**Buyout Payments**") (including: (i) the determination of such amounts following an audit conducted pursuant to Section 2.7; and (ii) the manner in which "net equity value" and "net purchase price" are determined pursuant to Section 2.9(a)(iv)(B)(3)) (a "**Dispute**"), they shall each use commercially reasonable efforts to reach a negotiated resolution of the Dispute and shall exchange reasonable information with one another concerning the Dispute. If the Parties are unable to reach a negotiated resolution within 30 days from the commencement of negotiations to resolve the Dispute, then either Party may elect for the Dispute to be determined by an independent public accounting firm (the "**Independent Accountant**") licensed to practice accounting in Canada selected by mutual agreement of the Parties, or in the absence of such agreement, KPMG LLP, and the Parties shall provide to the Independent Accountant their respective final figures in respect of the disputed amounts along with supporting documentation to substantiate their positions. None of the Parties will disclose to the Independent Accountant, and the Independent Accountant will not consider, for any purpose, any settlement offer made by a Party to the other. The determination of the Independent Accountant shall be final and binding upon the Parties, absent manifest error. Costs of the Independent Accountant shall be paid as determined by the Independent Accountant, and in the absence of such determination, each Party shall pay 50% of the Independent Accountant's costs; provided, however, that each Party shall bear its own costs in presenting its arguments to the Independent Accountant. The Independent Accountant shall be deemed to act as an expert and not as an arbitrator. For greater certainty, in the event of a Dispute, and until such time as such Dispute is finally resolved in accordance with the terms of this Section 2.8, the Parties shall continue to be bound by all of the provisions of this Agreement in accordance with their terms (including the Gross Sales Royalty and Minimum Monthly Amount then in effect) notwithstanding the subject-matter of the Dispute.

2.9 Buy-down Options and Change of Control Buyout Option

(a) Subject to Section 2.9(b):

- (i) at any time following the date on which the Purchaser has received aggregate Royalty Payments totalling an amount equal to the then applicable Aggregate Installment Amount, the Corporation may by delivery of notice in writing to the Purchaser (a "**Buy-down Notice**") purchase and extinguish 50% (but no more or less) of all amounts owing or to become owing to the Purchaser hereunder (but excluding any amounts which may become owing under Section 2.12(c)), including the Outstanding Installment Amount and the Gross Sales Royalty applicable thereto (such that, for greater certainty, the applicable Gross Sales Royalty and the applicable Minimum Monthly Amount will thereafter each be reduced by 50%) (the "**Buy-down Option**"), upon payment to the Purchaser by wire transfer of immediately available funds on a date that is no later than the third Business Day following the date of the Buy-down Notice of an amount equal to the then applicable Aggregate Installment Amount multiplied by 0.50 (the "**Buy-down Payment**");
- (ii) if one or more Subsequent Installments have been paid to the Corporation, the Buy-down Payment will be increased proportionately based on the

actual amounts of the Subsequent Installments that have been paid to the Corporation;

- (iii) for greater certainty, the Corporation shall only be entitled to exercise and complete the Buy-down Option one time, after which the Buy-down Option shall be extinguished; and
- (iv) subject to compliance by the Corporation with Sections 2.10(l) and 2.10(p), if pursuant to a proposed Change of Control the acquirer under such transaction requires as a condition to the completion of such transaction that the Corporation purchase and extinguish all amounts owing or to become owing to the Purchaser hereunder, including all Gross Sales Royalties and payment of any applicable Minimum Monthly Amount (but excluding any amounts which may become owing under Section 2.12(c)), then contemporaneously with the completion of such proposed Change of Control, the Corporation may, by delivery of a written notice (a "**Change of Control Buyout Notice**") to the Purchaser (which Change of Control Buyout Notice will contain a representation and warranty of the Corporation that the exercise and completion of the Change of Control Buyout Option is a condition precedent to the completion of the proposed Change of Control in favour of the acquirer), purchase and extinguish (effective as of the date of completion of the proposed Change of Control) all amounts owing or to become owing to the Purchaser hereunder, including all Gross Sales Royalties and payment of all Minimum Monthly Amounts (but excluding any amounts which may become owing under Section 2.12(c)) (the "**Change of Control Buyout Option**") upon payment to the Purchaser by wire transfer of immediately available funds within 10 Business Days following the date of completion of the proposed Change of Control of an amount equal to the greater of the following:
 - (A) an amount equal to two times the Aggregate Installment Amount as at the date of the Change of Control Buyout Notice; and
 - (B) an amount equal to A multiplied by B multiplied by C, where:
 - (1) A is equal to the Aggregate Installment Amount as at the date of the Change of Control Buyout Notice divided by \$2,500,000;
 - (2) B is equal to 0.8; and
 - (3) C is equal to the net equity value of the BG Group, or in the case of a proposed asset sale, the proposed net purchase price (expressed in Canadian dollars) of all or substantially all of the assets of the Business, in each case pursuant to the proposed Change of Control transaction or asset sale

provided, however, that if the proposed Change of Control is not completed within 10 Business Days following the date of the Buyout Notice, the exercise by the Corporation of the Change of Control Buyout Option shall be deemed to be null and void and of no force or effect and this Section 2.9(a)(iv) shall thereafter continue to apply in accordance with its terms. For illustrative purposes only, a sample calculation of the Change of Control Buyout Option is attached hereto as Schedule "B".

In the event that the Buy-down Option has previously been exercised and completed in accordance with the terms of this Agreement, then the payment under this Section 2.9(a)(iv) shall be reduced by 50%.

- (b) Notwithstanding anything else contained herein, the Corporation's right to exercise the Buy-down Option or the Change of Control Buyout Option shall immediately and forever cease effective as of the occurrence of an Event of Default or a Bankruptcy Occurrence that in each case is not cured to the satisfaction of the Purchaser, acting reasonably, within 21 days following the date of occurrence of the Event of Default or Bankruptcy Occurrence, as the case may be (which period shall, if the applicable Event of Default is the subject of dispute resolution under Section 2.8, be deemed to be stayed until such time as, and will only re-commence once, such dispute is finally resolved in accordance with Section 2.8) (an "**Event of Default Trigger Event**" and a "**Bankruptcy Occurrence Trigger Event**", respectively). If an Event of Default has occurred, the Corporation shall not be permitted to exercise the Buy-down Option or the Change of Control Buyout Option until such time as the Event of Default has been cured in accordance with the terms hereof; provided that if the applicable Event of Default is the subject of dispute resolution under Section 2.8, the applicable time periods to exercise the Buy-down Option or the Change of Control Buyout Option, as the case may be, shall be deemed to be stayed until such time as, and will re-commence once, such dispute is finally resolved in accordance with Section 2.8.

2.10 Acknowledgments and Obligations of the Corporation

The Corporation acknowledges, covenants and agrees that at all times on and following the date hereof it will (and will cause the BG Subsidiaries to):

- (a) operate the Business in good faith and in the ordinary course consistent with past practices, industry standards and best practices, and will use commercially reasonable efforts to operate the Business so as to maximize Revenue of the BG Group;
- (b) not take any steps or actions, or omit or fail to take any steps or actions or enforce any right, the intent of which is to directly or indirectly reduce the calculation of or improperly characterize or account for, or which would reasonably result in or does result in any direct or indirect reduction in the calculation of or improper characterization or accounting for of, Revenue of the BG Group or any Royalty Payment;

- (c) keep and maintain complete, true and materially accurate books and records of all transactions involving Revenue of the BG Group;
- (d) not, without the prior written consent of the Purchaser (which consent will not be unreasonably withheld), in any way modify, amend or change the accounting practices of any member of the BG Group where the effect of such change in any way reduces, or would potentially have the effect of reducing, whether alone or in combination with or as a result of any other factor, the amount payable to the Purchaser hereunder, except for changes required under GAAP;
- (e) provide to the Purchaser a monthly unaudited summary of the Revenue of the BG Group within 21 days after the last day of each calendar month;
- (f) provide to the Purchaser unaudited quarterly financial statements of the BG Group within 45 days after the last day of each fiscal quarter of the Corporation;
- (g) provide to the Purchaser audited annual financial statements of the BG Group within 90 days after the last day of each fiscal year of the Corporation;
- (h) provide to the Purchaser copies of all tax returns filed by the BG Group promptly following the date on which such returns are filed;
- (i) use the proceeds of each Installment in a manner that is consistent with an operating plan provided by the Corporation to the Purchaser, subject to the reasonable discretion of the Corporation to use and allocate any portion of an Installment in a manner which is otherwise consistent with the proper exercise of the fiduciary duties of the directors of the Corporation;
- (j) make all necessary filings required of the members of the BG Group under Law, obtain all necessary regulatory consents and approvals (if any) required of the members of the BG Group under Law and pay all filing fees required to be paid by the members of the BG Group under Law in connection with the Transaction;
- (k) do all things necessary to maintain the corporate existence of each member of the BG Group, provided, however that this Section 2.10(k) shall not prevent the amalgamation, merger or wind-up of any member of the BG Group with or into another member of the BG Group;
- (l) other than in connection with a transaction in respect of which the Corporation has exercised the Change of Control Buyout Option, not consolidate, amalgamate with, or merge with or into, or reorganize, reincorporate or reconstitute into or as another entity, or continue to any other jurisdiction, unless, at the time of such consolidation, amalgamation, merger, reorganization, reincorporation, reconstitution or continuance, the resulting, surviving or transferee entity in writing assumes in favour of the Purchaser all of the obligations of the Corporation under this Agreement or as otherwise agreed by the Purchaser in writing;

- (m) advise the Purchaser promptly of any material default or breach committed by any member of the BG Group under any agreement, document or instrument relating to any indebtedness for borrowed money owing to any Person (including any payment default), which breach or default continues for more than the applicable cure period, if any, with respect thereto;
- (n) (i) maintain insurance upon the assets of each member of the BG Group comparable in amount, scope and coverage to that in effect on the date of this Agreement, subject to such changes as may be determined by the applicable member of the BG Group, having regard to normal commercial practices and market standards; (ii) not at any time do or omit to do anything, or cause anything to be done or omitted to be done, whereby any such insurance would, or would be likely to, be rendered void or voidable or suspended, impaired or defeated in whole or in part; (iii) notify the Purchaser of any termination, lapse or loss of any material coverage under such insurance no later than 10 days following the occurrence thereof; and (iv) rectify or otherwise cure any such termination, lapse or loss of coverage no later than 10 days following the occurrence thereof (with notice of such rectification or cure provided to the Purchaser within a reasonable period of time thereafter);
- (o) not, without the prior written consent of the Purchaser, which consent will not be unreasonably withheld, in any way encumber or allow a security interest to attach to any material asset of any member of the BG Group where such encumbrance would, in the reasonable opinion of the Purchaser, directly or indirectly reduce the calculation of, or result in any direct or indirect reduction in the calculation of, Revenue of the BG Group or any Royalty Payment;
- (p) not sell, transfer or otherwise dispose (whether to an arm's length party or otherwise) of any material property or assets of any member of the BG Group (other than to another member of the BG Group) without the prior written consent of the Purchaser provided, however, that the Purchaser agrees that it will provide such consent if (A) contemporaneously with a sale, transfer or disposition of property or assets to an arm's length third party buyer, the buyer enters into an agreement with the Purchaser in respect of such property or assets in a form and on terms similar to this Agreement or as is otherwise acceptable to the Purchaser in its sole discretion, acting reasonably, or (B) the Corporation has delivered a Buy-out Notice in respect of such sale; and
- (q) be fully responsible for the full amount of any success fee, broker's fee, commission or similar fees which any Person claims is owing or payable to such Person (whether by any member of the BG Group or the Purchaser) in connection with the initiation, negotiation or consummation of the Transaction.

2.11 Conditions to Payment of Installments

The Purchaser shall not pay any Installment to the Corporation unless and until each of the following conditions has been fulfilled, satisfied and performed in a manner completely satisfactory to the Purchaser in all respects on or before the date specified herein for each payment of an Installment:

- (a) the Disclosure Letter shall have been delivered to the Purchaser (and updated as necessary in connection with the payment of any Subsequent Installment);
- (b) the Corporation shall have executed and delivered to the Purchaser each of the following documents:
 - (i) a certificate of status or good standing (or other applicable certificate of like form) issued by the applicable Governmental Authority dated on or about the date of payment of each Installment with respect to the legal existence and good standing of each member of the BG Group under the laws of the jurisdiction of incorporation or formation of each such entity;
 - (ii) a certificate of a senior officer of the Corporation, dated as of the date of payment of each Installment, certifying:
 - (A) the accuracy of an attached copy of the constating documents of each member of the BG Group, in each case together with all amendments thereto;
 - (B) in the case of the Initial Installment only, the accuracy of an attached copy of the resolutions of the board of directors of the Corporation with respect to the Transaction;
 - (C) that no Material Adverse Effect has occurred as of the date of payment of each Installment;
 - (D) that no Event of Default has occurred and is continuing and that no event or circumstance has occurred, and no condition exists, which would result, either immediately, or with the lapse of time or giving of notice or both, in the occurrence or existence of an Event of Default;
 - (iii) in the case of the Initial Installment only, an executed copy of a pre-authorized debit instruction form provided by the Purchaser to the Corporation for the purposes of facilitating Royalty Payments; and
 - (iv) an invoice of the Corporation in respect of the applicable Installment, and any applicable Taxes thereon, addressed to the Purchaser;
- (c) the Purchaser shall have received such financial and other information in respect of the Business as may be reasonably required by the Purchaser (including the financial and other information specified in this Agreement);
- (d) the Corporation shall have received all third party consents, approvals or waivers required to be obtained pursuant to any Contract by which any member of the BG Group is bound and under which consent, approval or waiver from a third party is required as a result of the Corporation entering into this Agreement or in connection with the completion of the Transaction; and

- (e) the Corporation shall have, as applicable, executed and delivered such other documents, agreements, instruments, undertakings and assurances as the Purchaser or the Purchaser's counsel (in each case, acting reasonably) may deem necessary or advisable in connection with, relating to or arising from, or to give effect to or support, this Agreement.

Each of the conditions set forth in this Section 2.11 is for the exclusive benefit of the Purchaser and, unless waived in writing by the Purchaser, shall be fulfilled, satisfied and performed by the Corporation.

2.12 Event of Default Trigger Event and Bankruptcy Occurrence Trigger Event

- (a) Upon the occurrence of: (i) an Event of Default Trigger Event; or (ii) a Bankruptcy Occurrence Trigger Event that in each case is not cured to the satisfaction of the Purchaser, acting reasonably, within 21 days following the date of occurrence of the Event of Default or Bankruptcy Occurrence, as the case may be (which period shall, if the applicable Event of Default is the subject of dispute resolution under Section 2.8, be deemed to be stayed until such time as, and will only re-commence once, such dispute is finally resolved in accordance with Section 2.8), the Outstanding Installment Amount will, at the Purchaser's option and without notice to the Corporation, be deemed to become immediately due and payable in a manner determined by the Purchaser, and in connection therewith the Purchaser may exercise any or all of the rights and remedies contained in this Agreement or otherwise afforded by law, in equity or otherwise in connection therewith.
- (b) The Purchaser may waive default or any breach by the Corporation of any of the provisions contained in this Agreement. No waiver extends to a subsequent breach or default, whether or not the same as or similar to the breach or default waived, and no act or omission of the Purchaser extends to or is to be taken in any manner to affect any subsequent breach or default of the Corporation or the rights of the Purchaser resulting therefrom. Any such waiver must be in writing and signed by the Purchaser to be effective
- (c) The Corporation will pay or reimburse the Purchaser for any reasonable costs or expenses incurred by the Purchaser in collecting amounts owed to it by the Corporation hereunder.
- (d) For greater certainty, this Agreement, and all covenants and obligations of the Corporation hereunder, including the obligation to pay Royalty Payments, will continue in full force and effect, and will not be impaired in any way by, the occurrence of an Event of Default Trigger Event or a Bankruptcy Occurrence Trigger Event or the election by the Purchaser to have the Outstanding Installment Amount become immediately due and payable to the Purchaser, and all Royalty Payments due and owing hereunder shall continue to be paid to the Purchaser following the occurrence of an Event of Default Trigger Event or a Bankruptcy Occurrence Trigger Event in accordance with the terms of this Agreement in addition to, and not in substitution for, the repayment of the Outstanding Installment Amount.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

The Corporation (on its own behalf and on behalf of each of the BG Subsidiaries) represents and warrants to the Purchaser as of the date on which the Initial Installment is paid to the Corporation (and confirmed as to accuracy by the execution and delivery by the Corporation on the date of payment of any Subsequent Installment of a bring-down certificate, which may contain updates and supplements to representations and warranties, in a form agreed upon by the Purchaser and the Corporation, each acting reasonably) as follows, and acknowledges that the Purchaser is entering into this Agreement and completing the Transaction in reliance upon such representations and warranties:

3.1 Incorporation and Organization

Each member of the BG Group is an entity incorporated, formed or established and validly subsisting under the laws of its jurisdiction of incorporation, formation or establishment, and is in good standing under such laws. Each member of the BG Group has the full power, authority and capacity:

- (a) to own or lease and operate its properties and assets; and
- (b) to carry on its business as presently conducted.

3.2 Corporate Records

The minute books of the Corporation have been made available to the Purchaser or counsel to the Purchaser and contain all constating documents and resolutions, and such minute books contain, in all material respects, a complete and accurate record of all meetings and actions of directors (and committees of directors) and shareholders of, the Corporation since the date of incorporation, and in all material respects accurately reflect all transactions referred to in such proceedings. The share ledgers and registers of the Corporation are, in all material respects, complete and reflect all issuances, transfers, repurchases and cancellations of shares in the capital of the Corporation.

3.3 Subsidiaries

Except as set out in Section 3.3 of the Disclosure Letter, no member of the BG Group owns or otherwise holds any legal or beneficial interest in any other Person. The Corporation confirms that a complete and accurate corporate organization chart showing all existing BG Subsidiaries has been provided to the Purchaser.

3.4 Qualification in Foreign Jurisdictions

Neither the nature of the Business nor the location or character of the assets owned or leased by the members of the BG Group requires any such entity to be registered, licensed or otherwise qualified as a foreign corporation in any jurisdiction other than any jurisdiction in which any such entity is duly registered, licensed or otherwise qualified for this purpose and other than any jurisdiction where the failure to be so registered, licensed or otherwise qualified would not have a Material Adverse Effect.

3.5 Authorized and Issued Outstanding Capital

- (a) The authorized and outstanding shares in the capital of each member of the BG Group are as set out in Section 3.5 of the Disclosure Letter.
- (b) Other than as contemplated in this Agreement or the constating documents of any member of the BG Group (including the Corporation) or as set out in Section 3.5 of the Disclosure Letter, there are no outstanding options, warrants or other rights to subscribe for purchase or otherwise acquire from any member of the BG Group any:
 - (i) shares or any other equity securities of such entity; or
 - (ii) equity securities convertible into, exchangeable for, or representing the right to subscribe for, purchase or otherwise acquire, directly or indirectly, any shares or any other equity securities of such entity.
- (c) Other than as contemplated in this Agreement or the constating documents of any member of the BG Group (including the Corporation) or as set out in Section 3.5 of the Disclosure Letter, no member of the BG Group:
 - (i) has any outstanding obligations, contractual or otherwise, to repurchase, redeem or otherwise acquire any shares or other equity securities in its capital;
 - (ii) is a party to or bound by, or has any knowledge of, any agreement or instrument relating to the voting of any of its securities.
- (d) No Person has any pre-emptive rights in respect of any of the matters relating to the Transaction.

3.6 Corporate Authorization

- (a) The execution and delivery of this Agreement, and the consummation of the Transaction, have been duly authorized by all necessary corporate action on the part of the Corporation.
- (b) This Agreement constitutes a valid and binding obligation of the Corporation enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought and except as rights to indemnity and contribution may be limited by Law.
- (c) The execution of, or the performance of obligations under, this Agreement by the Corporation will not result in a breach or violation of a Contract to which the Corporation is party, a breach of the Corporation's charter or by-laws, a breach of Law or authorization by a Governmental Authority to which the Corporation is bound, in either case that would with the notice or passage of time result in a

Material Adverse Effect or would create a Lien on any material asset of any member of the BG Group.

3.7 No Governmental or Third Party Consents

Other than those which have already been obtained, no consent, approval, authorization or declaration of and no filing or registration with, any Governmental Authority or other party is required to be made or obtained by the Corporation, which if not made or obtained would with the notice or passage of time result in a Material Adverse Effect, in connection with:

- (a) the execution and delivery of this Agreement; or
- (b) the performance by the Corporation of its obligations under this Agreement,

3.8 Financial Statements

The Financial Statements have been prepared in accordance with GAAP, consistent with past practice, and the Financial Statements present fairly the assets, liabilities (whether secured, absolute, contingent or otherwise) and the financial condition of the BG Group for the periods covered by the Financial Statements.

3.9 Absence of Certain Changes

Except as otherwise described in this Agreement or as set out in Section 3.9 of the Disclosure Letter, since the date of the most recent Interim Financial Statements the Business has been carried on in the ordinary course of business and no Material Adverse Effect has occurred.

3.10 Properties, Leases, Etc.

- (a) Except as set out in Section 3.10 of the Disclosure Letter, no member of the BG Group owns any real property.
- (b) Each member of the BG Group has:
 - (i) good and marketable title to all of the assets and properties owned by it;
 - (ii) title to the lessee interest in all assets and properties leased by it as lessee; and
 - (iii) full right to hold and use all of the assets used in or necessary to the Business subject to the terms of any agreement relating to those assets,

in each case free and clear of Liens except Liens incurred in the ordinary course of the Business or as otherwise disclosed in Section 3.10 of the Disclosure Letter.

3.11 Indebtedness

Section 3.11 of the Disclosure Letter sets out all accounts payable of the BG Group as of September 30, 2014, including amounts payable to Insiders (except for amounts owing to Insiders who are employees in respect of salary for current pay periods). Except as set out in

Section 3.11 of the Disclosure Letter, no member of the BG Group is in default with respect to any outstanding material indebtedness or any Contract relating to outstanding material indebtedness. Except as set out in Section 3.11 of the Disclosure Letter, no indebtedness or any Contract relating to indebtedness purports to limit the issuance of any securities by the Corporation or the payment of any royalty or other distribution by any member of the BG Group (including the Corporation). The Corporation confirms that complete and accurate copies of all Contracts (including all amendments, supplements, waivers, and consents) relating to any material indebtedness of the members of the BG Group have been provided to the Purchaser.

3.12 Absence of Undisclosed Liabilities

Except as set out in Section 3.12 of the Disclosure Letter or the Financial Statements, the members of the BG Group do not have any material liabilities, guarantees, pledges or obligations, whether accrued, absolute, contingent or otherwise (including liabilities as guarantor or otherwise with respect to obligations of others) and whether due or to become due, except those accruing in the ordinary course of the Business.

3.13 Tax Matters

Except as set out in Section 3.13 of the Disclosure Letter:

- (a) no member of the BG Group has any liability, obligation or commitment, actual or contingent, for the payment of any Tax, except such as have arisen in the usual and ordinary course of the Business;
- (b) no member of the BG Group is in any arrears with respect to any required withholdings or instalment payments of any Tax nor has it filed any waiver for a taxation year under any legislation imposing Tax on it;
- (c) each member of the BG Group has filed within the times and within the manner prescribed by law, all federal, provincial, local and foreign Tax Returns and reports that are required to be filed by or with respect to it, all such Tax Returns are true, correct and complete in all material respects, and do not, in any material respect, understate the taxable income or liability for Taxes of such entity for the periods covered by such returns, no Tax Return has been amended, and the tax liability of such entity for previous taxation periods is as indicated in its Tax Returns;
- (d) each member of the BG Group has withheld from payments made to its officers, directors, employees, debtholders and shareholders the amount of all Taxes, including income tax, federal or provincial pension and medical plan contributions, unemployment insurance contributions and other deductions required to be withheld from such payments, and has paid them to the proper receiving officers or authorities (or made adequate reserves or provisions for the payment thereof);
- (e) there is no unresolved assessment, reassessment, action, suit, proceeding, audit, investigation or claim in progress, pending or, to the knowledge of the Corporation, threatened with respect to Taxes of any member of the BG Group

and, in particular, there are no currently outstanding reassessment or written enquiries that have been issued to, or raised in respect of, any member of the BG Group relating to any Taxes; and

- (f) no member of the BG Group is a party to, is bound by, or has any obligation under, any tax sharing agreement, tax indemnification agreement or similar Contract.

