

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF QUALITY RUGS OF CANADA LIMITED AND THE OTHER COMPANIES
LISTED IN SCHEDULE "A" HERETO**

(collectively, the "Applicants")

- AND -

Court File No. CV-23-00703874-00CL

B E T W E E N:

**WAYGAR CAPITAL INC., as agent for NINEPOINT CANADIAN SENIOR DEBT
MASTER FUND L.P.**

Applicant

- and -

**QUALITY RUGS OF CANADA LIMITED, MALVERN CONTRACT INTERIORS
LIMITED, WESTON HARDWOOD DESIGN CENTRE INC., ONTARIO FLOORING
LTD., TIMELINE FLOORS INC., AND QUALITY COMMERCIAL CARPET
CORPORATION**

Respondents

**APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, C. C.43, AS AMENDED**

**MOTION RECORD OF WAYGAR CAPITAL INC.
(Returnable November 24, 2023)**

November 10, 2023

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*Lawyers for Waygar Capital Inc., as agent for
Ninepoint Canadian Senior Debt Master Fund
L.P.*

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TAB 1

Court File No. CV-23-00703933-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

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COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED**

**NOTICE OF MOTION
(Returnable November 24, 2023)**

Waygar Capital Inc., as agent for Ninepoint Canadian Senior Debt Master Fund L.P. will bring a motion before the Court on November 24, 2023, at 11:00 a.m., or as soon after that time as the motion can be heard, via Zoom videoconference,

PROPOSED METHOD OF HEARING: The motion is to be heard:

- In person
- By telephone conference
- By video conference

at the following location

Zoom details to be circulated by the Court in due course.

THE MOTION IS FOR:

1. An Order, among other things,
 - (a) abridging the time for and validating service of this notice of motion and the motion record and dispensing with service on any person other than those served;
 - (b) terminating the Directors' Charge in favour of the directors and officers of the Applicants in the CCAA Proceedings;
 - (c) terminating the Financial Advisor's Charge in favour of Alvarez & Marsal Canada Securities ULC ("**A&M**") in the CCAA Proceedings;
 - (d) staying the rights and remedies available to Ironbridge Equity Partners IV LP and Ironbridge Equity Partners (International) IV, LP (collectively, the "**DIP Lender**") to enforce the repayment of the debtor-in-possession facility granted by the DIP Lender to the Applicants in the CCAA Proceedings pending an Order of the Court authorizing distributions;
 - (e) preserving any and all rights, actions, lawsuits, proceedings, claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (collectively, the

“**Claims**”) which Waygar may have against the DIP Lender and/or Ironbridge Equity Partners Management Limited (“**Ironbridge**”);

- (f) such further and other relief as counsel may advise and as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

2. On October 31, 2023, on the return of Waygar’s application to appoint a receiver over the property of each of Quality Rugs of Canada Limited, Malvern Contract Interiors Limited, Weston Hardwood Design Centre Inc., Ontario Flooring Ltd., Timeline Floors Inc., and Quality Commercial Carpet Corporation (collectively, the “**Debtors**”), which was commenced under court file no. CV-23-00703874-00CL (the “**Receivership Proceedings**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) released an endorsement finding it “just and convenient to grant Waygar’s application for the appointment of a receiver”. Among other things, the Court:

- (a) granted an “initial receivership order”, distinct from the Commercial List Model Order, appointing The Fuller Landau Group Inc. (“**Fuller**”) as receiver (in such capacity, the “**Receiver**”), without security, of all of the assets, properties and undertakings of the Debtors, including all proceeds thereof (collectively, the “**Property**”) pursuant to section 243 of the *Bankruptcy and Insolvency Act* (the “**BIA**”) and section 101 of the *Courts of Justice Act* (Ontario), and conferring on the Receiver control over the Debtors’ Property;
- (b) granted a priority charge (the “**Receiver’s Charge**”) on the Property, as security for the fees and disbursements of the Receiver and counsel to the Receiver, both before and after the making of the receivership order in respect of the Receivership Proceedings;

- (c) granted a priority charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed by the Receiver from time to time, together with interest and charges thereon;
- (d) extended the stay of proceedings in effect in the Debtors' CCAA proceedings commenced under court file no. CV-23-00703933-00CL (the "**CCAA Proceedings**") up to and including November 24, 2023 (the "**Comeback Date**"); and
- (e) preserved the existing rights of all stakeholder during the transitional period from the CCAA Proceedings to the Receivership Proceedings, pending adjudication of all priority disputes and issues on the Comeback Date.

3. Pursuant to an initial order made on August 25, 2023 (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in the CCAA Proceedings, each of the Debtors and certain other holding companies listed in Schedule A attached thereto obtained protection under the CCAA. Among other things, the Initial Order:

- (a) appointed RSM Canada Limited as monitor (in such capacity, the "**Monitor**");
- (b) granted a charge (the "**Directors' Charge**") in favour of the directors and officers of the Debtors, in the aggregate amount of \$600,000, as security for the indemnity granted by the Debtors to their directors and officers against the obligations and liabilities that they may have incurred in such capacities after the commencement of the CCAA Proceedings;
- (c) granted a charge (the "**Financial Advisor's Charge**") in favour of A&M as financial advisor to the Debtors in the CCAA Proceedings, in the aggregate amount of \$950,000, as security for the success fee to be paid pursuant to the agreement dated February 1, 2023 between A&M and the Debtors (the "**A&M Engagement Letter**");

- (d) granted a charge (the “**Administration Charge**”) in favour of the Monitor, counsel to the Monitor, the Debtors’ counsel in the CCAA Proceedings and A&M (in respect of the latter’s monthly fees and expenses as set out in the A&M Engagement Letter), not exceeding the aggregate amount of \$750,000, as security for the aforementioned parties’ professional fees and disbursements incurred from and after August 18, 2023; and
- (e) granted a charge in favour of the DIP Lender, provided that the DIP Lender’s Charge does not secure an obligation that existed before August 4, 2023.

Directors’ Charge:

4. Pursuant to the Initial Order, the Directors’ Charge ranks in priority to any other CCAA Charges except for the Administration Charge and the Financial Advisor’s Charge, and is intended to indemnify the officers and directors of the Debtors in connection with claims arising for unpaid wages, source deductions, vacation pay, or HST arrears.

5. John Pacione, on behalf of the Debtors, has previously sworn that “Quality Rugs of Canada ; Quality Sterling Group” held a \$1 million insurance policy in respect of Directors & Officers and Entity Liability Coverage and Employment Practices Liability Coverage with Chubb Insurance Company of Canada.

6. Following the appointment of Fuller as Receiver, the Debtors are no longer in possession and control of the business and the Property.

7. Accordingly, it is open to the directors and officers of the Debtors to resign from their offices.

8. Following the CCAA filing date, the directors and officers of the Debtors have held their offices in circumstances where employees and suppliers continued to be paid and the business was funded as a going concern.

9. There is no evidence that the Debtors laid off any employees or otherwise accrued any obligations that were unpaid as of the date of commencement of the Receivership Proceedings.

10. There is no evidence that claims have been levelled at the directors and officers of the Debtors to date.
11. There is no evidence that insurance coverage is not available or insufficient.
12. The Directors' Charge should, therefore, be terminated.

Financial Advisor's Charge:

13. The Debtors retained A&M to assist them in evaluating any opportunity resulting from a process intended to raise capital on the terms and conditions set out in the A&M Engagement Letter.
14. The process launched by A&M generated a single offer from Ironbridge. After further negotiations between Waygar, the Debtors and Ironbridge, the Ironbridge offer formed the basis for the contemplated transaction sought to have been closed under the CCAA Proceedings (the "**Ironbridge Transaction**").
15. Pursuant to the A&M Engagement Letter, as compensation for services rendered, A&M would be paid (a) a monthly work fee; and (b) a sale transaction fee in connection with the closing of the Ironbridge Transaction (the "**Success Fee**").
16. Ironbridge has since advised that there is no path forward for the contemplated Ironbridge Transaction. Accordingly, the Success Fee is not eligible to be paid to A&M, and the Financial Advisor's Charge, which was granted as security for the Success Fee, is no longer necessary and should be terminated.

DIP Lender's Charge:

17. As part of the relief granted in the Initial Order, the Court approved a debtor-in-possession facility from the DIP Lender to fund the Debtors' day-to-day operations pending the completion of the contemplated Ironbridge Transaction, all on the terms and conditions set out in the DIP Facility Loan Agreement dated August 25, 2023 (the "**DIP Term Sheet**").

18. In accordance with the DIP Term Sheet, the DIP Lender has advanced \$5,000,000 to the Debtors.
19. Waygar recognizes the priority granted to the DIP Lender's Charge.
20. However, Waygar seeks the following relief vis-à-vis the DIP Lender and/or Ironbridge, as applicable:
 - (a) that the rights and remedies available to the DIP Lender to enforce the repayment of the DIP facility pursuant to the DIP Term Sheet and any Order made in the CCAA Proceedings be stayed until the Receiver's liquidation and realization efforts have been exhausted; and
 - (b) that any and all Claims which Waygar may have against the DIP Lender and/or Ironbridge, as the case may be, shall be preserved and not waived or released by reason of any Order made on the Comeback Date.

Administration Charge:

21. The Administration Charge secures the fees and disbursements incurred by the Debtors' counsel, the Monitor, the Monitor's counsel and A&M (in respect of its monthly fees and expenses as set out in the A&M Engagement Letter) up to a maximum amount of \$750,000.
22. The beneficiaries of the Administration Charge are required to seek court approval in respect of their respective professional and legal fees, and such requests must be substantiated by evidence that the fees were reasonably incurred.
23. As at the time of this Affidavit, the parties have not sought court approval of their fees.
24. Accordingly, Waygar reserves its right to argue, *inter alia*, that certain of such fees should be for the account of the DIP Lender/Ironbridge, as applicable, as they were incurred for the sole benefit of such parties.
25. The provisions of the CCAA and BIA.

26. Rules 1.04, 2.01, 2.03, 3.02, 16, 37 and 39 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, and section 106 and 137 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended; and

27. Such further other grounds as counsel may advise and this Court may permit.

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

- (a) the Affidavit of Don Rogers sworn November 10, 2023; and
- (b) such further and other evidence as counsel may advise and this Court may permit.

November 10, 2023

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Counsel for Waygar Capital Inc., as agent for
Ninepoint Canadian Senior Debt Master Fund
L.P.

TO: THE SERVICE LIST

WAYGAR CAPITAL INC., AS AGENT FOR - and - **QUALITY RUGS OF CANADA**
NINEPOINT CANADIAN SENIOR DEBT **LIMITED et al.**
MASTER FUND L.P.
Applicant Respondents

Court File No: CV-23-00703933-00CL
Court File No: CV-23-00703292-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

NOTICE OF MOTION
(Returnable November 24, 2023)

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Counsel for Waygar Capital Inc., as agent for
Ninepoint Canadian Senior Debt Master Fund
L.P.

TAB 2

Court File No. CV-23-00703933-00CL

**ONTARIO
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- and -

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THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED**

**AFFIDAVIT OF DON ROGERS
(sworn November 10, 2023)**

I, **DON ROGERS**, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am a Managing Director of the Applicant (“**Waygar**”), and, as such, have knowledge of the matters to which I hereinafter depose. To the extent that I do not have direct first-hand knowledge of particular facts or events, I have obtained that information from others and/or from my review of the documentation attached as exhibits, and have indicated the source of that information in my Affidavit. I verily believe the facts hereinafter deposed to are true and correct.

2. On October 31, 2023, on the return of Waygar’s application to appoint a receiver over the property of each of Quality Rugs of Canada Limited, Malvern Contract Interiors Limited, Weston Hardwood Design Centre Inc., Ontario Flooring Ltd., Timeline Floors Inc., and Quality Commercial Carpet Corporation (collectively, the “**Debtors**”), which was commenced under court file no. CV-23-00703874-00CL (the “**Receivership Proceedings**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) released an endorsement finding it “just and convenient to grant Waygar’s application for the appointment of a receiver”. Among other things, the Court:

- (a) granted an “initial receivership order”, distinct from the Commercial List Model Order, appointing The Fuller Landau Group Inc. (“**Fuller**”) as receiver (in such capacity, the “**Receiver**”), without security, of all of the assets, properties and undertakings of the Debtors, including all proceeds thereof (collectively, the “**Property**”) pursuant to section 243 of the *Bankruptcy and Insolvency Act* (the “**BIA**”) and section 101 of the *Courts of Justice Act* (Ontario), and conferring on the Receiver control over the Debtors’ Property;

- (b) granted a priority charge (the "**Receiver's Charge**") on the Property, as security for the fees and disbursements of the Receiver and counsel to the Receiver, both before and after the making of the receivership order in respect of the Receivership Proceedings;
- (c) granted a priority charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed by the Receiver from time to time, together with interest and charges thereon;
- (d) extended the stay of proceedings in effect in the Debtors' CCAA proceedings commenced under court file no. CV-23-00703933-00CL (the "**CCAA Proceedings**") up to and including November 24, 2023 (the "**Comeback Date**");
and
- (e) preserved the existing rights of all stakeholder during the transitional period from the CCAA Proceedings to the Receivership Proceedings, pending adjudication of all priority disputes and issues on the Comeback Date.

3. Copies of the Court's endorsement dated October 31, 2023 and subsequent clarifying endorsement dated November 2, 2023 are attached as **Exhibit "A"** to this Affidavit.

4. Pursuant to an initial order made on August 25, 2023 (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in the CCAA Proceedings, each of the Debtors and certain other holding companies listed in Schedule A attached thereto obtained protection under the CCAA. Among other things, the Initial Order:

- (a) appointed RSM Canada Limited as monitor (in such capacity, the "**Monitor**");

- (b) granted a charge (the “**Directors’ Charge**”) in favour of the directors and officers of the Debtors, in the aggregate amount of \$600,000, as security for the indemnity granted by the Debtors to their directors and officers against the obligations and liabilities that they may have incurred in such capacities after the commencement of the CCAA Proceedings;
- (c) granted a charge (the “**Financial Advisor’s Charge**”) in favour of Alvarez & Marsal Canada Securities ULC (“**A&M**”) as financial advisor to the Debtors in the CCAA Proceedings, in the aggregate amount of \$950,000, as security for the success fee to be paid pursuant to the agreement dated February 1, 2023 between A&M and the Debtors (the "**A&M Engagement Letter**", attached as **Exhibit "B"** to this Affidavit);
- (d) granted a charge (the “**Administration Charge**”) in favour of the Monitor, counsel to the Monitor, the Debtors’ counsel in the CCAA Proceedings and A&M (in respect of the latter’s monthly fees and expenses as set out in the A&M Engagement Letter), not exceeding the aggregate amount of \$750,000, as security for the aforementioned parties’ professional fees and disbursements incurred from and after August 18, 2023; and
- (e) granted a charge (the “**DIP Lender’s Charge**”) in favour of Ironbridge Equity Partners IV LP and Ironbridge Equity Partners (International) IV, LP (collectively, the "**DIP Lender**"), provided that the DIP Lender’s Charge does not secure an obligation that existed before August 4, 2023.

5. A copy of the Initial Order is attached hereto as **Exhibit "C"** to this Affidavit.

6. I swear this affidavit in support of Waygar's motion for certain transitional relief in respect of the CCAA Charges and a full-scale receivership order.

Directors' Charge:

7. Pursuant to the Initial Order, the Directors' Charge ranks in priority to any other CCAA Charges except for the Administration Charge and the Financial Advisor's Charge, and is intended to indemnify the officers and directors of the Debtors in connection with claims arising for unpaid wages, source deductions, vacation pay, or HST arrears.

8. In his Affidavit affirmed August 17, 2023, John Pacione, a director of the Debtors, stated that "Quality Rugs of Canada ; Quality Sterling Group" had a \$1 million insurance policy in respect of Directors & Officers and Entity Liability Coverage and Employment Practices Liability Coverage with Chubb Insurance Company of Canada. A copy of the policy is attached as **Exhibit "D"** to this Affidavit.

9. I am advised by Waygar's counsel, Aird & Berlis LLP, that on November 2, 2023, the Debtors' counsel, Chris Besant of Gardiner Roberts LLP, informed them that the directors and officers of certain holding companies that comprised the class of Applicants in the CCAA Proceedings (namely, Joseph Douglas Pacione Holdings Ltd., John Anthony Pacione Holdings Ltd., Jopac Enterprises Limited and Patjo Holdings Inc.) had resigned from their offices.

10. Following the appointment of Fuller as Receiver, the Debtors are no longer in possession and control of the business and the Property. Accordingly, it is open to the directors and officers of the Debtors to resign from their offices.

11. The Directors' Charge is only available to protect against liability incurred by directors and officers after the initial CCAA filing date. Following the CCAA filing date, the directors and officers held their offices in circumstances where employees and suppliers continued to be paid and the business was funded as a going concern. There is no evidence that the Debtors laid off any employees or otherwise accrued any obligations that were unpaid as of the date of commencement of the Receivership Proceedings.

12. Waygar has received no indication, nor documentary evidence, that claims have been levelled at the directors and officers of the Debtors to date.

13. There is no evidence that insurance coverage is not available or insufficient.

14. Waygar's position is that the Directors' Charge should, therefore, be terminated and not continued under the Receivership Proceedings.

Financial Advisor's Charge:

15. Pursuant to the Accommodation Agreement entered into by Waygar and the Debtors on February 14, 2023, the Debtors agreed to pursue and effect a process intended to raise capital, and complete a transaction by May 12, 2023.

16. To that end, the Debtors retained A&M to assist them in evaluating any opportunity resulting from such process on the terms and conditions set out in the A&M Engagement Letter.

17. Waygar understood from the Debtors that the strategic process launched by A&M generated a single offer from Ironbridge Equity Partners Management Limited ("**Ironbridge**"). After further negotiations between Waygar, the Debtors and Ironbridge, the Ironbridge offer

formed the basis for the contemplated transaction sought to have been closed under the CCAA Proceedings (the “**Ironbridge Transaction**”).

18. Pursuant to the A&M Engagement Letter, as compensation for services rendered, A&M would be paid (a) a monthly work fee; and (b) a sale transaction fee in connection with the closing of the Ironbridge Transaction (the “**Success Fee**”).

19. On October 30, 2023, I was advised by a senior representative of Ironbridge that there is no path forward for the contemplated Ironbridge Transaction. Accordingly, the Success Fee is not eligible to be paid to A&M.

20. The Financial Advisor’s Charge was granted as security for the Success Fee and is no longer necessary now that the Success Fee is not eligible to be paid, and should be terminated.

DIP Lender’s Charge:

21. As part of the relief granted in the Initial Order, the Court approved a debtor-in-possession facility from the DIP Lender to fund the Debtors’ day-to-day operations pending the completion of the contemplated Ironbridge Transaction, all on the terms and conditions set out in the DIP Facility Loan Agreement dated August 25, 2023 (the “**DIP Term Sheet**”), which is attached as **Exhibit "E"** to this Affidavit.

22. In accordance with the DIP Term Sheet, the DIP Lender has advanced \$5,000,000 to the Debtors.

23. Article 10 of the DIP Term Sheet prescribes the permitted uses for the proceeds advanced under the DIP facility:

The proceeds of the DIP Facility shall be used solely by the Borrower in accordance with the Approved Cash Flow, which shall include provision for payment of (i) the Waygar Obligations, (ii) the fees of the Monitor and its counsel and counsel for the Borrower for the period from and after August 18, 2023, (iii) payment on account of interest (except for PIK Interest), and (iv) expenses payable under the DIP Facility and ordinary course payments for the Borrower's working capital needs during the CCAA Proceeding, including, post-filing accounts payable in the ordinary course of the Business and Priority Payables. No proceeds may be used for any other purpose except with the prior written approval of the DIP Lenders.

[emphasis added in underline]

24. As it relates to the repayment and maturity of the DIP facility, article 23 of the DIP Term Sheet contemplates:

All DIP Obligations shall be due and payable on the earliest of the occurrence of any of the following:

(a) conversion of the CCAA Proceeding into a proceeding under the Bankruptcy and Insolvency Act (Canada);

[...]

25. Waygar recognizes the priority granted to the DIP Lender's Charge. However, insofar as the transition from the CCAA Proceedings to the Receivership Proceedings requires certainty and practicality, Waygar seeks the following relief vis-à-vis the DIP Lender and/or Ironbridge, as applicable:

(a) that the rights and remedies available to the DIP Lender to enforce the repayment of the DIP facility pursuant to the DIP Term Sheet and any Order made in the CCAA Proceedings be stayed until the Receiver's liquidation and realization efforts have been exhausted. For greater certainty, Waygar believes that any premature effort by Ironbridge to enforce the repayment of the DIP Facility would impair and prejudice the Receiver's mandate to obtain the highest realization for the benefit of all creditors;

(b) that any and all rights, actions, lawsuits, proceedings, claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (collectively, the “**Claims**”) which Waygar may have against the DIP Lender and/or Ironbridge, as the case may be, shall be preserved and not waived or released by reason of any Order made on the Comeback Date. For greater certainty, the adjudication of any priority disputes vis-à-vis the DIP Lender’s Charge shall not release the DIP Lender and/or Ironbridge from the Claims.

Administration Charge:

26. The Administration Charge secures the fees and disbursements incurred by the Debtors’ counsel, the Monitor, the Monitor’s counsel and A&M (in respect of its monthly fees and expenses as set out in the A&M Engagement Letter) up to a maximum amount of \$750,000.

27. The beneficiaries of the Administration Charge are required to seek court approval in respect of their respective professional and legal fees, and such requests must be substantiated by evidence that the fees were reasonably incurred.

28. As at the time of this Affidavit, the parties have not sought court approval of their fees, though I understand from my counsel that such request is anticipated to be made in advance of the Comeback Date.

29. Without the benefit of reviewing the anticipated fee affidavits of the beneficiaries of the Administration Charge, Waygar reserves its right to argue, *inter alia*, that certain of such fees should be for the account of the DIP Lender/Ironbridge, as applicable, as they were incurred for the sole benefit of Ironbridge, specifically to enable Ironbridge to gauge the true economics of the

Ironbridge Transaction, and not for the purpose of carrying on the ordinary course of business of the Debtors during the CCAA Proceeding.