3.14 Litigation

Except as set out in Section 3.14 of the Disclosure Letter, no litigation, arbitration, action, suit, proceeding or investigation (whether conducted by or before any judicial or regulatory body, arbitrator or other Person) is pending or, to the knowledge of the Corporation, threatened or contemplated, against any member of the BG Group, nor is there any basis therefor known to the Corporation in which a claimant would have a reasonable likelihood of success as against any member of the BG Group.

3.15 Employment Contracts

- (a) There are currently no material disagreements or other difficulties with any member of the BG Group's senior employees or senior independent contractors. To the knowledge of the Corporation, no officer or key employee of any member of the BG Group or key independent contractor of any member of the BG Group has any present intention of terminating his or her employment with or services to such entity, nor does any member of the BG Group have any present intention of terminating the employment or engagement of any such Person.
- (b) There are no complaints against any member of the BG Group before any government employment standards branch, tribunal or human rights tribunal, and no member of the BG Group has received notice of any such complaint. There are no outstanding decisions or settlements or pending settlements under any employment standards legislation that place any obligation upon any member of the BG Group to do or to refrain from doing any act.
- (c) No member of the BG Group is delinquent in payments to any of its employees, consultants or independent contractors for any wages, salaries, commissions, bonuses or other direct compensation for any service performed for it to the date of this Agreement or amounts required to be reimbursed to such employees, consultants or independent contractors, and all such amounts have been properly accrued in the books and records of the members of the BG Group.
- (d) Each member of the BG Group has complied with all Laws related to employment, including those related to wages, hours, worker classification, collective bargaining, and the payment and withholding of Taxes and other sums as required by law, except where non-compliance would not result in a Material Adverse Effect.

- (e) Except as set out in Section 3.15 of the Disclosure Letter, no member of the BG Group has, since the date of the Interim Financial Statements, terminated the employment of any senior officer or senior employee.

3.16 Material Contracts

The Corporation has made available to the Purchaser for inspection correct and complete copies (or written summaries of the material terms of oral agreements or understandings) of each material Contract of each member of the BG Group. Each such Contract is a valid, binding and enforceable obligation of the applicable member of the BG Group and, to the knowledge of the Corporation, of the other party or parties thereto, and is in full force and effect. No member of the BG Group nor, to the knowledge of the Corporation, any other party, is, or is considered by any other party to be, in breach of any term of any such Contract (nor, to the knowledge of the Corporation, is there any basis for any claim of breach, including as a result of the execution and delivery of this Agreement or the completion of the Transaction), except for any breaches that individually or in the aggregate would not have a Material Adverse Effect.

3.17 Insiders

Except as set forth in Section 3.17 of the Disclosure Letter, there are no Contracts between any member of the BG Group and any Insider or with any Person in which an Insider has an interest, other than Contracts of employment and employment-related agreements and covenants entered into in the ordinary course of the Business and the Employee IP Agreements. Except as set out in Section 3.17 of the Disclosure Letter, no member of the BG Group has made any payment or loan to, or borrowed any money from or is otherwise indebted to, any Insider, except for payments made to Insiders who are directors, officers, employees or contractors of a member of the BG Group in respect of bona fide services.

3.18 Business Intellectual Property

- (a) Section 3.18 of the Disclosure Letter contains a complete and accurate list of all Business IP existing as of the date hereof, except for Commercial Software Licenses, and specifies, for each item, whether the Business IP is Owned IP or Licensed IP, and in the case of Licensed IP, sets forth all contracts entered into in connection with the Licensed IP (except for Commercial Software Licenses).
- (b) The Business IP, together with Commercial Software Licences, constitutes substantially all of the Intellectual Property necessary to conduct fully the Business as it is currently conducted.

3.19 Intellectual Property Rights

- (a) Except as set out in Section 3.19(a) of the Disclosure Letter, the BG Group owns all right, title and interest in and to the Owned IP existing as of the date hereof free and clear of any Liens and, except for any non-exclusive end user licenses granted to customers of the BG Group in the ordinary course of Business, and has exclusive rights (and is not contractually obligated to pay any compensation to any other Person in respect of the exercise of such rights) to the use of such Owned IP or the material covered by such Owned IP. The Owned IP existing as

of the date hereof does not contain, embody or use, or require for its full and proper operation, any Intellectual Property or Technology, except the Licensed IP and any Commercial Software Licenses, owned by any other Person.

- (b) Each Contract entered into in connection with the Licensed IP existing as of the date hereof is valid, subsisting and in good standing, and there is no material default by any member of the BG Group under any such Contract nor is there, to the knowledge of the Corporation, any material default by the other parties to such Contract. The applicable member of the BG Group has the right to sub-license, or to re-sell sub-licenses, for the use of the Licensed IP existing as of the date hereof that is currently incorporated in or distributed with, or that the applicable member of the BG Group has contemplated incorporating in or distributing with, the BG Group's products to distributors, resellers and end-users of such products.
- (c) To the knowledge of the Corporation, none of the Owned IP existing as of the date hereof nor any service rendered by the BG Group, nor any product currently or proposed to be developed, manufactured, produced or used by the BG Group, infringes upon any of the Intellectual Property, Technology or moral rights owned or held by any other Person, and no member of the BG Group or any of its directors, officers or employees has ever received any charge, complaint, claim, demand or notice alleging any interference, infringement, misappropriation or violation with respect to any Business IP existing as of the date hereof (including any claim that any member of the BG Group or such other Persons must license or refrain from using any Intellectual Property or Technology of a third party), nor does the Corporation have knowledge of any valid grounds for any bona fide claims.
- (d) To the knowledge of the Corporation, there is no unauthorized use, infringement or misappropriation of any Owned IP existing as of the date hereof by any other Person. No member of the BG Group has agreed with any Person not to sue or otherwise enforce any legal rights with respect to any of such Owned IP.
- (e) Each member of the BG Group has taken all commercially reasonable steps (including measures to protect secrecy and confidentiality and obtaining waivers of moral rights) to protect the BG Group's right, title and interest in and to all Owned IP existing as of the date hereof. All agents and representatives of the members of the BG Group who have or have had access to confidential or proprietary information of the BG Group relating to the Business IP existing as of the date hereof have a legal obligation of confidentiality to the BG Group with respect to such information.
- (f) All of the Owned IP existing as of the date hereof was developed by full-time employees and contractors of one or more members of the BG Group during the time they were employed or engaged with such entity as software, information technology or hardware developers (the "**Developers**"). All of the Developers and other employees and contractors who have or have had access to confidential or proprietary information relating to such Owned IP have duly executed and delivered Employee IP Agreements in substantially the same form as set forth in

Section 3.19(f) of the Disclosure Schedule to the applicable member of the BG Group on or before the date of commencement of his or her employment with such entity in the form provided to the Purchaser. No member of the BG Group has any knowledge of any material breach of any of the Employee IP Agreements.

- (g) Except as set out in Section 3.19(g) of the Disclosure Letter, no royalty or other amounts are required to be paid by any member of the BG Group in connection with the continued use or exploitation by the BG Group of any Intellectual Property used in the operation of the Business.

3.20 Insurance

Section 3.20 of the Disclosure Letter lists the policies of insurance owned or held by the members of the BG Group. All such policies:

- (a) are, and at all times since the respective start dates of such policies have been, in full force and effect;
- (b) are sufficient for compliance in all material respects by the members of the BG Group with all agreements to which any such entity is a party;
- (c) provide that they will remain in full force and effect through the respective expiry dates thereof; and
- (d) will not terminate or lapse or otherwise be affected in any way by reason of the completion of the Transaction.

3.21 Brokers

Except as disclosed in Section 3.21 of the Disclosure Letter: (a) no finder, broker, agent or other intermediary has acted for or on behalf of any member of the BG Group in connection with the initiation, negotiation or consummation of the Transaction; and (b) no success fee, broker's fee, commission or similar fees will be payable by any member of the BG Group to any Person in connection with the initiation, negotiation or consummation of the Transaction.

3.22 No Sale Agreements

Except as disclosed in Section 3.22 of the Disclosure Letter, there are no Contracts, or any right or privilege capable of becoming a Contract, for the purchase of the Business or any of the material assets of any member of the BG Group. Except as disclosed in Section 3.22 of the Disclosure Letter, no member of the BG Group currently maintains any discussions, conditions or proceedings with respect to the sale, merger, consolidation, liquidation or reorganization of any such entity.

3.23 Compliance with Other Instruments, Laws, Etc.

Each member of the BG Group has complied, and is in compliance, with:

- (a) all Laws applicable to it and the Business, except for any non-compliance that, individually or in the aggregate, has not had and could not reasonably be expected to have a Material Adverse Effect; and
- (b) its constating documents.

3.24 Agreements Restricting Business

Except as disclosed in Section 3.24 of the Disclosure Letter, no member of the BG Group is a party to any agreement or arrangement that restricts the freedom of such entity to carry on the Business, including any Contract that contains covenants by the Corporation not to compete in any line of business competitive with or similar to the Business with any other Person.

3.25 Absence of Questionable Payments

To the knowledge of the Corporation, no member of the BG Group or, to the knowledge of the Corporation, any director, officer, agent or employee of any of the foregoing or any other Person acting on behalf of any of the foregoing, has used any corporate or other funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to government officials or others or established or maintained any unlawful or unrecorded funds in connection with the Business. No member of the BG Group or, to the knowledge of the Corporation, any director, officer, agent or employee of any of the foregoing or any other Person acting on behalf of any of the foregoing, has accepted or received any unlawful contributions, payments, gifts or expenditures in connection with the Business.

3.26 Change of Control

Except as disclosed in Section 3.26 of the Disclosure Letter, no member of the BG Group has approved, is contemplating, considering or has held discussions in respect of, has entered into any Contract in respect of, or has any knowledge of:

- (a) a proposed Change of Control; or
- (b) any Contract, or any right or privilege capable of becoming a Contract, for the purchase, sale, transfer or other disposition of any material property or assets or any interest therein owned directly or indirectly by any member of the BG Group (including, in the case of the Corporation, any of the outstanding shares of any BG Subsidiary).

3.27 Disclosure

- (a) No representation or warranty by the Corporation in this Agreement or in the Disclosure Letter contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact required to be stated in this Agreement or necessary to make the statements contained in this Agreement not false or misleading.
- (b) To the knowledge of the Corporation, there is no fact or circumstance relating specifically to the Business or the members of the BG Group that could

reasonably be expected to result in a Material Adverse Effect and that is not disclosed in the Disclosure Letter.

The Corporation has made available to the Purchaser or its counsel all information reasonably available to the Corporation that the Purchaser (or its counsel) has requested.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Corporation as of the date on which the Initial Installment is paid to the Corporation as follows, and acknowledges that the representations and warranties contained in this Agreement are made by it with the intent that they may be relied upon by the Corporation.

4.1 Incorporation and Organization

The Purchaser is a corporation incorporated and validly subsisting under the laws of the Province of British Columbia, and is in good standing under such laws.

4.2 Corporate Authorization

- (a) The execution and delivery of this Agreement and the consummation of the Transaction have been duly authorized by all necessary corporate action on the part of the Purchaser.
- (b) This Agreement constitutes, a valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought and except as rights to indemnity and contribution may be limited by Law.

4.3 Purchasing for Investment Purposes

The Purchaser is acquiring the interest granted to it herein for investment purposes only and not with a view to the resale or distribution of any portion of such interest.

4.4 Purchase as Principal

The Purchaser is acquiring the interest granted to it herein as principal for its own account, and not on behalf of or for the benefit of any other Person.

ARTICLE 5

SURVIVAL AND INDEMNIFICATION

5.1 Survival

Subject to the limitations contained in this Agreement, all representations and warranties contained in this Agreement on the part of each of the Parties will survive the date hereof for a period of two (2) years following the date of this Agreement.

5.2 Indemnification Obligations

- (a) All covenants, representations and warranties made in this Agreement by the Corporation are deemed to have been relied on by the Purchaser, notwithstanding any investigation made by or on behalf of the Purchaser. Subject to the limitations set forth in Section 5.2(b) and subject to Section 5.2(c), the members of the BG Group (the "**Indemnitors**"), for each of which the Corporation acts as agent hereunder, will jointly and severally indemnify, defend and hold harmless the Purchaser, and each of the Purchaser's officers, directors, employees, agents, advisors, representatives and affiliates, and the respective successors, assigns, heirs, executors, administrators and legal and personal representatives of each of the foregoing (each, an "**Indemnatee**"), from and against all Direct Damages incurred or suffered by any of them in any capacity and resulting from or relating to the occurrence of a Non-Monetary Event of Default.
- (b) The obligations of the Indemnitors under Section 5.2(a) are subject to the following limitations:
 - (i) except for the matters referred to in paragraphs (ii) and (iii) hereof, the obligations of the Indemnitors under Section 5.2(a) will terminate on the date that is two (2) years following the date of this Agreement, except with respect to bona fide claims by any Indemnatee set forth in written notices given by them to the Corporation prior to such date;
 - (ii) the obligations of the Indemnitors in respect of any claim relating to Tax matters, including any claim arising out of Section 3.12, will terminate on the date that is ninety (90) days after the relevant Governmental Authorities are no longer entitled to assess or reassess liability for Taxes (other than interest, penalties, fines, additions to Tax or other additional amounts) against the applicable member of the BG Group, having regard to any waivers given by any such entity in respect of any taxation year, except with respect to bona fide claims by any Indemnatee set forth in written notices given to the Corporation prior to such date;
 - (iii) the obligations of the Indemnitors in respect of any claim based upon fraud or intentional misrepresentation shall survive indefinitely; and
 - (iv) the liability of the Indemnitors under Section 5.2(a), whether alone or in the aggregate, shall be limited to an amount equal to the Aggregate Installment Amount.
- (c) The Indemnitors, for each of which the Corporation acts as agent hereunder, will jointly and severally indemnify, defend and hold harmless the Indemnitees from and against all Direct Damages and Indirect Damages incurred or suffered by any of them in any capacity and resulting from or relating to:
 - (i) an Event of Default;
 - (ii) a Bankruptcy Occurrence; or

- (iii) a breach by the Corporation of Section 6.8.

The rights of indemnity under Section 5.2(c) shall not be subject to any monetary limitation and shall be in addition to, and not in substitution for, all of the rights and remedies of the Indemnitees otherwise afforded to the Indemnitees by law, equity or otherwise in respect of the occurrence of an Event of Default, a Bankruptcy Occurrence or a breach by the Corporation of Section 6.8, including all rights and remedies of the Purchaser under Section 2.12.

ARTICLE 6 GENERAL

6.1 Notices

Any notice given in connection with this Agreement must be in writing and is sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by electronic means:

- (a) in the case of a notice to the Corporation at:

75 Ridout Street, Box 1240
Walkerton, Ontario N0G 2V0
Attention: Adam Hofmann
Email: ahofmann@bgfurniture.ca

- (b) in the case of a notice to the Purchaser at:

243 Queen Street West, 3rd Floor
Toronto, Ontario M5V 1Z4
Attention: William R. Tharp
Email: bill@GrenvilleSRC.com

Any notice delivered or transmitted to a Party in accordance with the foregoing is deemed given and received on the day it is delivered or transmitted if it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. If the notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day, then the notice is deemed to have been given and received on the next Business Day. Any Party may, from time to time, change its physical address or email address by giving notice to the other Parties in accordance with the provisions of this Section 6.1.

6.2 Announcements

Except as otherwise required by Law (including in order to comply with continuous disclosure or other requirements under securities Laws), following the date hereof, the Corporation may make reasonable disclosure of the completion and nature of the Transaction only with the prior written consent of the Purchaser, such consent not to be unreasonably withheld or delayed, and, except as otherwise required by Law (including in order to comply with continuous disclosure or other requirements under securities Laws), the Purchaser may make reasonable disclosure of the completion and nature of the Transaction only with the prior written consent of the Corporation,

such consent not to be unreasonably withheld or delayed. The Corporation hereby consents to the reasonable disclosure by the Purchaser of the completion and nature of the Transaction to Governmental Authorities, the Purchaser's shareholders and to any other Person in connection with any financing, offering, business combination or similar transaction proposed to be undertaken by the Purchaser. The Corporation acknowledges that the Purchaser may be required, in accordance with applicable securities laws, to publicly disclose the Transaction and to file a copy of this Agreement on SEDAR, and the Purchaser agrees that in such case it shall make such redactions to this Agreement as are permitted under Section 12.2(3) of National Instrument 51-102 ("NI 51-102") (subject to compliance by the Purchaser with the remaining provisions of Section 12.2 of NI 51-102) with the prior consultation of the Corporation. The Purchaser hereby consents to the reasonable disclosure by the Corporation of the completion and nature of the Transaction to Governmental Authorities, the Corporation's shareholders and to any other Person in connection with any financing, offering, business combination or similar transaction proposed to be undertaken by any member of the BG Group.

6.3 Facsimile/Adobe Acrobat and Counterparts

This Agreement may be executed via facsimile or scanned Adobe Acrobat (Portable Document Format or PDF) or TIFF document and in any number of counterparts each of which shall be deemed to be an original and all of which when taken together shall be deemed to constitute one and the same instrument and it shall not be necessary in making proof of this Agreement to produce more than one counterpart.

6.4 Further Assurances

The Parties shall with reasonable diligence do all such things and provide all such assurances as may be required or desirable to consummate the Transaction and each Party shall provide such further documents or instruments as may be required or be desired by the other party to effect the purpose of this Agreement and to carry out the provisions of this Agreement, whether before or after Closing.

6.5 Severability

In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

6.6 Delays or Omissions

No delay or omission to exercise any right, power, or remedy accruing to any Party under this Agreement upon any breach or default of the other Party under this Agreement shall impair any such right, power, or remedy of such non-breaching or non-defaulting Party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any Party, shall be cumulative and not alternative.

6.7 Acknowledgment re Drafting

Each Party acknowledges and agrees that the Parties have participated jointly in the negotiation and drafting of this Agreement and, therefore, in the event that any ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favouring or disfavouring any Party by virtue of the authorship of any provision hereof.

6.8 Confidentiality

Each Party acknowledges that it has had access to and will in the future receive confidential and proprietary information concerning the other Party (the "**Confidential Information**"), the disclosure of which would be detrimental to the interests of the other Party. Accordingly, each Party covenants and agrees, subject to Section 6.2, to keep the Confidential Information in strict confidence and not disclose any of such Confidential Information to any Person or use or attempt to use such Confidential Information. Notwithstanding the foregoing, no Party will have liability for any Confidential Information that is:

- (a) already in the public domain or comes into the public domain without any breach of this Agreement;
- (b) required to be disclosed pursuant to Law or pursuant to any regulatory or judicial authority having jurisdiction over such Party; or
- (c) made to a professional advisor of such Party, in which event such party shall ensure that the recipient is aware of and agrees to comply with the terms of this Section 6.8 as if a party to this Agreement.

6.9 Assignment

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns; provided, however, that:

- (a) the Purchaser may, without the consent of the Corporation, assign its rights and obligations or encumber its interest under this Agreement, in whole or in part, to any Person; and
- (b) the Corporation may not assign any of its rights under this Agreement without the prior written consent of the Purchaser (such consent not to be unreasonably withheld by the Purchaser), and any such purported assignment without such prior written consent is void.

For greater certainty, unless terminated, reduced or extinguished pursuant to the terms of this Agreement, the Gross Sales Royalty shall survive, and shall not in any way be extinguished or impaired by, any: (i) Change of Control of any member of the BG Group; or (ii) any transfer by operation of Law or otherwise of this Agreement by the Corporation.

6.10 Payment of Purchaser Expenses

The Corporation will pay all of the reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Purchaser in connection with the Transaction and the various agreements and documents referred to in this Agreement, up to a maximum amount of \$25,000 (plus all disbursements incurred by counsel to the Purchaser and all applicable Taxes on any of the foregoing amounts), which amounts will be deducted from the Initial Installment on the date of payment thereof.

6.11 Force Majeure

Neither Party shall be liable for the failure to comply with any of their respective obligations under this Agreement to the extent, and for the period, that such failure results from Force Majeure. The Party claiming a Force Majeure shall make all reasonable efforts, including all reasonable expenditures, necessary to cure, mitigate or remedy the effects of a Force Majeure.

6.12 Tax Cooperation

The Corporation and the Purchaser shall (and, if requested to do so, shall cause their respective Affiliates to): (i) use commercially reasonable efforts to assist the other Party in preparing for or defending against any audit, investigation, claim, dispute or controversy relating to Taxes regarding the Gross Sales Royalty or the Transaction; and (ii) make available to the other Party and to any taxing authority as reasonably requested all information, records and documents relating to the Gross Sales Royalty or the Transaction; and (iii) furnish the other Party with timely notice of, and copies of all correspondence received from any taxing authority in connection with, any audit, investigation, claim, dispute or controversy relating to Taxes regarding the Gross Sales Royalty or the Transaction.

6.13 Maximum Permitted Rate


Under no circumstances shall the Purchaser be entitled to receive nor shall it in fact receive a payment or partial payment (whether in the form of Royalty Payments, Buyout Payments or otherwise) under or in relation to this Agreement at a rate that is prohibited by applicable law. Accordingly, notwithstanding anything herein or elsewhere contained, if and to the extent that under any circumstances, the effective annual rate of "interest" (as defined in section 347 of the *Criminal Code of Canada*) received or to be received by the Purchaser (determined in accordance with such section) on any amount of "credit advanced" (as defined in that section) pursuant to this Agreement or any agreement or arrangement collateral hereto entered into in consequence or implementation hereof would, but for this Section 6.13, be a rate that is prohibited by applicable law, then the effective annual rate of interest, as so determined, received or to be received by the Purchaser on such amount of credit advanced shall be and be deemed to be adjusted to a rate that is one whole percentage point less than the lowest effective annual rate of interest that is so prohibited (the "**adjusted rate**"); and, if the Purchaser has received a payment or partial payment which would, but for this Section 6.13, be so prohibited then any amount or amounts so received by the Purchaser in excess of the lowest effective annual rate that is so prohibited shall and shall be deemed to have comprised a credit to be applied to subsequent payments on account of other amounts due to the Purchaser at the adjusted rate.

[Signature Page Follows]

IN WITNESS WHEREOF each Party has duly executed this Agreement.

BG FURNITURE LTD.

By:



Name: ADAM HOFMANN

Title: PRESIDENT

**GRENVILLE STRATEGIC ROYALTY
CORP.**

By:



Name: William Hop

Title: CEO/Director

SCHEDULE "A"

DEFINED TERMS

Whenever used in this Agreement, the following words and terms have the following meanings:

"adjusted rate" has the meaning given to it in Section 6.13.

"Affiliate" has the meaning given to it in National Instrument 45-106 - *Prospectus and Registration Exemptions*.

"Aggregate Installment Amount" means, as of a specified date, the aggregate of all Installments actually paid to the Corporation as of such date.

"Agreement" means this royalty purchase agreement, including all schedules and all amendments or restatements, and references to "Article" or "Section" mean the specified Article or Section of this Agreement.

"Annual Financial Statements" means, as at any given date, the financial statements of the Corporation and each other applicable member of the BG Group for the then most recently completed financial year of the applicable member of the BG Group.

"Bankruptcy Occurrence" means the occurrence of any of the following:

- (a) if an order is made or an effective resolution passed for the winding-up or liquidation of any member of the BG Group, or if a petition is filed for the winding-up of any member of the BG Group;
- (b) if any member of the BG Group commits an act of bankruptcy, makes a general assignment for the benefit of its creditors, ceases to carry on the Business or becomes insolvent within the meaning of applicable legislation of any applicable jurisdiction;
- (c) if a bankruptcy petition is filed or presented against any member of the BG Group, or if any proceedings with respect to any member of the BG Group are commenced under any applicable legislation of any applicable jurisdiction providing protection for the benefit of the applicable member of the BG Group; or if an execution, sequestration, or any other process of any court becomes enforceable against any member of the BG Group or if a distress or analogous process is levied upon any part of the property of any member of the BG Group; or
- (d) any trustee in bankruptcy, interim receiver, receiver, receiver and manager, custodian, sequestrator, administrator, monitor or liquidator of any other Person with similar powers is appointed in respect of member of the BG Group or any of the assets or property of any member of the BG Group.

"Bankruptcy Occurrence Trigger Event" has the meaning given to it in Section 2.9(b).

"BG Group" means, collectively, the Corporation and the BG Subsidiaries.

"BG Subsidiaries" means, collectively each direct or indirect subsidiary or investee of the Corporation (whether wholly, partially or not at all owned, directly or indirectly, by the Corporation, and whether or not controlled by the Corporation) incorporated, acquired or established after the date hereof, and **"BG Subsidiary"** means any one of the aforementioned entities.

"Business" means the business currently carried on by the BG Group or as carried on at the relevant time.

"Business Day" means a day, other than a Saturday or Sunday, on which the principal commercial banks located in Walkerton, Ontario and Toronto, Ontario are open for business during normal banking hours.

"Business IP" means the Owned IP and the Licensed IP.

"Buy-down Notice" has the meaning given to it in Section 2.9(a)(i).

"Buy-down Option" has the meaning given to it in Section 2.9(a)(i).

"Buy-down Payment" has the meaning given to it in Section 2.9(a)(i).

"Buyout Payments" has the meaning given to it in Section 2.9.

"Change of Control" means any of the following: (a) a sale or other transfer of all or substantially all of the Corporation's assets, (b) the acquisition of the Corporation by another entity by means of merger, arrangement, share purchase (whether from the Corporation or from the holders of shares in the capital of the Corporation), share exchange, consolidation, reorganization, amalgamation, arrangement, take-over bid, reverse take-over or other business combination or transaction or series of related transactions; provided that a Change of Control shall not include (i) a merger effected exclusively for the purpose of changing the domicile of the Corporation, or (ii) any transaction in which one or more of the Insiders or Affiliates of the Corporation immediately prior to the transaction own 50% or more of the voting power of the surviving corporation (including the Corporation) or the acquirer of the Corporation's assets following the transaction.

"Change of Control Buyout Notice" has the meaning given to it in Section 2.9(a)(iv).

"Change of Control Buyout Option" has the meaning given to it in Section 2.9(a)(iv).

"Closing" means the completion of the Transaction, which shall be deemed to occur on the date on which the last Installment is fully paid to the Corporation.

"Commercial Software Licenses" means "shrink-wrap", "web-wrap", "click-wrap" or other similar generic licenses for commercially available software available to the public.

"Confidential Information" has the meaning given to it in Section 6.8.

"Confirmed Quarterly Royalties" has the meaning given to it in Section 2.4(b).

"Contract" means any written or oral agreement, contract, understanding, arrangement, instrument, note, guarantee, indemnity, warranty, deed, assignment, power of attorney, commitment, covenant or undertaking of any nature.

"Corporation" means BG Furniture Ltd., and includes any assignee of the Corporation pursuant to an assignment made in accordance with Section 6.9(b).

"Developers" has the meaning given to it in Section 3.19(f).

"Direct Damages" means all damages and losses of any kind excluding Indirect Damages.

"Disclosure Letter" means the Disclosure Letter delivered by the Corporation to the Purchaser on the date hereof, as the same may be updated as of the date on which any Subsequent Installment is paid to the Corporation.

"Dispute" has the meaning given to it in Section 2.8.

"Employee IP Agreements" means agreements relating to proprietary information and assignment of inventions to a member of the BG Group by employees and consultants of such entity.

"Event of Default" means the occurrence of any of the following:

- (a) any failure by the Corporation to pay in full when due any Royalty Payment, Buyout Payment or any other amount owing under this Agreement or arising in as a result of or relating to the Transaction, including any amount owing under Section 2.12(c); or
- (b) any default by any member of the BG Group in the observance or performance of any of the Specified Covenants.

"Event of Default Trigger Event" has the meaning given to it in Section 2.9(b).

"Financial Statements" means, collectively, the Annual Financial Statements and the Interim Financial Statements.

"Force Majeure" means any event or circumstance that prevents the affected Party from performing its obligations under this Agreement and is beyond the reasonable control of the affected Party, but:

- (a) is not due to the fault or negligence of the affected Party or those for whom it is responsible at law;
- (b) does not arise by reason of any act or omission by the Party (or those for whom it is responsible at law) claiming Force Majeure in breach of the provisions of this Agreement; and
- (c) does not arise by reason of the lack or insufficiency of funds or failure to make payment of monies.

"GAAP" means generally accepted accounting principles as defined from time to time by the Accounting Standards Board of the Canadian Institute of Chartered Accountants in the Handbook of the Canadian Institute of Chartered Accountants, or the equivalent thereof for and in respect of any other applicable jurisdiction.

"Governmental Authority" means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal, governmental or administrative dispute settlement panel or body or other law, rule or regulation-making entity:

- (a) having or purporting to have jurisdiction on behalf of any nation, province, territory, state or other geographic or political subdivision thereof; or
- (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

"Gross Sales Royalty" has the meaning given to it in Section 2.2.

"Independent Accountant" has the meaning given to it in Section 2.8.

"Indemnitee" has the meaning given to it in Section 5.2(a).

"Indemnitors" has the meaning given to it in Section 5.2(a).

"Indirect Damages" means all indirect, consequential, special, incidental, punitive and aggravated damages and losses, loss of profits and diminution of value.

"Initial Installment" has the meaning given to it in Section 2.1(a).

"Insiders" means:

- (a) directors, officers, shareholders, members, security holders or employees of a member of the BG Group; and
- (b) any other Person not dealing at arm's length with any member of the BG Group or any Affiliate or related party of any member of the BG Group or of any Person referred to in paragraph (a) hereof.

"Installments" means, collectively, the Initial Installment and all Subsequent Installments, and individually means any one of them.

"Intellectual Property" means any or all of the following and all proprietary intellectual property and other rights in, arising out of or associated with:

- (a) all patents and utility models and applications therefore and all provisionals, re-issuances, continuations, continuations-in-part, divisions, revisions, supplementary protection certificates, extensions and re-examinations thereof and all equivalent or similar rights anywhere in the world in inventions and discoveries, including invention disclosures ("**Patents**");

- (b) all registered and unregistered trade-marks, service marks, trade names, trade dress, logos, business, corporate and product names and slogans and registrations, and applications for registration thereof ("**Trade-marks**");
- (c) all copyrights in copyrightable works, and all other rights of authorship, worldwide, and all applications, registrations and renewals in connection therewith ("**Copyrights**");
- (d) all maskworks, maskwork registrations and applications therefor, and any equivalent or similar rights in semiconductor masks, layouts, architectures or topologies ("**Maskworks**"); and
- (e) all World Wide Web addresses, domain names and sites and applications and registrations therefor ("**Domain Names**").

"**Interim Financial Statements**" means, as at any given date, the unaudited management-prepared financial statements of the Corporation and each other member of the BG Group for the then most recently completed calendar month.

"**Laws**" means applicable laws (including common law), statutes, codes, by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, treaties, policies, notices, directions, decrees, judgments, awards or requirements, in each case of any Governmental Authority.

"**Licensed IP**" means all Intellectual Property and Technology that any member of the BG Group uses or has a right to use, including all Intellectual Property and Technology that any member of the BG Group uses or has a right to use at any time after the date hereof, in the conduct of the Business under a Contract with another Person.

"**Liens**" means any lien, hypothec, mortgage, security interest, charge, encumbrance, pledge, option, pre-emptive right, or transfer restriction other than, in the case of references to securities, any transfer restriction arising under applicable securities Laws solely by reason of the fact that such securities were issued pursuant to exemptions from registration or prospectus requirements under such securities Laws.

"**Material Adverse Effect**" means any effect, change, event, occurrence or development with respect to the BG Group or the Business, taken as a whole and as a going concern, that is or is reasonably likely to be materially adverse to the results of the Business or the BG Group's affairs, properties, assets, liabilities or condition (financial or otherwise), operations or capital, or that is materially adverse to the completion of the Transaction.

"**Minimum Monthly Amount**" has the meaning given to it in Section 2.3.

"**Non-Monetary Event of Default**" means the breach by the Corporation of any of the representations, warranties or covenants of the Corporation under this Agreement other than the Specified Covenants.

"Outstanding Installment Amount" means, as of the applicable date on which such amount is determined, an amount equal to the Aggregate Installment Amount less the aggregate of all Royalty Payments actually received by the Purchaser as of such date.

"Owned IP" means all Intellectual Property and Technology that any member of the BG Group owns, including all Intellectual Property and Technology owned by any member of the BG Group at any time after the date hereof.

"Parties" means the Corporation and the Purchaser, and **"Party"** means either one of them.

"Person" means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate or Governmental Authority, and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.

"Pre-Adjusted Quarterly Royalties" has the meaning given to it in Section 2.4(b).

"Purchaser" means Grenville Strategic Royalty Corp., and any assignee thereof pursuant to an assignment made in accordance with Section 6.9(a).

"Quarterly Determination Date" has the meaning given to it in Section 2.4(b).

"Registered IP" means all Canadian, United States, international and foreign:

- (a) Patents;
- (b) registered Trade-marks, applications to register Trade-marks, including intent-to-use applications or other registrations or applications related to Trade-marks and Domain Name registrations;
- (c) Copyrights registrations and applications to register Copyrights;
- (d) Maskwork registrations and applications to register Maskworks; and
- (e) Technology that is the subject of an application, certificate, filing, registration or other document issued by, filed with, or recorded by, any Governmental Authority at any time.

"Revenue of the BG Group" means, in respect of any period commencing on or after the date hereof and without duplication, all funds of any kind directly or indirectly received by the members of the BG Group (which, in respect of any non-wholly owned BG Subsidiary, shall be the percentage of such BG Subsidiary's revenue actually received during such period that is equal to the Corporation's direct or indirect ownership percentage of such BG Subsidiary) during such period on account of or in connection with all products and services sold or otherwise provided by the members of the BG Group, including all royalties, license fees, lease fees, service fees, subscription fees and other forms of compensation directly or indirectly received by a member of the BG

Group (including amounts received in connection with the settlement of disputes or the proceeds of litigation); but excludes:

- (a) any amount received by a member of the BG Group in the form of a grant or other form of funding (including funding for research purposes), incentive, loan, advance, exemption, tax reduction, tax credit, subsidy or similar benefit from any Governmental Authority, institution or organization;
- (b) any amount received by a member of the BG Group which is required by contract or Law to be paid by such entity: (i) to agents or resellers of such entity; or (ii) to third parties on account of shipping, duties or customs charges;
- (c) any amount received by a member of the BG Group from another member of the BG Group; and
- (d) any amount received by a member of the BG Group which constitutes Taxes payable by a Person in connection with goods or services provided by the member of the BG Group to such Person.

"Royalty Payment" has the meaning given to it in Section 2.2 (and, for greater certainty, includes all Minimum Monthly Amounts).

"Subsequent Installment" has the meaning given to it in Section 2.1(b).

"Specified Covenants" means those covenants of the Corporation set out in Sections 2.10(a), 2.10(b), 2.10(d), 2.10(e), 2.10(f), 2.10(k), 2.10(l), 2.10(n), 2.10(o), 2.10(p) and 2.10(q).

"subsidiary" has the meaning given to it in National Instrument 45-106 - *Prospectus and Registration Exemptions*.

"Tax" or "Taxes" means all taxes, assessments, charges, duties, fees, levies, or other governmental charges, including all federal, provincial, state, local, foreign and other income, corporation, franchise, profits, capital gains, estimated, sales (including HST), use, transfer, registration, value added, excise, natural resources, severance, stamp, occupation, premium, environmental, customs, duties, imposts, immovable property, personal property, capital stock, unemployment, disability, payroll, license, employee, deficiency assessments, withholding and other taxes, assessments, charges, duties, fees, levies or other governmental charges (whether payable directly or by withholding and whether or not requiring the filing of a Tax Return), and any interest, penalties, or additions to tax in respect of the foregoing and includes any liability for such amounts as a result either of being a member of a combined, consolidated, unitary or affiliated group or of a contractual obligation to indemnify any Person or other entity.

"Tax Return" means any return, declaration, report, claim for refund, information return or other document (including any related or supporting estimates, elections, schedules, statements or information) filed or required to be filed in connection with the determination, assessment or collection of any Tax or the administration of any Laws relating to any Tax.

"Technology" means:

- (a) works of authorship including computer programs, source code and executable code, whether embodied in software, firmware or otherwise, documentation, designs, methods, techniques, processes, files, industrial models, schematics, specifications, net lists, build lists, records and data;
- (b) inventions (whether or not patentable), improvements, enhancements and modifications;
- (c) proprietary and confidential business and technical information, including technical data, trade secrets, ideas, research and development and know how; and
- (d) databases, data compilations and collections and technical data.

"Transaction" means the transactions contemplated in this Agreement.

Schedule "B"

SAMPLE CALCULATION OF THE CHANGE OF CONTROL BUYOUT

EXAMPLE 1

- Buy-down not exercised
- Company sells for \$8,000,000

Equity Method

\$750,000 invested/ \$2,500,000 = 30.00% equity interest

\$8,000,000 sales price x 30.00% = \$2,400,000

\$2,400,000 x 0.8 = \$1,920,000 payment

OR

2 x \$750,000 = \$1,500,000 payment

\$1,920,000 takes precedence and therefore payment is \$1,920,000

EXAMPLE 2

- Buy-down exercised
- Company sells for \$8,000,000

Equity Method

\$750,000 invested/ \$2,500,000 = 30.00% equity interest

\$8,000,000 sales price x 30.00% = \$2,400,000

\$2,400,000 x 0.8 = \$1,920,000

\$1,920,000 x 50% Buydown Percentage = \$960,000

\$960,000 payment

OR

2 x \$750,000 x 50% Buydown Percentage = \$750,000

Therefore, the \$960,000 payment takes precedence

THIS IS EXHIBIT K REFERRED
TO IN THE AFFIDAVIT OF

Angela Hoffmann
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault *per 408*
A COMMISSIONER, ETC.

Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.

per 408

SECURITY AGREEMENT - EQUIPMENT

This General Security Agreement dated the 2 day of September, 2015, is made by BG Furniture Ltd., an Ontario corporation ("**Borrower**") in favour of **DSL Industrial Limited**, an Ontario corporation ("**DSL**")

WITNESSETH

WHEREAS:

- a. Pursuant to the Bill of Sale, DSL sold and assigned the Collateral to the Borrower;
- b. The Borrower is indebted to DSL for an unpaid portion of the purchase price for the Collateral as evidenced by the Note;
- c. The Borrower has agreed to grant DSL a security interest in the Collateral pursuant to the terms of this Agreement to secure payment of the Obligations and such security interest is intended to be a purchase money security interest, as such term is defined in the PPSA.

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

Unless there is something in the subject matter or content inconsistent therewith:

- (a) "**Affiliate**" has the meaning ascribed to such term in the *Business Corporations Act* (Ontario),
- (b) "**Applicable Law**" means, in respect of any person, property, transaction or event, all applicable laws, statutes, rules, by-laws (including zoning by-laws) and regulations, and all applicable official directives, orders, judgments and decrees, consents, exemptions, approvals, licences, guidelines and policies of Governmental Bodies (and, in the case of Section 3.2 whether or not having the force of law) relating to such person, property, transaction or event;
- (c) "**Bill of Sale**" means a bill of sale of even date herewith made between DSL as vendor and the Borrower as purchaser pursuant to which DSL sold and assigned all of its right, title and interest in the equipment listed in Schedule "D" hereto to the Borrower.
- (d) "**Business Day**" means any day except Saturday, Sunday or a statutory holiday in the Province of Ontario

- (e) **"Collateral"** means the equipment of the Borrower described in the Bill of Sale as listed in Schedule "E" hereto which is specifically charged pursuant to Section 2.1 and includes all cash and non cash proceeds thereof;
- (f) **"Constating Documents"** means, in the case of a corporation incorporated under the laws of the Province of Ontario or the federal laws of Canada, the articles (within the meaning of the Applicable Law) and the by-laws of the corporation; in the case of a partnership, the partnership agreement and the limited partnership declaration, if applicable;
- (g) **"Environmental Assessment"** means any inquiry, investigation or report of the environmental condition of the Premises;
- (h) **"Environmental Laws"** means all applicable federal, provincial, regional, state, municipal or local laws, common law, statutes, regulations, ordinances, codes, rules, guidelines, requirements, certificates of approval, licences or permits relating to Hazardous Substances or the use, consumption, handling, transportation, storage or Release thereof including (and in addition to any such laws relating to the environment generally) any such laws relating to public health, occupational health and safety, product liability or transportation;
- (i) **"Environmental Order"** means any prosecution, order, decision, notice, direction, report, recommendation or request issued, rendered or made by any Governmental Body in connection with Environmental Laws;
- (j) **"Event of Default"** means any one or more of the events set out or referred to in Section 5.1;
- (k) **"Governmental Body"** means any nation, government, province, state, region, municipality or other political subdivision or any governmental department, ministry, commission, board, agency or instrumentality or other public authority or person, domestic or foreign, exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government, and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing and includes any court of competent jurisdiction;
- (l) **"Hazardous Substance"** means any substance, combination of substances or by-product of any substance which is or may become hazardous, toxic, injurious or dangerous to any person, property, air, land, water, flora, fauna or wildlife; and includes but is not limited to contaminants, pollutants, wastes and dangerous, toxic, deleterious or designated substances as defined in or pursuant to any Environmental Laws or Environmental Orders;

- (m) **"Lien"** means any mortgage, lien, pledge, assignment, charge, security, interest, title retention agreement, hypothec, levy, execution, seizure, attachment, garnishment, right of distress or other claim in respect of property of any nature or kind whatsoever howsoever arising (whether consensual, statutory or arising by operation of law or otherwise) and includes arrangements known as sale and lease-back, sale and buy-back and sale with option to buy-back;
- (n) **"Normal Business"** has the meaning ascribed thereto in Section 4.1(l) hereof;
- (o) **"Note"** means the promissory note of even date herewith executed and delivered by the Borrower to DSL, a true copy of which is annexed hereto as Schedule "E";
- (p) **"Obligations"** means all monies now or at any time and from time to time hereafter owing or payable by the Borrower to DSL pursuant to the Note or otherwise arising pursuant to the terms of this Agreement;
- (q) **"Occupants"** means the Borrower, its tenants and other occupants of any Premises;
- (r) **"Permitted Liens"** means the following -
- (i) liens for taxes, assessments, governmental charges or levies not for the time being due and delinquent,
 - (ii) easements, rights of way or other similar rights in land existing at the date of this Agreement which individually or in the aggregate do not in DSL's opinion materially detract from the value of the property concerned or materially impair its use in the operation of the business of the Borrower,
 - (iii) rights reserved to or vested in any Governmental Body by the terms of any lease, licence, franchise, grant or permit, or by any statutory provision, to terminate the same or to require annual or other periodic payments as a condition of the continuance thereof,
 - (iv) any Lien the validity of which is being contested by the Borrower in good faith by appropriate legal proceedings and in respect of which either -
 - (1) security adequate in the opinion of DSL has been provided to it to ensure payment of such liens; or
 - or
 - (2) DSL is of the opinion that such liens are not materially prejudicial to the security hereof,
 - (v) any reservations, limitations, provisos and conditions expressed in any original grant from the Crown which do not in DSL's opinion materially

detract from the value of the property concerned or materially impair its use in the operation of the business of the Borrower,

- (vi) title defects or irregularities which, in the opinion of counsel to DSL, are of a minor nature and in the aggregate will not in DSL's opinion materially detract from the value of the property concerned or materially impair its use in the operation of the business of the Borrower, and
- (vii) the Liens set out in **Schedule C** hereto;
- (s) "**Permitted Substances**" means, in respect of each Occupant, those substances necessary to the carrying on of the Normal Business of such Occupant;
- (t) "**PPSA**" means the *Personal Property Security Act* (Ontario)
- (u) "**Premises**" means all lands and premises owned or occupied by the Borrower from time to time (including the lands and premises referred to in **Schedule A** hereto);
- (v) "**Receiver**" shall include one or more of a receiver, receiver-manager or receiver and manager of all or a portion of the undertaking, property and assets of the Borrower appointed by DSL pursuant to this Agreement or by or under any judgment or order of a court;
- (w) "**Release**" includes abandon, add, deposit, discharge, disperse, dispose, dump, emit, empty, escape, leach, leak, migrate, pour, pump, release or spill;
- (x) "**Security Documents**" means this Agreement, providing security against the assets of the Borrower in favour of DSL for the Obligations; and
- (y) "**Subsidiary**" has the meaning ascribed to such term in the *Business Corporations Act* (Ontario).

1.2 Construction

- (a) The division of this Agreement into Articles, Sections, subsections, paragraphs and clauses and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement.
- (b) Words importing the singular number only include the plural and vice versa and words importing gender includes all genders.
- (c) The terms, "**this Agreement**", "**hereof**", "**hereunder**", and similar expressions refer to the whole of this agreement, as it may be amended, modified, revised, supplemented or restated from time to time, and not to any particular Article, Section, subsection, paragraph or other portion of this Agreement.

- (d) The terms, "**including**", "**includes**", "**any**" and "**or**", are not exclusive or limiting unless expressly indicated to the contrary.
- (e) The term, "**person**", means any individual, corporation, company, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.
- (f) Every reference to a party hereto shall extend to and include such party's heirs, executors, administrators, other legal representatives, successors and permitted assigns, as if specifically named.
- (g) Unless otherwise expressly provided in this Agreement, any reference in this Agreement to any law shall include any by-law, regulation, order, act or statute of any governmental body and shall be construed as a reference thereto as amended or re-enacted from time to time or as a reference to any successor thereto.
- (h) Time shall be in all respects of the essence herein.
- (i) If any of the provisions of this Agreement shall be held invalid or unenforceable by any court having jurisdiction, this Agreement shall be construed as if not containing those provisions, and the rights and obligations of the parties hereto should be construed and enforced accordingly.
- (j) This Agreement shall be governed by, and construed in accordance with, the internal laws of the Province of Ontario and the federal laws of Canada applicable therein (other than conflict of laws rules) and shall be treated in all respects as an Ontario contract.
- (k) Except as expressly provided herein, terms which are defined in the *Personal Property Security Act* (Ontario) shall have the same meaning where used herein.

ARTICLE 2 SECURITY

2.1 Charge

Subject to the exceptions set forth in Section **Error! Reference source not found.**, the Borrower hereby:

- (a) grants, sells, assigns, conveys, transfers, mortgages, pledges and charges, as and by way of fixed and specific mortgage, pledge and charge to and in favour of DSL, and grants to DSL a security interest in the Collateral and all cash and non cash proceeds thereof.

2.2 Charge Valid Irrespective of Advance of Money

The mortgages, pledges and charges hereby created shall have effect and be deemed to be effective whether or not the monies or obligations hereby secured or any part thereof shall be

advanced or owing or in existence before or after or upon the date of this Agreement and neither the giving of this Agreement nor any advance of funds shall oblige DSL to advance any funds or any additional funds. The Borrower acknowledges that the parties have not agreed to postpone the time for attachment of any of the charges created hereby, including the floating charge created hereby, all of which shall attach upon the execution hereof. The Borrower acknowledges that value has been given.

2.3 Continuing Security

The Collateral and any other security given with DSL's consent in replacement thereof, substitution therefore or in addition thereto shall be held by DSL as general and continuing security for due payment and performance of all Obligations, including all costs and amounts payable pursuant hereto and interest on the Obligations at the rate or rates applicable thereto in accordance with the prevailing agreement between DSL and the Borrower. Any and all payments made at any time in respect of the Obligations and the proceeds realized from any securities held therefore (including moneys realized from the enforcement of this Agreement and any increase in or profits from the Collateral) may be applied (and reapplied from time to time notwithstanding any previous application) to such part or parts of the Obligations as DSL sees fit, or held by DSL unappropriated as additional security hereunder for such period of time as DSL sees fit to be applied against the Obligations when and how DSL sees fit. The Borrower shall be accountable for any deficiency and DSL shall be accountable for any surplus.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 General Representations and Warranties

The Borrower represents warrants and covenants to and with DSL as follows:

(a) Status

The Borrower is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation (or, if a partnership, is a validly subsisting partnership) and has the power and capacity to own its properties and assets and to carry on its business as presently carried on by it; and holds all material licences, permits and assets as are required to own its properties and assets and to carry on business in each jurisdiction in which it does so.

(b) Power and Capacity

The Borrower has the power and capacity to enter into this Agreement and to do all acts and things as are required or contemplated hereunder or thereunder to be done, observed and performed by it.