30. In respect of that portion of the Administration Charge that secures the “monthly fees and expenses” of A&M, I note that article 2 of the A&M Engagement Letter provides the following, *inter alia*, in respect of A&M’s compensation:

2. Compensation.

As compensation for our services hereunder, A&M will be paid as follows:

(a) Work Fees:

A monthly work fee (the "Work Fee") of \$50,000 per month for the first 3 months, to be paid at the rate of \$50,000 per month and paid monthly in advance, starting with the first payment immediately upon the execution of this Agreement and \$40,000 per month thereafter upon the presentation of an invoice. All Work Fees paid will be non-refundable. To the extent paid, Work Fees totalling a maximum of \$100,000 will be credited against any Transaction Fee.

[emphasis added in underline]

31. Article 1 of the A&M Engagement Letter sets out the services that A&M agreed to render in connection with its mandate:

The Company hereby engages A&M as its financial advisor with respect to evaluating and pursuing a potential Financing Transaction, Restructuring Transaction or Sale Transaction (as defined below, each a "Transaction"), effective as of the date hereof (the "Effective Date"). As part of our engagement, A&M will, if appropriate and requested perform the following services:

- i. Should the Company seek a Financing Transaction and/or Sale Transaction, advise and assist the Company in executing such Financing Transaction and/or Sale Transaction, including but not limited to;
 - a. Prepare, in collaboration with the Company, a confidential Information Memorandum or similar document and other relevant informational materials;

- b. Identify and contact on a confidential basis and subject to NDA arrangements acceptable to the Company, prospective investors and solicit and assist in evaluating indications of interest & proposals among prospective investors;
- c. Coordinate the Company's response to potential investors' due diligence investigations;
- d. Assist in structuring and negotiating the financing and/or sale and the terms of the securities/consideration; and
- e. Assist in matters associated with closing the Financing Transaction and/or Sale Transaction generally provided by financial advisors;

A&M understands that the Company's preferred outcome is to complete an out of court Financing Transaction or Sale Transaction.

32. A&M's strategic process resulted in a single expression of interest by Ironbridge. A&M first previewed this prospective opportunity to Waygar on June 17, 2023. Thereafter, A&M continued to have some involvement in the negotiations between the related stakeholders (being Waygar, the Debtors and Ironbridge) over the course of July and August 2023.

33. Following the signing of the Letter of Intent dated August 25, 2023, the execution by the Debtors, Waygar and Ironbridge of certain related side letters, and the commencement of the CCAA Proceedings in August 2023, Waygar is not aware of there being any further need for services to be rendered by A&M pursuant to its mandate. Waygar is also not aware whether A&M did, in fact, render any services following the commencement of the CCAA Proceedings.

34. Accordingly, to the extent that A&M may have continued to issue monthly invoices of \$40,000 to the Debtors pursuant to the A&M Engagement Letter, A&M should provide particulars of services rendered and costs reasonably incurred during the CCAA Proceedings, and seek court approval of its "Work Fees" (as defined in the A&M Engagement Letter).

SWORN remotely by Don Rogers, stated as being in the City of Toronto, in Province of Ontario, before me on November 10, 2023, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely



Commissioner for Taking Affidavits



Don Rogers
Managing Director, Portfolio

This is Exhibit "A" of
the Affidavit of Don Rogers
Sworn before me this 10th day of November, 2023

A handwritten signature in blue ink, appearing to read "Utthi".

A Commissioner, etc.



ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL SLIP/ENDORSEMENT

COURT FILE NO.: CV-23-00703933-00CL DATE: OCTOBER 31 2023

NO. ON LIST: 1

TITLE OF PROCEEDING: **QUALITY RUGS OF CANADA LTD v WAYGARD CAPITAL INC**
et al

BEFORE JUSTICE: **PENNY**

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party, Crown:

Name of Person Appearing	Name of Party	Contact Info
CHRISTOPHER BESANT	QUALITY RUGS OF CANADA LIMITED	cbesant@grllp.com

For Defendant, Respondent, Responding Party, Defence:

Name of Person Appearing	Name of Party	Contact Info
STEVEN LEONARD GRAFF MATILDA LICI JAMES BRUCE	WAYGAR CAPITAL INC., AS AGENT FOR NINEPOINT CANADIAN SENIOR DEBT MASTER FUND L.P.	sgraff@airdberlis.com mlici@airdberlis.com jbruce@waygarcapital.com
DANIEL WRIGHT	UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA	dwright@rousseaumazzuca.com
MICHAEL P. FARACE	GG EIGHT CUMBERLAND INC	Michael.farace@devrylaw.ca

For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info
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Natalie Renner Natasha MacParland	Counsel for Ironbridge, the DIP Lender	Nrenner@dwpv.com nmacparland@dwpv.com
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Tushar Sabharwal	Olympia Tile	tsabharwal@dakllp.com
Haddon Murray	Counsel to suppliers: Torlys Inc; Metropolitan Hardwood Floors (Eastern) Inc.; Lauzon – Planchers De Bois Exclusifs Inc.; Cerasec Inc.; and BoaFranc SENC/GP	haddon.murray@gowlingwlg.com
Danny Nunes (DLA Piper Canada LLP)	Fuzion Flooring	danny.nunes@dlapiper.com
Marin Leci	Housing One	mleci@blg.com

ENDORSEMENT OF JUSTICE PENNY :

The court-ordered stay in these CCAA proceedings was to have expired today. At a case conference on Friday, October 27, I scheduled a motion for a stay extension.

At 9:40 PM last night, the Monitor was advised definitively that the Ironbridge transaction would not be proceeding. This transaction was at the heart of the debtors' restructuring proposal. The debtors have no funds to continue to operate the company, and no available source of funds. It is generally recognized by the debtors and other stakeholders that, with the Ironbridge transaction gone, the only remaining option is some form of liquidation.

Waygar had a pending application for the appointment of a receiver which was adjourned as part of the negotiations which lead to the initial order under the debtor-lead CCAA filing. In light of the collapse of the debtors' restructuring effort, Waygar, earlier this morning, brought its application back on. It seeks the appointment of The Fuller Landau Group Inc. as receiver of the debtors.

There are many stakeholders whose interests have been affected, constrained or deferred to date, in the interests of a negotiated solution and/or the expectation of a future court hearing on various aspects of the CCAA process. In order to avoid chaos, there will need to be an orderly transition from the CCAA proceedings to the receivership proceedings, and an ongoing stay will be required. During the transition, it is important that parties' positions not be compromised or further prejudiced.

In all of the circumstances, I find it is just and convenient to grant Waygar's application for the appointment of a receiver. The form of order, however, shall reflect the principles which inform an initial order under the CCAA. In other words, the initial receivership order shall be a "bare bones" order (as distinct from the Commercial List Model Order, which may be sought on the "comeback" hearing) which appoints the Receiver and confers on the Receiver control over the debtors' assets and undertaking. There will need to be a priority charge to protect the Receiver and its counsel. And, the Receiver will need the power to borrow in an initial amount that will enable its work to be done until the "comeback" hearing, which has been scheduled to take place on Friday November 24, 2023 at 10:00 AM before me. The existing stay shall be extended until November 24, or further order of the court.

Of great importance to the stakeholders, many of whom have been patiently waiting for their day in court to assert their claims and priorities, is that the initial receivership order not prejudice any position a stakeholder may wish to take regarding the order and effectiveness of any priorities or related interests (such as the assertion of common law trusts). This includes, without limitation, Ironbridge, which advanced funds under the court-approved DIP facility, and the suppliers, whose trust and lien claims have been held in abeyance under the ARIO pending finalization of a lien regularization order, which has not happened. All such rights and arguments are preserved pending further argument on November 24, or other date as may be scheduled. The court specifically retains the authority and discretion to make retroactive orders to ensure that this principle has been adhered to.

The ARIO will remain in place during the transition. To the extent the initial receivership order and the ARIO are in conflict, the initial receivership order shall prevail. The Monitor has undertaken to work with the Receiver during the transitional period to ensure the most efficient and effective transition reasonably available.

The Monitor confirmed that certain funds that were to be held separate and apart by virtue of my September 26 endorsement have indeed been held separate and apart. They will continue to be so held, either by the Monitor or the Receiver, as appropriate. The beneficiary of the \$2,000 payment (MRAD) is apparently out of the country and has not cashed the cheque issued to him by the debtors. To avoid uncertainty and delay in resolving that payment, the cheque issued to MRAD may be destroyed or cancelled and the funds transferred to LIUNA's counsel to be held in trust for MRAD.

I am leaving it to the principal stakeholders to draft a bespoke initial receivership order in accordance with these directions. If there are serious disagreements about truly material and necessary points which must be resolved before November 24, I may be spoken to.

A handwritten signature in blue ink, appearing to read "Penny J.", followed by a period.

Penny J.



ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL SLIP/ENDORSEMENT

COURT FILE NO.: CV-23-00703292-00CL/CV-23-00703933-00CL DATE: November 2, 2023

NO. ON LIST: _____

TITLE OF PROCEEDING: WAYGAR CAPITAL INC. v. QUALITY RUGS OF CANADA LTD
v WAYGARD CAPITAL INC et al

BEFORE JUSTICE: PENNY

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party, Crown:

Name of Person Appearing	Name of Party	Contact Info
CHRISTOPHER BESANT	QUALITY RUGS OF CANADA LIMITED	cbesant@grllp.com

For Defendant, Respondent, Responding Party, Defence:

Name of Person Appearing	Name of Party	Contact Info
STEVEN LEONARD GRAFF MATILDA LICHI JAMES BRUCE	WAYGAR CAPITAL INC., AS AGENT FOR NINEPOINT CANADIAN SENIOR DEBT MASTER FUND L.P.	sgraff@airdberlis.com mlici@airdberlis.com jbruce@waygarcapital.com
DANIEL WRIGHT	UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA	dwright@rousseauamazzuca.com
MICHAEL P. FARACE	GG EIGHT CUMBERLAND INC	Michael.farace@devrylaw.ca

For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info
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Akhil Vohar	Ames Tile & Stone LTD	avohra@ogilvielaw.com

Natalie Renner Natasha MacParland	Counsel for Ironbridge, the DIP Lender	Nrenner@dwpv.com nmacparland@dwpv.com
Joseph Latham Erik Axell Arif Dhanani Bryan Tannenbaum	RSM Canada Limited - Monitor	jlatham@goodmans.ca eaxell@goodmans.ca arif.dhanani@rsmcanada.com bryan.tannenbaum@rsmcanada.com
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Tushar Sabharwal	Olympia Tile	tsabharwal@dakllp.com
Haddon Murray	Counsel to suppliers: Torlys Inc; Metropolitan Hardwood Floors (Eastern) Inc.; Lauzon – Planchers De Bois Exclusifs Inc.; Cerasec Inc.; and BoaFranc SENC/GP	haddon.murray@gowlingwlg.com
Danny Nunes (DLA Piper Canada LLP)	Fuzion Flooring	danny.nunes@dlapiper.com
Marin Leci	Housing One	mleci@blg.com

CLARIFYING ENDORSEMENT OF JUSTICE PENNY of NOVEMBER 2, 2023:

In my endorsement of October 31, 2023, I appointed Fuller Landau as Receiver of the debtors. This occurred in the context of an existing CCAA proceeding. Given that the appointment was made on short notice and in peculiar circumstances, I ordered that the initial receivership order should be a “bare bones” order until a comeback hearing scheduled on November 24, 2023.

A dispute has arisen about the form of bare-bones receivership order that should issue. To expedite matters, I asked my two court appointees, the Monitor and the Receiver, to report on what paragraphs in the draft order are in dispute and what the nature of the dispute is.

I have been advised by my appointees that the principal dispute arises out of language in the draft order that provides for a first charge favour of the Receiver’s fees and borrowings.

I have been asked to clarify whether it was my intent, in the October 31 endorsement, to impose a priority charge for the benefit of the Receiver limited to priority over pre-filing or statutory claims, to be further reviewed on November 24, or a first charge in priority to all prior charges in these proceedings, which would also be reviewed on November 24.

Although I did not conceive of or articulate the matter quite this way, it was my intent that the Receiver have a priority charge for its fees and borrowings (and those of its counsel) but not a *first* charge which would necessarily “prime” all earlier charges granted in these proceedings. The relationship between the earlier

priority charges and the new priority charge relating to the appointment of the Receiver is a potentially complex one which will, if not resolved, likely require a full briefing, including practical and/or judicial precedents, to understand and appropriately resolve. The determination of where the Receiver's charge will rank vis-a-vis the existing, earlier charges under the CCAA ARIO must await the full hearing on November 24.

I trust this will be of assistance clarifying the intended scope of the bare-bones initial receivership order pending a full hearing of this matter on November 24, 2023.

A handwritten signature in blue ink, appearing to read "Penny J.", with a stylized flourish at the end.

Penny J.

This is Exhibit "B" of
the Affidavit of Don Rogers
Sworn before me this 10th day of November, 2023

A handwritten signature in blue ink, appearing to read "Uthia", is written above a horizontal line.

A Commissioner, etc.



February 1, 2023

John Pacione, Co-Chief Executive Officer
Quality Sterling Group
505 Cityview Blvd,
Woodbridge, ON
L4H 0L8

Dear Mr. Pacione:

This letter confirms and sets forth the terms and conditions of the engagement between Alvarez & Marsal Canada Securities ULC ("A&M") and Quality Sterling Group ("QSG" or the "Company"), including the scope of the services to be performed and the basis of compensation for those services. Upon execution of this letter by each of the parties below, this letter will constitute an agreement between QSG and A&M (the "Agreement").

1. Description of Engagement and Services.

The Company hereby engages A&M as its financial advisor with respect to evaluating and pursuing a potential Financing Transaction, Restructuring Transaction or Sale Transaction (as defined below, each a "Transaction"), effective as of the date hereof (the "Effective Date"). As part of our engagement, A&M will, if appropriate and requested perform the following services:

- i. Should the Company seek a Financing Transaction and/or Sale Transaction, advise and assist the Company in executing such Financing Transaction and/or Sale Transaction, including but not limited to;
 - a. Prepare, in collaboration with the Company, a confidential Information Memorandum or similar document and other relevant informational materials;
 - b. Identify and contact on a confidential basis and subject to NDA arrangements acceptable to the Company, prospective investors and solicit and assist in evaluating indications of interest & proposals among prospective investors;
 - c. Coordinate the Company's response to potential investors' due diligence investigations;
 - d. Assist in structuring and negotiating the financing and/or sale and the terms of the securities/consideration; and

- e. Assist in matters associated with closing the Financing Transaction and/or Sale Transaction generally provided by financial advisors;

A&M understands that the Company's preferred outcome is to complete an out of court Financing Transaction or Sale Transaction.

- ii. Should the Company seek a Restructuring Transaction, advise and assist the Company in executing such Restructuring Transaction, including but not limited to;
 - a. Assist with the formulation and evaluation of various restructuring scenarios and the potential impact of those scenarios on the recoveries of stakeholders;
 - b. Assist the Company in negotiations with creditors, shareholders and other appropriate parties-in-interest and implementation of various strategic alternatives including; restructuring, financing, reorganization, merger, or sale of the Company, or its assets or businesses;
 - c. Assist the Company in analyzing, structuring, negotiating and effecting a Restructuring Transaction; and
 - d. If necessary, provide investment banking and financial advisory services to support the Company in connection with the Company's and its advisors' efforts to develop and implement a Restructuring Transaction;
- iii. Provide any other investment banking and financial advisory services reasonably necessary to accomplish the foregoing and consummate a transaction as requested by the Company and agreed to by A&M from time to time.

For purposes of this Agreement, each of the following transactions shall constitute a "Financing Transaction":

- i. any refinancing of all or a material portion of the Company's or its affiliates' Indebtedness (as defined below); and/or
- ii. the raising or issuance of any form of new equity or debt financing from any source by the Company or any affiliate or subsidiary of the Company or any entity formed by, or at the direction of, the Company or any such majority-owned subsidiary or affiliate.
- iii. Notwithstanding the above, any debtor in possession ("DIP") or exit financing done in connection with a Restructuring of this company under the Companies' Creditors Arrangement Act or Bankruptcy and Insolvency Act

(Canada), regardless of the source of the financing, shall constitute a Financing Transaction.

For purposes of this Agreement, the term "Sale Transaction" is defined to include any of the following (whether in one or a series of transactions): (a) a merger or consolidation of the Company and/or any of its material businesses, subsidiaries or affiliates (b) a sale of at least 50% of the equity securities of the Company (whether from the Company or security holders of the Company) or any material business, subsidiary or affiliate of the Company (whether from such business, subsidiary, affiliate or the Company), in any case whether by sale, exchange, tender offer or otherwise, (c) any transaction which results in a third party having the right to elect a majority of the members of the Board or similar governing body of the Company or any of its subsidiaries or affiliates, (d) a sale of the Company that is consummated through a sale of all or substantially all of its assets or its subsidiaries, (e) a liquidation of the Company or any of its material businesses, subsidiaries or affiliates, (f) any other form of disposition which results in the effective disposition of all or a substantial amount of the business, operations, or assets of the Company or any of its businesses, subsidiaries or affiliates. For the avoidance of doubt, a Sale Transaction shall include (g) any other form of disposition which results in the effective disposition of all or a substantial amount of the business, operations, or assets of the Company or any of its businesses, subsidiaries or affiliates, or (i) any scenario where a key customer or any third party creates a joint venture that provides financial support, whether through a Financing Transaction, or a change in commercial strategy, or through other means, resulting in a transaction that changes the prospects of the business. For the avoidance of doubt, all joint venture and significant business transactions shall be included.

For the purposes of this Agreement, a "Restructuring Transaction" shall be defined as any single transaction or series of transactions that effectuates any (a) modification, amendment to, or change in, any of the Company's and/or any of its businesses, subsidiaries' or affiliates' payment obligations and/or institutional indebtedness for borrowed money, including accrued and/or accreted interest thereon ("Indebtedness"), (b) disposition of all or substantially all of the business operations or assets of the Company or any of its businesses, subsidiaries or affiliates or (c) change of control of the Company. This includes, without limitation, senior bank debt and subordinated debt. Such modification, amendment, or change shall include, without limitation, any transaction(s) which provide for: any material modification, amendment or change of, or in, principal balance, accrued or accreted interest, payment term, or other debt service requirement; any maturity extension / forbearance for at least twelve (12) months with respect to any payment obligation; conversion to equity, or some other security instrument, of all, or a material portion of, such Indebtedness; any compromise of the existing terms of such Indebtedness; any combination of the foregoing transactions. Each of the foregoing shall include, without limitation, any transaction in which requisite consents to a reorganization or restructuring are obtained pursuant to a tender offer, exchange offer, consent solicitation or other process.

In the event that the Company becomes subject to formal insolvency proceedings, the Company agrees to seek confirmation of this Agreement by the Court forthwith, including ensuring that A&M's fees and expenses (including transaction-based compensation) will be paid in such a scenario, and will take no steps to, and will oppose any attempt by any third party to, disclaim this Agreement. It is recognized by both the Company and A&M that to the extent the Company determines it is in its best interests to file for protection from its creditors, whether the purpose of such filing is to consummate a Transaction or otherwise, that A&M will not be appointed as the proposal trustee or monitor, as the case may be.

It is understood and agreed that nothing contained herein shall constitute an expressed or implied commitment by A&M to underwrite, place, or purchase any financing or securities. The scope of A&M services shall not include delivery of a fairness opinion with respect to any transaction.

The Company authorizes A&M to provide the Confidential Information Memorandum (as amended and supplemented and including any information incorporated therein by reference, the "Information Memorandum") and other relevant information to prospective investors.

The Company shall have the right, in its sole discretion, to accept or reject any Transaction offer or any prospective investors. The Company shall also have the right to approve prospective investors, in what manner they are to be contacted and at what point in time such contact may be made with each such prospective investor.

The Company agrees to promptly inform A&M of any inquiry it receives regarding a Transaction so that A&M can evaluate such party and its interest in a Transaction.

The Company understands that the services to be rendered by A&M may include providing the Company with assistance in the preparation of projections and other forward-looking statements regarding the Company and / or its businesses, subsidiaries or affiliates, and numerous factors can affect the actual results of the Company and / or its businesses, subsidiaries or affiliates, which may materially and adversely differ from those projections.

A&M understands that the Company and its lender are targeting the following milestones. A&M and the Company agree that achieving these milestones depends on a number of factors outside of A&M's control, including the Company's ability to provide required information to A&M on a timely basis and the prevailing capital market conditions over the time period.

Information Memorandum and
teaser circulated to list of identified
parties

February 22, 2023



Deadline to receive letters of intent	March 31, 2023
Binding offer	April 28, 2023
Closing of transaction	May 12, 2023

A&M and the Company agree that achieving these milestones depends on a number of factors that are outside of A&M's control, including the ability of the Company to provide required information to A&M on a timely basis and the prevailing capital market conditions over the time period.

A&M makes no representation whatsoever that an appropriate Transaction can or will be formulated, that any Transaction in general or that any transaction in particular is the best course of action for the Company. Further A&M assumes no responsibility for the selection and approval of any Transaction presented to the Company, this determination shall rest strictly with the Company.

The Company agrees that it will be solely responsible for ensuring that any Transaction comply with applicable law.

The Company will be solely responsible for the contents of the Information Memorandum and any and all other written or oral communications provided by or on behalf of the Company to any prospective investors and/or any other party in connection with a potential Transaction. The Company represents and warrants that the Information Memorandum and such other communications will not contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading. If an event occurs as a result of which the Information Memorandum (or any other distributed materials) would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the Company will promptly notify A&M and A&M will suspend solicitations of prospective investors until such time as the Company prepares a supplement or amendment to the Confidential Information Memorandum (or otherwise) that corrects such statement(s) and/or omission(s).

In connection with A&M's engagement, QSG will furnish A&M with all information concerning QSG which A&M reasonably deems appropriate and will provide A&M with access to QSG's officers, directors, employees, accountants, counsel and other representatives (collectively, the "Representatives"). It is understood that A&M will rely solely upon the information supplied by QSG and its' Representatives without assuming any responsibility for independent investigation or verification thereof. QSG represents and warrants that any financial projections provided to A&M have been, or will be, prepared on a basis reflecting the best currently available estimates and judgments of the future financial results and condition of QSG. QSG will, in writing, promptly notify A&M of any material inaccuracy or misstatement in, or material omission from, any



information previously delivered to A&M or any interested party. QSG authorizes A&M to contact QSG professional advisors, which in A&M's discretion is deemed appropriate in connection with this engagement

In rendering its services to QSG, A&M will report directly to the Co-Chief Executive Officer and will make recommendations to and consult with the Co-Chief Executive Officer and such senior officers as the Co-Chief Executive Officer directs.