(c) Due Authorization and Enforceability

The Borrower has taken all necessary action to authorize the execution, delivery and performance of this Agreement and it constitutes a valid and binding obligation of the Borrower enforceable against it in accordance with its terms, subject only to the following qualifications -

- (i) an order of specific performance and an injunction are discretionary remedies, and in particular, may not be available where damages are considered an adequate remedy, and
- (ii) enforcement may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar laws generally affecting enforceability of creditors' rights.

(d) No Contravention

The execution and delivery of this Agreement and the performance by the Borrower of its obligations hereunder -

- (i) do not and will not violate any Applicable Law or any provision of the Constatng Documents of the Borrower or constitute a breach of any existing contractual or other obligation of the Borrower or contravene any licence or permit to which the Borrower is subject,
- (ii) will not result in the creation of, or require the Borrower to create, any Lien in favour any person other than DSL, and
- (iii) will not result in or permit the acceleration of the maturity of any indebtedness or other obligation of the Borrower.

(e) No Consents Required

No authorization, consent or approval of, or filing with or notice to, any person is required in connection with the execution, delivery or performance of this Agreement by the Borrower.

(f) Locations

The chief executive office of the Borrower is at the location specified in **Schedule A** hereto and all of the tangible Collateral

(g) Title

Subject only to Permitted Liens, the Borrower lawfully owns and is lawfully possessed of the Collateral and all property and assets indicated by the financial statements which it has delivered to DSL to be owned by it and has good right and authority to mortgage and charge the same as provided for herein, free and clear

of all Liens (other than Permitted Liens), and it will warrant and defend the title thereto as well as to any other property, rights and interests hereafter acquired by the Borrower. No person has any agreement or right or option to acquire any of such property (except under unfilled purchase orders accepted in the ordinary course of business for the sale of Inventory).

(h) Solvency and Proceedings

The Borrower is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada). No act or proceedings have been taken by or, to the Borrower's knowledge, against or, to the Borrower's knowledge, are pending in connection with, and the Borrower is not in the course of and has not received any notice with respect to, amalgamation, winding-up, surrender of charter, cancellation of charter, dissolution, liquidation, insolvency, bankruptcy, reorganization or a sale of assets out of the ordinary course of business. The Borrower is not in default in complying with the provisions of the *Employer Health Tax Act* (Ontario), the *Retail Sales Tax Act* (Ontario), the *Fuel Tax Act* (Ontario), the *Gasoline Tax Act* (Ontario), the *Tobacco Tax Act* (Ontario) or, if a corporation, the *Corporations Information Act* (Ontario) or the *Corporations Tax Act* (Ontario).

(i) No Litigation

There are no actions, suits, judgments, awards or proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower before any court or government department, commission, board, agency or instrumentality, domestic or foreign, or before any other authority, or before any arbitrator of any kind, which would, if determined adversely to the Borrower, materially adversely affect its business, property, financial condition or prospects or its ability to perform any of the provisions of any Security Document to which it is a party or which purports to affect the legality, validity or enforceability of any Security Document, and the Borrower is not in default with respect to any judgment, order, writ, injunction, award, rule or regulation of any Governmental Body or any arbitrator, which individually or in the aggregate results in any such material adverse effect.

(j) No Default

The Borrower is not in default or breach under any material commitment or obligation or under any order, writ, decree or demand of any Governmental Body or with respect to any leases, licences or permits to own and/or operate material properties and assets or to carry on business and there exists no state of facts which, after notice or the passage of time or both, would constitute such a default or breach; and there are not any proceedings in progress, pending or threatened, which may result in the revocation, cancellation, suspension or any adverse modification of any such leases, licences or permits.

(k) Consumer Goods

None of the Collateral now owned or hereafter acquired is now or shall at any time be consumer goods of the Borrower.

3.2 Environmental Representations and Warranties

The Borrower represents warrants and covenants to and with DSL as follows:

- (a) The Collateral and the operations of the Occupants now and will at all times in future comply in all material respects with all Environmental Laws and Environmental Orders.
- (b) After due and diligent inquiry, it has been found that, except for Permitted Substances, there is no Hazardous Substance on or in any of the Premises.
- (c) There is no judicial or administrative proceeding or investigation pending and no Environmental Order has been issued or, to the best of the Borrower's knowledge, threatened concerning the possible violation of any Environmental Laws or Environmental Orders by any of the Occupants, by any of the operations of the Occupants or otherwise in relation to the Collateral.
- (d) Except for Permitted Substances, no Hazardous Substance shall be brought onto or used on or in any part of the Premises without the prior written consent of DSL and any Hazardous Substance brought onto or into any part of the Premises or used by any person on or in any part of the Premises shall be transported, used and stored only in accordance with all Environmental Laws, other lawful requirements, prudent industrial standards (including any published environmental standards of any applicable industry association) and any requirements of applicable insurance policies.
- (e) The Borrower has created, properly organized and maintained all documentation and records concerning environmental matters as required by any Environmental Laws or Environmental Orders and will maintain such documentation and records at all times in future as aforesaid.
- (f) The Borrower has provided to DSL any Environmental Assessment and related documentation concerning any of the Premises in its possession or control and shall promptly provide to DSL any such material as the Borrower may obtain in future.
- (g) The Borrower shall promptly notify DSL if it -
 - (i) receives notice from any Governmental Body of any violation or potential violation of any Environmental Laws or Environmental Orders, including the Release of a Hazardous Substance, which may have occurred or been committed or is about to occur or be committed,

- (ii) receives notice that any administrative or judicial complaint or Environmental Order has been issued or filed or is about to be issued or filed against any of the Occupants or their representatives alleging violations of any Environmental Laws or Environmental Orders or requiring the taking of any action in connection with any Hazardous Substance,
 - (iii) learns of the enactment of any Environmental Laws or the issuance of any Environmental Orders which may have a material adverse effect on the Premises or the operations or the condition, financial or otherwise, of any of the Occupants, or
 - (iv) knows of or suspects that any Hazardous Substance (other than a Permitted Substance) has been brought onto any part of the Premises or that there is any actual, threatened or potential Release of any Hazardous Substance (whether or not a Permitted Substance) on, from, in or under any part of the Premises.
- (h) The Borrower shall indemnify DSL and hold DSL harmless against and from all loss, costs, damages and expenses which DSL may sustain, incur or be or become liable for by reason of or arising from the presence, clean-up, removal or disposal of any Hazardous Substance referred to in this section or compliance with Environmental Laws or Environmental Orders relating thereto, including any clean-up, decommissioning, restoration or remediation of the Premises and other affected lands or property (and this indemnification shall survive the satisfaction, release or extinguishment of the indebtedness secured hereby).

ARTICLE 4

COVENANTS OF THE BORROWER

4.1 General Covenants

So long as this Agreement remains outstanding, the Borrower covenants and agrees as follows:

(a) **To Pay Costs**

The Borrower shall pay all reasonable costs, charges and expenses of or incurred by DSL as follows –

- (i) incidental to the preparation, execution and filing of this Agreement and any instruments relating hereto (including any supplemental security or any instrument amending this Agreement),
- (ii) in inspecting the Collateral, with respect to, or resulting from, any failure or delay by the Borrower in performing or observing any of its obligations under this Agreement, or in or about taking, recovering or keeping

possession of any of the Collateral or in any other proceedings taken in enforcing the remedies provided herein or otherwise in relation to this Agreement or the Collateral, or by reason of non-payment of the moneys hereby secured,

- (iii) the costs of any sale proceedings hereunder, whether such sale prove abortive or not, and
- (iv) the costs of any Receiver with respect to, and all expenditures made by DSL or any Receiver in the course of, doing anything hereby permitted to be done by DSL or such Receiver (including any costs and expenditures relating to compliance with the *Bankruptcy and Insolvency Act* (Canada)). All such costs and expenses and other monies payable hereunder, together with interest at the highest rate applicable to any Obligations, shall be payable on demand and shall constitute a charge on the Collateral.

Without limiting the generality of the foregoing, such costs shall extend to and include any legal costs incurred by or on behalf of DSL on a full indemnity basis.

(b) To Pay Certain Debts

The Borrower shall punctually pay and discharge every obligation, failure to pay or discharge which might result in any lien or charge or right of distress, forfeiture, termination or sale or any other remedy being enforced against the Collateral and provide to DSL when required satisfactory evidence of such payment and discharge, but the Borrower may on giving DSL such security (if any) as DSL may require refrain from paying or discharging any obligation so long as it contests in good faith its liability therefore.

(c) To Maintain Existence and Security

The Borrower shall -

- (i) maintain its existence,
- (ii) diligently preserve all its rights, licences, powers, privileges, franchises and goodwill, to the extent the Borrower deems it to be commercially reasonable to do so,
- (iii) observe and perform all of its obligations and comply with all conditions under leases, licences and other agreements to which it is a party or upon or under which any of the Collateral is held,
- (iv) carry on and conduct its business in a proper and efficient manner so as to preserve and protect the Collateral and income therefrom,
- (v) keep proper books of account with correct entries of all transactions in relation to its business,

- (vi) observe and conform to all valid requirements of Applicable Law and of any Governmental Body relative to the Collateral or the carrying on by the Borrower of its business,
- (vii) repair and keep in repair and good order and condition all property, including the Collateral, the use of which is necessary or advantageous in connection with its business, to the extent the Borrower deems it to be commercially reasonable to do so,
- (viii) except in the case of consumable Inventory and except for a reasonable number of Inventory items used by the Borrower for demonstration purposes, keep all Inventory in a new and unused condition,
- (ix) immediately notify DSL in writing of any proposed change of name of the Borrower or of the Borrower's chief executive office,
- (x) keep DSL constantly informed in writing as to the location of the Collateral and the books of account and other records of the Borrower, and
- (xi) effect such registrations as may be required by DSL from time to time to protect the security hereof.

(d) Leases

- (i) The Borrower shall at all times perform and discharge all of the Borrower's covenants and obligations under any Lease.
- (ii) The Borrower will not without the written consent of DSL terminate, surrender, amend, alter or vary the terms and conditions of the any Lease. Nor shall the Borrower, without the written consent of DSL, waive performance by the landlord under any of the Leases or release any of the said landlords from any obligations under their respective Leases.

(e) To Insure

The Borrower shall keep the Collateral and the operations of the Borrower insured in such amounts as DSL may reasonably require against loss or damage by fire and such other risks as DSL may from time to time specify, with insurers approved by DSL. The Borrower shall whenever from time to time requested by DSL provide DSL with satisfactory evidence of such insurance and any renewal thereof which shall at all times be subject to loss payee clauses in a form approved by DSL, and shall at the request of DSL forthwith assign, transfer and deliver unto DSL the policy or policies of such insurance. Evidence satisfactory to DSL of the renewal of every policy of insurance shall be provided to DSL at least seven (7) days before the termination thereof.

(f) To Furnish Proofs

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The Borrower shall forthwith on the happening of any loss or damage furnish at its own expense all necessary proofs and do all necessary acts to enable DSL to obtain payment of the insurance monies, which, in the sole discretion of DSL, may be applied in reinstating the insured property or be paid to the Borrower or be applied in payment of the monies owing hereunder, whether due or not then due, or paid partly in one way and partly in another.

(g) Inspection by DSL

The Borrower shall allow any employees or authorized agents of DSL at any reasonable time to enter the premises of the Borrower in order to inspect the Collateral and to inspect the books and records of the Borrower and make extracts therefrom, and shall permit DSL prompt access to such other persons as DSL may deem necessary or desirable for the purposes of inspecting or verifying any matters relating to any part of the Collateral or the books and records of the Borrower, provided that any information so obtained shall be kept confidential, save as required by DSL in exercising its rights hereunder.

(h) Notice of Litigation and Damage

The Borrower will promptly give written notice to DSL of –

- (i) all claims or proceedings pending or threatened against the Borrower which may give rise to uninsured liability in excess of Twenty-Five Thousand Dollars (\$25,000.00) or which may have a material adverse affect on the business or operations of the Borrower, and
- (ii) all damage to or loss or destruction of any property comprising part of the Collateral which may give rise to an insurance claim in excess of Twenty-Five Thousand Dollars (\$25,000.00); and will supply DSL with all information reasonably requested in respect of any such claim.

(i) Notice of Default

The Borrower will promptly give written notice to DSL of the occurrence of any Event of Default or of any event which after notice or lapse of time would constitute an Event of Default.

(j) Not to Create Certain Charges

The Borrower shall not, without the prior written consent of DSL, create or permit to arise any Lien on any of the Collateral (other than Permitted Liens), and will not permit any Subsidiary to do the same (except in favour of the Borrower).

(k) Not to Sell

The Borrower shall not, except as otherwise permitted hereunder, remove, destroy, lease, sell or otherwise dispose of any of the Collateral;

(l) Not to Make Certain Changes

The Borrower shall not without the prior written consent of DSL:

- (i) materially change the nature of the Borrower's business as presently carried on ("Normal Business"),
- (ii) enter into a partnership, joint venture or syndicate with any other person; acquire or establish any Subsidiary; or, if a corporation, amalgamate, consolidate or merge with any person,
- (iii) enter into any transaction, or permit any Subsidiary to do so, outside the ordinary active business operations of the Borrower and its Subsidiaries,
- (iv) acquire or invest in any securities except instruments or securities issued by a financial institution or liquid securities traded on a recognized public securities exchange and acquired only for the Borrower's cash management purposes or permit any Subsidiary to do so, or
- (v) remove any of the Collateral, except as may be permitted hereunder (eg. sales of Inventory in the ordinary course of business, dispositions of Equipment in the ordinary course of business, etc.) or any of the books of account or other records of the Borrower from the jurisdiction where presently located.

**ARTICLE 5
EVENTS OF DEFAULT AND REMEDIES**

5.1 Events of Default

The occurrence of any of the following events shall constitute an Event of Default under this Agreement:

- (a) if default occurs in payment or performance of any Obligation (whether arising herein or otherwise);
- (b) if any representation or warranty made by the Borrower herein or in any other Security Document or in any certificate, statement or report furnished in connection herewith is found to be false or incorrect in any way so as to make it materially misleading when made or when deemed to have been made;
- (c) if default occurs in payment or performance of any obligation in favour of any person to whom the Borrower is indebted except obligations to trade creditors

incurred in the ordinary course of business or except where the Borrower is contesting such obligation in good faith;

- (d) if default occurs in payment or performance of any obligation (whether now existing, presently arising or created in future) of any Affiliate of the Borrower in favour of DSL;
- (e) if the Borrower commits an act of bankruptcy or becomes insolvent within the meaning of any bankruptcy or insolvency legislation applicable to it or a petition or other process for the bankruptcy of the Borrower is filed or instituted, except where contested by the Borrower in good faith;
- (f) if any act, matter or thing is done toward, or any action or proceeding is launched, had or taken for, terminating the corporate existence of the Borrower, whether by winding-up, surrender of charter or otherwise;
- (g) if the Borrower ceases to carry on its business or makes or proposes to make any sale of its assets in bulk or any sale of its assets out of the usual course of its business;
- (h) if any proposal is made or any petition is filed by the Borrower under any law having for its purpose the extension of time for payment, composition or compromise of the liabilities of the Borrower or other reorganization or arrangement respecting its liabilities or if the Borrower gives notice of its intention to make or file any such proposal or petition including an application to any court for an order to stay or suspend any proceedings of creditors pending the making or filing of any such proposal or petition;
- (i) if any receiver, administrator or manager of the property, assets or undertaking of the Borrower or a substantial part thereof is appointed pursuant to the terms of any trust deed, trust indenture, debenture or similar instrument or by or under any judgment or order of any court;
- (j) if the Borrower permits any sum which has been admitted as due by it or is not disputed to be due by it and which forms, or is capable of being made, a charge upon any of the Collateral in priority to, or *pari passu* with, the charge created by this Agreement to remain unpaid for thirty (30) days after proceedings have been taken to enforce the same as such charge;
- (k) if any proceedings are taken to enforce any Lien affecting any of the Collateral;
- (l) if any action is taken or power or right be exercised by any Governmental Body or if any claim or proceeding is pending or threatened by any person which may have a material adverse effect on the Borrower, its business or operations, its properties or its prospects; or

- (m) if in the opinion of DSL a material adverse change has occurred in the financial condition or business of the Borrower which may impair the ability or willingness of the Borrower to perform any of the Obligations or if DSL considers that the Collateral is in jeopardy or that DSL is insecure;

5.2 Consequences of an Event of Default

Upon the occurrence of an Event of Default, all Obligations and all monies secured hereby shall at the option of DSL become forthwith due and payable whereupon the floating charge hereby created shall crystallize, all of the rights and remedies hereby conferred in respect of the Collateral shall become immediately enforceable and any and all additional and collateral securities for payment of the Obligations shall become immediately enforceable.

5.3 Enforcement

Upon the happening of any Event of Default DSL may by instrument in writing declare that the security hereof has become enforceable and crystallized and DSL shall have the following rights and powers:

- (a) to enter into possession of all or any part of the Collateral;
- (b) to preserve and maintain the Collateral and make such replacements thereof and additions thereto as it deems advisable;
- (c) to pay or otherwise satisfy in whole or in part any Liens which, in DSL's opinion, rank in priority to the security hereof;
- (d) after entry by its officers or agents or without entry to sell, lease or otherwise dispose in any way whatsoever of all or any part of the Collateral either en bloc or separately at public auction or by tender or by private agreement and at such time or times and on such terms and conditions as DSL in its absolute discretion may determine and without any notice to or concurrence of the Borrower except as may be required by Applicable Law; and
- (e) by instrument in writing to appoint any person or persons (whether an officer or officers of DSL or not) the Receiver of all or any part of the Collateral and to remove any Receiver so appointed and appoint another or others in his stead.

The security of this Agreement may be realized and the rights enforced by any remedy or in any manner authorized or permitted by this Agreement or by law or equity and no remedy for the realization of the security hereof shall be exclusive of or dependent upon any other remedy and all or any remedies may from time to time be exercised independently or in any combination.

5.4 Disposition

Without limiting the generality of the foregoing it shall be lawful for DSL:

- (a) to make any sale, lease or other disposition of the Collateral either for cash or upon credit or partly for one and partly for the other upon such conditions as to terms of payment as it in its absolute discretion may deem proper;
- (b) to rescind or vary any contract for sale, lease or other disposition that DSL may have entered into pursuant hereto and resell, release or redispense of the Collateral with or under any of the powers conferred herein; and
- (c) to stop, suspend or adjourn any sale, lease or other disposition from time to time and to hold the same as adjourned without further notice.

Upon any such sale, lease or other disposition DSL shall be accountable only for money actually received by it. The Borrower shall be accountable for any deficiency and DSL shall be accountable for any surplus. DSL may deliver to the purchaser or purchasers of the Collateral or any part thereof good and sufficient conveyances or deeds for the same free and clear of any claim by the Borrower. The purchaser or lessee receiving any disposition of the Collateral or any part thereof need not inquire whether default under this Agreement has actually occurred but may as to this and all other matters rely upon a statutory declaration of an officer of DSL, which declaration shall be conclusive evidence as between the Borrower and any such purchaser or lessee, and the purchaser or lessee need not look to the application of the purchase money, rent or other consideration given upon such sale, lease or other disposition, which shall not be affected by any irregularity of any nature or kind relating to the crystallizing or enforcing of the security hereof or the taking of possession of the Collateral or the sale, lease or other disposition thereof.

5.5 Powers of Receiver

Any Receiver appointed as aforesaid shall have the power without legal process:

- (a) to take possession of the Collateral or any part thereof wherever the same may be found;
- (b) to carry on the business of the Borrower or any part thereof in the name of the Borrower or of the Receiver; and
- (c) to exercise on behalf of DSL all of the rights and remedies herein granted to DSL,

and without in any way limiting the foregoing the Receiver shall have all the powers of a receiver appointed by a court of competent jurisdiction. Any Receiver shall, so far as concerns responsibility for his acts, be deemed the agent of the Borrower, and DSL shall not be in any way responsible for any misconduct or negligence on the part of any Receiver or any loss resulting therefrom.

5.6 Application of Moneys

All moneys actually received by DSL or by the Receiver in enforcing the security of this Agreement shall be applied, subject to the proper claims of any other person:

- (a) first, to pay or reimburse DSL and any Receiver the costs, charges, expenses and advances payable by the Borrower in accordance herewith;
- (b) second, in or toward the payment to DSL of the Obligations in such order as DSL in its sole discretion may determine; and
- (c) third, any surplus shall be paid to the Borrower or its assigns.

5.7 Limitations on Liability

Neither the provisions of this Agreement nor anything done under or pursuant to the rights, remedies and powers conferred upon DSL and the Receiver, whether hereunder or otherwise, will render DSL a mortgagee in possession. Neither DSL nor any Receiver will be bound to collect, dispose of, realize, enforce or sell any securities, Instruments, Chattel Paper or Intangibles (including any Accounts) comprised in the Collateral or to allow any such Collateral to be sold or disposed of, nor will it be responsible for any loss occasioned by any such sale or other dealing or for any failure to sell or so act, nor will it be responsible for any failure to take necessary steps to preserve rights against others in respect of such Collateral, nor will it be responsible for any loss occasioned by the failure to exercise any rights in respect of Collateral within the time limited for the exercise thereof. Neither DSL nor the Receiver will be obligated to keep Collateral separate or identifiable.

ARTICLE 6 GENERAL

6.1 Waiver and Amendment

No waiver of any provision hereof and no consent to any departure by the Borrower herefrom shall be effective unless the same shall be in writing and signed by DSL and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. Any amendment hereto shall be signed by DSL and the Borrower.

6.2 Waivers and Indemnity.

- (a) To the extent permitted by applicable law, the Borrower unconditionally and irrevocably waives
 - (i) all claims, damages and demands it may acquire against DSL arising out of the lawful exercise by DSL or any Receiver of any rights or remedies under this Agreement or at law, and
 - (ii) all of the rights, benefits and protections given by any present or future statute that imposes limitations on the rights, powers or remedies of a secured party or on the methods of, or procedures for, realization of security, including any "seize or sue" or "anti-deficiency" statute or any similar provision of any other statute.

- (b) The Borrower agrees to indemnify DSL from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (except by reason of the gross negligence or willful misconduct of DSL or any of its agents or employees) which may be imposed on, incurred by, or asserted against DSL and arising by reason of any action (including any action referred to in this Agreement) or inaction or omission to do any act in connection with this Agreement.

6.3 Other Securities

The rights of DSL hereunder shall not be prejudiced nor shall the liabilities of the Borrower or of any other person be reduced in any way by the taking of any other security of any nature or kind whatsoever either at the time of execution of this Agreement or at any time hereafter.

6.4 No Merger or Novation

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Borrower to pay the moneys hereby secured nor shall the same operate as a merger of any covenant herein contained or of any other Obligation, nor shall the acceptance of any payment or other security constitute or create any novation.

6.5 Amalgamation

The Borrower, if a corporation, acknowledges that if it amalgamates with any other corporation or corporations:

- (a) the Collateral and the lien created hereby shall extend to and include all the property and assets of each of the amalgamating corporations and the amalgamated corporation and to any property or assets of the amalgamated corporation thereafter owned or acquired;
- (b) the term, "**Borrower**", where used herein, shall extend to and include each of the amalgamating corporations and the amalgamated corporation; and
- (c) the term, "**Obligations**", where used herein, shall extend to and include the Obligations of each of the amalgamating corporations and the amalgamated corporation.

Nothing contained in this Section 6.5 shall be interpreted as permitting the Borrower to amalgamate in violation of any covenant of the Borrower contained herein or in any other agreement binding the Borrower.

6.6 Power of Attorney

The Borrower for valuable consideration irrevocably appoints DSL and its officers from time to time or any of them to be the attorneys of the Borrower in the name of and on behalf of the Borrower after an Event of Default has occurred to execute and do any deeds, transfers,

conveyances, assignments, assurances and things which the Borrower ought to execute and do under the covenants and provisions herein contained and generally to use the name of the Borrower in the exercise of all or any of the powers hereby conferred on DSL, including to receive, endorse and collect all instruments made payable to the Borrower representing any distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

6.7 DSL May Remedy Default

If the Borrower fails to do anything hereby required to be done by it, DSL may, but shall not be obliged to, do such thing and all sums thereby expended by DSL shall be payable forthwith by the Borrower, shall be secured hereby and shall have the benefit of the lien hereby created, but no such performance by DSL shall be deemed to relieve the Borrower from any default hereunder.

6.8 Intentionally Deleted

6.9 Notices

All notices given pursuant to or in connection with this Agreement shall be in writing and shall be personally delivered to the individual designated below, to any officer or director of the addressee or to any employee of the addressee with apparent responsibility for matters to which the information relates, or sent by registered or certified mail, telefacsimile at or to the applicable addresses or telefacsimile numbers (as the case may be), charges prepaid, set opposite the party's name below or at or to such other address or addresses or telefacsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner:

if to the Borrower:

BG Furniture Ltd.
75 Ridout Street
Walkerton, Ontario
N0G 2V0

Facsimile: 519-881-~~6455~~ 1068 AH
Attention: Adam Hofmann, President

if to DSL:

DSL Industrial Limited
37 Kodiak Crescent
Unit 7
Toronto, Ontario
M3J 3E5

Facsimile: 416-630-5241
Attention: Jonathan Ordon

Any notice which is personally delivered as aforesaid shall be deemed to have been validly and effectively given and received on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given and received on the Business Day next following such date of delivery. Any notice which is transmitted by telefacsimile as aforesaid shall be deemed to have been validly and effectively given and received on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given and received on the Business Day next following such date of transmission. Any notice which is sent by registered or certified mail shall be deemed to have been validly and effectively given and received four (4) Business Days after the date on which it is mailed by certified or registered mail, save in the event of a disruption of postal service.

6.10 Receipt

The Borrower hereby acknowledges receipt of a true copy of this Agreement and a copy of the financing statement registered under the *Personal Property Security Act* (Ontario) in respect of the security created hereby.

6.11 Successors and Assigns, etc.

This Agreement and all its provisions shall enure to the benefit of DSL, its successors and assigns, and shall be binding upon the Borrower, its successors and permitted assigns.

[Signature Page Follows]

IN WITNESS WHEREOF the Borrower has duly executed this Agreement as of the dated first above written.

BG FURNITURE LTD.

Per: _____

Name: Adam Hofmann

Title: President

DSL INDUSTRIAL LIMITED

Per: _____

Name:

Title:

AT

**Schedule A
PREMISES**

(Section 1.1(u))

Head Office:

BG Furniture Ltd.
75 Ridout Street
Walkerton, Ontario
N0G 2V0

Other Collateral Locations including warehouse or other third party locations:

None



Schedule B
SPECIFIED PERSONAL PROPERTY

(Section Error! Reference source not found.)

The following goods:

N/A

Now located at : N/A

A handwritten signature or set of initials, possibly "AJ", with a diagonal line through them, located in the bottom right corner of the page.

Schedule C
PERMITTED LIENS

(Section 1.1)

I. PERSONAL PROPERTY SECURITY ACT

- a. File Number 687128409 in favour of RCAP Leasing Inc.
- b. File Number 698259708 in favour of Saugeen Economic Development Corporation and Bruce Community Futures Development Corporation;
- c. File Number 697507524 in favour of CNH Industrial Capital Canada Ltd.;
- d. File Number 697884291 in favour of RPG Receivables Purchase Group Inc.
- e. File Number 699347934 in favour of Manorhouse Limited;
- f. File Number 701243604 in favour of Xerox Canada Ltd.;
- g. File Number 706716855 in favour of Blue Chip Leasing Corporation;
- h. File Number 709508421 in favour of Grenville Strategic Royalty Corp.

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Schedule D
BILL OF SALE AND EQUIPMENT LISTING

APPENDIX A

BG Furniture Ltd.

Machinery & Equipment Listing

All this machinery and equipment is located at 75 Ridout Street, Walkerton ON N0G 2V0

Updated July 18, 2014

Description	Manufacturer	Model	Serial	Location
Felder Multi Drill	Felder	FD921		Machining
Roughing Planer	Cantec			Breakout
Packaging Machine	Panotec	Flexmode		Packing
Wood Grinder	Vecoplan	RGU42	V3333	Basement
RF Glue Press	Dimter	ProfiPress L2500	2714.37	Breakout
Felder Shaper	Felder	Profil 45	61.09.002.10	Machining
Moulder 6 head	Weinig			Machining
Biesse Rover 35	Biesse	Rover 35	61222	Machining
Selco EB 90 panel saw	Selco	EB90		Breakout
CNC Optimizing crosscut saw	Cameron	Quick Chop 16	QC-106	Breakout
Finish sander (2 wider and 1 vertical belt)	Heeseman	MFA-6 classic	200109261	Sanding
Gang rip, multi-adjustable	Raimann	KRUSBV	26773	Breakout
Brandt Optimat sander shaper	Brandt	0-266-02-7977		Sanding
44" Timesaver planer/sander	Whitney	243-2KA1C	28705	Breakout
CNC router	Biesse	Rover 322	92043	Machining
Racking	Various			all over
Automatic double-sided cut off moulding & boring	Balestrini	MIA Plus	U221 U1	Machining
Dovetailer	Omec	F11CN	U307277/7	Assembly
Tenoner	Balestrini	PICO	E1420BY30	Machining
Tenoner #2	Balestrini	PICO	E944BJ24	Machining
Door SA Clamp	Taylor			Assembly
Return Conveyor	Ligmatech	ZHR/01/R 075	0-305-06-0826	Machining
Forklift	Hyster	H155x12		Yard
Dust collection system & 2 hoppers. Lg Baghouse: PT360, Small Baghouse: PT304, Fan 1: MF673, Fan 2: MF603	Dust Collector			Yard
Dust Collector Explosion Relief	MacDonald Steel			Yard
pallet carts, work benches, small air tools=> drills, sanders, screwguns, staplers				all over
Moulder 7 head	Weinig	PFA17N		Machining
Lumber lift, conveyor & sorting deck	in-house			Breakout
Plastic product bins - black				all over
2nd to 3rd floor conveyor				Assembly
Glue wheel #1 rotary clamp set	2 units	1 in storage		Breakout
5 section mitre clamp -blue	JLT	79X-5-M		Machining
Micron - mortiser	Balestrini		AN411L 16	Machining
Drawer glueing clamp	Omec	SCM1200	030407	Assembly
Motorized conveyor for cut to length parts 60"w	in-house	50' long		Breakout
Watson factory carts				all over
Flexsander - horizontal				Sanding
Flexsander - vertical				Sanding
3rd floor track & carts				Packing
Leg fluter	Macchia			Machining
Large rip saw #2	Diehl	SL50		Breakout
Large rip saw #1	Diehl	SL52		Breakout
I-R 350cfm Refrigerated air dryer		TMS-0380	TMS-380-0602/	Comp. Room

Handwritten signature/initials

APPENDIX A

BG Furniture Ltd.

Machinery & Equipment Listing

All this machinery and equipment is located at 75 Ridout Street, Walkerton ON N0G 2V0

Updated July 18, 2014

Description	Manufacturer	Model	Serial	Location
Phone system	Nortel	Norstar		Electrical Room
5 chemical fire cabinets		25995		Finishing
Band saw	Tannewitz	G1	14378	Machining
Continental Cabinet resaw c/w power feeder	Meber 900			Basement
Large double case clamp	Holz Her	1528	3397	Assembly
Large double case clamp	Holz Her	1528	3576	Assembly
Lumber lift conveyor	in-house			Breakout
Lumber lift sorting deck	in-house			Breakout
Stroke Sander	Preston			Sanding
Stroke Sanders (2)	in-house			Sanding
Overhead router	SCM	R9		Machining
Hinge Drill	Blum	Minipress P	JQ 00224	Assembly
Hanger bolt machine- borer/insertor				Machining
Kremlin airless spray unit				Finishing
Maintenance Shop Equipment				Maintenance
Dry Power Capacitor	Freeborn	AV5000	10017594-A1	Electrical Room
Plastic product bins - grey				all over
Oakley drawer sander -12"	Oakley	HL2		Assembly
Steam & press unit - small				Basement
pump & guns for booth #1 - stain	Binks	AA/1500		Finishing
pump & guns for booth #2 - stain	Binks	62		Finishing
pump & guns for booth #3 - shader	Binks	62		Finishing
pump & guns for booth #4 - sealer	Kremlin			Finishing
pump & guns for booth #5 - top coat	Kremlin			Finishing
Spindle lathe c/w 40 heads	Mattison	55C		Machining
Table Frame clamp - pneumatic		R375		Assembly
metal lathe 48"	Zenith	L-1440		Maintenance
edge sander #1, double sided-72"	Ekamant			
Scissor & other lifts	Blue Giant	KG 1000		
Table/Rip saw	Wadkin	PU687		Assembly
Combo drill press & milling - metal	Complex Machine	KDM30		Maintenance
4 chemical pumps air operated	Binks			Finishing
2- Vertical Spindle Sanders	Progress			
edge sander #4 -36"	Doucet	PMC-150		
Flat edge sander -60"				
edge sander #2 -36"				
pipe threader	Ridgid 300	7573539		Maintenance
4 head Multiple borer/drill, hyd table	Greenlee			
edge sander #3	General	15-01OM3		
Mig 250 welder/fabricator	Thermalarc	A10157A9060880		Maintenance
spray booth #1 - stain	Kremlin			
spray booth #2 - stain	Kremlin			
spray booth #3 - shader	Kremlin			
spray booth #4 - sealer	Devlbliss			
Edge sander	General	15-020M1	16801805	Assembly
2 small manual case clamps	CMC	15561 & 18696		Assembly
Small chop saw #1	KNA	1200		Breakout

Att

APPENDIX A

BG Furniture Ltd.

Machinery & Equipment Listing

All this machinery and equipment is located at 75 Ridout Street, Walkerton ON N0G 2V0

Updated July 18, 2014

Description	Manufacturer	Model	Serial	Location
Small chop saw #2	KNA	1201		Breakout
Plasma Cutter	Miller	375		Maintenance
Rotary "Spindle/Leg" Sander	Nash	50-72	F-5281	Sanding
drill press	Reuland	10589X		Assembly
drill press	King		20189190027	Assembly
Glue conveyor/spreader				
rip saw conveyor	in-house			
Table saw	Oliver	88-D	63670	Machining
table saw -10"	Delta	36-650		Sample
36" band saw	Berlin			Sample
Auto lathe #1 c/w 1000's cutter blades	Mattison	66		
large single drum sander				
small drum sander #1- 2 drums	Cemco			
small drum sander #2- 2 drums		554-		
Idealarc 250 welder	Lincoln	9993		Maintenance
1 small manual case clamps	210	1G634		Assembly
4- Power mitre saws	Delta/Craftsman			Assembly
Bander machines & Tape Dispensers				
Several small drill presses	Craftex/mastercraft			
Small chop saw #3	King	8372N		
Welding Table & Anvil				Maintenance
Bluestreak Fabric cutter	Eastman		BC11299-5	Assembly
10" Radial Arm Saw	Craftsman			
Glass Cutter	Fletcher Terry		14638	
Band saw	Beaver 15"			
HD Drill	Root			
Table saw	Beaver	8"		
Router & Stand	DeWalt			Assembly
metal chop saw		903876		Maintenance
Dowel Gluer and Insertor	Gannomat	252		Machining
Sewing Machine	Juki	LU-1114-4	R01720	
Sewing Machine	Juki	LU-563		
Studio Lighting, umbrellas, tripods, lights	various			

44

Schedule E
PROMISSORY NOTE

Handwritten signature

SECURED PROMISSORY NOTE
(the "Note")

Date: September 2, 2015

\$50,750.00 CDN.

FOR VALUE RECEIVED, BG Furniture Ltd. (the "Payor"), **PROMISES TO PAY** to the Order of DSL Industrial Limited (the "Payee") at Toronto, Ontario, or at such other place as the Payee may designate in writing from time to time, the amount of **FIFTY THOUSAND SEVEN HUNDRED AND FIFTY DOLLARS (\$50,750.00)** of lawful money of Canada (the "Principal Sum"), without interest on December 31, 2015.

This Note is being delivered by the Payor to the Payee as evidence of the Payor's obligation to pay a portion of the purchase price payable to the Payee as set out in a bill of sale for certain equipment purchased by the Payor from the Payee dated with effect as of the date hereof.

The Payor shall have the right and privilege of prepaying the whole or any portion of the principal under this Note from time to time remaining unpaid and outstanding at any time or times without notice, bonus or penalty.

The Payor hereby waives presentment for payment, notice of non-payment, protest and notice of protest and agrees and consents to all extensions or renewals of this Note without notice.

The Payor acknowledges and agrees that mention in this Note of any particular right or remedy available to the Payee in regards to any default by the Payor shall not preclude the Payee from exercising, or limit the extent of, any other remedy in respect thereof, whether at law or in equity, or any other provision of this Note. No remedy available hereunder to the Payee shall be interpreted as being exclusive or dependent upon any other remedy, and the Payee may from time to time exercise, at his option, any one or more remedies independently or in combination.

No condoning, excusing or overlooking by the Payee of any default by the Payor under this Note shall operate as a waiver of any of the Payee's rights or any of the Payor's obligations hereunder and no waiver shall be inferred from or implied by anything done, delayed or omitted to be done by the Payee, save and except only an express waiver in writing given by the Payee to the Payor.

This Note shall be construed, governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Payor irrevocably submits and agrees to attorn to the Courts of the Province of Ontario in the event of any suit, action or other legal proceeding in regards to this Note or any matter arising therefrom.

The obligations of the Payor under this Note are secured by way of a general security agreement (the "Security Agreement") executed and delivered by the Payor to the Payee with effect as of the date hereof. In the event of the occurrence of an Event of Default under and as defined in the Security

Agreement, the principal balance of this Note shall accelerate and shall become due and payable on written demand.

This Note shall be binding upon the Payor its successors and permitted assigns. This Note shall enure to the benefit of the Payee and its successors and permitted assigns.

IN WITNESS WHEREOF the Payor has executed this Note.

BG FURNITURE LTD.



Name: Adam Hofmann

Title: President



THIS IS EXHIBIT L REFERRED
TO IN THE AFFIDAVIT OF
Adam Hoffman
SWORN BEFORE ME ON THIS DATE

19 DAY OF December 20 16

Scott Thibodeau *per*
A COMMISSIONER, ETC.

Scott Stewart Thibodeau, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.
R.S. 2006, c. 19, s. 29(1)

THIS SECURITY AGREEMENT is made the 2nd day of September, 2015.

B E T W E E N:

BG FURNITURE LTD.
75 Ridout Street, Box 1240
Walkerton, Ontario N0G 2V0

Attn: Adam Hofmann, President
FAX: 519-881-6465

(the "Debtor")

- and -

GRENVILLE STRATEGIC ROYALTY CORP.
220 Bay Street, Suite 5000
Toronto, Ontario M5J 2W4

Attention: William R. Tharp
FAX: 416-644-0098

(the "Secured Party")

1.0 SECURITY INTEREST

1.1 For one dollar (\$1) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor does hereby:

(a) mortgage and charge as and by way of a fixed and specific charge, and assign and transfer to the Secured Party, and grant to the Secured Party a security interest in, but subject to the exceptions contained in Section 2, all the Debtor's right, title and interest in and to all its presently owned or held and after acquired or held personal property, of whatever nature or kind and wheresoever situate, and all cash proceeds and non-cash proceeds thereof and therefrom including:

- (i) all equipment, including, without limiting the generality of the foregoing, machinery, tools, fixtures, furniture, furnishings, chattels, motor vehicles and other tangible personal property that is not Inventory, and all parts, components, attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing (all of which is hereinafter collectively called the "Equipment");
- (ii) all inventory, including, without limiting the generality of the foregoing, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all raw materials, work in process, finished goods, returned goods, repossessed goods, and all packaging materials, supplies and containers relating to or used or consumed in connection with any of the foregoing (all of which is hereinafter collectively called the "Inventory");
- (iii) all debts, accounts, claims, demands, monies and choses in action which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor and all books, records, documents, papers and

electronically recorded data recording, evidencing or relating to the said debts, accounts, claims, demands, monies and choses in action or any part thereof and the computers and equipment containing said electronically recorded data (all of which is hereinafter collectively called the "**Accounts**");

- (iv) all documents of title, chattel paper, instruments, securities and money, Investment Property (as such term is defined in the Personal Property Security Act (Ontario)) and Financial Assets (as such term is defined in the Securities Transfer Act, 2006 (Ontario)) and all other goods of the Debtor that are not Equipment, Inventory or Accounts;
- (v) all contracts, contractual rights, licences, goodwill, copyrights, patents, trademarks and other intellectual property of the Debtor, all other choses in action of the Debtor of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor, and all other intangible property of the Debtor which is not Accounts, chattel paper, instruments, documents of title, securities or money; and
- (vi) without limiting the generality of the foregoing, the property described in Schedule A hereto; and

(b) charge as and by way of a floating charge, and grant to the Secured Party a security interest in and to:

- (i) all the Debtor's right, title and interest in and to all its presently owned or held and after acquired or held real, immovable and leasehold property and all interests therein, and all easements, rights-of-way, privileges, benefits, licences, improvements and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant and other fixtures (all which is hereinafter collectively called the "**Real Property**"); and
- (ii) all assets and undertakings of the Debtor, of whatsoever nature or kind and wheresoever situate, and all proceeds thereof and therefrom, other than such of its assets and undertakings as are otherwise validly and effectively subject to the charges and security interests in favour of the Secured Party created pursuant to this Section 1.1.

1.2 The charges, assignments, transfers and security interests created pursuant to Section 1.1 are hereinafter collectively called the "**Security Interests**" and the property subject to the Security Interests and all property, assets and undertakings, expressed to be charged, assigned or transferred or secured by any instruments supplemental hereto or in implementation hereof are hereinafter collectively called the "**Collateral**".

2.0 **EXCEPTIONS**

2.1 The last 10 days of the term created by any lease or agreement therefor are hereby excepted out of the Security Interests created by this Security Agreement but the Debtor shall stand possessed of the reversion thereby remaining upon trust to assign and dispose thereof to any third party as the Secured Party shall direct.

2.2 All consumer goods of the Debtor are hereby excepted out of the Security Interests created by this Security Agreement.

2.3 The Collateral shall not include any contract, account, user licence, permit, licence, claim, demand, chose in action or other intangible which, as a matter of law or by its terms, is not assignable or may not be charged or otherwise encumbered by the Debtor without the consent, authorization, approval or waiver of a third party (all such contracts, accounts, user licences, permits, licences, claims, demands, choses in action and other intangibles are collectively referred to herein as the "**Restricted Assets**") unless and until such consent, authorization, approval or waiver has been obtained, provided that, until such time as the applicable consent, authorization, approval or waiver has been obtained, the Debtor shall hold each Restricted Asset in trust for the Secured Party and to assign and dispose of the same in such manner as the Secured Party may from time to time direct as and when the Secured Party is entitled to realize upon Collateral in accordance with Section 10.0.

3.0 **ATTACHMENT**

The Debtor acknowledges that the Security Interests hereby created attach upon the execution of this Security Agreement (or in the case of any after acquired property, upon the date of acquisition thereof), that value has been given, and that the Debtor has (or in the case of any after acquired property, will have upon the date of acquisition) rights in the Collateral.

4.0 **PROHIBITIONS**

4.1 Without the prior written consent of the Secured Party the Debtor shall not have power to:

(a) except for the liens set out in Schedule B hereto ("**Permitted Liens**"), create or permit to exist any security interest in, charge, encumbrance or lien over, or claim against any of its property, assets, or undertakings which ranks or could in any event rank in priority to or pari passu with any of the Security Interests created by this Security Agreement; or

(b) grant, sell, or otherwise assign its chattel paper, Investment Property or Financial Assets.

5.0 **OBLIGATIONS SECURED**

This Security Agreement and the Security Interests hereby created are in addition to and not in substitution for any other security interest now or hereafter held by the Secured Party from the Debtor or from any other person whomsoever and shall be general and continuing security for the payment of all indebtedness and liability of the Debtor to the Secured Party including, without limitation, under or in connection with the royalty purchase agreement between the Debtor and the Secured Party dated October 17, 2014 (the "**Royalty Purchase Agreement**"), present and future, absolute or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wheresoever and howsoever incurred, and any ultimate balance thereof, including all advances on current or running account, future advances and re-advances, and for the performance of all obligations of the Debtor to the Secured Party arising hereunder or under or in connection with the Royalty Purchase Agreement, whether or not contained in this Security Agreement (all of which indebtedness, liability and obligations are hereinafter collectively called the "**Obligations**").

6.0 **REPRESENTATIONS AND WARRANTIES**

6.1 The Debtor represents and warrants that this Security Agreement is granted in accordance with resolutions of the directors (and of the shareholders, as applicable) of the Debtor and all other matters and things have been done and performed so as to authorize and make the execution and delivery of this Security Agreement, and the performance of the Debtor's obligations hereunder, legal, valid and binding.

6.2 The Debtor represents and warrants that the Debtor lawfully owns and possesses all presently held Collateral and has good title thereto, free from all security interests, charges, encumbrances, liens and claims, save only Permitted Liens and any other charges or security interests consented to in writing by the Secured Party, and the Debtor has good right and lawful authority to grant a security interest in the Collateral as provided by this Security Agreement.

6.3 The Debtor represents and warrants and, so long as this Security Agreement remains in effect, shall be deemed to continuously represent and warrant

that the locations specified in Schedule C as to business operations and records are accurate and complete.

7.0 **COVENANTS OF THE DEBTOR**

7.1 The Debtor covenants that at all times while this Security Agreement remains in effect the Debtor will:

(a) defend the title to the Collateral for the benefit of the Secured Party against the claims and demands of all persons;

(b) fully and effectually maintain and keep maintained the Security Interests hereby created valid and effective;

(c) maintain the Collateral in good order and repair;

(d) promptly pay as and when they become due:

(i) all taxes, assessments, rates, duties, levies, government fees, claims and dues lawfully levied, assessed or imposed upon it or the Collateral when due, unless the Debtor shall in good faith contest its obligations so to pay and has set aside reserves to the extent required by generally accepted accounting principles; and

(ii) all security interests, charges, encumbrances, liens and claims which rank or could in any event rank in priority to any Security Interests created by this Security Agreement;

(e) promptly pay all reasonable costs, charges, expenses and legal fees and disbursements (on a solicitor and own client basis) which may be incurred by the Secured Party in:

(i) inspecting the Collateral;

(ii) negotiating, preparing, perfecting and registering this Security Agreement and other documents, whether or not relating to this Security Agreement; and

(iii) investigating title to the Collateral;

(f) promptly pay all costs, charges, expenses and legal fees and disbursements (on a solicitor and own client basis) which may be incurred by the Secured Party in:

(i) taking, recovering and keeping possession of the Collateral; and

(ii) all other actions and proceedings taken in connection with the preservation of the Collateral and the enforcement of this Security Agreement and of any other security interest held by the Secured Party as security for the Obligations;

(g) at the Secured Party's request at any time and from time to time execute and deliver such further and other documents and instruments and do all acts and things as the Secured Party, acting reasonably, requires in order to confirm and perfect, and maintain perfection of, the Security Interests hereby created in favour of the Secured Party upon any of the Collateral;

(h) notify the Secured Party promptly of:

- (i) any change in the information contained herein relating to the Debtor, its business or the Collateral, including without limitation any change of name or address of the Debtor and any change in the present location of any material part of the Collateral;
- (ii) the details of any material acquisition of Collateral;
- (iii) any material loss or damage to Collateral;
- (iv) any material default by any account debtor in payment or other performance of his obligations to the Debtor with respect to any Accounts; and
- (v) the return to or repossession by the Debtor of Collateral where such return or repossession of Collateral is material in relation to the business of the Debtor;

(i) prevent Collateral, other than Inventory sold, leased, or otherwise disposed of as permitted hereby, from being or becoming an accession to other property not covered by this Security Agreement;

(j) regarding any Investment Property or Financial Asset that is a certificated security, an uncertificated security or a security entitlement, the Debtor shall, or shall cause the issuer of such Investment Property or Financial Asset to, or shall cause the securities intermediary that holds such Investment Property or Financial Asset to, take all steps as are necessary to give exclusive control over such Investment Property or Financial Asset to Secured Party on terms and conditions satisfactory to Secured Party;

(j) carry on and conduct its business in a proper and business-like manner, including maintenance of proper books of account and records;

(k) permit the Secured Party and its representatives, at all reasonable time access to its Collateral for the purpose of inspection and render all assistance reasonably necessary for such inspection; and

(l) make available to the Secured Party from time to time promptly upon request:

- (i) any documents of title, instruments, securities and chattel paper constituting, representing or relating to Collateral;
- (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to Collateral for the purpose of inspecting, auditing or copying the same;
- (iii) all financial statements prepared by or for the Debtor regarding the Debtor's business; and
- (iv) such information concerning the Collateral and the Debtor and the Debtor's business and affairs related to the Security Interest as the Secured Party may require.