Hugh Rowan-Legg, a Managing Director of A&M, will be responsible for the overall engagement and will be assisted by other A&M personnel, as appropriate. A&M personnel providing services to QSG may also work with other A&M clients in conjunction with unrelated matters. In connection with the services to be provided hereunder, from time to time A&M may utilize the services of employees of its affiliates (as defined below). Such affiliates are wholly owned by A&M's parent company and A&M's employees.

For the purposes of this Agreement, "affiliate" means, with respect to any specified person, any other person directly or indirectly controlling, controlled by or under common control with such specified person. For purposes of this definition, the terms "controlling," "controlled by" or "under common control with" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise, or the power to elect at least 50% of the directors, managers, general partners, or persons exercising similar authority with respect to such person.

QSG understands that A&M is not undertaking to provide any legal, regulatory, accounting, insurance, tax or similar professional advice. It is further understood and agreed that A&M's services will not include the preparation of a due diligence report, presentation or otherwise for QSG, and that A&M's services will not include the rendering of a fairness opinion. If you should request additional services not otherwise contemplated by this Agreement, QSG and A&M will enter into an additional letter agreement which will set forth the nature and scope of the services, appropriate compensation and other customary matters, as mutually agreed upon by QSG and A&M.

2. Compensation.

As compensation for our services hereunder, A&M will be paid as follows:

(a) Work Fees:

A monthly work fee (the "Work Fee") of \$50,000 per month for the first 3 months, to be paid at the rate of \$50,000 per month and paid monthly in advance, starting with the first payment immediately upon the execution of this Agreement and \$40,000 per month thereafter upon the presentation of an invoice. All Work Fees paid will be non-refundable. To the extent paid, Work Fees totalling a maximum of \$100,000 will be credited against any Transaction Fee.

(b) Transaction Fee(s):



In addition to the other fees provided for herein, the Company shall pay A&M the following transaction fee(s) (collectively, the "Transaction Fee(s)"):

i. Financing Transaction Fee:

Concurrently with the close of any Financing Transaction, A&M shall earn, and the Company shall thereupon pay concurrently with the closing and from the proceeds of such Financing Transaction, as a cost of financing, a Financing Transaction Fee ("Financing Transaction Fee") of 2.5% of the amount debt raised or committed and 5.0% of the amount of equity raised or committed. The Financing Transaction Fee will be subject to a minimum of \$600,000, unless such Financing Transaction Fee is purely in connection with the procurement of DIP financing, in which case the same percentages stipulated herein shall apply, but there shall be a minimum fee of \$200,000.

For the purposes of calculating the Financing Transaction Fee, debt will include but not be limited to any senior, subordinated and mezzanine debt, and equity will include but not be limited to convertible securities, preferred stock, common equity and any capital with equity-linked securities.

ii. Sale Transaction Fee:

Concurrently with the closing of a Sale Transaction, A&M shall earn, and the Company shall thereupon pay immediately and directly from the proceeds of such Sale Transaction, as a cost of such transaction, a fee (the "Sale Transaction Fee") equal to the greater of i) 750,000; and ii) 3.0% of the Aggregate Gross Consideration (as defined below).

iii. Restructuring Transaction Fee:

A fee equal to \$750,000 (the "Restructuring Transaction Fee"), earned and paid upon the earlier of (i) consummation of a Restructuring Transaction and (ii) in the event the Company attempts to implement a Restructuring Transaction, in whole or in part by means of an exchange offer, then upon closing of the exchange offer. For the purpose of (i) above, consummation of a Restructuring Transaction shall mean the closing of such transaction with binding execution and effectiveness of all necessary waivers, consents, amendments or restructuring agreements between the Company and its creditors necessary to effectuate such Restructuring Transaction.

- (b) In addition to the fees described above, and regardless of whether or not any transaction contemplated by this Agreement shall be proposed or consummated, the Company agrees to promptly reimburse A&M, on a monthly basis, for all out-of-pocket expenses reasonably incurred by A&M in connection with the matters contemplated by this Agreement, including, without limitation, reasonable fees of counsel and travel and



lodging expenses. Any out-of-pocket expense greater than \$1,000 will be pre-approved with the Company in advance.

- (c) All provisions in this Section 2 are in addition to any protections or remedies afforded to A&M at law or by statute.

- (a) All fees will be subject to applicable taxes.

For purposes of this agreement, the term "Aggregate Gross Consideration" shall mean the total fair market value (at the time of closing) of all consideration, including, without duplication or limitation, cash, notes, securities and property; payments made in installments; amounts payable under above-market consulting agreements, above-market lease agreements, above-market employment contracts, non-compete agreements or similar arrangements (with the fair market value of amounts paid under consulting agreements, lease agreements, and employment and similar agreements being excluded from Aggregate Gross Consideration); and Contingent Payments (as defined below), paid or payable, or otherwise to be distributed, directly or indirectly, to the Company, the Company's subsidiaries or affiliates or the Company's stockholders, plus all indebtedness assumed by the purchaser of assets of the Company and / or any of its businesses, subsidiaries or affiliates or from which the Company or any of its businesses, subsidiaries or affiliates is relieved in connection with a Sale Transaction. If any portion of the Aggregate Gross Consideration is payable in the form of securities, the value of such securities, for purposes of calculating our Sale Transaction Fee, will be determined based on the average closing price for such securities for the five trading days prior to the closing of the Sale Transaction. In the case of securities that do not have an existing public market, Aggregate Gross Consideration will be determined based on the fair market value of such securities as mutually agreed upon in good faith by the Company and A&M prior to the closing of the Sale Transaction. Contingent Payments shall be defined as the fair market value of consideration received or receivable by the Company, its employees, former or current equity holders and/or other parties, in the form of deferred, performance-based payments, "earn-outs", or other contingent payments based on future performance of the Company or any of its businesses or assets.

Aggregate Gross Consideration shall be calculated by calculating the amount owing as if 100% of the equity interests of the Company had been sold by dividing (i) the total consideration, whether in cash, securities, notes or other forms of consideration, received or receivable by the Company and/or its creditors and equity holders by (b) the percentage of ownership sold. In addition, if any of the Company's interest-bearing liabilities are assumed, decreased, or paid off in conjunction with a Sale Transaction, or any of the Company's assets are retained, sold or otherwise transferred to another party prior to the consummation of a Sale Transaction, the Aggregate Gross Consideration will be increased to reflect the fair market value of any such assets or interest-bearing liabilities.

3. Term.

Subject to what follows, the Agreement may be terminated with immediate effect by either party without cause by giving 30 days' written notice to the other party. In the event that there are no letters of intent received by the date specified herein for receipt of same, or that there is no interest on the part of the Company to pursue any letter of intent received, then this Agreement may be terminated immediately without the need for 30 days' notice. In the event of any termination, any reasonable and documented fees and expenses due to A&M shall be remitted to A&M promptly in accordance with the terms and conditions set forth in this Agreement (including fees and expenses that accrued prior to such termination).

The Company may also immediately terminate this Agreement for Cause (as defined below) by giving written notice to A&M. For purposes of this agreement, "Cause" shall mean gross negligence, willful default, or fraud by A&M.

A&M may also terminate this Agreement immediately upon notice for Good Reason. For purposes of this Agreement, termination for "Good Reason" shall mean the Company's misrepresentation of or failure to disclose material facts, failure to pay fees or expenses when due (or circumstances indicating to A&M that fees or expenses will not be paid when due), circumstances such that it is unethical or unreasonably difficult for A&M to continue performance of the engagement, or other just cause.

In addition, if this Agreement is terminated for any reason, other than by the Company with Cause or by A&M without Good Reason, and prior thereto or within twelve (12) months of the termination (the "Tail Period") any Transaction is consummated, or an agreement in principle is entered into to engage in any Transaction (which subsequently closes), A&M shall be entitled to receive its applicable Transaction Fee(s) upon the consummation of such Transaction(s) as if no termination had occurred if the Transaction is consummated with a party: i) who was introduced to the Company by A & M or ii) who contacted the Company expressing interest in the opportunity during the term of A&M's engagement; or iii) who was the subject of any advice provided to the Company by A&M during the term of A&M's engagement, including purchasers or investors that were proposed by A&M, but were not subsequently approved for contact by the Company.

No expiration or termination of this Agreement shall affect (a) the Company's indemnification, reimbursement, contribution or other obligations set forth in this Agreement, (b) A&M's right to receive, and the Company's obligation to pay, any and all fees and expenses due, whether or not any Transaction is consummated prior to or subsequent to the effective date of termination of this Agreement. The provisions of this Agreement that give the parties rights or obligations beyond its termination shall survive and continue to bind the parties.



4. Relationship of the Parties.

The parties intend that an independent contractor relationship will be created by this engagement letter. Neither A&M nor any of its personnel or subcontractors is to be considered an employee or agent of QSG. QSG acknowledges that A&M's engagement shall not constitute an audit, review or compilation, or any other type of financial statement reporting engagement that is subject to generally accepted accounting principles or the rules of any provincial, territorial or national professional or regulatory body. Accordingly, while the information gathered will be reviewed for reasonableness, A&M's work will not necessarily identify any errors or irregularities, if such exist, on the part of QSG or its officers or employees. Furthermore, A&M is entitled to rely on the accuracy and validity of the data disclosed to it or supplied to it by agents, advisors, employees and representatives of QSG. A&M is under no obligation to update data submitted to it or review any other areas unless specifically requested by QSG to do so. QSG agrees and acknowledges that the services to be rendered by A&M may include the assistance in the preparation and review of projections, forecasts and other forward-looking statements, and numerous factors can affect the actual results of QSG's operations, which may materially and adversely differ from those projections, forecasts and other forward-looking statements. A&M makes no representation or guarantee that any business plan or refinancing alternative is the best course of action. A&M shall not be required to certify any financial statements or information or to provide representations with respect therewith in connection with any audit or securities law disclosure documents. For greater certainty, during the course of this engagement, A&M shall be acting as a consultant to QSG in this matter and A&M shall not be assuming any decision making or other management responsibilities in connection with the affairs of QSG and A&M shall have no responsibility for the affairs of QSG during this engagement. In addition, A&M shall not do anything or perform any act pursuant to which A&M assumes any possession or control of the property, assets, undertakings, premises or operations of QSG for any purpose whatsoever.

5. No Third-Party Beneficiary.

QSG acknowledges that all advice (written or oral) given by A&M to QSG in connection with this engagement is intended solely for the benefit and use of QSG (limited to its Board and management) in considering the matters to which this engagement relates. QSG agrees that no such advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time in any manner or for any purpose other than accomplishing the tasks referred to herein without A&M's prior approval (which shall not be unreasonably withheld), except as required by law.

6. Conflicts.

A&M is not currently aware of any relationship that would create a conflict of interest with QSG or those parties-in-interest of which you made us aware. Because A&M is a consulting firm that serves clients on an international basis in numerous cases, both in and out of court, it is possible that A&M may have rendered or will render services to or have business associations with other entities or people which had or have or may have

relationships with QSG, including creditors of QSG. In the event you accept the terms of this engagement, A&M will not represent, and A&M has not represented, the interests of any such entities or people in connection with this matter.

7. Confidentiality.

A&M shall keep as confidential all non-public information received from QSG in conjunction with this engagement, except: (i) as requested by QSG or its legal counsel; (ii) as required by legal proceedings; or (iii) as reasonably required in the performance of this engagement. All obligations as to non-disclosure shall cease as to any part of such information to the extent that such information is or becomes public other than as a result of a breach of this provision.

8. Non-Solicitation.

QSG, on behalf of itself, its subsidiaries and affiliates and any person (as such term is defined under the *Canada Business Corporations Act*) which may acquire all or substantially all of its assets, agrees that, until two years subsequent to the termination of this Agreement, it will not solicit, recruit, hire or otherwise engage any employee of A&M or its affiliates who worked on this engagement while employed by A&M or its affiliates ("Solicited Person"). Should QSG, any of its subsidiaries or affiliates or any person who acquires all or substantially all of its assets extend an offer of employment to or otherwise engage any Solicited Person and should such offer be accepted, A&M shall be entitled to a fee from the party extending such offer equal to the Solicited Person's hourly client billing rate at the time of the offer multiplied by 4,000 hours for a Managing Director, 3,000 hours for a Senior Director and 2,000 hours for any other A&M employee. The fee shall be payable at the time of the Solicited Person's acceptance of employment or engagement.

9. Indemnification.

The indemnification provisions, attached hereto as Exhibit A, are incorporated herein by reference and the termination of this Agreement or the engagement shall not affect those provisions, which shall survive termination. Furthermore, all those provisions contained in Exhibit A are in addition to any protections or remedies afforded to A&M at law or by statute.

As to the services QSG has requested and A&M has agreed to provide as set forth in this Agreement, the total aggregate liability of A&M under this Agreement to QSG and its successors and assigns, shall be limited to the actual damages incurred by QSG or its successors or assigns, respectively. In no event will A&M or any of its affiliates be liable to QSG or their successors or assigns for consequential, special or punitive damages, including loss of profit, data, business or goodwill. In no event shall the total aggregate liability of A&M under this Agreement to QSG and their successors and assigns exceed the total amount of fees received and retained by A&M hereunder.

10. Data Hosting

From time to time, as an accommodation to QSG, A&M as directed by QSG may arrange for a third party data hosting provider (i.e., Firmex or Intralinks) (the "Provider") to host documents and information relating to this engagement in a web/data room environment for QSG's and/or certain authorized parties review. For QSG's convenience, the Provider's service is generally provided based upon an agreement between A&M and the Provider to which QSG is not a party. Notwithstanding anything herein, it is understood and agreed that A&M does not warrant and is not responsible for the Provider's conduct and services. Otherwise, should QSG wish to arrange for a direct agreement with a Provider, A&M is happy to assist in that pursuit.

11. Miscellaneous.


Depending on future developments the spread of the Coronavirus has the potential to affect the services provided under this Agreement. Travel, work place and mobility restrictions (to include measures reasonably mandated by A&M with respect to its employees and personnel) may restrict travel to the Company and other work sites as well as limit access to facilities, infrastructure, information and personnel of A&M, the Company or others. Such circumstances may adversely affect the timetable or content of A&M's deliverables and completion of the scope of services included in this Agreement. A&M will discuss with the Company if A&M believes that the services may be impacted in this way. The Company accepts and acknowledges that A&M employees and personnel may attend at the Company's locations or physically interact with the Company's employees and personnel in connection with the services, unless A&M or the Company decide that this should not be the case.

This Agreement (together with the attached indemnity provisions): (a) shall be governed and construed in accordance with the laws of the Province of Ontario applicable therein without giving effect to such province's rules concerning conflicts of laws that might provide for any other choice of law; (b) incorporates the entire understanding of the parties with respect to the subject matter hereof; (c) may not be amended or modified except in writing executed of the parties hereto; (d) may be executed by facsimile and in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement; and (e) notwithstanding anything herein to the contrary, A&M may reference or list QSG's name and/or a general description of the services in A&M's marketing materials, including, without limitation, on A&M's website.

If the foregoing is acceptable to you, kindly sign the enclosed copy to acknowledge your agreement with its terms.

Very truly yours,
Alvarez & Marsal Canada Securities
ULC

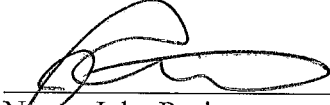


By: 

Hugh Rowan-Legg
Managing Director

Accepted and agreed:

Quality Sterling Group

By: 

Name: John Pacione
Title: Co-Chief Executive Officer





EXHIBIT A


Indemnity Provisions

- A. QSG agrees to indemnify and hold harmless each of A&M, its affiliates and their respective shareholders, managers, members, employees, agents, representatives and subcontractors (each, an "Indemnified Party" and collectively, the "Indemnified Parties") against any and all losses, claims, damages, liabilities, penalties, obligations, disbursements and expenses, including the costs (fees and disbursements) for counsel or others (including employees of A&M, based on their then current hourly billing rates) in investigating, preparing or defending any action or claim, whether or not in connection with litigation in which any Indemnified Party is a party, or enforcing the Agreement (including these indemnity provisions), as and when incurred, caused by, relating to, based upon or arising out of (directly or indirectly) the Indemnified Parties' acceptance of or the performance or nonperformance of their obligations under the Agreement; provided, however, such indemnity shall not apply to any such loss, claim, damage, liability or expense to the extent it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from such Indemnified Party's gross negligence or willful misconduct. QSG also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to QSG for or in connection with the engagement of A&M, except to the extent for any such liability for losses, claims, damages, liabilities or expenses that are found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from such Indemnified Party's gross negligence or willful misconduct. QSG further agrees that it will not, without the prior consent of an Indemnified Party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which such Indemnified Party seeks indemnification hereunder (whether or not such Indemnified Party is an actual party to such claim, action, suit or proceeding) unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all liabilities arising out of such claim, action, suit or proceeding.
- B. These indemnification provisions shall be in addition to any liability which QSG may otherwise have to the Indemnified Parties. In the event that, at any time whether before or after termination of the engagement or the Agreement, as a result of or in connection with the Agreement or A&M's and its personnel's role under the Agreement, A&M or any Indemnified Party is required to produce any of its personnel (including former employees) or for examination, discovery, deposition or other written, recorded or oral presentation, or A&M or any of its personnel (including former employees) or any other Indemnified Party is required to produce or otherwise review, compile, submit, duplicate, search for, organize or report on any material within such Indemnified Party's possession or control pursuant to a subpoena or other legal (including administrative) process, QSG will reimburse the Indemnified Party for its out of pocket expenses, including the reasonable fees and expenses of its counsel, and will compensate the Indemnified Party for the time expended by its personnel based on such personnel's then current hourly rate.

- C. If any action, proceeding or investigation is commenced to which any Indemnified Party proposes to demand indemnification hereunder, such Indemnified Party will notify QSG with reasonable promptness; provided, however, that any failure by such Indemnified Party to notify QSG will not relieve QSG from its obligations hereunder, except to the extent that such failure shall have actually prejudiced the defense of such action. QSG shall promptly pay expenses reasonably incurred by any Indemnified Party in defending, participating in, or settling any action, proceeding or investigation in which such Indemnified Party is a party or is threatened to be made a party or otherwise is participating in by reason of the engagement under the Agreement, upon submission of invoices therefor, whether in advance of the final disposition of such action, proceeding, or investigation or otherwise. Each Indemnified Party hereby undertakes, and QSG hereby accepts its undertaking, to repay any and all such amounts so advanced if it shall ultimately be determined that such Indemnified Party is not entitled to be indemnified therefor. If any such action, proceeding or investigation in which an Indemnified Party is a party is also against QSG, QSG may, in lieu of advancing the expenses of separate counsel for such Indemnified Party, provide such Indemnified Party with legal representation by the same counsel who represents QSG, provided such counsel is reasonably satisfactory to such Indemnified Party, at no cost to such Indemnified Party; provided, however, that if such counsel or counsel to the Indemnified Party shall determine that due to the existence of actual or potential conflicts of interest between such Indemnified Party and QSG such counsel is unable to represent both the Indemnified Party and QSG, then the Indemnified Party shall be entitled to use separate counsel of its own choice, and QSG shall promptly advance its reasonable expenses of such separate counsel upon submission of invoices therefor. Nothing herein shall prevent an Indemnified Party from using separate counsel of its own choice at its own expense. QSG will be liable for any settlement of any claim against an Indemnified Party made with QSG's written consent, which consent shall not be unreasonably withheld.
- D. In order to provide for just and equitable contribution if a claim for indemnification pursuant to these indemnification provisions is made but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification may not be enforced in such case, even though the express provisions hereof provide for indemnification, then the relative fault of QSG, on the one hand, and the Indemnified Parties, on the other hand, in connection with the statements, acts or omissions which resulted in the losses, claims, damages, liabilities and costs giving rise to the indemnification claim and other relevant equitable considerations shall be considered; and further provided that in no event will the Indemnified Parties' aggregate contribution for all losses, claims, damages, liabilities and expenses with respect to which contribution is available hereunder exceed the amount of fees actually received by the Indemnified Parties pursuant to the Agreement. No person found liable for a fraudulent misrepresentation shall be entitled to contribution hereunder from any person who is not also found liable for such fraudulent misrepresentation.
- E. In the event QSG and A&M seek judicial approval for the assumption of the Agreement or authorization to enter into a new engagement agreement pursuant to either of which A&M would continue to be engaged by QSG, QSG shall promptly pay expenses reasonably incurred by the Indemnified Parties, including attorneys' fees and expenses, in

connection with any motion, action or claim made either in support of or in opposition to any such retention or authorization, whether in advance of or following any judicial disposition of such motion, action or claim, promptly upon submission of invoices therefor and regardless of whether such retention or authorization is approved by any court. QSG will also promptly pay the Indemnified Parties for any expenses reasonably incurred by them, including attorneys' fees and expenses, in seeking payment of all amounts owed to it under the Agreement (or any new engagement agreement) whether through submission of a fee application or in any other manner, without offset, recoupment or counterclaim, whether as a secured claim, an administrative expense claim, an unsecured claim, a prepetition claim or a postpetition claim.

- F. Neither termination of the Agreement nor termination of A&M's engagement nor the filing of a petition or application under the *Companies' Creditors Arrangement Act* or *Bankruptcy and Insolvency Act* (Canada) (nor the conversion of an existing case to a different form of proceeding, including a receivership) shall affect these indemnification provisions, which shall hereafter remain operative and in full force and effect.
- G. The rights provided herein shall not be deemed exclusive of any other rights to which the Indemnified Parties may be entitled under the certificate of incorporation or by-laws of QSG, any policy of insurance, any other agreements, any vote of shareholders or disinterested directors of QSG, any applicable law or otherwise.

By: 

Hugh Rowan-Legg
Title: Managing Director

Accepted and agreed:

Quality Sterling Group

By: 

Name: John Pacione
Title: Co-Chief Executive Officer



This is Exhibit "C" of
the Affidavit of Don Rogers
Sworn before me this 10th day of November, 2023

A handwritten signature in blue ink, appearing to read "Utthia", written above a horizontal line.

A Commissioner, etc.