8.0 **PERFORMANCE OF OBLIGATIONS**

If the Debtor fails to perform its obligations to the Secured Party, the Secured Party may, but shall not be obliged to, perform any or all of such obligations

without prejudice to any other rights and remedies of the Secured Party hereunder, and any payments made and any costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred in connection therewith shall be payable by the Debtor to the Secured Party promptly with interest until paid at the highest rate borne by any of the Obligations.

9.0 **DEFAULT**

9.1 The Debtor shall be in default under this Security Agreement if an Event of Default (as defined in the Royalty Purchase Agreement) has occurred and is not cured in accordance with the provisions of the Royalty Purchase Agreement (an "**Uncured Event of Default**").

10.0 **ENFORCEMENT**

10.1 Upon the occurrence and during the continuance of an Uncured Event of Default, the Secured Party may declare any or all of the Obligations to become immediately due and payable and the security hereby constituted will immediately become enforceable. The Secured Party may enforce and realize on the Security Interests created by this Security Agreement and may take any action permitted by law or in equity, as it may deem expedient, and in particular and without limiting the generality of the foregoing, the Secured Party may do any one or more of the following:

(a) appoint by instrument a receiver, receiver and manager or receiver manager (the person so appointed being hereinafter called the "**Receiver**") of the Collateral, with or without bond as the Secured Party may determine, and from time to time in its absolute discretion remove such Receiver and appoint another in its stead;

(b) enter upon any premises of the Debtor and take possession of the Collateral with power to exclude the Debtor, its agents and its servants therefrom, without becoming liable as a mortgagee in possession;

(c) preserve, protect and maintain the Collateral and make such replacements thereof and repairs and additions thereto as the Secured Party may deem advisable;

(d) sell, lease or otherwise dispose of all or any part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained therefor and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to the Secured Party may seem reasonable, provided that if any sale, lease or other disposition is on credit the Debtor will not be entitled to be credited with the proceeds of such sale, lease or other disposition until the monies therefor are actually received; and

(e) exercise all of the rights and remedies of a secured party under the Act.

10.2 A Receiver appointed pursuant to this Security Agreement shall be the agent of the Debtor and not of the Secured Party and, to the extent permitted by law or to such lesser extent permitted by its appointment, shall have all the powers of the Secured Party hereunder, and in addition shall have power to carry on the business of the Debtor and for such purpose from time to time to borrow money either secured or unsecured, and if secured by a security interest on any Collateral, such security interest may rank before or pari passu with or behind any of the Security Interests created by

this Security Agreement, and if it does not so specify such security interest shall rank in priority to the Security Interests created by this Security Agreement.

10.3 Subject to the claims, if any, of the creditors of the Debtor ranking in priority to this Security Agreement, all amounts realized from the disposition of Collateral pursuant to this Security Agreement will be applied as the Secured Party, in its absolute discretion, may direct as follows:

(a) in payment of all costs, charges and expenses (including legal fees and disbursements on a solicitor and own client basis) incurred by the Secured Party in connection with or incidental to:

- (i) the exercise by the Secured Party of all or any of the powers granted to it pursuant to this Security Agreement; and
- (ii) the appointment of the Receiver and the exercise by the Receiver of all or any of the powers granted to it pursuant to this Security Agreement, including the Receiver's reasonable remuneration and all outgoings properly payable to the Receiver;

(b) in or toward payment to the Secured Party of all principal and other monies (except interest) due in respect of the Obligations; and

(c) in or toward payment to the Secured Party of all interest remaining unpaid in respect of the Obligations.

Subject to applicable law and the claims, if any, of other creditors of the Debtor, any surplus will be paid to the Debtor.

11.0 **DEFICIENCY**

If the amounts realized from the disposition of the Collateral are not sufficient to pay the Obligations in full, the Debtor will immediately pay to the Secured Party the amount of such deficiency.

12.0 **LIABILITY OF SECURED PARTY**

The Secured Party shall not be responsible or liable for any debts contracted by it, for damages to persons or property or for salaries or non-fulfillment of contracts during any period when the Secured Party shall manage the Collateral upon entry, as herein provided, nor shall the Secured Party be liable to account as a mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable. The Secured Party shall not be bound to do, observe or perform or to see to the observance or performance by the Debtor of any obligations or covenants imposed upon the Debtor nor shall the Secured Party, in the case of securities, instruments or chattel paper, be obliged to preserve rights against other persons, nor shall the Secured Party be obliged to keep any of the Collateral identifiable. The Debtor hereby waives any applicable provision of law permitted to be waived by it which imposes higher or greater obligations upon the Secured Party than aforesaid.

13.0 APPOINTMENT OF ATTORNEY

Effective upon the occurrence and during the continuance of an Uncured Event of Default, the Debtor hereby irrevocably appoints the Secured Party or the Receiver, as the case may be, with full power of substitution, to be the attorney of the Debtor for and in the name of the Debtor to sign, endorse or execute under seal or otherwise any deeds, documents, transfers, cheques, instruments, demands, assignments, assurances or consents that the Debtor is obliged to sign, endorse or execute and generally to use the name of the Debtor and to do all things as may be necessary or incidental to the exercise of all or any of the powers conferred on the Secured Party or the Receiver, as the case may be, pursuant to this Security Agreement.

14.0 ACCOUNTS

Notwithstanding any other provision of this Security Agreement if an Uncured Event of Default has occurred and is continuing, the Secured Party may collect, realize, sell or otherwise deal with the Accounts or any part thereof in such manner, upon such terms and conditions and at such time or times, as may seem to it advisable, and without notice to the Debtor, except in the case of disposition after default and then subject to the provisions of Part V of the Act. All monies or other forms of payment received by the Debtor in payment of any Account following the occurrence and during the continuance of an Uncured Event of Default, will be received and held by the Debtor in trust for the Secured Party.

15.0 APPROPRIATION OF PAYMENTS

Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collected in accordance with or realized on any enforcement of this Security Agreement) may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party may at all times and from time to time change any appropriation as the Secured Party may see fit.

16.0 LIABILITY TO ADVANCE

None of the preparation, execution, perfection and registration of this Security Agreement or the advance of any monies shall bind the Secured Party to make any advance or loan or further advance or loan, or renew any note or extend any time for payment of any indebtedness or liability of the Debtor to the Secured Party.

17.0 WAIVER

The Secured Party may from time to time and at any time waive in whole or in part any right, benefit or default under any Section of this Security Agreement but any such waiver of any right, benefit or default on any occasion shall be deemed not to

be a waiver of any such right, benefit or default thereafter, or of any other right, benefit or default, as the case may be. No waiver shall be effective unless it is in writing.

18.0 **NOTICE**

Notice may be given to either party in accordance with Section 6.1 of the Royalty Purchase Agreement, the terms of which are deemed to be incorporated herein by reference.

19.0 **EXTENSIONS**

The Secured Party may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests, and otherwise deal with the Debtor, account debtors of the Debtor, sureties and others and with Collateral and other security interests as the Secured Party may see fit without prejudice to the liability of the Debtor or the Secured Party's right to hold and realize on the Security Interests created by this Security Agreement.

20.0 **NO MERGER**

This Security Agreement shall not operate so as to create any merger or discharge of any of the Obligations, or of any assignment, transfer, guarantee, lien, contract, promissory note, bill of exchange or security interest of any form held or which may hereafter be held by the Secured Party from the Debtor or from any other person whomsoever. The taking of a judgment with respect to any of the Obligations will not operate as a merger of any of the covenants contained in this Security Agreement.

21.0 **RIGHTS CUMULATIVE**

All rights and remedies of the Secured Party set out in this Security Agreement, and in any other security agreement held by the Secured Party from the Debtor or any other person whomsoever to secure payment and performance of the Obligations, are cumulative and no right or remedy contained herein or therein is intended to be exclusive but each is in addition to every other right or remedy contained herein or therein or in any future security agreement, or now or hereafter existing at law, in equity or by statute, or pursuant to any other agreement between the Debtor and the Secured Party that may be in effect from time to time.

22.0 **ASSIGNMENT**

The Secured Party may, without further notice to the Debtor, at any time assign, transfer or grant a security interest in this Security Agreement and the Security Interests created hereby. The Debtor expressly agrees that the assignee, transferee or secured party, as the case may be, shall have all of the Secured Party's rights and remedies under this Security Agreement and the Debtor will not assert any defense, counterclaim, right of set-off or otherwise any claim which it now has or hereafter

acquires against the Secured Party in any action commenced by such assignee, transferee or secured party, as the case may be, and will pay the Obligations to the assignee, transferee or secured party, as the case may be, as the Obligations become due.

23.0 SATISFACTION AND DISCHARGE

Any partial payment or satisfaction of the Obligations, or any ceasing by the Debtor to be indebted to the Secured Party shall be deemed not to be a redemption or discharge of this Security Agreement. The Debtor shall be entitled to a release and discharge of this Security Agreement upon full payment and satisfaction of all Obligations, and upon written request by the Debtor and payment of all costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred by the Secured Party in connection with the Obligations and such release and discharge.

24.0 PARAMOUNTCY

If there is a conflict between the terms and conditions of this Security Agreement and the terms and conditions of the Royalty Purchase Agreement, the terms and conditions of the Royalty Purchase Agreement shall prevail.

25.0 ENUREMENT

This Security Agreement shall enure to the benefit of the Secured Party and its successors and assigns, and shall be binding upon the Debtor and its successors and permitted assigns.

26.0 INTERPRETATION

26.1 Words and expressions used herein that have been defined in the Personal Property Security Act (Ontario) shall be interpreted in accordance with their respective meanings given in such Act unless otherwise defined herein or unless the context otherwise requires.

26.2 The invalidity or unenforceability of the whole or any part of any Section of this Security Agreement shall not affect the validity or enforceability of any other Section or the remainder of such Section.

26.3 The headings of the Sections of this Security Agreement have been inserted for reference only and do not define, limit, alter or enlarge the meaning of any provision of this Security Agreement.

26.4 This Security Agreement shall be governed by the laws of Ontario.

27.0 COPY OF AGREEMENT AND FINANCING STATEMENT

27.1 The Debtor hereby:

(a) acknowledges receiving a copy of this Security Agreement; and

(b)waives to the extent permitted by law all rights to receive from the Secured Party a copy of any financing statement or financing change statement filed, or any verification statement received, at any time in respect of this Security Agreement.

28.0

ANNOUNCEMENTS

.1

The Debtor hereby consents to the reasonable disclosure by the Secured Party of the completion and nature of the transactions contemplated by this Security Agreement to governmental authorities, the Secured Party's shareholders and to any other person in connection with any financing, offering, business combination or similar transaction proposed to be undertaken by the Secured Party. The Debtor acknowledges that the Secured Party may be required, in accordance with applicable securities laws, to publicly disclose the transactions contemplated by this Security Agreement and to file a copy of this Agreement on SEDAR, with such redactions to this Security Agreement as are permitted under Section 12.2(3) of National Instrument 51-102 ("**NI 51-102**") (subject to compliance by the Secured Party with the remaining provisions of Section 12.2 of NI 51-102) with the prior consultation of the Debtor.

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IN WITNESS WHEREOF the Debtor has executed this Security Agreement as of the 2nd day of September, 2015.

BG FURNITURE LTD.

By: 

Name: Adam Hofmann

Title: President

BG FURNITURE LTD.

By: 

Name: Dirk Nielsen

Title: V.P. Manufacturing

SCHEDULE "A"

DESCRIPTION OF EQUIPMENT

Note: All equipment is located at 75 Ridout Street, Walkerton, ON

#	Description	Manufacturer	Model	Serial
1	Chop saw deck/conveyor	in-house		
41	Condensate tank			
41	2 air storage tanks			
41	Air Compressor - 75HP Variable Disp	Quincy	QS 370i	
118	Fire system - electrics only			
118	Silo unloader & auger system	Goliath		
118	Dust auger			
13	Various non motorized conveyors	in-house		
	Various tooling heads (refer to listing)			
80	Explosion proof heater	Norseman	150KW	
104	Air Makeup Unit, 14,000cfm Direct NG	Cambridge	M120	U291380C
104	Spray Booth, 10,000cfm, 14'x7'	Web Mech		
104	Flash off Fan & Ducting 4,000cfm	Web Mech		
104	Cleaning Room	Web Mech		
80	Elec pallet cart	Mobile Lift		
1	Wood Grinder with 2 infeed conveyors	Vecoplan	RGU42	V3333
2	Continental Cabinet resaw c/w power feeder	Meber 900		
3	Plastic product bins - black (Qty - 1107)			
4	Factory carts (Qty. 130)	Watson		
5	Plastic product bins - grey (Qty 106)			
6	Steam & press unit - small			Antique
7	Motorized conveyor for cut to length parts 60"w	in-house	50' long	
8	Small chop saw #1	KNA	1200	
9	Small chop saw #2	KNA	1201	
10	CNC Optimizing crosscut saw	Cameron	Quick Chop 16	
11	Gang rip, multi-adjustable	Raimann	KRUSBV	
12	Roughing Planer	Cantec		
13	Lumber lift, conveyor & sorting deck	in-house		
13	Lumber lift conveyor	in-house		
13	Lumber lift sorting deck	in-house		
13	Rip saw conveyor	in-house		
14	Small chop saw #2	KNA	1201	
15	Large rip saw #2	Diehl	SL50	
16	Large rip saw #1	Diehl	SL52	
17	Selco EB 90 panel saw	Selco	EB90	
18	Eletrical Platform Lift - 2000lb, 50" x 50"			
19	RF Glue Press	Dimter	ProfiPress L2500	2714.37

19	Glue wheel #1 rotary clamp set			
19	Glue conveyor/spreader			
21	44" Timesaver planer/sander	Timesaver	243-2KA1C	S-28705
24	Biesse CNC router 322	Biesse	Rover 322	92043
25	Biesse CNC Rover 35	Biesse	Rover 35	
26	Dry Power Capacitor	Freeborn	AV5000	10017594-A1
27	Band saw	Tannewitz	G1	
28	Small chop saw	Dewalt		
29	Racking (Qty. - 90)	Various		
30	Moulder 6 head	Weinig		
31	HD Drill	Beaver	8"	
32	Moulder 7 head	Weinig	PFA17N	
33	5 section mitre clamp -blue	JLT	79X-5-M	
34	Table Frame clamp - pneumatic		R375	
35	Table saw	Oliver	88-D	
36	Balestrini mortiser	Balestrini	Micron	
37	Felder Multi Drill	Felder	FD921	
38	Tenoner	Balestrini	PICO	E1420BY30
39	Tenoner #2	Balestrini	PICO	
40	Automatic double-sided cut off moulding & boring	Balestrini	MIA Plus	U221 U1
42	I-R 350cfm Refrigerated air dryer		TMS-0380	
43	Overhead router	SCM	R9	
44	Felder Shaper	Felder	Profil 45	
45	Leg fluter	Macchia		
46	Auto lathe #1 c/w 1000's cutter blades	Mattison	66	
47	Spindle lathe	Mattison	55C	
48	Rotary "Spindle/Leg" Sander - semi automatic	Nash	50-72	461436
50	Hanger bolt machine- borer/insertor			
51	Finish sander (2 wide and 1 vertical belt)	Heeseman	MFA-6 classic	200109261
52	Brandt Optimat sander shaper	Brandt	0-266-02-7977	
53	Return Conveyor	Ligmatech	ZHR/01/R 075	0-305-06-0826
54	Flexsander - horizontal			
55	Flexsander - vertical			
56	Flat edge sander - 80" opening 6"H belt			
57	edge sander - 78" opening x 5"H belt			
58	Qty of 2 stroke sanders, 98" opening	Schimmer		
59	Vertical Spindle Sander	General	15/020	
60	Vertical Spindle Sander	Progress		
60	Vertical Spindle Sander	Progress		
61	Small drum sander #1- 2 drums	Cemco		
62	Large single drum sander	Custom		

63	Small drum sander #2- 2 drums		554-	
64	Edge sander -59" opening x 5"H belt	Doucet	PMC-150	
65	Edge sander -59" opening x 5"H belt	Doucet	PMC-150	
66	Band saw 36"	Berlin		
67	table saw -10"	Delta	36-650	
68	Small chop saw	Dewalt		
69	3 drill presses	Craftex & 2 Mastercraft		
70	Horizontal 3 spindle drill			
71	Metal lathe 48"	Zenith	L-1440	
72	Combo drill press & milling - metal	Complex Machine	KDM30	
73	Pipe threader	Ridgid 300	7573539	
74	Mig 250 welder/fabricator	Thermalarc	A10157A9060880	
75	Plasma Cutter	Miller	375	
76	Idealarc 250 welder	Lincoln	9993	
77	Anvil			
78	Welding Table			
79	Metal chop saw - horizontal		903876	
80	Maintenance Shop Equipment			
81	Dowel Gluer and Insertor	Gannomat	252	
82	Dovetailer	Omec	F11CN	U307277/7
83	Drawer glueing clamp	Omec	SCM1200	
84	Table/Rip saw	Wadkin	PU687	
85	Oakley drawer sander -12"	Oakley	HL2	
86	Cut off saw and cutting rule/table			
87	Hinge Drill	Blum	Minipress P	JQ 00224
88	Drill press 10"	King		20189190027
89	2 small manual case clamps	CMC	15561 & 18696	
89	1 small manual case clamps	210	16634	
90	Door SA Clamp	Taylor/JLT		
91	Large double case clamp	Holz Her	1528	3397
92	Large double case clamp	Holz Her	1528	3576
94	Edge sander #1, double sided-72" opening x 6"H belt	Ekamant		
95	Router & Stand	DeWalt		
96	Gluer for dovetailer	Omec	1CM300	
97	4- Power mitre saws	Delta/Craftsman		
97	Small chop saw	King	8372N	
98	2nd to 3rd floor power conveyor 24' x 33"			
99	5 chemical fire cabinets		25995	
100	Kremlin airless spray unit			
100	4 chemical pumps air operated	Binks		
100	pump & guns for booth #1 - stain	Binks	AA/1500	
100	spray booth #1 - stain	Kremlin		
101	pump & guns for booth #2 - stain	Binks	62	

101	spray booth #2 - stain	Kremlin		
102	pump & guns for booth #3 - shader	Binks	62	
102	spray booth #3 - shader	Kremlin		
103	pump & guns for booth #4 - sealer	Kremlin		
103	spray booth #4 - sealer	Devilbliss		
104	pump & guns for booth #5 - top coat	Kremlin		
105	3rd floor track & carts & 4 lifts			
106	Packaging Machine	Panotec	Flexmode	
107	Motorized conveyor to shipping 58"x 25" x Qty. 2			
108	Bander machine & Tape Dispensers (Qty. 2)			
109	Band saw	Buffalo		
110	General International edge sander	General	15-01OM3	
111	Stroke sanders, 100" opening x 6"W belt	Schimmer		
112	Sewing Machine	Juki	LU-1114-4	R01720
112	Sewing Machine	Juki	LU-563	
114	Studio Lighting, umbrellas, tripods, lights	various		
115	Bluestreak Fabric cutter	Eastman	BC11299-5	
116	Glass Cutter	Fletcher Terry		
117	Forklift	Hyster	H155x12	
118	Dust collection system & 2 hoppers. Lg Baghouse: PT360, Small Baghouse: PT304, Fan 1: MF673, Fan 2: MF603	Dust Collector		
118	Dust Collector Explosion Relief	MacDonald Steel		
900	Pallet carts, work benches, small air tools=> drills, sanders, screw guns, staplers			
999	Phone system	Meridian		
999	Scissor & other lifts	Blue Giant	KG 1000	
999	Drill press	Reuland	10589X	

SCHEDULE "B"

PERMITTED LIENS

SCHEDULE "C"

1. Locations of Debtor's Chief Executive Office, Corporate Office, Principal Place of Business and Business Operations

75 Ridout Street, Box 1240
Walkerton, Ontario N0G 2V0

2. Locations of Books and Records relating to Collateral and Account Debtors

75 Ridout Street, Box 1240
Walkerton, Ontario N0G 2V0

3. All Warehouses and Premises Where Collateral is Stored or Located

75 Ridout Street, Box 1240
Walkerton, Ontario N0G 2V0

THIS IS EXHIBIT M REFERRED
TO IN THE AFFIDAVIT OF

Adams Hoffman
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 11

Scott Thibault POD406
A COMMISSIONER, ETC.

Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.
22. 2011

3092 Eastwood St., Suite 212
Burlington, Ontario M6A 2P1
Tel: 416-333-7777
Fax: 416-333-4000

March 28, 2014

BG Furniture Ltd.
75 Ridout Street
Walkerton, Ontario N0G 2V0

Attention: Adam Hofmann and Dirk Peter ^{Nielsen} ~~Nielson~~

**RE: FIRST MORTGAGE FINANCING – 75 RIDOUT STREET,
WALKERTON, ONTARIO**

We are pleased to offer you the following commitment for your consideration:

VALUED AT: \$469,000.00

LOAN AMOUNT: \$300,000.00

INTEREST RATE: 10% Interest Only

TERM: 1 year

PAYMENT: \$2,500.00 Interest Only

CLOSING DATE: ASAP

CONDITIONS:

- a) Open anytime with 3 month penalty.
- b) Non-transferable.
- c) Borrower to provide 12 post dated cheques.
- d) Title insurance required.
- e) Borrower acknowledges that this mortgage financing is from a Private Lender.
- f) Lender has the right to assign this commitment to a third party of their choice without the consent of the borrower.
- g) \$250.00 NSF or late payment fee.

BORROWER: BG Furniture Ltd.

GUARANTORS: Adam Hofmann and Dirk Peter ^{Nielsen} ~~Nielson~~ and all shareholders of the borrower

FEES:

Inspection Fee:	\$ 500.00
Lender Fee:	\$ 4,500.00
Brokerage Fee:	\$ 4,500.00 MD Financial Corporation
Legal Fee:	\$ 2,000.00 + hst & disbursement
TOTAL:	\$ 11,500.00

SECURITY: Major Security for this loan includes:

- a) Registered First mortgage for \$300,000.00 over subject property
Realty taxes to be paid in full.
- b) Satisfactory insurance coverage as verified by lender's
independent insurance advisor and naming lender as loss payee.
- c) Personal guarantecs of Adam Hofmann and Dirk Peter Nielson
and all Shareholders of Borrower for the full amount of the loan
on a joint and several basis.
- d) Assignment of all rents.

COMMITMENT FEE: A commitment fee of \$5000.00 payable to MD Financial Corporation
must accompany this signed commitment.

LEGAL FEE: A legal retainer fee of \$2,000.00 payable to Timothy Vanular in Trust
must accompany this signed Commitment.

CONDITIONS PRECEDENT

TO FUNDING:

Prior to the advance, the lender shall be satisfied that each of the
following conditions have been met by the borrower.

- a) All security is in place to the satisfaction of the lender and it's
solicitor.
- b) Evidence of satisfactory title and zoning has been provided.
- c) An up to date survey of the property acceptable to the lender and
it's solicitor to be provided prior to funding.
- d) Subject to satisfactory inspection of the property by the lender or
his agent.
- e) Subject to satisfactory appraisal of not less than \$469,000.00 for
the subject property.
- f) This commitment shall be null and void after April 4, 2014 if not
accepted by then.
- g) Subject to satisfactory Phase I Environmental Report.

OTHER

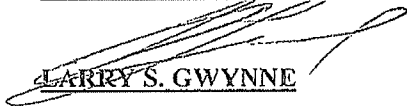
CONDITIONS:

Borrower agrees to:

- a) Provide such other information and documentation as reasonable
requested by the lender.
- b) All legal fees incurred by the lender to be paid by the borrower
as stated in the commitment.
- c) Pay to the lender his bonus of \$4,500.00 and to the broker their
fee of \$5,000.00 should the borrower fail to close through no
fault of the lender, as a pre-estimated of their liquidated
damages.

3039 Bathurst St., Suite 212
Toronto, Ontario M5A 2A4
Tel. 416-762-5777
Fax: 416-762-1046

Yours very truly,
MD FINANCIAL CORPORATION

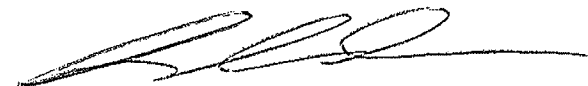

LARRY S. GWYNNE

ACCEPTANCE OF BORROWER

I the undersigned, hereby accept the terms and conditions as set out above.

X Dated at Waltham this 21 day of April 2014.

X 
BORROWER – BG FURNITURE LTD.

X 
GUARANTOR – ADAM HOFMANN

X 
GUARANTOR – PETER DIRK NIELSON

ACCEPTANCE OF LENDER

I hereby agree to the terms and conditions of this Mortgage Commitment and agree to fund this Mortgage. I have been advised of the risks of Mortgage Investing by the agent. This Mortgage Investment is suitable for my purposes.

Dated at _____ on this _____ day of _____ 2014.

Mortgage Brokerages, Lenders and Administrators Act
This document must be provided to the borrower 2 business days prior to the signing
of any mortgage instruments, unless waived below.

Disclosure to Borrower

Cost of Borrowing Disclosure:

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario N0G 2V0 . .

Details of Mortgage:

The principal amount of the First mortgage \$ 300,000.00, will be repayable in Monthly installments of \$ 2,500.00, to be paid on the _____, only interest, starting on _____. The net advance of funds is \$ 288,500.00.
The total amount of all payments over the 1 Years term will be \$ 30,000.00. The mortgage will be amortized over _____.

Interest:

The date on which interest begins to accrue is: _____ and if any grace period is given, the details are:
N/A

The annual interest rate is 10.000 % and the compounding period is Monthly.
Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.
Where the annual interest rate may change, the method of determining the annual interest rate is:

Fees and Costs Payable by Borrower:

	Comments	Value	Included In APR
Brokerage Fee	MD Financial Corporation	\$ <u>4,500.00</u>	<u>X</u>
Inspection Costs	MD Financial Corporation	\$ <u>500.00</u>	<u>X</u>
Legal Fees & Disbursements		\$ <u>2,000.00</u>	<u>X</u>
Other Lender Fees		\$ <u>4,500.00</u>	<u>X</u>
Total Costs:		\$ <u>11,500.00</u>	

Total Cost of Borrowing:

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 41,500.00 APR: 13.833 %
The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.

Terms and Conditions:

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: See commitment for details

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

Conflict of Interest Disclosure:

Referral Fees to Brokerage and/or Broker/Agent:

Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.

Information on Brokerage:

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 33 lenders during the previous fiscal year.

Mortgage Brokerages, Lenders and Administrators Act
This document must be provided to the borrower 2 business days prior to the signing
of any mortgage instruments, unless waived below.

Disclosure to Borrower

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: M08006342

Date: 03/28/2014

Authorized Signature: _____

Disclosure of Material Risks:

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledges that this mortgage financing is from a private Lender.

Mortgage/Life Insurance has been discussed with me/us and will accept _____ or decline X ON (please initial)

Acknowledgment

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

X Date: 21-Apr-14

X Borrower: Dirk Neilson

X Date: 21-Apr-14

X Guarantor: Adam Hofmann

X Date: 21-Apr-14

X Guarantor: Dirk Neilson

I / we waive the 2 business days requirement for this disclosure.

X Date: 21-Apr-14

X Borrower: Dirk Neilson

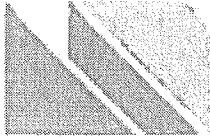
X Date: 21-Apr-14

X Guarantor: Adam Hofmann

X Date: 21-Apr-14

X Guarantor: Dirk Neilson

This form is provided "as-is" and D+H Limited Partnership ("D+H") makes no representations, warranties or conditions with regard to this form. Without limiting the generality of the foregoing, D+H does not warrant that this form complies with any applicable legislation and/or regulation. To the maximum extent permitted by applicable law, D+H disclaims all warranties and conditions implied or statutory, including, but not limited to, any warranties or conditions of merchantability, fitness for a particular purpose, and non-infringement.



**MD
FINANCIAL
CORPORATION**
Lic. # 10714

3089 Bathurst St., Suite 312
Toronto, Ontario M6A 2A4
Tel: 416-782-5777
Fax: 416-782-1048

July 10, 2015

Revised July 27, 2015

BG Furniture Ltd.
75 Ridout Street
Walkerton, ON N0G 2V0

Attention: Adam Hofmann and Dirk Peter Nielson

**RE: SECOND MORTGAGE FINANCING
75 RIDOUT STREET, WALKERTON, ONTARIO**

We are pleased to offer you the following commitment for your consideration:

VALUED AT: \$825,000.00

LOAN AMOUNT: \$287,500.00

INTEREST RATE: 11.25% Interest Only

TERM: 1 year

PAYMENT: \$2,695.32 Interest only monthly

CLOSING DATE: ASAP

CONDITIONS:

- a) Open anytime with 3 month penalty.
- b) Non-transferable.
- c) Title insurance required.
- d) Borrower acknowledges that this mortgage financing is from a Private Lender.
- e) Lender has the right to assign this commitment to a third party of their choice without the consent of the borrower.
- f) Borrowers to provide photo identification.
- g) \$250.00 NSF fee.
- h) Payments to be made by pre-authorized debit.


BORROWER: BG Furniture Ltd.

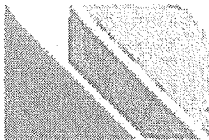
GUARANTORS: Adam Hofmann and Dirk Peter Nielson

FEES:

Lender Fee:	\$ 7,187.50
Brokerage Fee:	\$ 2,875.00 MD Financial Corporation
Legal Fee:	\$ 1,000.00 estimated + HST & disbursements
TOTAL:	\$11,062.50

MORTGAGES BOUGHT, SOLD AND ARRANGED

 DN



**MD
FINANCIAL
CORPORATION**
U.C. # 10714

3089 Bathurst St., Suite 312
Toronto, Ontario M6A 2A4
Tel: 416-782-5777
Fax: 416-782-1048

SECURITY: Major Security for this loan includes:

- a) Registered Second mortgage for \$287,500.00 over subject property Realty taxes to be paid in full. First mortgage not to exceed \$290,000.00 and be in good standing.
- b) Satisfactory insurance coverage as verified by lender's independent insurance advisor and naming lender as loss payee.
- c) Personal guarantee of Adam Hofmann and Dirk Peter Nielson and all the shareholders of the borrower for the full amount of the loan on a joint and several basis.
- d) Assignment of all rents.

LEGAL FEE:

A standby fee of \$1,000.00 is payable to Timothy Vanular in Trust and must be accompanied with the signed acceptance of this commitment. In the event the applicant is unable to or unwilling to fulfill the conditions within this letter this fee will be forfeited and deemed to pay for work done on behalf of the lender. **(Certified funds only)**

**CONDITIONS PRECEDENT
TO FUNDING:**

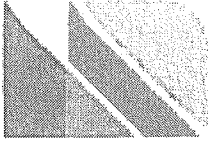
Prior to the advance, the lender shall be satisfied that each of the following conditions have been met by the borrower.

- a) All security is in place to the satisfaction of the lender and it's solicitor.
- b) Evidence of satisfactory title and zoning has been provided.
- c) An up to date survey of the property acceptable to the lender and it's solicitor to be provided prior to funding.
- d) Subject to satisfactory inspection of the property by the lender or his agent.
- e) Subject to satisfactory appraisal of not less than \$825,000.00 for the subject property. **(Received)**
- f) This commitment shall be null and void after August 3, 2015 if not accepted by then.

**OTHER
CONDITIONS:**

Borrower agrees to:

- a) Provide such other information and documentation as reasonable requested by the lender.
- b) All legal fees incurred by the lender to be paid by the borrower as stated in the commitment.
- c) Pay to the lender his bonus of \$7,187.50 and to the broker their fee of \$2,875.00 should the borrower fail to close through no fault of the lender, as a pre-estimated of their liquidated damages.



MD
FINANCIAL
CORPORATION
Lic. # 10714

3089 Bathurst St., Suite 312
Toronto, Ontario M6A 2A4
Tel: 416-782-5777
Fax: 416-782-1048

Yours very truly,
MD FINANCIAL CORPORATION


LARRY S. GWYNNE


ACCEPTANCE OF BORROWER

I the undersigned, hereby accept the terms and conditions as set out above.

X Dated at Warkenton this 28 day of July, 2015.

X 
BORROWER - BG FURNITURE LTD.

X 
GUARANTOR - ADAM HOFMANN

X 
GUARANTOR - PETER DIRK NIELSON

Mortgage Brokerages, Lenders and Administrators Act
This document must be provided to the borrower 2 business days prior to the signing
of any mortgage instruments, unless waived below.

Disclosure to Borrower

Cost of Borrowing Disclosure:

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario , ,

Details of Mortgage:

The principal amount of the Second mortgage \$ 287,500.00, will be repayable in Monthly installments of \$ 2,695.31, to be paid on the , only interest, starting on . The net advance of funds is \$ 276,437.50.
The total amount of all payments over the 1 Years term will be \$ 32,343.72. The mortgage will be amortized over .

Interest:

The date on which interest begins to accrue is: and if any grace period is given, the details are:
N/A

The annual interest rate is 11.250 % and the compounding period is Monthly.
Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.
Where the annual interest rate may change, the method of determining the annual interest rate is:

Fees and Costs Payable by Borrower:

	Comments	Value	Included In APR
Brokerage Fee	MD Financial Corporation	\$ <u>2,875.00</u>	<u>X</u>
Legal Fees & Disbursements	estimate + HST & disbursements	\$ <u>1,000.00</u>	<u>X</u>
Other Lender Fees		\$ <u>7,187.50</u>	<u>X</u>
Total Costs:		\$ <u>11,062.50</u>	

Total Cost of Borrowing:

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 43,406.22 APR: 15.098 %
The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.

Terms and Conditions:

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: See commitment for details

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

Conflict of Interest Disclosure:

Referral Fees to Brokerage and/or Broker/Agent:

Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.

Information on Brokerage:

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 39 lenders during the previous fiscal year.

Mortgage Brokerages, Lenders and Administrators Act

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

Disclosure to Borrower

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: MQ8006342

Date: 07/27/2015

Authorized Signature: _____

Disclosure of Material Risks:

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledges that this mortgage financing is from a private Lender. ☒

Mortgage/Life Insurance has been discussed with me/us and will accept _____ or decline HS (please initial)

Acknowledgment

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

☒ Date: July 28 - 2015

☒ Borrower: _____

☒ Date: 11

☒ Guarantor: _____

☒ Date: 11

☒ Guarantor: _____

BG Furniture Ltd.

Adam Hofmann

Dirk P. Neilson

I / we waive the 2 business days requirement for this disclosure.

☒ Date: July 28 - 2015

☒ Borrower: _____

☒ Date: 11

☒ Guarantor: _____

☒ Date: 11

☒ Guarantor: _____

BG Furniture Ltd.

Adam Hofmann

Dirk P. Neilson

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AMORTIZATION SUMMARY

Transaction No:
MDFC-1920-2

Prepared For: BG Furniture Ltd.

MORTGAGE INFORMATION

Mortgage Amount:	\$ 287,500.00	Closing Date:	
Interest Rate:	11.250%	Interest Adjustment Date:	
Amortization:	0 Years 0 Months	First Payment Date:	
Term:	12 Months	Maturity Date:	
Disclosure Rate:	15.098%	Interest Adjustment Amount:	\$ 0.00
Payment Frequency:	Monthly	Interest Only:	Yes
Compounded:	Monthly		

MORTGAGE SUMMARY

Monthly Payment: \$ 2,695.31

Total Payments:	\$ 32,343.72
Total Interest:	\$ 32,343.72
Total Principal:	\$ 0.00
Balance Remaining at Maturity:	\$ 287,500.00



DN

E. + O. E.

Prepared by : Agent

Larry Gwynne - M08006342
MD Financial Corporation

312 - 3089 Bathurst Street
Toronto, Ontario
M6A 2A4
10714

Tel : (416) 782-5777

Fax : (416) 782-1048

E-mail : lsgwynne@yahoo.com

AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Balance
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
	\$ 2,695.31	\$ 0.00	\$ 287,500.00
At End of Term:	\$ 32,343.72	\$ 0.00	\$ 287,500.00



DN

RENEWAL AGREEMENT

RENEWAL AGREEMENT dated at Toronto, this _____ day of _____, 2015

BETWEEN: Platinum Investment Group Inc. as lenders

Hereinafter called the Mortgagee(s) of the
FIRST PART

and- BG Furniture Ltd. as Borrowers

and- Adam Hofman and Dirk Peter Neilson as Guarantors

Hereinafter called the Mortgagor(s) of the
SECOND PART

PRINCIPAL BALANCE: \$290,000.00 AS AT: August 1, 2015 upon payment of \$10,000.00

INTEREST RATE: 10% COSTS: Lender Fee \$2,900.00 Lender Fee payable to Platinum
Investment Group Inc.
Broker Fee \$1,500.00 Payable to MD Financial Corporation

PAYMENTS: \$2,500.00 monthly interest only/Pre-Authorized Debit

FIRST PAYMENT: September 1, 2015

MATURITY DATE: August 1, 2016

PRIVILEGES: As per original mortgage save and except payment to be made by electronic debiting

MUNICIPALLY KNOW AS: 75 Ridout Street, Walkerton, Ontario

MORTGAGEE'S ADDRESS: 3089 Bathurst Street, Suite 312, Toronto, Ontario M6A 2A4

SUBJECT TO the above provisions, all other terms, conditions, liabilities and covenants contained in the
Mortgage shall remain in full force and effect; proof that taxes are paid up to date is required.

IN WITNESS WHEREOF the parties hereto have executed these presents on the 16 day of _____

X _____ 2015.

X Dirk Neilson
WITNESS

X Dirk Neilson
WITNESS

X _____
WITNESS

X _____
MORTGAGOR - BG FURNITURE LTD.

X _____
GUARANTOR - ADAM HOFMAN

X Dirk Neilson
GUARANTOR - DIRK PETER NEILSON

WITNESS

MORTGAGEE - PLATINUM INVESTMENT GROUP INC

Mortgage Brokerages, Lenders and Administrators Act

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

Disclosure to Borrower

Cost of Borrowing Disclosure:

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario N0G 2V0 .

Details of Mortgage:

The principal amount of the First mortgage \$ 290,000.00, will be repayable in Monthly installments of \$ 2,416.67, to be paid on the 1st, only interest, starting on September 01, 2015. The net advance of funds is \$ 285,600.00.

The total amount of all payments over the 1 Years term will be \$ 29,000.04. The mortgage will be amortized over 0 yrs.

Interest:

The date on which interest begins to accrue is: August 01, 2015 and if any grace period is given, the details are: N/A

The annual interest rate is 10.000 % and the compounding period is Monthly.

Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.

Where the annual interest rate may change, the method of determining the annual interest rate is:

Fees and Costs Payable by Borrower:

	Comments	Value	Included In APR
Brokerage Fee	MD Financial Corporation	\$ <u>1,500.00</u>	<u>X</u>
Other Lender Fees	Platinum Investments	\$ <u>2,900.00</u>	<u>X</u>
Total Costs:		\$ <u>4,400.00</u>	

Total Cost of Borrowing:

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 33,400.04 APR: 11.517 %

The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.

Terms and Conditions:

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: See commitment for details

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

Conflict of Interest Disclosure:

Referral Fees to Brokerage and/or Broker/Agent:

Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.

Information on Brokerage:

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 39 lenders during the previous fiscal year.

Mortgage Brokerages, Lenders and Administrators Act

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

Disclosure to Borrower

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: M08006342

Date: 07/09/2015

Authorized Signature: _____

Disclosure of Material Risks:

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledge that this mortgage financing is from a private Lender.

Mortgage/Life Insurance has been discussed with me/us and will accept _____ or decline X (please initial)

Acknowledgment

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

X Date: July 16, 2015

X Borrower: _____
BG Furniture Ltd.

X Date: "

X Guarantor: _____
Adam Hofmann

X Date: "

X Guarantor: _____
Dirk P. Neilson

I / we waive the 2 business days requirement for this disclosure.

X Date: July 16, 2015

X Borrower: _____
BG Furniture Ltd.

X Date: "

X Guarantor: _____
Adam Hofmann

X Date: "

X Guarantor: _____
Dirk P. Neilson

This form is provided 'as-is' and D+H Limited Partnership ('D+H') makes no representations, warranties or conditions with regard to this form. Without limiting the generality of the foregoing, D+H does not warrant that this form complies with any applicable legislation and/or regulation. To the maximum extent permitted by applicable law, D+H disclaims all warranties and conditions implied or statutory, including, but not limited to, any warranties or conditions of merchantability, fitness for a particular purpose, and non-infringement.

AMORTIZATION SUMMARY

Transaction No:
MDFC-1904-1

Prepared For: BG Furniture Ltd.

MORTGAGE INFORMATION

Mortgage Amount:	\$ 290,000.00	Closing Date:	August-1-2015
Interest Rate:	10.000%	Interest Adjustment Date:	August-1-2015
Amortization:	0 Years 0 Months	First Payment Date:	September-1-2015
Term:	12 Months	Maturity Date:	August-1-2016
Disclosure Rate:	11.517%	Interest Adjustment Amount:	\$ 0.00
Payment Frequency:	Monthly	Interest Only:	Yes
Compounded:	Monthly		

MORTGAGE SUMMARY

Monthly Payment: \$ 2,416.67

Total Payments:	\$ 29,000.04
Total Interest:	\$ 29,000.04
Total Principal:	\$ 0.00
Balance Remaining at Maturity:	\$ 290,000.00

Prepared by : Agent

Larry Gwynne - M08006342
MD Financial Corporation

312 - 3089 Bathurst Street
Toronto, Ontario
M6A 2A4
10714

Tel : (416) 782-5777

Fax : (416) 782-1048

E-mail : lsgwynne@yahoo.com


E. + O. E.

AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Balance
September 1, 2015	\$ 2,416.67	\$ 0.00	\$ 290,000.00
October 1, 2015	\$ 2,416.67	\$ 0.00	\$ 290,000.00
November 1, 2015	\$ 2,416.67	\$ 0.00	\$ 290,000.00
December 1, 2015	\$ 2,416.67	\$ 0.00	\$ 290,000.00
January 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
February 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
March 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
April 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
May 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
June 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
July 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
August 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
At End of Term:	\$ 29,000.04	\$ 0.00	\$ 290,000.00

RENEWAL AGREEMENT

RENEWAL AGREEMENT dated at Toronto, this 25th day of July, 2016

BETWEEN: **Platinum Investments Group Inc.** as lenders

Hereinafter called the Mortgagee(s) of the
FIRST PART

and- **BG Furniture Ltd.** as Borrowers

and- **Adam Hofmann and Dirk Peter Neilson** as Guarantors

Hereinafter called the Mortgagor(s) of the
SECOND PART

PRINCIPAL BALANCE: \$290,000.00 AS AT: **August 1, 2016 (providing all payments are up to date)**

INTEREST RATE: 10% COSTS: **Lender Fee \$3,750.00 payable to Platinum Investment Group Inc.
Broker Fee \$1,450.00 Payable to MD Financial Corporation**

PAYMENTS: **\$2,416.67 monthly interest only via pre-authorized debit**

FIRST PAYMENT: **September 1, 2016**

MATURITY DATE: **August 1, 2017**

PRIVILEGES: **As per original mortgage**

MUNICIPALLY KNOW AS: 75 Ridout Street, Walkerton, Ontario

MORTGAGEE'S ADDRESS: 3089 Bathurst Street, Suite 312, Toronto, Ontario M6A 2A4

SUBJECT TO the above provisions, all other terms, conditions, liabilities and covenants contained in the Mortgage shall remain in full force and effect.

The following conditions must be met prior to maturity for this renewal agreement to be valid:

1. Proof that property taxes are up to date.
2. Up to date insurance binder showing an active and satisfactory policy on the property.
3. Acknowledgment of fee schedule attached
4. Any other information or documentation reasonably requested by the lender.

IN WITNESS WHEREOF the parties hereto have executed these presents on this date:

X _____ DATE	X _____ MORTGAGOR - BG FURNITURE LTD.	X _____ WITNESS
✓ _____ DATE	X _____ GUARANTOR - ADAM HOFMANN	✓ _____ WITNESS
✓ _____ DATE	X _____ GUARANTOR - DIRK PETER NEILSON	X _____ WITNESS
_____	_____	_____
DATE	MORTGAGEE - PLATINUM INVESTMENTS GROUP INC	WITNESS

AMORTIZATION SUMMARY

Transaction No:
MDFC-2253-1

Prepared For: BG Furniture Ltd.

MORTGAGE INFORMATION

Mortgage Amount:	\$ 290,000.00	Closing Date:	August-1-2016
Interest Rate:	10.000%	Interest Adjustment Date:	August-1-2016
Amortization:	0 Years 0 Months	First Payment Date:	September-1-2016
Term:	12 Months	Maturity Date:	August-1-2017
Disclosure Rate:	11.793%	Interest Adjustment Amount:	\$ 0.00
Payment Frequency:	Monthly	Interest Only:	Yes
Compounded:	Monthly		

MORTGAGE SUMMARY

Monthly Payment: \$ 2,416.67

Total Payments:	\$ 29,000.04
Total Interest:	\$ 29,000.04
Total Principal:	\$ 0.00
Balance Remaining at Maturity:	\$ 290,000.00

Prepared by : Agent

Larry Gwynne - M08006342
MD Financial Corporation

312 - 3089 Bathurst Street
Toronto, Ontario
M6A 2A4

10714

Tel : (416) 782-5777

Fax : (416) 782-1048

E-mail : lsgwynne@yahoo.com

E. + O. E.

AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Balance
September 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
October 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
November 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
December 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
January 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
February 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
March 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
April 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
May 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
June 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
July 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
August 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
At End of Term:	\$ 29,000.04	\$ 0.00	\$ 290,000.00

X

Mortgage Brokerages, Lenders and Administrators Act

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

Disclosure to Borrower

Cost of Borrowing Disclosure:

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario N0G 2V0 , ,

Details of Mortgage:

The principal amount of the First mortgage \$ 290,000.00, will be repayable in Monthly installments of \$ 2,416.67, to be paid on the 1st , only interest, starting on September 01, 2016. The net advance of funds is \$ 290,000.00.
The total amount of all payments over the 1 Years term will be \$ 29,000.04. The mortgage will be amortized over 0 yrs .

Interest:

The date on which interest begins to accrue is: August 01, 2016 and if any grace period is given, the details are: N/A

The annual interest rate is 10.000 % and the compounding period is Monthly.
Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.
Where the annual interest rate may change, the method of determining the annual interest rate is:

Fees and Costs Payable by Borrower:

	Comments	Value	Included In APR
Brokerage Fee	MD Financial Corporation	\$ <u>1,450.00</u>	<u>X</u>
Other Lender Fees	Platinum Investments	\$ <u>3,750.00</u>	<u>X</u>
Total Costs:		\$ <u>5,200.00</u>	

Total Cost of Borrowing:

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 34,200.04 APR: 11.793 %
The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.

Terms and Conditions:

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: Pre-authorized debit

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

Conflict of Interest Disclosure:

Referral Fees to Brokerage and/or Broker/Agent:

Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.

Information on Brokerage:

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 37 lenders during the previous fiscal year.

X

Mortgage Brokerages, Lenders and Administrators Act

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

Disclosure to Borrower

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: M08006342

Date: 07/25/2016

Authorized Signature: _____

Disclosure of Material Risks:

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledges that this mortgage financing is from a private Lender.

Mortgage/Life Insurance has been discussed with me/us and will accept _____ or decline _____. (please initial)

Acknowledgment

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

Date: _____

X

Borrower:

BG Furniture Ltd.

Date: _____

X

Guarantor:

Adam Hofmann

Date: _____

X

Guarantor:

Dirk P. Neilson

I / we waive the 2 business days requirement for this disclosure.

Date: _____

X

Borrower:

BG Furniture Ltd.