Court File No. CV-23-00703933-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) FRIDAY, THE 25TH
MR JUSTICE PENNY) DAY OF AUGUST, 2023

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED***

**AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF QUALITY RUGS OF CANADA
LIMITED AND THE OTHER COMPANIES LISTED IN
SCHEDULE "A" HERETO**

(collectively, the "**Applicants**")

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Application Record of the Applicants and the Supplementary Application Record of the Applicants, including the affidavit of John Pacione sworn August 3, 2023 and the Exhibits thereto (the "Pacione Affidavit"), the supplemental affidavit of John Pacione sworn August 17, 2023, the second supplemental affidavit of John Pacione sworn August 22, 2023, the Application Record and the Supplementary Application Record filed by Waygar Capital Inc. ("Waygar"), including the affidavit of Don Rogers sworn July 24, 2023, the

supplementary affidavit of Don Rogers sworn August 3, 2023, the pre-filing report of Fuller Landau Group Inc., dated July 25, 2023, the supplement to the pre-filing report of Fuller Landau Group Inc., dated August 3, 2023, the second supplement to the pre-filing report of the Fuller Landau Group Inc., dated August 16, 2023, the pre-filing report of RSM Canada Limited, dated August 3, 2023, the supplemental pre-filing report of RSM Canada Limited dated August 17, 2023, the second supplemental pre-filing report of RSM Canada Limited dated August 25, 2023 and the consent of RSM Canada Limited to act as the Monitor, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for Waygar, counsel for Ironbridge Equity Partners (“Ironbridge”), counsel for Mohawk Carpet Distribution, Inc. (“Mohawk”), and counsel for RSM Canada Limited, no other parties having been served or appearing,

SERVICE

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

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. [intentionally deleted].

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of

this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "Business") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicants shall be entitled to utilize the cash management system currently in place as described in the Pacione Affidavit or if agreed to between the Applicants, Waygar and Ironbridge, provided that Waygar's approval rights shall terminate upon the closing of the transaction contemplated by the Asset Purchase Agreement, to replace it with another substantially similar cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as the provider of the Cash Management System, an unaffected creditor under any Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5A. THIS COURT ORDERS that, notwithstanding paragraph 5 hereof or the provision of any documents under which the Cash Management System operates, any disbursement of funds which may have been deposited into or accrued in the Blocked Account (as defined in the Affidavit of Don Rogers sworn July 24, 2023) shall be made only on the consent of the Monitor (as herein defined), and without the need for the consent of Waygar or its advisors, provided that the Monitor shall only approve the disbursement if the Monitor is satisfied, acting reasonably, that such disbursement is necessary to comply with any payment contemplated to be made under

this Order, including payments for suppliers of goods and services to the Applicants in the ordinary course of business and consistent with the Cash Flow Projections.

6. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. THIS COURT ORDERS that the Applicants shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i)

employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. THIS COURT ORDERS that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of its creditors as of August 4th, 2023; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. THIS COURT ORDERS that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents and the DIP Term Sheet (each as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$250,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "Restructuring").

12. THIS COURT ORDERS that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

14. THIS COURT ORDERS that until and including September 5, 2023, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicants, the entities named in Schedule "A" hereto (the "Protected Parties"), the Monitor, the Financial Advisor (as hereinafter defined), or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicants, the Protected Parties, the Monitor, or the Financial Advisor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are

permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants or the Protected Parties, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

17. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, the Cash Management System or other banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

TREATMENT OF LIEN CLAIMS

18. THIS COURT ORDERS that, without limiting the generality of paragraphs 14 to 17 hereof, the rights of any person who has supplied services and/or materials to the Applicants to preserve and perfect a lien under the *Construction Act* (Ontario) or any applicable provincial equivalent (the "Provincial Lien Legislation") in respect of a project or improvement to which one of the Applicants is a contracting party (the "Lien Claims") be and are hereby stayed and any

person seeking to preserve, perfect or otherwise enforce such a claim shall be required to comply with the process and seek the rights and remedies set out in paragraphs 18 to 21 hereof subject to further Order of the Court.

19. THIS COURT ORDERS that any person who wishes to assert a Lien Claim (a "Lien Claimant") shall serve a notice of such Lien Claim setting out the amount and particulars thereof (including without limitation the improvement in question) to (a) the Monitor at arif.dhanani@rsmcanada.com, with a copy Goodmans LLP, counsel to the Monitor at: jlatham@goodmans.ca, and (b) the Applicants, care of cbesant@grllp.com, in each case within the timeframes prescribed by the applicable Provincial Lien Legislation (a "Lien Notice") or such other time frame as may be ordered by the Court. Upon delivering such Notices of Lien, the Lien Claims will be considered preserved and perfected and no further steps need be taken by the Lien Claimant.

20. THIS COURT ORDERS that, upon serving a Lien Notice, the Lien Claimant shall be entitled to a charge over any Property of the Applicants relating to the project or improvement which is the subject of such Lien Claim, equivalent to the value and in accordance with the priority that the Lien Claimant would otherwise be entitled to as claim a lien under the applicable Provincial Lien Legislation (the "Lien Charge"), and shall rank in priority in accordance with the priority afforded to such Charge at law.

21. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA and elsewhere in this Order, is hereby authorized and empowered to review the Lien Notices and approve reduce or disallow the Lien Claims set out therein, or refer such matter for determination by the Court, on notice to the applicable Lien Claimant. Any such Lien Claimant shall have 10 days to give notice to the Monitor and the Applicants that it intends seek a review by the Court of the decision of the Monitor on a motion before a judge of this Court.

22. THIS COURT ORDERS that nothing in paragraphs 18 to 21 hereof shall be construed as limiting or prejudicing the rights of the Monitor, the Applicants or any other interested party

from challenging: (a) the validity or timeliness of a Lien Notice; (b) the validity or quantum of a Lien Claim under the applicable Provincial Lien Legislation, except for failure to preserve a lien by registration; (c) a Lien Claimant's entitlement to a Lien Charge under paragraph 20 of this Order; or (d) the priority of a Lien Charge under this Order.

23. THIS COURT ORDERS that, in connection with the matters in paragraphs 18 to 21 of this Order, the Monitor (i) shall have all of the protections given to it by the CCAA, this Order and any other orders of the Court in the CCAA Proceedings, (ii) shall incur no liability or obligation as a result of carrying out matters in connection with paragraphs 18 to 22 of this Order, (iii) shall be entitled to rely on the books and records of the Applicants and any information provided by the Applicants, all without independent investigation, (iv) shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information, and (v) may seek such assistance as may be required to carry out matters in connection with paragraphs 18 to 22 of this Order from the Applicants or any of their affiliates.

NON-DEROGATION OF RIGHTS

24. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

25. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants or the Protected Parties with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or

performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

26. THIS COURT ORDERS that the Applicants shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

27. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$600,000, as security for the indemnity provided in paragraph 26 of this Order. The Directors' Charge shall have the priority set out in paragraphs 45 and 47 herein.

28. 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 Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' 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 insufficient to pay amounts indemnified in accordance with paragraph 26 of this Order.

APPOINTMENT OF FINANCIAL ADVISOR

29. THIS COURT ORDERS that the agreement dated as of February 1, 2023, engaging Alvarez & Marsal Canada Securities ULC (the "Financial Advisor") as financial advisor to the Applicants (the "A&M Engagement Letter"), and the retention of the Financial Advisor under the terms thereof are hereby approved, including, without limitation, the Success Fee (as the term is defined in the A&M Engagement Letter). The Financial Advisor shall be entitled to the benefit

of and is hereby granted a charge (the "Financial Advisor's Charge") on the Property, which charge shall not exceed an aggregate amount of \$950,000, as security for the Success Fee. The Financial Advisor's Charge shall have the priority set out in paragraphs 45 and 47 herein.

APPOINTMENT OF MONITOR

30. THIS COURT ORDERS that RSM Canada Limited (the "Monitor") is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

31. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in its dissemination, of information to creditors of the Applicants, including Waygar and its financial advisor;
- (d) assist the Applicants, to the extent required by the Applicants, in its dissemination, to the DIP Lender (as herein defined) and its counsel of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;

- (e) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (f) [intentionally deleted];
- (g) [intentionally deleted];
- (h) 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 Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (j) perform such other duties as are required by this Order or by this Court from time to time.

32. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

33. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the

Canadian Environmental Protection Act, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

34. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph or in paragraph 31 hereof. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

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

36. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Financial Advisor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and, in the case of the Financial Advisor, pursuant to the A&M Engagement Letter, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis, and the Financial Advisor on a monthly basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel

to the Monitor, and counsel to the Applicant, retainers in the amount[s] of \$65,000, \$60,000 and \$50,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time. For clarity, in no circumstances shall Waygar be responsible for the Financial Advisor's monthly Work Fee (as that term is defined in the A&M Engagement Letter), including, without limiting the foregoing, by way of payment from the proceeds of sale of the Applicants' assets (including accounts receivable collections).

37. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

38. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Applicants' counsel and the Financial Advisor (in respect of their monthly fees and expenses as set out in the A&M Engagement Letter) shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$750,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, and, in the case of the Financial Advisor, pursuant to the A&M Engagement Letter, for the period from and after August 18, 2023 in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 45 and 47 hereof.

DIP FINANCING

39. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility (the "DIP Facility") from Ironbridge Equity Partners IV LP and Ironbridge Equity Partners (International) IV, LP (collectively, the "DIP Lender") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such DIP Facility shall not exceed \$3,500,000 unless permitted by further Order of this Court.

40. THIS COURT ORDERS THAT such DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet between the Applicants and the DIP Lender dated August 25, 2023 (the “DIP Term Sheet”), filed, and the definitive documentation to be entered into pursuant thereto.

41. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order

41A. THIS COURT ORDERS that the Applicants shall deposit all Advances (as defined in the DIP Term Sheet) into a bank account designed by the Borrower (the “Borrower’s Account”) and utilized by the Borrower in accordance with the terms of the DIP Term sheet and other Definitive Documents.

42. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender’s Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that existed before the first Order in these proceedings made on August 4, 2023. The DIP Lender’s Charge shall have the priority set out in paragraphs 45 and 47 hereof.

43. 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 Lender’s Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, may immediately exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's 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 Applicants and for the appointment of a trustee in bankruptcy of the Applicants; 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 Applicants or the Property.

44. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

45. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge, the Financial Advisor's Charge, and the DIP Lender's Charge, as among them, shall be as follows:

First – the DIP Lender's Charge but only to the extent of the assets in the Borrower's Account at any time from time to time:

Second – the Administration Charge (to a maximum amount of \$750,000);

Third – the Directors' Charge (to a maximum amount of \$600,000);

Fourth – the DIP Lender's Charge (to a maximum of \$3,500,000); and

Fifth – the Financial Advisor’s Charge (to a maximum of \$950,000).

46. THIS COURT ORDERS that the filing, registration or perfection of the Directors’ Charge, the Administration Charge, the Financial Advisor’s Charge, the DIP Lender’s Charge or the Lien Charge (collectively, 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.

47. 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, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, notwithstanding the order of perfection or attachment, except (a) for any Person who is a “secured creditor” as defined in the CCAA that has not been served with the Notice of Application for this Order, and (b) for any claims of any person against the Applicants for amounts owing for services rendered and/or materials supplied that have priority over Encumbrances by statute.

48. THIS COURT ORDERS that the Applicants shall be entitled, at the Comeback Hearing, on notice to those Persons likely to be affected thereby, to seek priority of the Charges ahead of any Encumbrance over which the Charges may not have obtained priority pursuant to this Order.

49. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor and the beneficiaries of the Charges, or further Order of this Court.

50. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Charges") 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 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 Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicants 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 creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order 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.

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

SERVICE AND NOTICE

52. THIS COURT ORDERS that service of the Applicants' Application Record and Supplementary Application Record, together with written confirmation of the date of such hearings, to any Person in respect of this Order constitutes notice of the Comeback Hearing.

53. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner

prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

54. THIS COURT ORDERS that the E-Service Guide of the Commercial List (the “**Guide**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) 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 Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL ‘<<http://www.rsmcanada.com/quality-sterling-group>>’ (the “Monitor’s Website”).

55. THIS COURT ORDERS that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in these proceedings (the “Service List”). The Monitor shall post the Service List, as may be updated from time to time, on the Monitor's Website, provided that the Monitor shall have no liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

56. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Guide is not practicable, the Applicants and the Monitor are 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 Applicants’ creditors or other interested parties at their respective addresses as last shown on the records of the Applicants 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.

GENERAL

57. THIS COURT ORDERS that, notwithstanding anything in this Order or the August 4 Order (as herein defined), including any language granting priority charges over the Property of the Applicants, the issue as to priority as among the Charges (including the Interim Lender's Charge in the August 4 Order) and the security held by Mohawk, including any purchase money security interest, shall be deferred to the Comeback Hearing, or as may otherwise be agreed to by the parties. The Applicants are directed to identify and segregate into a separate bank account any proceeds received from and after August 4, 2023 in respect of goods in the possession of the Applicants as of or after August 4, 2023 and supplied by Mohawk.

58. THIS COURT ORDERS that nothing herein impacts or detracts from the provisions of the Order of this Court made on August 4, 2023 in these proceedings and in the Waygar application (the "August 4 Order"); provided, however, that upon the filing with this Court of a certificate of the Monitor confirming that the Interim Financing provided by Waygar pursuant to the August 4 Order has been paid in full net of the amount of \$707,000, the Interim Lender's Charge in favour of Waygar in the August 4 Order shall be finally discharged and no longer enforceable.

59. THIS COURT ORDERS that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

60. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

61. 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 Applicants, the Monitor 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

62. THIS COURT ORDERS that each of the Applicants and the Monitor 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 Monitor 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.

63. THIS COURT ORDERS that any interested party (including the Applicants and the Monitor) 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.

64. 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” – Other Applicants

A.1 QSG Opcos (in addition to QRCL)

1. Timeline Floors Inc.
2. Ontario Flooring Ltd
3. Weston Hardwood Design Centre Inc
4. Malvern Contract Interiors Limited

A.2 Holding Companies

5. Quality Commercial Carpet Corporation;
6. Joseph Douglas Pacione Holdings Ltd.;
7. John Anthony Pacione Holdings Ltd.;
8. Jopac Enterprises Limited;
9. Patjo Holdings Inc.

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
QUALITY RUGS OF CANADA LIMITED AND THE OTHER COMPANIES LISTED IN
SCHEDULE "A" HERETO**

Court File No.: CV-23-00703933-00CL

collectively, The Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

INITIAL ORDER

Gardiner Roberts LLP

Bay Adelaide Centre
22 Adelaide Street West, Suite 3600
Toronto, ON M5H 4E3

Christopher Besant (LSO# 248820)

Email: cbesant@grllp.com
Tel: (416) 865 4022

Lawyer for the Applicants

This is Exhibit "D" of
the Affidavit of Don Rogers
Sworn before me this 10th day of November, 2023

A handwritten signature in blue ink, appearing to read "Utchi", written above a horizontal line.

A Commissioner, etc.

DIP FACILITY LOAN AGREEMENT

DATED AS OF AUGUST 25, 2023

WHEREAS Quality Rugs of Canada Limited ("**Borrower**") have requested the DIP Lenders (defined below) to provide funding in order to assist with proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") commenced before the Ontario Superior Court of Justice – Commercial List (the "**Court**") in accordance with the terms and conditions set out herein (the "**CCAA Proceeding**");

WHEREAS the DIP Lender has agreed to provide the DIP Facility (defined below) in accordance with the terms and conditions set out below;

NOW THEREFORE, in consideration of the foregoing and their respective representations, warranties, covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree as follows:

1. **Defined Terms:** A capitalized term not defined in the body of this Agreement has the meaning ascribed to it in the Definitions section below.
2. **Interpretation:** In this Agreement, words signifying the singular number include the plural and *vice versa*, and words signifying gender include all genders. Every use of the word "including" in this Agreement is to be construed as meaning "including, without limitation".

The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement.

References in this Agreement to Section or Schedule are to be construed as references to a Section or Schedule of or to this Agreement unless the context requires otherwise.
3. **Currency:** Unless otherwise stated, all monetary denominations shall be in lawful currency of Canada.
4. **Borrower:** has the meaning set out in the preamble to this Agreement.
5. **Guarantors:** means Malvern Contract Interiors Limited, Weston Hardwood Design Centre Inc., Ontario Flooring Ltd., Timeline Floors Inc., Quality Commercial Carpet Corporation and Patjo Holdings Ltd. (collectively, the "**Guarantors**" and collectively with the Borrower, the "**Obligors**")
6. **DIP Lenders:** Ironbridge Equity Partners IV, LP and Ironbridge Equity Partners (International) IV, LP (collectively, the "**DIP Lenders**" and each a "**DIP Lender**")

7. **DIP Facility:** The DIP Lenders agree to advance to the Borrower as a debtor-in-possession non-revolving credit facility (the "**DIP Facility**") up to the principal amount of \$5,000,000 (the "**Loan Amount**"), which principal amount may be increased by \$2,000,000 (the "**Additional Loan Amount**") subject to the terms of this Agreement.
- The maximum amount made available under the DIP Facility, including an initial advance in the amount of \$2,800,000 (the "**Initial Advance**") shall not, subject to the terms hereof, exceed the amount of \$7,000,000 (the "**Maximum Amount**").
8. **Availability of Additional Loan Amount:** The maximum principal amount of the DIP Facility shall be increased to the Maximum Amount by the Additional Loan Amount if the Obligors and the Purchaser enter into the Asset Purchase Agreement on terms and conditions satisfactory to the DIP Lenders.
9. **DIP Advances:** Advances under the DIP Facility, including the Initial Advance (each, an "**Advance**") require a written notice to be delivered to the DIP Lenders, four Business Days prior to the requested date of the Advance, or such shorter period as may be agreed by the DIP Lenders in advance (each, an "**Advance Notice**"), which has been approved by the Monitor and executed by an officer of the Borrower setting out: (a) the proposed amount of the requested Advance; (b) the date the Advance is required; (c) the specific use for the proceeds of the Advance in accordance with the Approved Cash Flow (as defined below); (d) certification that the representations and warranties contained herein are true and correct in all respects as of such date; and (e) such other matters required by the DIP Lenders, as advised to the Borrower in advance.
10. **Use of Proceeds:** The proceeds of the DIP Facility shall be used solely by the Borrower in accordance with the Approved Cash Flow, which shall include provision for payment of (i) the Waygar Obligations, (ii) the fees of the Monitor and its counsel and counsel for the Borrower for the period from and after August 18, 2023, (iii) payment on account of interest (except for PIK Interest), and (iv) expenses payable under the DIP Facility and ordinary course payments for the Borrower's working capital needs during the CCAA Proceeding, including, post-filing accounts payable in the ordinary course of the Business and Priority Payables. No proceeds may be used for any other purpose except with the prior written approval of the DIP Lenders.
11. **DIP Lenders' Commitments:** The respective commitment of each DIP Lender (the "Individual Commitment Amounts") is set out in Schedule A hereto.
- The obligations of each DIP Lender shall be several and limited to its Individual Commitment Amount. If the Loan Amount or Additional Loan Amount, as applicable, is reduced on account of a mandatory prepayment

as provided pursuant to Section 24 of this Agreement, the Individual Commitment Amounts will be reduced on a *pro rata* basis.

12. **Assignment by the Borrower:** The Borrower shall not be permitted to assign this Agreement or the other DIP Credit Documents without the unanimous prior written consent of the DIP Lenders.

13. **Evidence of Indebtedness:** The DIP Lenders shall maintain a register evidencing Advances and repayments under the DIP Facility and all other amounts owing from time to time hereunder. The DIP Lenders' register constitutes, in the absence of manifest error, *prima facie* evidence of the Indebtedness of the Borrower to the DIP Lenders pursuant to the DIP Facility.

14. **Interest** All amounts owing hereunder on account of the principal, overdue interest and expenses shall bear interest at 12% per annum (the "**Interest Rate**"). To the extent permitted by Law, effective immediately upon the occurrence of an Event of Default, all amounts owing hereunder on account of principal, overdue interest and expenses shall bear interest at the Interest Rate plus an additional 2% per annum (the Interest Rate, as increased, the "**Default Rate**").

All interest hereunder shall be computed on the basis of a year of 365 or 366 days (as applicable) and shall accrue and be calculated daily and payable in cash, monthly in arrears on the last Business Day of each month (each, an "**Interest Payment Date**"); provided that unless otherwise agreed by the DIP Lenders, interest accruing at the Default Rate shall be payable in cash on demand, both before and after demand and judgment.

In the case of an Advance, the first Interest Period shall commence on and include the date of such Advance and shall end on and exclude the next following Interest Payment Date. Thereafter, in the case of such Advance, the Interest Period shall commence on and include the Interest Payment Date and end on and exclude the next Interest Payment Date or the Maturity Date, whichever is earlier.

The DIP Lenders may, in their sole discretion, elect to receive the amount of any interest payment (a) entirely in cash, (b) entirely by adding the amount of such accrued and unpaid interest to the principal amount outstanding under the DIP Facility (interest so capitalized, "**PIK Interest**"), or (c) a combination of cash and PIK Interest. All interest, other than (unless otherwise agreed by the DIP Lenders) interest accruing at the Default Rate, shall automatically be paid in the form of PIK Interest unless the DIP Lenders, in their sole discretion, elect to receive the applicable interest payment in cash or with a combination of cash and PIK Interest, in which case the DIP Lenders shall deliver to the Borrower no later than five Business Days prior to the applicable Interest Payment Date, a written notice notifying the Borrower that the DIP Lenders will be requiring the payment of such interest in the form of cash interest or a combination of

cash and PIK Interest (and if a combination thereof, the amount of which will be represented by each of the cash interest and the PIK Interest).