Date: _____

X

Guarantor:

Adam Hofmann

Date: _____

X

Guarantor:

Dirk P. Neilson

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**MD
FINANCIAL
CORPORATION**
Lic. # 10714

3089 Bathurst St., Suite 312
Toronto, Ontario M6A 2A4
Tel: 416-782-5777
Fax: 416-782-1048

July 25, 2016

Renewal Fees Payment Schedule

**Re: 1st & 2nd Mortgage Renewal on 75 RIDOUT STREET, WALKERTON,
ONTARIO.**

Lender Renewal Fees: Platinum Investment Group Inc.

1 st Installment:	\$2,400.00 due on August 1, 2016 by way of certified cheque.
2 nd Installment:	\$2,500.00 due on September 1, 2016 by way of certified cheque.
3 rd Installment:	\$2,600.00 due on October 1, 2016 by way of certified cheque.
Total Payments:	<u>\$7,500.00</u>

Brokerage Renewal Fees: MD Financial Corporation

1 st Installment:	\$1,450.00 due on September 1, 2016 by way of post-dated cheque.
2 nd Installment:	\$1,450.00 due on October 1, 2016 by way of post-dated cheque.
Total Payments:	<u>\$2,900.00</u>

X

MORTGAGES BOUGHT, SOLD AND ARRANGED

RENEWAL AGREEMENT

RENEWAL AGREEMENT dated at Toronto, this 25th day of July, 2016

BETWEEN: **Platinum Investments Group Inc.** as lenders

Hereinafter called the Mortgagee(s) of the
FIRST PART

and- **BG Furniture Ltd.** as Borrowers

and- **Adam Hofmann and Dirk Peter Neilson** as Guarantors

Hereinafter called the Mortgagor(s) of the
SECOND PART

PRINCIPAL BALANCE: \$290,000.00 AS AT: **August 1, 2016 (providing all payments are up to date)**

INTEREST RATE: 10% COSTS: **Lender Fee \$3,750.00 payable to Platinum Investment Group Inc.
Broker Fee \$1,450.00 Payable to MD Financial Corporation**

PAYMENTS: **\$2,416.67 monthly interest only via pre-authorized debit**

FIRST PAYMENT: **September 1, 2016**

MATURITY DATE: **August 1, 2017**

PRIVILEGES: **As per original mortgage**

MUNICIPALLY KNOW AS: 75 Ridout Street, Walkerton, Ontario

MORTGAGEE'S ADDRESS: 3089 Bathurst Street, Suite 312, Toronto, Ontario M6A 2A4

SUBJECT TO the above provisions, all other terms, conditions, liabilities and covenants contained in the Mortgage shall remain in full force and effect.

The following conditions must be met prior to maturity for this renewal agreement to be valid:

1. Proof that property taxes are up to date.
2. Up to date insurance binder showing an active and satisfactory policy on the property.
3. Acknowledgment of fee schedule attached
4. Any other information or documentation reasonably requested by the lender.

IN WITNESS WHEREOF the parties hereto have executed these presents on this date:

X _____ DATE	X _____ MORTGAGOR - BG FURNITURE LTD.	X _____ WITNESS
X _____ DATE	X _____ GUARANTOR - ADAM HOFMANN	X _____ WITNESS
X _____ DATE	X _____ GUARANTOR - DIRK PETER NEILSON	X _____ WITNESS
_____ DATE	_____ MORTGAGEE - PLATINUM INVESTMENTS GROUP INC	_____ WITNESS

AMORTIZATION SUMMARY

Transaction No:
MDFC-2253-1

Prepared For: BG Furniture Ltd.

MORTGAGE INFORMATION

Mortgage Amount:	\$ 290,000.00	Closing Date:	August-1-2016
Interest Rate:	10.000%	Interest Adjustment Date:	August-1-2016
Amortization:	0 Years 0 Months	First Payment Date:	September-1-2016
Term:	12 Months	Maturity Date:	August-1-2017
Disclosure Rate:	11.793%	Interest Adjustment Amount:	\$ 0.00
Payment Frequency:	Monthly	Interest Only:	Yes
Compounded:	Monthly		

MORTGAGE SUMMARY

Monthly Payment: \$ 2,416.67

Total Payments:	\$ 29,000.04
Total Interest:	\$ 29,000.04
Total Principal:	\$ 0.00
Balance Remaining at Maturity:	\$ 290,000.00

Prepared by : Agent

Larry Gwynne - M08006342
MD Financial Corporation

312 - 3089 Bathurst Street
Toronto, Ontario
M6A 2A4

10714

Tel : (416) 782-5777

Fax : (416) 782-1048

E-mail : lsgwynne@yahoo.com

E. + O. E.

AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Balance
September 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
October 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
November 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
December 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
January 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
February 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
March 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
April 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
May 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
June 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
July 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
August 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
At End of Term:	\$ 29,000.04	\$ 0.00	\$ 290,000.00

X

Mortgage Brokerages, Lenders and Administrators Act

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

Disclosure to Borrower**Cost of Borrowing Disclosure:**

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario N0G 2V0 , ,

Details of Mortgage:

The principal amount of the First mortgage \$ 290,000.00, will be repayable in Monthly installments of \$ 2,416.67, to be paid on the 1st , only interest, starting on September 01, 2016. The net advance of funds is \$ 290,000.00.
The total amount of all payments over the 1 Years term will be \$ 29,000.04. The mortgage will be amortized over

0 yrs

Interest:

The date on which interest begins to accrue is: August 01, 2016 and if any grace period is given, the details are:
N/A

The annual interest rate is 10.000 % and the compounding period is Monthly.

Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.

Where the annual interest rate may change, the method of determining the annual interest rate is:

Fees and Costs Payable by Borrower:

	Comments	Value	Included In APR
Brokerage Fee	MD Financial Corporation	\$ <u>1,450.00</u>	<u>X</u>
Other Lender Fees	Platinum Investments	\$ <u>3,750.00</u>	<u>X</u>
Total Costs:		\$ <u>5,200.00</u>	

Total Cost of Borrowing:

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 34,200.04 APR: 11.793 %

The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.

Terms and Conditions:

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: Pre-authorized debit

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

Conflict of Interest Disclosure:**Referral Fees to Brokerage and/or Broker/Agent:**

Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.

Information on Brokerage:

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 37 lenders during the previous fiscal year.

X

Mortgage Brokerages, Lenders and Administrators Act

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

Disclosure to Borrower

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: M08006342

Date: 07/25/2016

Authorized Signature: _____

Disclosure of Material Risks:

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledges that this mortgage financing is from a private Lender.

Mortgage/Life Insurance has been discussed with me/us and will accept _____ or decline _____. (please initial)

Acknowledgment

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

Date: _____

X

Borrower:

BG Furniture Ltd.

Date: _____

X

Guarantor:

Adam Hofmann

Date: _____

X

Guarantor:

Dirk P. Neilson

I / we waive the 2 business days requirement for this disclosure.

Date: _____

X

Borrower:

BG Furniture Ltd.

Date: _____

X

Guarantor:

Adam Hofmann

Date: _____

X

Guarantor:

Dirk P. Neilson

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**MD
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CORPORATION**
Lic. # 10714

3089 Bathurst St., Suite 312
Toronto, Ontario M6A 2A4
Tel: 416-782-5777
Fax: 416-782-1048

July 25, 2016

Renewal Fees Payment Schedule

**Re: 1st & 2nd Mortgage Renewal on 75 RIDOUT STREET, WALKERTON,
ONTARIO.**

Lender Renewal Fees: Platinum Investment Group Inc.

1 st Installment:	\$2,400.00 due on August 1, 2016 by way of certified cheque.
2 nd Installment:	\$2,500.00 due on September 1, 2016 by way of certified cheque.
3 rd Installment:	\$2,600.00 due on October 1, 2016 by way of certified cheque.
Total Payments:	<u>\$7,500.00</u>

Brokerage Renewal Fees: MD Financial Corporation

1 st Installment:	\$1,450.00 due on September 1, 2016 by way of post-dated cheque.
2 nd Installment:	\$1,450.00 due on October 1, 2016 by way of post-dated cheque.
Total Payments:	<u>\$2,900.00</u>

X

MORTGAGES BOUGHT, SOLD AND ARRANGED

RENEWAL AGREEMENT

RENEWAL AGREEMENT dated at Toronto, this 25th day of July, 2016

BETWEEN: **Platinum Investments Group Inc.** as lenders

Hereinafter called the Mortgagee(s) of the
FIRST PART

and- **BG Furniture Ltd.** as Borrowers

and- **Adam Hofmann and Dirk Peter Neilson** as Guarantors

Hereinafter called the Mortgagor(s) of the
SECOND PART

PRINCIPAL BALANCE: \$287,500.00 AS AT: **August 1, 2016** (providing all payments are up to date)

INTEREST RATE: 11.25% COSTS: **Lender Fee \$3,750.00 payable to Platinum Investment Group Inc.**
Broker Fee \$1,450.00 Payable to MD Financial Corporation

PAYMENTS: **\$2,695.32 monthly interest only via pre-authorized debit**

FIRST PAYMENT: **September 1, 2016**

MATURITY DATE: **August 1, 2017**

PRIVILEGES: **As per original mortgage**

MUNICIPALLY KNOW AS: 75 Ridout Street, Walkerton, Ontario

MORTGAGEE'S ADDRESS: 3089 Bathurst Street, Suite 312, Toronto, Ontario M6A 2A4

SUBJECT TO the above provisions, all other terms, conditions, liabilities and covenants contained in the Mortgage shall remain in full force and effect.

The following conditions must be met prior to maturity for this renewal agreement to be valid:

1. Proof that property taxes are up to date.
2. Up to date insurance binder showing an active and satisfactory policy on the property.
3. Acknowledgment of fee schedule attached
4. Any other information or documentation reasonably requested by the lender.

IN WITNESS WHEREOF the parties hereto have executed these presents on this date:

X _____ DATE	X _____ MORTGAGOR - BG FURNITURE LTD.	X _____ WITNESS
X _____ DATE	X _____ GUARANTOR - ADAM HOFMANN	X _____ WITNESS
X _____ DATE	X _____ GUARANTOR - DIRK PETER NEILSON	X _____ WITNESS
_____ DATE	_____ MORTGAGEE - PLATINUM INVESTMENTS GROUP INC	_____ WITNESS

AMORTIZATION SUMMARY

Transaction No:
MDFC-2252-2

Prepared For: BG Furniture Ltd.

MORTGAGE INFORMATION

Mortgage Amount:	\$ 287,500.00	Closing Date:	August-1-2016
Interest Rate:	11.250%	Interest Adjustment Date:	August-1-2016
Amortization:	0 Years 0 Months	First Payment Date:	September-1-2016
Term:	12 Months	Maturity Date:	August-1-2017
Disclosure Rate:	13.059%	Interest Adjustment Amount:	\$ 0.00
Payment Frequency:	Monthly	Interest Only:	Yes
Compounded:	Monthly		

MORTGAGE SUMMARY

Monthly Payment: \$ 2,695.31

Total Payments:	\$ 32,343.72
Total Interest:	\$ 32,343.72
Total Principal:	\$ 0.00
Balance Remaining at Maturity:	\$ 287,500.00

Prepared by : Agent

Larry Gwynne - M08006342
MD Financial Corporation

312 - 3089 Bathurst Street
Toronto, Ontario
M6A 2A4
10714

Tel : (416) 782-5777

Fax : (416) 782-1048

E-mail : lsgwynne@yahoo.com

E. + O. E.

AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Balance
September 1, 2016	\$ 2,695.31	\$ 0.00	\$ 287,500.00
October 1, 2016	\$ 2,695.31	\$ 0.00	\$ 287,500.00
November 1, 2016	\$ 2,695.31	\$ 0.00	\$ 287,500.00
December 1, 2016	\$ 2,695.31	\$ 0.00	\$ 287,500.00
January 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
February 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
March 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
April 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
May 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
June 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
July 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
August 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
At End of Term:	\$ 32,343.72	\$ 0.00	\$ 287,500.00

X

Mortgage Brokerages, Lenders and Administrators Act

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

Disclosure to Borrower**Cost of Borrowing Disclosure:**

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario , ,

Details of Mortgage:

The principal amount of the Second mortgage \$ 287,500.00, will be repayable in Monthly installments of \$ 2,695.31, to be paid on the 1st, only interest, starting on September 01, 2016. The net advance of funds is \$ 287,500.00.
The total amount of all payments over the 1 Years term will be \$ 32,343.72. The mortgage will be amortized over

0.415

Interest:

The date on which interest begins to accrue is: August 01, 2016 and if any grace period is given, the details are:
N/A

The annual interest rate is 11.250 % and the compounding period is Monthly.
Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.

Where the annual interest rate may change, the method of determining the annual interest rate is:

Fees and Costs Payable by Borrower:

	Comments	Value	Included In APR
Brokerage Fee	MD Financial Corporation	\$ <u>1,450.00</u>	<u>X</u>
Other Lender Fees	Platinum Investments	\$ <u>3,750.00</u>	<u>X</u>
Total Costs:		\$ <u>5,200.00</u>	

Total Cost of Borrowing:

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 37,543.72 APR: 13.059 %
The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.

Terms and Conditions:

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: pre-authorized debit

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

Conflict of Interest Disclosure:**Referral Fees to Brokerage and/or Broker/Agent:**

Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.

Information on Brokerage:

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 37 lenders during the previous fiscal year.

X

Mortgage Brokerages, Lenders and Administrators Act

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

Disclosure to Borrower

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: M08006342

Date: 07/25/2016

Authorized Signature: _____

Disclosure of Material Risks:

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledges that this mortgage financing is from a private Lender. X

Mortgage/Life Insurance has been discussed with me/us and will accept _____ or decline _____. (please initial)

Acknowledgment

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

X Date: _____

X

Borrower: _____

BG Furniture Ltd.

X Date: _____

X

Guarantor: _____

Adam Hofmann

X Date: _____

X

Guarantor: _____

Dirk P. Neilson

I / we waive the 2 business days requirement for this disclosure.

X Date: _____

X

Borrower: _____

BG Furniture Ltd.

X Date: _____

X

Guarantor: _____

Adam Hofmann

X Date: _____

X

Guarantor: _____

Dirk P. Neilson

This form is provided "as-is" and D+H Limited Partnership ("D+H") makes no representations, warranties or conditions with regard to this form. Without limiting the generality of the foregoing, D+H does not warrant that this form complies with any applicable legislation and/or regulation. To the maximum extent permitted by applicable law, D+H disclaims all warranties and conditions implied or statutory, including, but not limited to, any warranties or conditions of merchantability, fitness for a particular purpose, and non-infringement.

THIS IS EXHIBIT N REFERRED
TO IN THE AFFIDAVIT OF

Adam Hoffmann
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibadeau 100406
A COMMISSIONER, ETC.

Scott Stewart Thibadeau, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.

AGREEMENT

August 4, 2015

The following is our amended agreement for SEDC to postpone in favour of a renewal mortgage and new mortgage totaling \$578,500. Below are the revised terms of an agreement between Saugeen Economic Development Corporation ("SEDC") and BG Furniture Ltd. in respect of the obligations assumed by BG Furniture Ltd. of Bogdon & Gross Furniture Company Limited ("B&G") pursuant to the terms of the Sale and Investment Solicitation Process (the "SISP") established by B&G as part of its restructuring efforts:

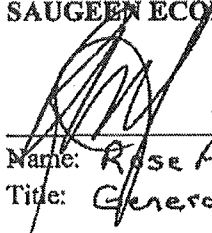
1. BG Furniture Ltd. will, in satisfaction of the indebtedness owing by B&G to SEDC, pay the sum of \$312,000 to SEDC (the "Settled Indebtedness") by pledging BG Furniture Ltd. interest in its Scientific Research and Experimental tax credits that arise during the 2014, 2015 and 2016 (collectively, the "SRED Credits") tax years, which will be submitted to the CRA in 2015, 2016 and 2017 respectively,
2. The amount paid to SEDC will be limited to the following re-payment schedule:
 - a. For the year ending 2014, 10% of the SRED refund will be paid to SEDC
 - b. For the year ending 2015, 30% of the SRED refund will be paid to SEDC
 - c. For the year ending 2016, 37.5% of the SRED refund will be paid to SEDC
 - d. For the year ending 2017 and for all future years until such time as the debt is paid in full; 50% of the SRED refund will be paid to SEDC
3. SEDC's security shall be limited to the following:
 - a. their participation in the SRED Credits and will rank *pari passu* with Bruce Community Futures Development Corporation's ("Bruce") interest in the SRED Credits,
 - b. third collateral mortgage on land and buildings, subordinated from time to time to a first and second mortgage subject to the terms and conditions described in Schedule "A" attached hereto.
4. Outstanding amounts of the Settled Indebtedness will not be subject to interest,
5. At close of renewal and new mortgage on or about August 7, 2015, \$17,500 will be disbursed from mortgage proceeds to SEDC against the total amount owing
6. Starting October 2015, an amount of \$390 per month will be paid to SEDC, this will increase to \$520 in March 2016. These funds will apply to debt owing
7. Adam Hofmann and Dirk Nielsen limited personal guarantee in favour of SEDC to a maximum amount of \$124,000 each will remain in place. For greater certainty, in the event of a default under this Agreement, SEDC is only entitled to seek a maximum of \$124,000 from each of Adam Hofmann and Dirk Nielsen.
8. BG Furniture Ltd. will provide monthly reporting in a manner satisfactory to SEDC & Bruce.
9. SEDC acknowledges that it has received the documentation for the second mortgage detailing the financing arrangements made by BG Furniture Ltd. and has received the full details of the obligations of BG Furniture Ltd.
10. BG Furniture Ltd will keep priority payables current and report their status on a monthly basis as part of the routine reporting to SEDC & Bruce (Source Deductions, HST, EHT & WSIB). In the event that priority payables are not kept current, SEDC & Bruce reserve the right to communicate and resolve the matter with other secured lenders. The loan is in default if the priority payables are not current.
11. SEDC & Bruce will meet monthly or more frequently if necessary with the owners and CFO. A replacement financial advisor shall be contracted for BG Furniture to the satisfaction of SEDC and BRUCE within the next three months.

12. BG Furniture Ltd. will ensure that financial management and reporting is conducted to the satisfaction of management and their lenders.
13. This amended agreement and the agreements and other documents required to be delivered pursuant to this agreement constitute the entire agreement between the parties and set out all covenants, representations, understandings and agreements between the parties relating to the subject matter of this agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement.
14. SEDC acknowledges that it will be receiving independent legal advice before executing this Agreement.

Accepted and Agreed to:


Date: August 6, 2015

SAUGEEN ECONOMIC DEVELOPMENT CORPORATION


Name: Rose Austin
Title: General Manager

I have the authority to bind Saugeen Economic Development Corporation

BG FURNITURE LTD.


Name: Adam Hofmann
Title: President

I have the authority to bind BG Furniture Ltd.

SCHEDULE "A" – TERMS OF SUBORDINATION

1. SEDC will subordinate its collateral mortgage to the First and Second Mortgage to a maximum total of \$578,500.
2. The First and Second Mortgage is an interest only mortgage for the next year to July 31, 2016. Any renewal of the First and Second Mortgage, or of a replacement of the First and Second Mortgage lender with a new lender, must require that BG Furniture Ltd. make blended principal and interest payments on the First and Second Mortgage.
3. After July 31, 2016, and provided that the First and Second Mortgages are not in arrears, SEDC will subordinate its third collateral mortgage from time to time only to a maximum amount of the remaining principal amount outstanding on the First and Second Mortgage.

AGREEMENT

August 4, 2015

The following is our amended agreement for BRUCE to postpone in favour of a renewal mortgage and new mortgage totaling \$578,500. Below are the revised terms of an agreement between Bruce Community Futures Development Corporation ("BRUCE") and BG Furniture Ltd. in respect of the obligations assumed by BG Furniture Ltd. of Bogdon & Gross Furniture Company Limited ("B&G") pursuant to the terms of the Sale and Investment Solicitation Process (the "SISP") established by B&G as part of its restructuring efforts:

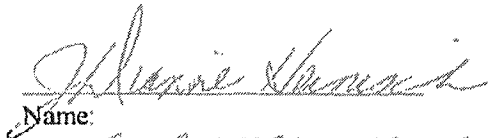
1. BG Furniture Ltd. will, in satisfaction of the indebtedness owing by B&G to BRUCE, pay the sum of \$312,000 to SEDC (the "Settled Indebtedness") by pledging BG Furniture Ltd. interest in its Scientific Research and Experimental tax credits that arise during the 2014, 2015 and 2016 (collectively, the "SRED Credits") tax years, which will be submitted to the CRA in 2015, 2016 and 2017 respectively,
2. The amount paid to BRUCE will be limited to the following re-payment schedule:
 - a. For the year ending 2014, 10% of the SRED refund will be paid to BRUCE
 - b. For the year ending 2015, 30% of the SRED refund will be paid to BRUCE
 - c. For the year ending 2016, 37.5% of the SRED refund will be paid to BRUCE
 - d. For the year ending 2017 and for all future years until such time as the debt is paid in full; 50% of the SRED refund will be paid to BRUCE
3. BRUCE's security shall be limited to the following:
 - a. their participation in the SRED Credits and will rank *pari passu* with Saugeen Economic Development Corporation's ("SEDC") interest in the SRED Credits,
 - b. third collateral mortgage on land and buildings, subordinated from time to time to a first and second mortgage subject to the terms and conditions described in Schedule "A" attached hereto.
4. Outstanding amounts of the Settled Indebtedness will not be subject to interest,
5. At close of renewal and new mortgage on or about August 7, 2015, \$17,500 will be disbursed from mortgage proceeds to BRUCE against the total amount owing
6. Starting October 2015, an amount of \$390 per month will be paid to BRUCE, this will increase to \$520 in March 2016. These funds will apply to debt owing
7. Adam Hofmann and Dirk Nielsen limited personal guarantee in favour of BRUCE to a maximum amount of \$124,000 each will remain in place. For greater certainty, in the event of a default under this Agreement, BRUCE is only entitled to seek a maximum of \$124,000 from each of Adam Hofmann and Dirk Nielsen.
8. BG Furniture Ltd. will provide monthly reporting in a manner satisfactory to SEDC & Bruce.
9. BRUCE acknowledges that it has received the documentation for the second mortgage detailing the obligations of BG Furniture Ltd.
10. BG Furniture Ltd will keep priority payables current and report their status on a monthly basis as part of the routine reporting to SEDC & Bruce (Source Deductions, HST, EHT & WSIB). In the event that priority payables are not kept current, SEDC & Bruce reserve the right to communicate and resolve the matter with other secured lenders. The loan is in default if the priority payables are not current.
11. SEDC & Bruce will meet monthly or more frequently if necessary with the owners and CFO. A replacement financial advisor shall be contracted for BG Furniture to the satisfaction of SEDC and BRUCE within the next three months.

12. BG Furniture Ltd. will ensure that financial management and reporting is conducted to the satisfaction of management and their lenders.
13. This amended agreement and the agreements and other documents required to be delivered pursuant to this agreement constitute the entire agreement between the parties and set out all covenants, representations, understandings and agreements between the parties relating to the subject matter of this agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement.
14. BRUCE acknowledges that it will be receiving independent legal advice before executing this Agreement.

Accepted and Agreed to:

Date: August 7, 2015

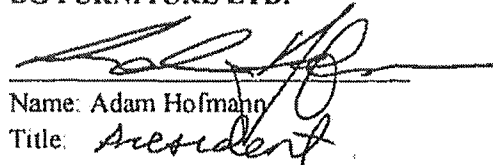
BRUCE COMMUNITY FUTURES DEVELOPMENT CORPORATION


Name:

Title: SECRETARY - TREASURER

I have the authority to bind Bruce Community Futures Development Corporation

BG FURNITURE LTD.


Name: Adam Hofmann
Title: President

I have the authority to bind BG Furniture Ltd.

SCHEDULE "A" – TERMS OF SUBORDINATION

1. BRUCE will subordinate its collateral mortgage to the First and Second Mortgage to a maximum total of \$578,500.
2. The First and Second Mortgage is an interest only mortgage for the next year to July 31, 2016. Any renewal of the First and Second Mortgage, or of a replacement of the First and Second Mortgage lender with a new lender, must require that BG Furniture Ltd. make blended principal and interest payments on the First and Second Mortgage.
3. After July 31, 2016, and provided that the First and Second Mortgages are not in arrears, BRUCE will subordinate its third collateral mortgage from time to time only to a maximum amount of the remaining principal amount outstanding on the First and Second Mortgage.