15. **Other Costs and Expenses:** The Borrower shall pay all costs and expenses of the DIP Lenders for all due diligence and all fees, expenses and disbursements of outside counsel, and any financial consultant in connection with the preparation, negotiation, approval and interpretation of the DIP Credit Documents and administration of the DIP Facility, including any costs and expenses incurred by the DIP Lenders in connection with the enforcement of any of the rights and remedies available hereunder or under the DIP Security.
16. **Approved Cash Flow:** Attached hereto as Schedule B is a detailed cash flow projection (the "**Approved Cash Flow**"), which is in form and substance satisfactory to the DIP Lenders and which includes provision for payments on account of any interest and expenses which may be payable under the DIP Facility, rent and other occupancy costs, supplier payments, post-filing accounts payable in the ordinary course of the Business, Priority Payables and the costs and expenses associated with the CCAA Proceeding.
- On Thursday of each week, the Borrower, with the assistance of the Monitor, shall provide the DIP Lenders with a variance report (the "**Cash Flow Variance Report**") certified by the Chief Financial Officer of the Borrower showing on a line-by-line basis actual receipts and disbursements and the total available liquidity for the last day of the prior week for the cumulative period since the commencement of the CCAA Proceeding and for a rolling cumulative four-week period once the CCAA Proceeding has been pending for four weeks and noting therein all variances on a line-by-line basis from the amounts in the Approved Cash Flow and shall include explanations for all material variances. The first Cash Flow Variance Report shall be delivered no later than September 7, 2023.
- The Borrower, with the assistance of the Monitor, may from time to time present the DIP Lenders with a revised budget substantially in the form of the current Approved Cash Flow (the "**Updated Cash Flow**"). Subject to the written approval of the DIP Lenders, the Updated Cash Flow shall thereafter be deemed to be the effective Approved Cash Flow for the purposes hereof.
17. **Conditions Precedent to the Initial Advance:** The DIP Lenders' obligation to make the Initial Advance hereunder from the Loan Amount is subject to, and conditional upon, the satisfaction of all of the following conditions precedent:
- (a) The Obligors' materials in connection with its application for the Initial Order shall be in form and substance satisfactory to the DIP Lenders, acting reasonably, and on notice to Waygar and such other parties as are acceptable to the DIP Lenders;
 - (b) The Court shall have issued the Initial Order in form and substance satisfactory to the DIP Lenders and Waygar, acting reasonably, among other things:

- (i) granting the Obligors protection under the CCAA;
- (ii) appointing the Monitor;
- (iii) authorizing and approving the Initial Advance and approving this Agreement and the other DIP Credit Documents for the purpose of making the Initial Advance; and
- (iv) granting the DIP Charge and the priority of the DIP Charge contemplated in this Agreement,

and the operation and effect of such order shall not have been stayed, amended, modified, reversed, waived, dismissed or appealed (or any such appeal shall have been dismissed with no further appeal therefrom or the applicable appeal periods shall have expired) and no notices of the foregoing shall have been filed, unless otherwise agreed by the DIP Lenders, in their sole discretion;

- (c) The DIP Lenders shall have received an Advance Notice in accordance with the terms hereof;
- (d) All expenses payable to the DIP Lenders have been paid or will be paid from the proceeds of the Initial Advance on the date of the Initial Advance;
- (e) The DIP Lenders shall have received evidence satisfactory to it that the Borrower's Account has been designated by the Borrower and is not a Blocked Account or subject to any Encumbrances other than the Encumbrances arising in connection with the DIP Security;
- (f) The DIP Lenders are satisfied that no person (including Waygar) has cash dominion over any bank accounts or securities accounts of any Obligor and that all Blocked Account Agreements pursuant to which any Obligor is party or otherwise bound have been suspended for a period of 60 days commencing on the date of the LOI, provided that such 60-day suspension period may be terminated at any time if the Purchaser advises Waygar in writing that it will not be proceeding with the Transaction; and
- (g) No Default or Event of Default shall have occurred or will occur as a result of the Initial Advance.

18. **Conditions Precedent to Advances of the Loan Amount (other than the Initial Advance):**

The DIP Lenders' agreement to make any additional Advances available from the Loan Amount is subject to, and conditional upon, the satisfaction of all of the following conditions precedent:

- (a) The Obligors' materials in connection with their application for the amendment and restatement of the Initial Order (if necessary) and Approval and Vesting Order shall be satisfactory to the DIP Lenders;
- (b) The Court shall have issued an Amended and Restated Initial Order (if necessary) in form and substance satisfactory to the DIP Lenders, acting reasonably, among other things:

- (i) authorizing and approving this Agreement and the other DIP Credit Documents;
- (ii) granting the DIP Charge (defined below) and the priority of the DIP Charge contemplated in this Agreement;
- (iii) granting a stay of proceedings until a date that is at least eight weeks after the date of the Initial Order;

and the operation and effect of such order shall not have been stayed, amended, modified, reversed, waived, dismissed or appealed (or any such appeal shall have been dismissed with no further appeal therefrom or the applicable appeal periods shall have expired) and no notices of the foregoing shall have been filed, unless otherwise agreed by the DIP Lenders, in their sole discretion;

- (c) The Amended and Restated Initial Order (if necessary) has not been amended, restated or modified in a manner that materially adversely affects the rights, remedies or interests of the DIP Lenders, in their sole discretion, without the prior written consent of the DIP Lenders;
- (d) The DIP Credit Documents shall be in form and substance satisfactory to the DIP Lenders where applicable, and shall have been executed by the parties thereto;
- (e) The DIP Lenders shall have received an Advance Notice in accordance with the terms hereof;
- (f) All expenses payable to the DIP Lenders have been paid or will be paid from the proceeds of the requested Advance on the date of the applicable Advance;
- (g) The DIP Lenders shall have been satisfied that all Advances have been utilized in a manner that is consistent with the Approved Cash Flow, except as otherwise permitted by the terms of this Agreement;
- (h) There shall be no Encumbrances on the Collateral ranking in priority to or *pari passu* with the DIP Charge other than as expressly permitted by the terms hereof;
- (i) The Borrower and the DIP Lenders shall have agreed on the length of the stay period provided to the Obligors in the Amended and Restated Initial Order;
- (j) The DIP Lenders shall be satisfied in all material respects that the Borrower has complied, and is continuing to comply with, all applicable Laws, regulations, policies in relation to its property and the Business, other than as may be permitted under any order of the Court, which is in form and substance satisfactory to the DIP Lenders;
- (k) No Default or Event of Default shall have occurred or will occur as a result of the requested Advance;

- (l) The DIP Lenders shall have received evidence satisfactory to it that the Borrower's Account has been designated by the Borrower and is not a Blocked Account or subject to any Encumbrances other than the Encumbrances arising in connection with the DIP Security;
- (m) The DIP Lenders shall have been satisfied that all motions, orders and other pleadings and related documents filed or submitted to the Court by the Obligors shall be consistent with the terms hereof and all Court orders shall not be inconsistent with or have an adverse impact in any material respect on the rights, remedies or interests of the DIP Lenders, under the terms of the DIP Facility and the DIP Credit Documents, unless otherwise agreed to by the DIP Lenders;
- (n) The Obligors shall be in compliance in all material respects with all covenants and obligations contained in this Agreement and the other DIP Credit Documents;
- (o) The DIP Lenders shall have been satisfied that has been no termination or cancellation of a material number of customer contracts, or customer contracts representing a material amount of the revenue of the Business; and
- (p) No material adverse change shall have occurred with respect to the business, financial condition, assets or prospects of any of the Obligors.

19. **Conditions Precedent to Advances of the Additional Loan Amount:**

The DIP Lenders' agreement to make any additional Advances available from the Additional Loan Amount is subject to, and conditional upon, the satisfaction of all of conditions precedent set out in Section 18 and the following conditions precedent:

- (a) The Court shall have issued the Approval and Vesting Order in form and substance satisfactory to the DIP Lenders, among other things, approving the Asset Purchase Agreement and the transactions set out therein, and the operation and effect of such order shall not have been stayed, amended, modified, reversed, waived, dismissed or appealed (or any such appeal shall have been dismissed with no further appeal therefrom or the applicable appeal periods shall have expired) and no notices of the foregoing shall have been filed, unless otherwise agreed by the DIP Lenders, in their sole discretion;
- (b) The Approval and Vesting Order has not been amended, restated or modified in a manner that materially adversely affects the rights, remedies or interests of the DIP Lenders, in their sole discretion, without the prior written consent of the DIP Lenders.

20. **DIP Charge:**

All of the obligations of the Obligors under or in connection with the DIP Facility, this Agreement and the other DIP Credit Documents, including

without limitation, all principal, interest, fees and amounts owing in respect of expenses of the DIP Lenders (collectively, the "**DIP Obligations**"), shall be secured by a Court-ordered charge on the Collateral in favour of the DIP Lenders (the "**DIP Charge**").

The DIP Charge shall rank ahead of any and all Encumbrances on the Collateral other than the administration charge not exceeding \$750,000 granted by the Court and the directors and officers charge not exceeding \$600,000 granted by the Court (collectively, the "**Priority Charges**").

21. **DIP Security:** Each Guarantor hereby guarantees in favour of the DIP Lenders the payment and performance of the DIP Obligations of the Borrower and the other Guarantors and if requested by the DIP Lenders shall deliver a stand alone guarantee (in form and substance satisfactory to the DIP Lenders in its sole discretion) to the DIP Lenders.

Notwithstanding, the DIP Lenders shall be permitted to request DIP Security (in form and substance satisfactory to the DIP Lenders in their sole discretion) from the Obligors at any time. The DIP Security shall continue as a first priority Encumbrance on the Collateral in favour of the DIP Lenders subject to subordination only in respect of the Priority Charges and Permitted Encumbrances.

22. **Borrower's Account:** Advances shall be deposited into a bank account to be designated by the Borrower (the "**Borrower's Account**") and utilized by the Borrower in accordance with the terms of this Agreement. The Borrower's Account shall be subject to the DIP Charge and shall not be subject to any other Encumbrances (including the Priority Charges or Permitted Encumbrances).

23. **Repayment and Maturity Date:** All DIP Obligations shall be due and payable on the earliest of the occurrence of any of the following:

- (a) conversion of the CCAA Proceeding into a proceeding under the *Bankruptcy and Insolvency Act* (Canada);
- (b) an Event of Default in respect of which the DIP Lenders have notified the Obligors pursuant to Section 31 that they have elected to accelerate all amounts owing; or
- (c) the date that is eight weeks after the date of the Initial Order, which date may be extended by the DIP Lenders for up to an additional two weeks provided that the DIP Lenders agree to such extension in writing.

(such earliest date, the "**Maturity Date**").

The DIP Lenders' commitment to make Advances under the DIP Facility shall expire on the Maturity Date and all amounts outstanding under the DIP Facility shall be permanently and indefeasibly repaid no later than the Maturity Date, without the DIP Lenders being required to make demand

upon the Borrower or other Obligors or to give notice that the DIP Facility has expired and that the obligations thereunder are due and payable.

If the transaction contemplated by the Asset Purchase Agreement closes on or prior to the Maturity Date, the DIP Obligations shall be assumed by the Purchaser on such terms and conditions as the DIP Lenders and the Purchaser may agree.

24. **Mandatory Prepayments:**

Unless the DIP Lenders provide their prior written consent otherwise and subject to the Priority Charges, the Obligors are required to prepay amounts outstanding under the DIP Facility:

- (a) upon receipt of insurance proceeds or expropriation awards by an Obligor unless the proceeds are, with the prior consent of the DIP Lenders, reinvested by the applicable Obligor to repair or replace the relevant assets prior to the Maturity Date provided that all proceeds of business interruption insurance or liability insurance received by an Obligor shall be paid over to the DIP Lenders;
- (b) upon receipt of net cash proceeds from the sale of any of the Collateral, including pursuant to a liquidation, excluding sales of inventory in the ordinary course and proceeds from the sale of assets to the Purchaser pursuant to the Asset Purchase Agreement ; and
- (c) upon receipt of any extraordinary payments including tax refunds by an Obligor, excluding the HST refund, if any, arising from the A&M Payment (as defined in the LOI), which, for certainty, shall be assigned to Waygar using a commercially reasonable procedure, with input, if necessary, from the tax advisors for the Obligors and Waygar.

Any prepayment required hereunder shall be a permanent reduction of the Loan Amount and Additional Loan Amount, as applicable, and may not be re-borrowed without the prior written consent of the DIP Lenders in their sole discretion.

25. **Payments:**

All payments of principal and expenses hereunder, if applicable, shall be made for value in the full amount due at or before 12:00 noon on the day such amount is due by deposit or transfer thereof to the DIP Lenders or as the DIP Lenders may direct. Payments received after such time shall be deemed to have been made on the next following Business Day. If any payment is due on a day which is not a Business Day, such payment shall be due on the next following Business Day and interest shall accrue until but excluding the actual date of payment. Each payment to be made by the Borrower under this Agreement shall be made in full without deduction, set-off or counterclaim of any kind or for any reason. If any expenses incurred after the date of this Agreement are not paid by the Borrower, the DIP Lenders may, but shall have no duty to do so, pay all such expenses whereupon such amounts shall be added to and form part

of the DIP Obligations and shall reduce the availability under the DIP Facility.

26. **Indemnity:** The Obligors agree to indemnify and hold harmless the DIP Lender, solely in its capacities as lenders under the DIP Facility and not in any other capacity, and their Affiliates, partners and officers, directors, employees, representatives, advisors, solicitors and agents (collectively, the "**Indemnified Persons**") from and against any and all actions, lawsuits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or suited against or involve any of the Indemnified Persons as a result of, in connection with or in any way related to the DIP Facility, the proposed or actual use of the proceeds of the DIP Facility, this Agreement or the other DIP Credit Documents.
27. **Representations and Warranties:** Each Obligor represents and warrants to the DIP Lenders, upon which the DIP Lenders rely in entering into this Agreement and the other DIP Credit Documents, that:
- (a) The transactions contemplated by this Agreement and the other DIP Credit Documents upon the granting of the Initial Order or Amended and Restated Initial Order:
 - (i) are within the powers of the Obligor and constitute legal, valid and binding obligations of the Obligor;
 - (ii) have been duly authorized, executed and delivered by or on behalf of the Obligor;
 - (iii) do not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) require any consent or approval under, result in a breach or a violation of, or conflict with, any of the terms or provisions of its constating documents or by-laws or any material contracts or instruments to which it is a party or pursuant to which any of its assets or property may be affected;
 - (iv) there is no requirement for the Obligor to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Transaction, other than filings which may be made to register, renew or otherwise record the DIP Charge or any DIP Security;
 - (b) The Business has been and will continue to be conducted in material compliance with all applicable Laws of each jurisdiction in which each the Business has been or is being carried on subject to the provisions of any court order made after the date of the Initial Order and the CCAA;
 - (c) Each Obligor has obtained any material Authorizations for the operation of the Business, which Authorizations remain, and after

entering into the DIP Facility will remain, in full force and effect. No proceedings have been commenced to revoke or amend any such Authorizations;

- (d) Each Obligor has made all deductions and except as reflected in the Approved Cash Flow, has paid its obligations Priority Payables as required by applicable Law and is not in arrears in respect of these obligations;
- (e) Each Obligor does not have any defined benefit pension plans or similar plans and the Obligor is in material compliance with all applicable Law respecting its employee's employment and all collective bargaining agreements to which it is a party or otherwise bound;
- (f) Except as otherwise disclosed to the DIP Lender in writing prior to the date hereof, each Obligor is current on its payment obligations for rent and other occupancy costs and expenses in respect of any premises that it leases;
- (g) All obligations of each Obligor (including fiduciary, funding, investment and administrative obligations, if any) required to be performed in connection with employee benefit plans of the Obligor have been performed on a timely basis;
- (h) Each Obligor has filed all Tax returns which were required to be filed, paid all Taxes (including interest and penalties) which are due and payable; and
- (i) All information provided by or on behalf of each Obligor to the DIP Lenders for the purposes of or in connection with this Agreement or any transaction contemplated herein is, true and accurate in all material respects on the date as of which such information was provided and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided.

28. **Affirmative Covenants:**

In addition to all other covenants and obligations contained herein, each Obligor agrees and covenants to perform and do each of the following until the DIP Facility is permanently and indefeasibly repaid and cancelled or assumed on the written consent of the DIP Lenders:

- (a) Submit to the Court the Initial Order, Amended and Restated Initial Order, the Approval and Vesting Order, and any other Court orders which are being sought by the Obligor in a form confirmed in advance to be satisfactory to the DIP Lenders, subject to any amendments that are required by the Court or the Obligors that are acceptable to the DIP Lenders;
- (b) Comply with the provisions of Court orders made in the CCAA Proceeding, including the Initial Order, Amended and Restated Initial Order and Approval and Vesting Order;

- (c) Utilize all Advances in a manner that is consistent with the Approved Cash Flow, subject to weekly variances due to variations in the timing of projected receipts and disbursements, or as otherwise agreed to with the written approval of the DIP Lenders;
- (d) Deliver to the DIP Lenders any updated Approved Cash Flows and Cash Flow Variance in accordance with this Agreement and such other reporting and other information from time to time as is reasonably requested by the DIP Lenders;
- (e) Allow the DIP Lenders, their partners, directors, officers, employees, agents, advisors and representatives full access to all information, documentation and premises of the Obligors and their Affiliates during normal business hours and cause management thereof to fully cooperate with any partners, directors, officers, employees, agents, advisors and representatives to the DIP Lenders;
- (f) Upon request of the DIP Lenders, provide updates regarding the status of the CCAA Proceeding, including any information which may otherwise be confidential, subject to same being maintained as confidential by the DIP Lenders;
- (g) No later than three Business Days after receiving a payout statement in respect of the Waygar Obligations, remit payment to Waygar in an amount equal to the Waygar Obligations;
- (h) Preserve, renew, maintain and keep in full force its corporate existence and its Authorizations required in respect of the Business or any of the Collateral;
- (i) Use all reasonable efforts to keep the DIP Lenders apprised on a timely basis of all material developments with respect to the Business and affairs of the Borrower and its subsidiary;
- (j) Obtain the prior written consent of the Majority Lenders prior to disseminating general written communications to any customer, supplier or employee group, landlords and other stakeholders in respect of this DIP Facility, the DIP Lenders, the Asset Purchase Agreement, the Purchaser (as defined in the Asset Purchase Agreement) or the CCAA Proceeding;
- (k) Subject to the provisions of any Court order (including the Amended and Restated Initial Order) in each case that are not otherwise inconsistent with the terms of this Agreement, in all material respects, preserve current relations with, and the current goodwill of, customers, suppliers, employees, landlords, other stakeholders, any Governmental Authority and all other Persons having material business relationships with the Obligor to the extent such relationships are necessary for the Purchaser to conduct the Business or relate to the Purchased Assets or Assumed Liabilities (each as defined in the Asset Purchase Agreement);

- (l) Conduct the Business and preserve, protect and maintain the Collateral in the ordinary course of Business;
- (m) Maintain in full force all policies and contracts of insurance that are now in effect (or renewals thereof) under which the Obligor, the Business or any of the Collateral is insured;
- (n) Pay all rent and other occupancy costs and expenses in respect of any leased premises on terms mutually agreed between the Obligor and applicable landlords;
- (o) Except to the extent otherwise agreed by the DIP Lenders, pay all applicable Priority Payables and all other amounts necessary to preserve the Collateral to avoid any Encumbrance thereon and to carry on the business of each Obligor;
- (p) Forthwith notify the DIP Lenders of the occurrence of any event or circumstance that may constitute a material adverse change from the Approved Cash Flow;
- (q) Forthwith notify the DIP Lenders of the occurrence of any Default or Event of Default;
- (r) Forthwith notify the DIP Lenders of the cancellation of any customer contracts
- (s) Provide the DIP Lenders with draft copies of all motions, applications, proposed orders or other material or documents that any of them intends to file within the CCAA Proceeding at least three days prior to any service of such materials;
- (t) Comply in all material respects with all applicable Laws; Execute and deliver the DIP Credit Documents, in form and substance satisfactory to the DIP Lenders;
- (u) Pay when due all principal, interest, fees and other amounts payable by the Obligor under this Agreement and under any other DIP Credit Documents; and
- (v) Ensure that the representations and warranties remain true at all times.

29. **Negative Covenants:**

Each Obligor covenants and agrees not to do the following, other than with the prior written consent of the DIP Lenders from and after the date hereof:

- (a) Make any payment of principal or interest in respect of Indebtedness existing as of the date of the Initial Order or declare or pay any dividends except as contemplated by the Approved Cash Flow;
- (b) Except for the DIP Obligations or any Indebtedness secured by Permitted Encumbrances or the Priority Charges, create, incur or permit to exist any Indebtedness, or provide or seek or support a motion by another party to provide Indebtedness;

- (c) Except for Permitted Encumbrances, the Priority Charges and the DIP Charge, create, permit to exist any Encumbrance, or provide or seek or support a motion by another party to provide an Encumbrance, upon any of the Collateral;
- (d) Make any payments outside the ordinary course of the Business, subject to the obligation to comply with the Approved Cash Flow;
- (e) Make any investments in or loans to or guarantee the Indebtedness or obligations of any other Person or entity or permit its Affiliates to do so;
- (f) Change its jurisdiction of incorporation or registered office;
- (g) Enter into, amend or suffer to exist any transaction or series of related transactions with any Affiliate;
- (h) Except as may be required under the Asset Purchase Agreement, change its name, fiscal year end or accounting policies or amalgamate, consolidate with, merge into, dissolve or enter into any similar transaction with any other entity;
- (i) Terminate, without cause, any key employees of any Obligor or add, remove or replace any directors or officers of any Obligor;
- (j) Enter any restrictive covenants or agreements which might affect the value or liquidity of any Collateral;
- (k) Cease to carry on the Business or activities as they are currently being conducted or change its operations or business practices;
- (l) Transfer the proceeds of any Advance to the Blocked Account;
- (m) Except for a sale pursuant to the Asset Purchase Agreement, sell, assign, lease, convey or otherwise dispose of any of the Collateral except for sales in the ordinary course of the Business;
- (n) Disclaim any contract that is material to the Business;
- (o) Amend or renew, extend the term, disclaim or accept the surrender of any real property lease except as otherwise contemplated or required under or in the Asset Purchase Agreement and approved by the Monitor;
- (p) Increase any termination or severance entitlements or pay any termination or severance payments or modify any compensation or benefit plans whatsoever;
- (q) Except as otherwise contemplated in any Court order, establish or make any retention or bonus payments;
- (r) Enter into any settlement agreement or agree to any settlement arrangements with any regulatory authority or in connection with any material litigation, arbitration, other investigations, proceedings or disputes or other similar proceedings which are threatened or pending against the Obligor;
- (s) Enter into any amalgamation, reorganization, liquidation, dissolution, winding-up, merger or other transaction or series of

transactions whereby, directly or indirectly, all or any significant portion of the undertaking, property or assets of any Obligor would become the property of any other Person or Persons;

- (t) Amend or seek to amend the Initial Order, the Amended and Restated Initial Order or the Approval and Vesting Order, except to amend and restate the Initial Order as may be permitted by this Agreement; and
- (u) Seek or obtain any order from the Court that adversely affects the DIP Lenders.

30. **Events of Default:**

The occurrence of any one or more of the following events shall constitute an event of default (each, an "**Event of Default**") under this Agreement:

- (a) Any Court order is issued, dismissed, stayed, reversed, vacated, amended or restated and such issuance, dismissal, stay, reversal, vacating, amendment or restatement adversely affects or would reasonably be expected to adversely affect the interest of the DIP Lenders in a material manner, unless the DIP Lenders have given their prior written consent thereto, including the issuance of a Court order:
 - (i) appointing a receiver and manager, receiver, interim receiver or similar official in respect of an Obligor;
 - (ii) terminating, lifting or amending the stay imposed within the CCAA Proceeding in a manner which, in the opinion of the DIP Lenders, in its sole and absolute determination is prejudicial to the DIP Lenders;
 - (iii) granting any other claim or Encumbrance of equal or priority status to that of the DIP Charge, other than the Priority Charges;
 - (iv) staying, reversing, vacating or otherwise modifying the DIP Credit Documents or prejudicially affecting the DIP Lenders or the Collateral;
 - (v) staying, reversing, vacating or otherwise modifying the Asset Purchase Agreement or prejudicially affecting the Transaction contemplated thereunder; and
 - (vi) proposing to affect the purchase price or the payment terms thereof provided for in the Asset Purchase Agreement in any material respect, unless Waygar has given its prior written consent thereto,
- (b) Failure of an Obligor to diligently oppose any party that brings an application or motion for any of the relief set out in subsection 30(a) above and/or the failure to secure the dismissal of such motion or application within 15 days from the date that such application or motion is brought (provided no affirmative Court order is issued on such motion or application during such period);

- (c) The CCAA Proceeding is terminated or converted to bankruptcy proceedings;
- (d) Failure of the parties to the Asset Purchase Agreement to obtain any regulatory approvals needed to consummate the Transaction contemplated therein;
- (e) Failure of an Obligor to pay any amounts when due and owing hereunder;
- (f) The Obligor ceases to carry on or maintain the Business or its assets in the ordinary course of the Business in compliance with the covenants contained in this Agreement, except where such cessation is otherwise consented to in advance in writing by the DIP Lenders;
- (g) Any representation or warranty made or given hereunder or under any of the other DIP Credit Documents by any Obligor shall be incorrect or misleading in any material respect when made or when the Court order approving the DIP Credit Documents is made;
- (h) A liability arises or an event occurs, including any change in the Business, assets, or conditions, financial or otherwise, of the Borrower that will, in the DIP Lenders' judgment, acting reasonably, materially further impair the financial condition of any of the Obligor's, or its operations or ability to comply with its obligations under this Agreement or any other DIP Credit Documents, the Asset Purchase Agreement or any Court order;
- (i) Any material violation or breach of any court order by an Obligor;
- (j) Failure of an Obligor to perform or comply with any term or covenant of this Agreement or any other DIP Credit Documents;
- (k) Any proceeding, motion or application is commenced or filed by the Obligors, or if commenced by another party, supported or otherwise consented to by the Obligors, seeking the invalidation, subordination or other challenging of the terms of the DIP Facility, the DIP Lenders' Charge, this Agreement or any of the other DIP Credit Documents or the Asset Purchase Agreement;
- (l) A negative variance of the net cash flows of more than 15% compared to the Approved Cash Flow on a cumulative basis since the beginning of the period covered thereby commencing two weeks after the Initial Advance, provided that the payment of the DIP Lenders' expenses pursuant to this Agreement (if paid prior to Maturity Date) shall be excluded from such calculation;
- (m) If an Obligor makes any material payments of any kind not permitted by this Agreement, the Approved Cash Flow or any order of the Court;
- (n) Any plan is filed or sanctioned by the Court in a form and in substance that is not acceptable to the DIP Lenders if such plan does not either provide for the repayment of the obligations under

the DIP Facility in full by the Maturity Date or designate the DIP Lenders as unaffected by such plan;

- (o) If the Monitor, counsel to the Monitor, or counsel to the Obligors withdraws its services on behalf of the Obligors and/or terminates its engagement with the Obligors and a replacement professional acceptable to the DIP Lenders is not appointed or engaged, as applicable, or if alternative arrangements acceptable to the DIP Lenders are not made within 5 Business Days;
- (p) the occurrence of any event which has a Material Adverse Effect; and
- (q) If an Obligor terminates the Asset Purchase Agreement or fails to complete the Transaction contemplated therein on or before the Maturity Date.

31. **Remedies:**

Upon the occurrence of an Event of Default, the DIP Lenders may in its discretion elect on prior written notice to the Borrower and the Monitor, to set-off, consolidate or accelerate all amounts outstanding under the DIP Facility and other DIP Credit Documents and declare such amounts to be immediately due and payable without any periods of grace. Upon the occurrence of an Event of Default, the DIP Lenders may:

- (a) Terminate the DIP Facility;
- (b) Apply for a Court order, on terms satisfactory to the Monitor and the DIP Lenders, providing the Monitor with the power, in the name of and on behalf of the Borrower, to take all necessary steps in the CCAA Proceeding to realize on the Collateral;
- (c) Exercise the powers and rights of a secured party; and
- (d) Exercise all such other rights and remedies available to the DIP Lenders under the DIP Credit Documents, the Initial Order and applicable Law.

32. **Taxes:**

All payments by an Obligor under this Agreement and the other DIP Credit Documents, including any payments required to be made from and after the exercise of any remedies available to the DIP Lenders upon an Event of Default, shall be made free and clear of, without reduction for or on account of, any present or future Taxes; provided, however, that if any Taxes are required by applicable Law to be withheld ("**Withholding Taxes**") from any amount payable to the DIP Lenders under this Agreement or under any DIP Credit Documents, the amounts so payable to the DIP Lenders shall be increased to the extent necessary to yield to the DIP Lenders on a net basis after payment of all Withholding Taxes, the amount payable under such DIP Credit Documents at the rate or in the amount specified in such DIP Credit Documents and the Obligors shall provide evidence satisfactory to the DIP Lenders that the Taxes have been so withheld and remitted.

33. **Further Assurances:** The Obligors shall, at their own expense, from time to time do, execute and deliver or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) as the DIP Lenders may reasonably request for the purpose of giving effect to this Agreement and the other DIP Credit Documents.
34. **Entire Agreement:** This Agreement and the other DIP Credit Documents and the Asset Purchase Agreement constitutes the entire agreement between the parties related to the subject matter hereof. To the extent there is any inconsistency between this Agreement and any of the other DIP Credit Documents this Agreement shall prevail.
35. **Amendments and Waivers:** No waiver or delay on the part of the DIP Lenders in exercising any right or privilege hereunder or under any other DIP Credit Documents will operate as a waiver hereof or thereof unless made in writing and delivered in accordance with the terms of this Agreement.
- This Agreement may not be amended or waived except by an instrument in writing signed by each of the Obligors and the DIP Lenders. The parties to this Agreement covenant that any material amendments to the final execution version of the Asset Purchase Agreement (and any relevant Court order associated therewith) that are proposed to affect the purchase price provided for therein or the payment terms thereof may occur upon consultation with the Obligors, Waygar and the DIP Lenders, such that any changes to the material terms of the Asset Purchase Agreement that are proposed to affect the purchase price or the payment terms thereof will be provided to the Obligors, Waygar and the DIP Lenders in reasonable advance of execution.
36. **Severability:** Any provision in this Agreement or any other DIP Credit Documents which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or effecting the validity of enforceability of such provision in any other jurisdiction.
37. **No Third Party Beneficiary:** No Person, other than the Obligors and the DIP Lenders are entitled to rely upon this Agreement and the parties expressly agree that this Agreement does not confer rights upon any party not a signatory hereto.
38. **Counterparts and Facsimile Signatures:** This Agreement may be executed in any number of counterparts delivered by e-mail, including in PDF format, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Agreement by signing any counterpart of it.

39. **Assignment:** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

40. **Notices:** Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the Person as set forth below:

in the case of a notice to the Obligor at:

[Note to Gardiner Roberts: Please provide contact details for Obligor]

Quality Sterling Group
505 Cityview Blvd.
Unit# 1
Vaughan, ON L4H 0L8

Attention John Pacione / Joseph D Pacione, Co CEOs

Emails jpacione@qsg.ca / jdp@qsg.ca

with a copy (which shall not constitute notice) to:

Gardiner Roberts LLP
Bay Adelaide Centre – East Tower
22 Adelaide Street West, Suite 36
Toronto, ON M5H 4E3

Attention: Christopher Besant
Email: cbesant@grlp.com

in the case of a notice to the DIP Lenders at:

c/o Ironbridge Equity Partners
Bay Adelaide Centre – East Tower
22 Adelaide St. West, Suite 3520
Toronto, ON M5H 4E3

Attention: Alan G. Sellery / Peter Dowse

Email: asellery@ironbridgeequity.com
pdowse@ironbridgeequity.com

In either case, with a copy to the Monitor:

RSM Canada Limited
11 King Street West, Suite 700
Toronto, ON M5H 4C7

Attention: Arif Dhanani
Email: arif.dhanani@rsmcanada.com

With a copy to, which shall not constitute notice:

Goodmans LLP
Bay Adelaide Centre – West Tower
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Attention: Joe Latham
Email: jlatham@goodmans.ca

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

41. **Governing Law and Jurisdiction:** This Agreement shall be governed by, and construed in accordance with, the Laws of the Province of Ontario and the federal Laws of Canada applicable therein.
42. **Definitions:** For the purposes of this Agreement, unless context otherwise requires, the following terms have the respective meanings set out below, and grammatical variations of such terms have corresponding meanings:
- "**Additional Loan Amount**" has the meaning given to that term in Section 7;
- "**Advance**" has the meaning given to that term in Section 9;
- "**Advance Notice**" has the meaning given to that term in Section 9;
- "**Affiliate**" of any Person means, at the time such determination is being made, any other Person controlling, controlled by or under common control with such first Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of such Person, whether through the ownership of voting securities or otherwise;
- "**Agreement**" means this Agreement, including all Schedules, as it may be modified, amended, revised, restated, replaced, supplemented or otherwise changed from time to time and at any time hereafter;
- "**Amended and Restated Initial Order**" means an order, or orders, of the Court, in form and substance satisfactory to the DIP Lenders and obtained on application made on notice to, such Persons as the DIP Lenders and Obligors determine, acting reasonably, among other things, amending and restating the Initial Order, approving the DIP Facility and granting the DIP Charge and granting the Obligors an extension of the stay of proceedings;

"Approval and Vesting Order" means an order, or orders, of the Court, in form and substance satisfactory to the DIP Lenders and obtained on application made on notice to, such Persons as the DIP Lenders and the Obligors determine, acting reasonably, approving the Asset Purchase Agreement and the Transaction contemplated therein and vesting in and to DIP Lenders the Purchased Assets (as defined in the Asset Purchase Agreement) free and clear of all Encumbrances (other than Permitted Encumbrances);

"Approved Cash Flow" has the meaning given to that term in Section 16;

"Asset Purchase Agreement" means the agreement of purchase and sale providing for the sale of all, or substantially all of the assets of the Obligors to the Purchaser free and clear of all Encumbrances;

"Authorization" means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Authority related to the Collateral or the Business;

"Blocked Account" means any account that is currently subject to a blocked accounts agreement between Toronto-Dominion Bank, and Waygar Capital Inc., as agent for Ninepoint Canadian Senior Debt Master Fund L.P. and the respective Obligor, which may include but is not limited to account no. 5308827 in the name of Quality Rugs of Canada Limited at branch no. 14822, account no. 5308835 in the name of Malvern Contract Interiors Limited at branch no. 14822, account no. 5308851 in the name of Timeline Floors Inc. at branch no. 14822, and account no. 5213755 in the name of Weston Hardwood Design Centre Inc. at branch no. 14822 ;

"Borrower" has the meaning given to that term in the recitals;

"Borrower's Account" has the meaning given to that term in Section 22;

"Business" means the business of supplying, distributing and installing various floor covering solutions and other related products operated by the Obligors.

"Business Day" means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario;

"Cash Flow Variance Report" has the meaning given to that term in Section 16;

"CAA" has the meaning given to that term in the recitals;

"CAA Proceeding" has the meaning given to that term in the recitals;

"Collateral" means all now-owned and hereafter-acquired assets and property of the Obligors, real and personal, tangible or intangible and all proceeds therefrom, including the Borrower's Account and all assets used in the Business;

"Court" has the meaning given to that term in the recitals;

"Default" means the occurrence or existence of any event, fact or circumstances, that with the giving of notice, passage of time, or both, would constitute an Event of Default;

"Default Rate" has the meaning given to that term in Section 14;

"DIP Charge" has the meaning given to that term in Section 20;

"DIP Credit Documents" means this Agreement and, if applicable, the DIP Security, and any other documents in respect of the DIP Facility as may be requested by the DIP Lenders;

"DIP Facility" has the meaning given to that term in Section 7;

"DIP Obligations" has the meaning given to that term in Section 20;

"DIP Security" means security documents granted by the Obligors providing for a security interest in the Collateral and related personal property security registrations made in favour of the DIP Lenders in connection with such security interest together with such confirmations, financing statements, renewals, amendments, discharges, insurance endorsements, opinions or other documents as may be requested by the DIP Lenders as security for the DIP Obligations;

"Encumbrances" means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, encroachment, servitude, restriction on use, right of occupation, any matter capable of registration against title, option, right of first offer or refusal or similar right, restriction on voting (in the case of any voting or equity interest), right of pre-emption or privilege or any contract to create any of the foregoing;

"Event of Default" has the meaning given to that term in Section 30;

"Governmental Authority" means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, body, board, tribunal or dispute settlement panel or other law or regulation-making organization or 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;

"Hedging Obligations" means, with respect to any Person, the net payment obligations of such Person outstanding under (a) interest rate or currency swap agreements, interest rate or currency cap, collar or floor agreements and (b) any other agreements or arrangements entered into in order to protect such Person against fluctuations in commodity prices, interest rates or currency exchange rates;

"Indebtedness" of any Person means, at any date, without duplication, (a) all obligations of such Person for borrowed money, including by way of overdraft and drafts or orders accepted as representing extensions of credit, (b) all obligations of such Person evidenced by bonds, debentures, the face amount of all bankers' acceptances, letters of credit, letters of

guarantee and similar instruments, notes, letters of credit or other similar instruments, including obligations under any arrangement with any Person providing for the leasing by the Borrower of any property, which property has been or is to be sold or transferred by the Borrower to such Person in contemplation of such leasing, (c) all obligations of such Person to pay the deferred purchase price of property or services, (d) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles consistently applied in Canada, (e) all indebtedness, liabilities and obligations secured by an Encumbrance on any asset of such Person, whether or not the same is otherwise indebtedness, liabilities or obligations of such Person, (f) all indebtedness, liabilities and obligations of others which is, directly or indirectly, guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire, (g) all indebtedness, liabilities and obligations in respect of financial instruments which are classified as a liability on the balance sheet of such Person, (h) all obligations of such Person to otherwise assure a creditor against loss, (i) all Hedging Obligations and (j) all obligations of such Person for trade accounts and contracts;

"Indemnified Persons" has the meaning given to that term in Section 26;

"Initial Advance" has the meaning given to that term in Section 7;

"Initial Order" means an order, or orders, of the Court, in form and substance satisfactory to the DIP Lenders and obtained on application made on notice to, such Persons as the DIP Lenders and Obligors determine, acting reasonably, among other things, granting the Obligors protection under the CCAA, appointing the Monitor, approving the Initial Advance and approving the DIP Facility and granting the DIP Charge and approving the Initial Advance;

"Interest Payment Date" has the meaning given to that term in Section 14;

"Interest Period" has the meaning given to that term in Section 7;

"Interest Rate" has the meaning given to that term in Section 14;

"Law" means any federal, provincial, county, territorial, district, municipal, local, foreign, supranational or international law, statute, ordinance, regulation, by-law, rule, code, treaty or rule of common law or otherwise of, or any order, judgment, injunction, decree or similar authority enacted, issued, promulgated, enforced or entered by, any Governmental Authority;

"Loan Amount" has the meaning given to that term in Section 7;

"LOI" means the letter of intent between Ironbridge Equity Partners Management Limited and the Obligors, as such letter may be amended, modified, supplemented or amended and restated from time to time;

"Material Adverse Effect" means any event, occurrence or condition which has a material adverse effect on or results in a material adverse change in (a) the Business, assets, operations, liabilities, condition,

financial or otherwise, or prospects of any of the Obligors; or (b) the ability of any of the Obligors to perform its DIP Obligations in accordance with the terms of this Agreement or any of the other DIP Credit Documents, or (c) the validity or enforceability of any of the DIP Credit Documents or the rights or remedies of DIP Lenders thereunder, or (d) the amount which the DIP Lenders would be likely to receive (after giving effect to delays in payment and costs of enforcement) upon the liquidation of the Collateral or (e) the DIP Charge or the DIP Security or the perfection or priority thereof;

"Maturity Date" has the meaning given to that term in Section 23;

"Maximum Amount" has the meaning given to that term in Section 7;

"Monitor" means RSM Canada Limited, as the court-appointed monitor of the Obligors;

"Obligors" means the Borrower and the Guarantors, or any combination of them as usage dictates;

"Permitted Encumbrances" means the personal property registrations in respect of a purchase-money security interest for unpaid and uninstalled inventory supplied by Mohawk Carpet Distribution, Inc. bearing registration number 2019104 1537 6783;

"Person" means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, Governmental Authority, and where the context requires any of the foregoing when they are acting as trustee,

"PIK Interest" has the meaning given to that term in Section 14;

"Priority Charges" has the meaning given to that term in Section 20;

"Priority Payables" means HST, all sales Tax and any amount payable or accrued by Borrower which is secured by an Encumbrance which ranks or is capable of ranking prior to or *pari passu* with the Encumbrances created in connection with the DIP Charge (other than the Permitted Encumbrances and Priority Charges) including amounts accrued or owing for wages, vacation pay, termination pay (only where it is a priority payable), employee deductions, construction trusts, construction liens, or Taxes, and other statutory or other claims that have or may have priority over, or rank *pari passu* with, the Encumbrances created in connection with the DIP Charge;

"Tax" and **"Taxes"** means any taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, or measured by, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, excise, withholding, business, franchising, property, development, occupancy, payroll, health, social services, education, employment and all social

security taxes, all surtaxes, all customs, duties and import and export taxes, countervail and anti-dumping, all licence, franchise and registration fees and all employment insurance, health insurance and Canada, and other government pension plan premiums or contributions;

"Transaction" means the asset purchase transaction whereby the Purchaser purchases the assets used in the Business from the Obligors pursuant to the Asset Purchase Agreement;

"Updated Cash Flow" has the meaning given to that term in Section 16;

"Waygar" means Ninepoint Canadian Senior Debt Master Fund L.P.;

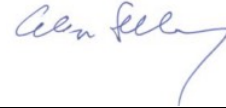
"Waygar Obligations" means the amount of the Indebtedness owing by the Obligors to Waygar in respect of interim financing that was provided during the period between August 4, 2023 and August 25, 2023 and authorized by an order of the Court made on August 4, 2023, net of the amount of \$707,000, but inclusive of all of Waygar's reasonable costs and fees incurred in respect of said interim financing;

"Withholding Taxes" has the meaning given to that term in Section 32.

DIP LENDER:

**IRONBRIDGE EQUITY PARTNERS IV,
LP, BY ITS GENERAL PARTNER,
IRONBRIDGE EQUITY PARTNERS
MANAGEMENT IV LIMITED**

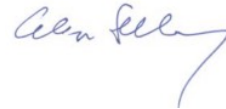
by



DIP LENDER:

**IRONBRIDGE EQUITY PARTNERS
(INTERNATIONAL) IV, LP, BY ITS
GENERAL PARTNER, IRONBRIDGE
EQUITY PARTNERS MANAGEMENT IV
LIMITED**

by



BORROWER:

QUALITY RUGS OF CANADA LIMITED

by

GUARANTORS:

**MALVERN CONTRACT INTERIORS
LIMITED**

by

DIP LENDER:

**IRONBRIDGE EQUITY PARTNERS IV,
LP, BY ITS GENERAL PARTNER,
IRONBRIDGE EQUITY PARTNERS
MANAGEMENT IV LIMITED**

by _____

DIP LENDER:

**IRONBRIDGE EQUITY PARTNERS
(INTERNATIONAL) IV, LP, BY ITS
GENERAL PARTNER, IRONBRIDGE
EQUITY PARTNERS MANAGEMENT IV
LIMITED**

by _____

BORROWER:

QUALITY RUGS OF CANADA LIMITED

by  _____

GUARANTORS:


**MALVERN CONTRACT INTERIORS
LIMITED**

by  _____

**WESTON HARDWOOD DESIGN
CENTRE INC.**

by  _____


ONTARIO FLOORING LTD.

by  _____

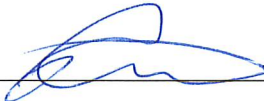
TIMELINE FLOORS INC.

by  _____

**QUALITY COMMERCIAL CARPET
CORPORATION**

by  _____

PATJO HOLDINGS LTD.

by  _____

SCHEDULE A

DIP LENDERS' COMMITMENTS

Lender	Loan Amount	Additional Loan Amount	Total
IRONBRIDGE EQUITY PARTNERS IV, LP	\$2,911,944.53	\$1,164,777.81	\$4,076,722.35
IRONBRIDGE EQUITY PARTNERS (INTERNATIONAL) IV, LP	\$2,088,055.47	\$835,222.19	\$2,923,277.65
Total	\$5,000,000	\$2,000,000	\$7,000,000

SCHEDULE B
APPROVED CASH FLOW

Quality Rugs of Canada Limited, Quality Commercial Carpet Corporation, Malvern Contract Interiors Limited and Timeline Floors Inc. & associated entities (the "CCAA Applicants" or the "Group")
 For the 13 weeks ending November 24, 2023
 in CAD 000's

Note	week > end/g >	Initial Stay Period													Total					
		Week 1 01-Sep	Week 2 08-Sep	Week 3 15-Sep	Week 4 22-Sep	Week 5 29-Sep	Week 6 06-Oct	Week 7 13-Oct	Week 8 20-Oct	Week 9 27-Oct	Week 10 03-Nov	Week 11 10-Nov	Week 12 17-Nov	Week 13 24-Nov						
Receipts																				
Accounts receivable collections	1	1,748	3,936	3,006	1,606	1,497	3,350	2,191	2,166	1,677	3,482	2,066	2,049	2,127	30,902					
Disbursements																				
Purchases of materials	2	1,335	1,467	1,553	1,483	1,492	1,501	1,413	1,404	1,317	1,201	1,174	1,167	1,380	17,889					
Payments to subcontractors	3	627	627	756	945	945	945	966	773	966	966	751	734	718	10,722					
Payroll and benefits	4	496	25	496	25	496	25	496	25	496	25	496	25	496	3,621					
Employee Commissions	5	-	-	39	-	-	-	39	-	-	-	-	39	-	116					
Rent	6	125	-	-	-	-	125	-	-	-	125	-	-	-	375					
Selling, general & admin.	7	78	78	78	78	78	78	78	78	78	78	78	78	78	1,008					
Sales taxes	8	-	-	325	-	-	-	325	-	-	-	325	-	-	975					
Professional fees	9	326	130	251	90	115	115	101	50	20	15	15	15	30	1,273					
Financing expenses	10	12	6	6	6	10	10	12	15	15	15	15	15	16	153					
Contingency	11	50	50	25	25	25	10	10	10	10	10	10	10	5	250					
Total operating disbursements		3,048	2,383	3,529	2,653	3,162	2,810	3,439	2,353	2,902	2,435	2,863	2,083	2,723	36,382					
Net cash flow		(1,299)	1,553	(523)	(1,047)	(1,664)	540	(1,248)	(187)	(1,225)	1,046	(797)	(34)	(596)	(5,480)					
Opening cash balance		-	-	1,553	1,030	-	-	540	-	-	-	1,046	250	216	-					
DIP funding required		1,299	-	-	17	1,664	-	708	187	1,225	-	-	-	380	5,480					
Ending cash balance		-	1,553	1,030	-	-	540	-	-	-	1,046	250	216	-	-					
Interim DIP Facility																				
Opening Interim Facility balance	12	1,500	2,799	2,799	2,799	2,816	4,480	4,480	5,188	5,375	6,600	6,600	6,600	6,600	6,600					
Draws	13	1,299	-	-	17	1,664	-	708	187	1,225	-	-	-	-	380					
Ending Interim DIP Facility balance		2,799	2,799	2,799	2,816	4,480	4,480	5,188	5,375	6,600	6,600	6,600	6,600	6,600	6,980					
Pre-Filing ABL																				
ABL opening balance	14	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535					
Less: cash receipts		-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Ending Pre-Filing ABL balance		44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535	44,535					
Total financing, ending position		47,334	47,334	47,334	47,351	49,015	49,015	49,723	49,910	51,135	51,135	51,135	51,135	51,135	51,515					

Dated this 24th day of August 2023. This statement of projected cash-flow of the CCAA Applicants is prepared in accordance with the DIP facility term sheet dated August 24, 2023 and should be read in conjunction with the Proposed Monitor's second supplementary pre-filing report.


 Ross G. Fletcher, Acting Chief Financial Officer
 I have the authority to sign on behalf of the Applicants

**Quality Rugs of Canada Limited, Quality Commercial Carpet Corporation, Malvern Contract Interiors Limited and Timeline Floors Inc. & associated entities (the "CCAA Applicants" or the "Group")
For the 13 weeks ending November 24, 2023
Notes and Summary of Assumptions**

Disclaimer The cash flow projections have been prepared by management ("Management") of Quality Rugs of Canada Limited, Quality Commercial Carpet Corporation, Malvern Contract Interiors Limited and Timeline Floors Inc. (the "CCAA Applicants" or the "Group") to set out the forecast cash flow of the Group (the "Cash Flow Forecast") in the Companies' Creditors Arrangement Act proceedings (the "CCAA Proceedings") for the period August 25 to November 24, 2023 (the "Cash Flow Forecast Period"). The Cash Flow Forecast has been prepared by Management based on unaudited financial information, and Management's estimates of its projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events, and conditions that are not ascertainable, the actual results achieved will vary, even if the assumptions materialize, and such variations may be material. There are no representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized. The projections are based upon certain estimates and assumptions discussed below with respect to operations, including the assumption that the Group continues to operate within the protections afforded as a result of an Initial Order being granted, and as may be amended from time to time during the CCAA Proceedings.

Note

Accounts receivable collections	1	Consistent with the collection pattern over the past twelve months, anticipated weekly accounts receivables collections have been calculated at approximately 7% of the AVR balance of nine weeks prior. This figure has then been adjusted for week-to-week timing differences (customer payment cycles within any given month, holidays, etc.).
Purchases of materials	2	Purchases of flooring surfaces and requisite installation supplies are based on Management's estimate of the appropriate amount required to, in aggregate with inventory on hand, meet forecast installations during the proceedings. It is assumed that purchases will be on a COD basis.
Payments to subcontractors	3	Subcontractors are paid one week in arrears on, substantially, a piecework basis. The forecast amounts represent approximately 32.5% of the prior week's revenue which is consistent with the ratio over the past twelve months.
Payroll and benefits	4	Forecast payroll disbursements include employee wages and vacation pay based on current bi-weekly amounts.
Employee Commissions	5	Commissions are based on a percentage of sales and/or gross margin achieved and are paid monthly in arrears in accordance with relevant employee agreements.
Rent	6	The Group currently operates from three locations - Vaughan, ON; Burnaby, BC; and, Calgary, AB - and also rents warehouse space in Ottawa, ON.
Selling, general & admin.	7	Selling, general, and administrative costs include, but are not limited to, employee related costs, travel, supplies & postage, insurance, communications, repairs & maintenance, utilities, etc., and are consistent with historical costs.
Sales taxes	8	Forecast HST/GST are based on adjusted sales and cost expectations and are remitted monthly.
Professional fees	9	The forecast professional fees include the outstanding and unpaid professional fees of the Proposed Monitor, legal counsel to the Monitor, and legal counsel to the Group as at the date of filing as well as the professional fees and expenses of the Monitor, legal counsel to the Monitor, legal counsel to the Group, and the legal counsel and financial advisor to the DIP Lender as incurred and paid during the Cash Flow Forecast Period.
Financing expenses	10	Financing expenses are comprised of interest on the DIP facility provided by Waygar Capital and then the CCAA Interim DIP facility as set out in the DIP facility term sheet.
Contingency	11	Management has included a contingency to address unforeseen costs that may occur over the Cash Flow Forecast Period.
Opening Interim Facility balance	12	Amount advanced under the DIP facility provided by Waygar Capital and it is contemplated that this facility will be repaid in its entirety during the week ended September 1st.
Draws	13	Interim lending is expected to be required during the forecast period to partially fund operations, professional fees and financing expenses. Draws will be made on the DIP facility when cash balances are insufficient. This cash flow assumes that an asset purchase agreement is executed no later than September 27th and that the additional \$2 million under the Ironbridge DIP facility will be available.
Ending Pre-Filing ABL balance	14	No interest or cash receipts will be remitted to the senior lender.

This is Exhibit "E" of
the Affidavit of Don Rogers
Sworn before me this 10th day of November, 2023

A handwritten signature in blue ink, appearing to read "Utchi", written above a horizontal line.

A Commissioner, etc.

Forefront Portfolio

CHUBB®

**CUSTOMER NOTICE REGARDING HIGH POLITICAL RISK JURISDICTIONS AND
ECONOMIC SANCTIONS LAWS**

This notice is intended to inform you of: the difficulties we may have in servicing claims in jurisdictions with high political risk or instability; and, the consequences of our obligations to comply with Canadian and international economic sanctions laws. Though your coverage may apply on a world-wide basis, claims arising from events in certain jurisdictions may be very difficult to service. Such difficulties could include our inability to: retain appropriate third parties to assist with the adjustment of the claim; investigate or confirm the circumstances of the claim; and, process transactions with respect to claim investigation and payment. Furthermore, many countries are subject to Canadian, United States and international economic sanctions laws. Economic sanctions laws are legal measures imposed by countries to promote their foreign policy by prohibiting or restricting trade, travel or economic activity with particular countries or targeted entities or individuals. Insurance policies and transactions are often the subject of economic sanctions. Whether economic sanctions laws apply to any particular policy or claim may depend on several factors including where the policy was issued, the nationality, place of residence or place of incorporation of you, your parent company, your subsidiaries, other or additional insureds or the insurer as well as the location where events leading to a claim occur. We will strictly comply with Canadian and applicable international economic sanctions laws. Particularly with respect to international economic sanctions laws, as a wholly owned subsidiary of a United States based corporation, we may be subject to United States economic sanctions laws. Furthermore, services provided to us by our United States based parent which are critical to our ability to conduct business may not be available to us if United States economic sanctions laws apply. It is important that our customers are aware that the servicing difficulties and economic sanctions laws described above may have serious consequences on their coverage. Such consequences could include:

- delays and difficulties in the processing and payment of claims;
- delays and difficulties in responding to underwriting requests;
- the “freezing” of policies, resulting in the inability to process any transactions, including claims payments;
- the denial of claims; or
- the voiding or cancellation of policies (with or without refunded premium).

CHUBB®

ForeFront Portfolio
Premium Bill

Date: August 25, 2022

Insured: Quality Rugs Of Canada ; Quality Sterling Group

Producer: Benson, Kearley IFG
17705 Leslie Street, Suite 101
Newmarket, Ontario, L3Y3E3

Company: Chubb Insurance Company of Canada

THIS BILLING IS TO BE ATTACHED TO, AND FORMS PART OF THE POLICY REFERENCED BELOW.

Policy Number: 82427885

Policy Period: August 30, 2022 to August 30, 2023

NOTE: PLEASE RETURN THIS BILL WITH REMITTANCE AND NOTE HEREON ANY CHANGES, BILL WILL BE RECEIPTED AND RETURNED TO YOU PROMPTLY UPON REQUEST.

Product	Effective Date	Premium
ForeFront	August 30, 2022	\$8,850 CAD
	TOTAL POLICY PREMIUM	\$8,850 CAD

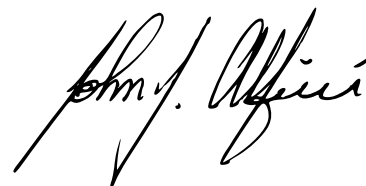
WHEN REMITTING PLEASE INDICATE POLICY NUMBER

CHUBB®

ForeFront Portfolio
General Terms and Conditions (GTC)

In witness whereof, the Company issuing this Policy has caused this Policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

Chubb Insurance Company of Canada



President

August 25, 2022

Date

In consideration of payment of the premium and subject to the Declarations and the limitations, conditions, provisions and other terms of this Policy, the Company and the Insureds agree as follows:

I. Terms And Conditions

Except for these General Terms and Conditions or unless stated to the contrary in any Coverage Part, the terms and conditions of each Coverage Part apply only to that Coverage Part. If any provision in these General Terms and Conditions is inconsistent or in conflict with the terms and conditions of any Coverage Part, the terms and conditions of such Coverage Part shall control for purposes of that Coverage Part. All references to "Section", "Subsection", "Paragraph" or "Subparagraph" in these General Terms and Conditions shall apply only to these General Terms and Conditions, unless otherwise stated. All references to "Section", "Subsection", "Paragraph" or "Subparagraph" in a Coverage Part, shall apply only to such Coverage Part, unless otherwise stated.

II. Definitions

Anniversary Date means the date and time exactly one (1) year after the date and time set forth in Item 2(A), Policy Period, of the GTC Declarations and each succeeding date and time exactly one (1) year after the previous **Anniversary Date**.

Claim shall have the meaning ascribed to that term in each applicable Coverage Part.

Coverage Event means the event or loss which must occur or be sustained or discovered, in order to invoke coverage under each **Non-Liability Coverage Part**.

Defence Costs shall have the meaning ascribed to that term in each applicable Coverage Part.

Derivative Demand Evaluation Costs shall have the meaning ascribed to that term in each applicable Coverage Part.

D&O Crisis Management Expenses shall have the meaning ascribed to that term in each applicable Coverage Part.

Expense shall have the meaning ascribed to that term in each applicable Coverage Part.

Incident shall have the meaning ascribed to that term in each applicable Coverage Part.

Insured shall have the meaning ascribed to that term in each applicable Coverage Part.

Insured Person shall have the meaning ascribed to that term in each applicable Coverage Part.

Liability Coverage Part means:

(A) the Directors & Officers and Entity Liability (D&O); Employment Practices Liability (EPL); Fiduciary Liability (FL); Miscellaneous Professional Liability (MPL); and Employed Lawyers Liability (ELL) Coverage Parts; and

(B) the Third Party Liability Insuring Clauses (E) Cyber, Privacy and Network Security Liability, and (F) Electronic, Social and Printed Media Liability, of the Cyber Enterprise Risk Management (Cyber ERM) Coverage Part,

if purchased as set forth in Item 4, Coverage applicable to this Policy, of the GTC Declarations.

Loss shall have the meaning ascribed to that term in each applicable Coverage Part.

Non-Liability Coverage Part means:

- (A) the Crime; Kidnap, Ransom and Extortion (KR&E); and Workplace Violence Expense (WPV) Coverage Parts; and
- (B) the First Party Insuring Clauses (A) Cyber Incident Response Fund, (B) Business Interruption and Extra Expenses, (C) Digital Data Recovery, and (D) Network Extortion, of the Cyber ERM Coverage Part,

if purchased as set forth in Item 4, Coverage applicable to this Policy, of the GTC Declarations.

Organization means the **Parent Organization** and any **Subsidiary**. **Organization** shall also mean any such entity operating under the protection of the Companies' Creditors Arrangement Act of Canada or as a debtor in possession under United States of America bankruptcy law or the equivalent of a debtor in possession under the law of any other country.

Parent Organization means the entity named in Item 1 of the GTC Declarations.

Policy Period means the period of time set forth in Item 2, Policy Period, of the GTC Declarations, subject to any prior termination in accordance with Section IX, Termination of Policy.

Policy Year means the period, within the **Policy Period**, from the date and time set forth in Item 2(A), Policy Period, of the GTC Declarations to the first **Anniversary Date**, or the period from an **Anniversary Date** to its next succeeding **Anniversary Date**, subject to any prior termination in accordance with Section IX, Termination of Policy.

Potential Claim shall have the meaning ascribed to that term in each applicable Coverage Part.

Related Claims means all **Claims** for **Wrongful Acts** or **Incidents** based upon, arising from, or in consequence of the same or related acts, facts, circumstances, situations, transactions, events, causes or the same or related series of facts, circumstances, situations, transactions, events, or causes.

Subsidiary means:

- (A) any entity while more than fifty percent (50%) of the outstanding securities representing the present right to vote for election of or to appoint directors, trustees, managers, members of the Board of Managers or equivalent positions of such entity are owned, or controlled, by the **Parent Organization**, directly or through one or more **Subsidiaries**;
- (B) any entity while:
 - (1) exactly fifty percent (50%) of the voting rights representing the present right to vote for election of or to appoint directors, trustees, managers, members of the Board of Managers or equivalent positions of such entity are owned, or controlled, by the **Parent Organization**, directly or through one or more **Subsidiaries**; and
 - (2) the **Parent Organization**, pursuant to a written contract with the owners of the remaining and outstanding voting stock of such entity, solely controls the management and operating of such entity; or
- (C) any foundation, charitable trust or political action committee while such entity is controlled by the **Parent Organization**.

Voluntary Program Loss shall have the meaning ascribed to that term in each applicable Coverage Part.

Voluntary Program Notice shall have the meaning ascribed to that term in each applicable Coverage Part.

Wrongful Act shall have the meaning ascribed to that term in each applicable Coverage Part.

III. Limit Of Liability

(A) With respect to the **Liability Coverage Parts**:

- (1) If the Combined Maximum Aggregate Limit of Liability set forth in Item 3 of the GTC Declarations is elected, the amount stated in such Item 3 shall be the maximum aggregate limit of liability of the Company for all **Loss, Voluntary Program Loss, D&O Crisis Management Expenses** and **Derivative Demand Evaluation Costs** during each **Policy Year** under all **Liability Coverage Parts** combined. However, any **Loss, Voluntary Program Loss, D&O Crisis Management Expenses** or **Derivative Demand Evaluation Costs** paid under any **Liability Coverage Part** shall not exceed the Maximum Aggregate Limit of Liability set forth in Item 2 of the Declarations of such Coverage Part.
- (2) If the Combined Maximum Aggregate Limit of Liability set forth in Item 3 of the GTC Declarations is not elected, the maximum aggregate limit of liability of the Company for all **Loss, Voluntary Program Loss, D&O Crisis Management Expenses** and **Derivative Demand Evaluation Costs** during each **Policy Year** under each **Liability Coverage Part** shall be the Maximum Aggregate Limit of Liability set forth in Item 2 of the Declarations for each **Liability Coverage Part**.
- (3) **Defence Costs** are part of, and not in addition to, the Maximum Aggregate Limit of Liability set forth in Item 2 of the Declarations of each **Liability Coverage Part** and payment by the Company of **Defence Costs** shall reduce and may exhaust such Limits of Liability.

(B) With respect to the **Non-Liability Coverage Parts**, the Company's maximum liability shall be the Limits of Liability set forth in the Declarations of each **Non-Liability Coverage Part**.

IV. Related Claims

With respect to the **Liability Coverage Parts**:

- (A) All **Related Claims** shall be deemed a single **Claim** made in the **Policy Year** in which the earliest of such **Related Claims** was first made or first deemed to have been made in accordance with the Reporting section of the applicable **Liability Coverage Part** (the "Earliest Related Claim").
- (B) All **Related Claims** shall be subject to the same Retention and Limits of Liability applicable to the Earliest Related Claim.

V. Extended Reporting Period

With respect to the **Liability Coverage Parts**:

- (A) If this Policy does not renew or otherwise terminates for a reason other than for failure to pay premium (each a "Termination of Coverage"), then an **Insured** shall have the right to purchase an Extended Reporting Period for the Additional Period and Additional Premium set forth in Item 5 of the GTC Declarations.
- (B) In the event of a Termination of Coverage and upon request from an **Insured**, the Company shall, in its sole discretion, provide a quote for Additional Periods other than as set forth in Item 5, Extended Reporting Period, of the GTC Declarations. Any such additional quote offered shall be subject to such Additional Premium as the Company may require.

- (C) The offer of renewal terms and conditions or premiums different from those in effect prior to renewal shall not constitute a refusal to renew.
- (D) This right to purchase an Extended Reporting Period shall lapse unless written notice of election to purchase the Extended Reporting Period, together with payment of the applicable Additional Premium, is received by the Company within sixty (60) days after the effective date of the Termination of Coverage.
- (E) If an Extended Reporting Period is purchased, then coverage otherwise afforded by this Policy shall be extended to apply to **Claims**: (1) first made during such Extended Reporting Period; and (2) reported to the Company pursuant to the Reporting section of the applicable Coverage Part, but only to the extent such **Claims** are for **Wrongful Acts** or **Incidents** before the effective date of such Termination of Coverage or the date of any conversion of coverage described in Section VI, Changes in Exposure, whichever is earlier. Any **Claim** made during the Extended Reporting Period shall be deemed to have been made during the **Policy Year** immediately preceding the Extended Reporting Period.
- If coverage for such Extended Reporting Period is purchased with respect to the Cyber ERM Coverage Part, then such Extended Reporting Period shall also apply to Insuring Clause (A) Cyber Incident Response Fund, of the Cyber ERM Coverage Part, with respect to **Incidents** first discovered during such Extended Reporting Period and arising from **Incidents** taking place prior to the effective date of such termination or non-renewal.
- (F) The entire premium for the Extended Reporting Period shall be deemed fully earned at the inception of such Extended Reporting Period.
- (G) The limit of liability for the Extended Reporting Period is part of and not in addition to any maximum aggregate limit of liability for the **Policy Year** immediately preceding the Extended Reporting Period.
- (H) In the event that any time period relating to the Extended Reporting Period provided under this Policy is less than any such time period required by applicable provincial law, the Company shall apply the applicable provincial law.

VI. Changes In Exposure (A) Acquisition of Another Organization

- (1) If before or during the **Policy Period** an **Organization** acquires voting rights in another entity such that the acquired entity becomes a **Subsidiary**,
- (2) then coverage shall be provided for such **Subsidiary** and its **Insureds** with respect to any:
- (a) **Liability Coverage Part**, solely for **Claims** for **Wrongful Acts** or **Incidents** after such acquisition; or
- (b) **Non-Liability Coverage Part**, solely after the effective date of such acquisition subject to the Liability for Prior Losses section of such **Non-Liability Coverage Part**.
- (B) **Cessation of Subsidiaries**
- (1) If before or during the **Policy Period** an **Organization** ceases to be a **Subsidiary**,

(2) then with respect to any:

- (a) **Liability Coverage Part**, coverage for such **Subsidiary** and its **Insureds** shall continue until termination of this Policy in accordance with Section VI(C), Conversion of Coverage Under Certain Circumstances, or Section IX, Termination of Policy, whichever occurs first, but only for **Claims** for **Wrongful Acts** or **Incidents** while such **Organization** was a **Subsidiary**; or
- (b) **Non-Liability Coverage Part**, such **Subsidiary** and its **Insureds** shall cease to be **Insureds** as of the effective date of such cessation, and coverage under this Policy shall apply as provided in such **Non-Liability Coverage Part**.

(C) Conversion of Coverage Under Certain Circumstances

(1) If during the **Policy Period** any of the following events occur:

- (a) another entity, person or group of entities or persons acting in concert, acquires more than fifty percent (50%) of the outstanding securities representing the present right to vote for the election of directors, trustees, members of the Board of Managers or management committee members of the **Parent Organization**;
- (b) the acquisition of all or substantially all of the **Parent Organization's** assets, by another entity, person or group of entities or persons acting in concert, or the merger of the **Parent Organization** into or with another entity such that the **Parent Organization** is not the surviving entity; or
- (c) the **Parent Organization** emerges from bankruptcy as of the effective date stated in the plan of reorganization,

(2) then:

- (a) any applicable coverage under this Policy with respect to:
 - (i) any **Liability Coverage Part**, shall continue until the expiration of the current **Policy Period**, solely for **Claims** for **Wrongful Acts** or **Incidents** prior to such event;
 - (ii) the Crime Coverage Part, shall terminate subject to Exclusions III(C), Loss Sustained Option, or III(D), Loss Discovered Option, of such Coverage Part;
 - (iii) the Kidnap, Ransom and Extortion Coverage Part, shall terminate subject to Exclusion III(A)(9), Notice, of such Coverage Part;
 - (iv) the Workplace Violence Expense Coverage Part, shall terminate subject to Exclusion III(E) Notice, of such Coverage Part; or
 - (v) the First Party Insuring Clauses: (A) Cyber Incident Response Fund, (B) Business Interruption and Extra Expenses, (C) Digital Data Recovery, and (D) Network Extortion, of the Cyber ERM Coverage Part, shall continue until the expiration of the current **Policy Period** but solely with respect to an **Incident** that first occurs prior to such event; and
- (b) the **Parent Organization** shall give written notice of such event to the Company as soon as practicable together with such information as the Company may require.

VII. Spouses, Common Law Partners, Estates And Legal Representatives

With respect to the **Liability Coverage Parts**, coverage under this Policy shall extend to **Claims** for **Wrongful Acts** of, or **Incidents** involving, an **Insured Person** made against:

- (A) the lawful spouse or common law partner of such **Insured Person** solely by reason of such spouse or common law partner's status as a spouse or common law partner, or such spouse or common law partner's ownership interest in property which the claimant seeks as recovery for an alleged **Wrongful Act** or **Incidents** of such **Insured Person**; or
- (B) the estate, heirs, legal representatives or assigns of such **Insured Person** if such **Insured Person** is deceased, or the legal representatives or assigns of such **Insured Person** if such **Insured Person** is legally incompetent, insolvent or bankrupt,

provided that no coverage afforded by this Section VII shall apply with respect to any loss arising from an act, error or omission by an **Insured Person's** spouse, common law partner, estate, heirs, legal representatives or assigns.

VIII. Notice

(A) Notice to the Company of any **Claim, Potential Claim, Incident, D&O Crisis Management Event, Voluntary Program Notice** or circumstances under any **Liability Coverage Part**, or any **Coverage Event** under any **Non-Liability Coverage Part**, shall be deemed notice under this Policy in its entirety.

(B) All notices to the Company under this Policy of any **Claim, Potential Claim, Incident, D&O Crisis Management Event, Voluntary Program Notice** or circumstances under any **Liability Coverage Part**, or any **Coverage Event** under any **Non-Liability Coverage Part**, shall be given in writing to one of the following addresses:

(1) canadaclaims@chubb.com; or

(2) *Chubb Insurance Company of Canada*

199 Bay Street, Suite 2500,
P.O. Box 139,
Commerce Court Postal Station,
Toronto, Ontario M5C 2V9

Attn: Claim Department

provided that solely with respect to the Cyber ERM Coverage Part, notice to the Company under such Coverage Part may also be given pursuant to the additional methods shown in Item 6 of the Cyber ERM Coverage Part Declarations.

(C) All other notices to the Company under this Policy shall be given in writing addressed to:

Chubb Insurance Company of Canada
199 Bay Street, Suite 2500,
P.O. Box 139,
Commerce Court Postal Station
Toronto, Ontario M5C 2V9

Attn: Chubb Financial Lines Underwriting Department

(D) Any notice described above shall be effective on the date of receipt by the Company.

-
- IX. Termination Of Policy**
- (A) This Policy shall terminate at the earliest of the following times:
- (1) upon receipt by the Company of written notice of termination from the **Parent Organization**, provided that this Policy may not be terminated by the **Parent Organization** after the effective date of any event described in Section VI(C), Conversion of Coverage Under Certain Circumstances;
 - (2) upon expiration of the **Policy Period** set forth in Item 2 of the GTC Declarations;
 - (3) twenty (20) days after receipt by the **Parent Organization** of a written notice of termination from the Company based upon non-payment of premium, unless the premium is paid within such twenty (20) day period; or
 - (4) at such other time as may be agreed upon by the Company and the **Parent Organization**.
- (B) The Company shall refund the unearned premium computed pro rata. Payment or tender of any unearned premium by the Company shall not be a condition precedent to the effectiveness of such termination, but such payment shall be made as soon as practicable.
- (C) In the event that any time period relating to the notice of termination provided under this Policy is less than any such time period required by applicable provincial law, the Company shall apply the applicable provincial law.

-
- X. Bankruptcy**
- Bankruptcy or insolvency of an **Insured** shall not relieve the Company of its obligations nor deprive the Company of its rights or defences under this Policy.

-
- XI. Coordination Of Coverage**
- Any **Loss** covered under more than one **Liability Coverage Part** shall be first covered under the Cyber ERM Coverage Part, if applicable, subject to its terms, conditions and limitations. Any remaining portion of such **Loss** which is not paid under the Cyber ERM Coverage Part shall then be covered under the Employment Practices Liability Coverage Part, if applicable, subject to its terms, conditions and limitations. Any remaining portion of such **Loss** otherwise covered under any other applicable **Liability Coverage Part** which is not paid under the Cyber ERM or Employment Practices Liability Coverage Parts shall be covered under such other **Liability Coverage Part**, subject to the terms, conditions and limitations of such **Liability Coverage Part**.
- Any **Expense** or **Loss** covered under the Cyber ERM Coverage Part and the Kidnap, Ransom and Extortion Coverage Part shall be first covered under the, Cyber ERM Coverage Part, subject to its terms, conditions and limitations. Any remaining portion of such **Expense** or **Loss** otherwise covered under the Kidnap, Ransom and Extortion Coverage Part which is not paid under the Cyber ERM Coverage Part shall be covered under the Kidnap, Ransom and Extortion Coverage Part, subject to its terms, conditions and limitations.

CHUBB®**ForeFront Portfolio**
General Terms and Conditions (GTC)**XII. Valuation And Foreign Currency**

If all premiums, limits, and retentions are expressed in the currency of Canada, then loss and other amounts under this Policy are expressed and payable in the currency of Canada. If all premiums, limits and retentions are expressed in the currency of the United States of America, then loss and other amounts under this Policy are expressed and payable in the currency of the United States of America. Except as otherwise provided in this Policy, if a judgment is rendered, a settlement is denominated or any element of loss under this Policy is stated in a currency other than Canadian dollars or American dollars (including Bitcoin or other crypto-currency), payment under this Policy shall be made in Canadian dollars at the closing rate of exchange published on the Bank of Canada website for the date the judgment becomes final, the amount of the settlement is agreed upon or any element of loss is due, respectively.

XIII. Action Against The Company

No action may be taken against the Company unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this Policy. No person or entity shall have any right under this Policy to join the Company as a party to any action against any **Insured** to determine such **Insured's** liability nor shall the Company be impleaded by such **Insured** or legal representatives of such **Insured**.

XIV. Role Of Parent Organization

By acceptance of this Policy, the **Parent Organization** agrees that it shall be considered the sole agent of, and shall act on behalf of, each **Insured** with respect to:

- (A) the payment of premiums and the receiving of any return premiums that may become due under this Policy;
- (B) the negotiation, agreement to and acceptance of endorsements; and
- (C) the giving or receiving of any notice provided for in this Policy (except the giving of notice to apply for an Extended Reporting Period as provided in Section V, Extended Reporting Period, the giving of notice as provided in Section VIII, Proof of Loss for First Party Insuring Clauses, of the Cyber ERM Coverage Part and the giving of notice of **Claim**, **Potential Claim**, **Voluntary Program Notice** or circumstances as provided in the Reporting section of the applicable **Liability Coverage Part**).

Each **Insured** agrees that the **Parent Organization** shall act on its behalf with respect to all such matters.

XV. Alteration And Assignment

No change in, modification of, or assignment of interest under this Policy shall be effective except when made by written endorsement to this Policy which is signed by an authorized representative of the Company.

XVI. Territory

This Policy shall apply anywhere in the world and for the Cyber ERM Coverage Part, anywhere in the universe.

XVII. Headings

The descriptions in the headings and subheadings of this Policy are solely for convenience and form no part of the terms and conditions of coverage.

XVIII. Compliance With Trade Sanctions

This insurance does not apply to the extent that trade or economic sanctions or other similar laws or regulations prohibit the Company from providing insurance.

**XIX. Quebec
Amendatory Provision**

With respect to the **Liability Coverage Parts**, and only to the extent required under the insurance laws of the province of Quebec:

- (A) **Defence Costs** shall be paid by the Company in addition to the Maximum Aggregate Limit of Liability set forth in Item 2 of the Declarations of each **Liability Coverage Part**.
- (B) That part of **Loss** which is interest on a settlement or judgement is in addition to the Maximum Aggregate Limit of Liability set forth in Item 2 of the Declarations of each **Liability Coverage Part**, and the payment by the Company of such interest shall not reduce the applicable Limit of Liability.
- (C) With respect to any **Claim** covered under this Policy which gives rise to legal proceedings (as set out in the definition of **Claim**) against any **Insured** in the Province of Quebec, the applicable Retention(s) will not apply to **Defence Costs**.

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	1
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this	
Quality Rugs Of Canada ; Quality Sterling Group	endorsement:	August 30, 2022

This Endorsement applies to the following forms:

General Terms and Conditions

**STATUTORY CONDITIONS FOR CONTRACTS OF INSURANCE MADE IN ALBERTA, BRITISH COLUMBIA,
AND MANITOBA**

This policy has been issued with this Statutory Conditions Endorsement that amends sections of this policy. These Statutory Conditions apply where an insured under this policy of insurance is domiciled or where any insured property in issue is located in Alberta, British Columbia, or Manitoba.

In consideration of the premium charged and notwithstanding anything to the contrary in this policy, it is agreed that in the event of any conflict between the terms and conditions of this Endorsement (in part or in its entirety) and the terms and conditions of the other policy terms and conditions or endorsements (in part or in their entirety), the provisions that are more favourable to the insured shall govern. Nothing in this Endorsement is intended nor shall be construed to violate or vary from the requirements of the Insurance Acts of Alberta, British Columbia, or Manitoba. Statutory Condition 1 and Statutory Conditions 6 to 13 apply only to contracts that include insurance against loss or damage to property, Statutory Conditions 2 to 5 and Statutory Condition 14 apply only to contracts that include liability insurance.

Every action or proceeding against an insurer for the recovery of insurance money payable under the contract is absolutely barred unless commenced within the time set out in the Insurance Act.

Any provision in this Policy that specifically excludes an actual or alleged criminal or intentional act or omission of the insured shall only exclude coverage otherwise provided to the natural person insured who actually or allegedly committed the aforementioned conduct. All other insureds seeking coverage must fully cooperate with the insurer investigating the loss, including submission to an examination under oath if the insurer so requests, and production of documents requested by the insurer which relate to the loss.

STATUTORY CONDITIONS

MISREPRESENTATION

- 1 If a person applying for insurance falsely describes the property to the prejudice of the insurer, or misrepresents or fraudulently omits to communicate any circumstance that is material to be made known to the insurer in order to enable it to judge the risk to be undertaken, the contract is void as to any property in relation to which the misrepresentation or omission is material.

PROPERTY OF OTHERS

- 2 The insurer is not liable for loss or damage to property owned by a person other than the insured unless
 - (a) otherwise specifically stated in the contract, or
 - (b) the interest of the insured in that property is stated in the contract.

CHANGE OF INTEREST

- 3 The insurer is liable for loss or damage occurring after an authorized assignment under the Bankruptcy and Insolvency Act (Canada) or a change of title by succession, by operation of law or by death.

MATERIAL CHANGE IN RISK

- 4 (1) The insured must promptly give notice in writing to the insurer or its agent of a change that is
 - (a) material to the risk, and

- (b) within the control and knowledge of the insured.
- (2) If an insurer or its agent is not promptly notified of a change under subparagraph (1) of this condition, the contract is void as to the part affected by the change.
- (3) If an insurer or its agent is notified of a change under subparagraph (1) of this condition, the insurer may
 - (a) terminate the contract in accordance with Statutory Condition 5, or
 - (b) notify the insured in writing that, if the insured desires the contract to continue in force, the insured must, within 15 days after receipt of the notice, pay to the insurer an additional premium specified in the notice.
- (4) If the insured fails to pay an additional premium when required to do so under subparagraph (3)(b) of this condition, the contract is terminated at that time and Statutory Condition 5(2)(a) applies in respect of the unearned portion of the premium.

TERMINATION OF INSURANCE

- 5 (1) The contract may be terminated
 - (a) by the insurer giving to the insured 15 days' notice of termination by registered mail or 5 days' written notice of termination personally delivered, or
 - (b) by the insured at any time on request.
- (2) If the contract is terminated by the insurer,
 - (a) the insurer must refund the excess of premium actually paid by the insured over the prorated premium for the expired time, but in no event may the prorated premium for the expired time be less than any minimum retained premium specified in the contract, and
 - (b) the refund must accompany the notice unless the premium is subject to adjustment or determination as to amount, in which case the refund must be made as soon as practicable.
- (3) If the contract is terminated by the insured, the insurer must refund as soon as practicable the excess of premium actually paid by the insured over the short rate premium for the expired time specified in the contract, but in no event may the short rate premium for the expired time be less than any minimum retained premium specified in the contract.
- (4) The 15-day period referred to in subparagraph (1)(a) of this condition starts to run on the day the registered letter or notification of it is delivered to the insured's postal address.

REQUIREMENTS AFTER LOSS

- 6 (1) On the happening of any loss or damage to insured property, the insured must, if the loss or damage is covered by the contract, in addition to observing the requirements of Statutory Condition 9,
 - (a) immediately give notice in writing to the insurer,
 - (b) deliver as soon as practicable to the insurer a proof of loss in respect of the loss or damage to the insured property verified by statutory declaration
 - (i) giving a complete inventory of that property and showing in detail quantities and costs of that property and particulars of the amount of loss claimed,
 - (ii) stating when and how the loss occurred, and if caused by fire or explosion due to ignition, how the fire or explosion originated, so far as the insured knows or believes,
 - (iii) stating that the loss did not occur through any wilful act or neglect or the procurement, means or connivance of the insured,
 - (iv) stating the amount of other insurances and the names of other insurers,
 - (v) stating the interest of the insured and of all others in that property with particulars of all liens, encumbrances and other charges on that property,
 - (vi) stating any changes in title, use, occupation, location, possession or exposure of the property since the contract was issued, and

- (vii) stating the place where the insured property was at the time of loss,
- (c) if required by the insurer, give a complete inventory of undamaged property showing in detail quantities and cost of that property, and
- (d) if required by the insurer and if practicable,
- (i) produce books of account and inventory lists,
 - (ii) furnish invoices and other vouchers verified by statutory declaration, and
 - (iii) furnish a copy of the written portion of any other relevant contract.
- (2) The evidence given, produced or furnished under subparagraph (1)(c) and (d) of this condition must not be considered proofs of loss within the meaning of Statutory Conditions 12 and 13.

FRAUD

- 7 Any fraud or wilfully false statement in a statutory declaration in relation to the particulars required under Statutory Condition 6 invalidates the claim of the person who made the declaration.

WHO MAY GIVE NOTICE AND PROOF

- 8 Notice of loss under Statutory Condition 6(1)(a) may be given and the proof of loss under Statutory Condition 6(1)(b) may be made
- (a) by the agent of the insured if
 - (i) the insured is absent or unable to give the notice or make the proof, and
 - (ii) the absence or inability is satisfactorily accounted for, or
 - (b) by a person to whom any part of the insurance money is payable, if the insured refuses to do so, or in the circumstances described in clause (a) of this condition.

SALVAGE

- 9 (1) In the event of loss or damage to insured property, the insured must take all reasonable steps to prevent further loss or damage to that property and to prevent loss or damage to other property insured under the contract, including, if necessary, removing the property to prevent loss or damage or further loss or damage to the property.
- (2) The insurer must contribute on a prorated basis towards any reasonable and proper expenses in connection with steps taken by the insured under subparagraph (1) of this condition.

ENTRY, CONTROL, ABANDONMENT

- 10 After loss or damage to insured property, the insurer has
- (a) an immediate right of access and entry by accredited representatives sufficient to enable them to survey and examine the property, and to make an estimate of the loss or damage, and
 - (b) after the insured has secured the property, a further right of access and entry by accredited representatives sufficient to enable them to appraise or estimate the loss or damage, but
 - (i) without the insured's consent, the insurer is not entitled to the control or possession of the insured property, and
 - (ii) without the insurer's consent, there can be no abandonment to it of the insured property.

IN CASE OF DISAGREEMENT

- 11 (1) In the event of disagreement as to the value of the insured property, the value of the property saved, the nature and extent of the repairs or replacements required or, if made, their adequacy, or the amount of the loss or damage, those questions must be determined using the applicable dispute resolution process set out in the Insurance Act whether or not the insured's right to recover under the contract is disputed, and independently of all other questions.
- (2) There is no right to a dispute resolution process under this condition until
- (a) a specific demand is made for it in writing, and

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Endorsement**

(b) the proof of loss has been delivered to the insurer.

WHEN LOSS PAYABLE

12 Unless the contract provides for a shorter period, the loss is payable within 60 days after the proof of loss is completed in accordance with Statutory Condition 6 and delivered to the insurer.

REPAIR OR REPLACEMENT

13 (1) Unless a dispute resolution process has been initiated, the insurer, instead of making payment, may repair, rebuild or replace the insured property lost or damaged, on giving written notice of its intention to do so within 30 days after receiving the proof of loss.

(2) If the insurer gives notice under subparagraph (1) of this condition, the insurer must begin to repair, rebuild or replace the property within 45 days after receiving the proof of loss and must proceed with all due diligence to complete the work within a reasonable time.

NOTICE

14 (1) Written notice to the insurer may be delivered at, or sent by registered mail to, the chief agency or head office of the insurer in the province.

(2) Written notice to the insured may be personally delivered at, or sent by registered mail addressed to, the insured's last known address as provided to the insurer by the insured.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

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Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	2
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

General Terms and Conditions

TERRITORIAL RESTRICTION ENDORSEMENT

In consideration of the premium charged it is agreed that notwithstanding anything to the contrary in this policy/bond or any attached endorsement, this insurance does not apply to any:

- loss, damages, costs, or expenses incurred;
- wrongful act committed;
- claim, occurrence, suit, injury or damage that takes place; or
- property situated,

in Iran, North Korea, Syria, Cuba and Sudan. To the extent any such terms are defined in this policy, such definition applies to this endorsement.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

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ForeFront Portfolio
Directors & Officers and Entity Liability (D&O)
Coverage Part

D&O Declarations Chubb Insurance Company of Canada
 herein called the Company
 Policy Number: 82427885

NOTICE: THIS COVERAGE PART PROVIDES CLAIMS MADE COVERAGE, WHICH APPLIES ONLY TO "CLAIMS" FIRST MADE DURING THE "POLICY PERIOD", OR ANY APPLICABLE EXTENDED REPORTING PERIOD. EXCEPT AS REQUIRED BY THE LAW OF THE PROVINCE OF QUEBEC, THE LIMIT OF LIABILITY TO PAY DAMAGES OR SETTLEMENTS WILL BE REDUCED AND MAY BE EXHAUSTED BY "DEFENCE COSTS", AND "DEFENCE COSTS" WILL BE APPLIED AGAINST THE RETENTION. IN NO EVENT, WILL THE COMPANY BE LIABLE FOR "DEFENCE COSTS" OR THE AMOUNT OF ANY JUDGMENT OR SETTLEMENT IN EXCESS OF THE APPLICABLE LIMIT OF LIABILITY. READ THE ENTIRE POLICY CAREFULLY.

THIS POLICY CONTAINS A CLAUSE THAT MAY OR WHICH MAY LIMIT THE AMOUNT PAYABLE.

Item 1. Parent Organization: Quality Rugs Of Canada ; Quality Sterling Group

Item 2. Maximum Aggregate Limit of Liability for this Coverage Part: \$1,000,000

Item 3. Optional Coverage Applicable to this Coverage Part:
 Additional Limit of Liability Dedicated for **Insured Persons**

Item 4. Retentions:

(A) Insuring Clause (A): Individual Non-Indemnified Liability Coverage:	None
(B) Insuring Clause (B): Individual Indemnified Liability Coverage:	\$25,000
(C) Insuring Clause (C): Entity Liability Coverage:	\$25,000

Item 5. Pending or Prior Proceedings Dates:

(A) Insuring Clauses (A) and (B):	May 8, 2015
(B) Insuring Clause (C):	May 8, 2015

In witness whereof, the Company issuing this Policy has caused this Policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

Chubb Insurance Company of Canada



 President

 August 25, 2022

 Date

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Directors & Officers and Entity Liability (D&O)
Coverage Part

In consideration of payment of the premium and subject to the Declarations, General Terms and Conditions, and the limitations, conditions, provisions and other terms of this Coverage Part, the Company and the Insureds agree as follows:

I. Insuring Clauses

Insuring Clause (A): Individual Non-Indemnified Liability Coverage

(A) The Company shall pay, on behalf of an **Insured Person**, **Loss** on account of a **Claim** first made against the **Insured Person** during the **Policy Period**, or the Extended Reporting Period if applicable, to the extent that such **Loss** is not indemnified by an **Organization**.

Insuring Clause (B): Individual Indemnified Liability Coverage

(B) The Company shall pay, on behalf of an **Organization**, **Loss** on account of a **Claim** first made against an **Insured Person** during the **Policy Period**, or the Extended Reporting Period if applicable, to the extent the **Organization** indemnifies the **Insured Person** for such **Loss** as permitted or required by law.

Insuring Clause (C): Entity Liability Coverage

(C) The Company shall pay, on behalf of an **Organization**, **Loss** on account of a **Claim** first made against the **Organization** during the **Policy Period**, or the Extended Reporting Period if applicable.

II. Derivative Demand Evaluation Coverage

The Company shall pay, on behalf of an **Organization**, **Derivative Demand Evaluation Costs** incurred with the Company's prior written consent on account of any derivative demand that is first made during the **Policy Period**, or, if exercised, during the Extended Reporting Period, for **Wrongful Acts** by an **Executive** before or during the **Policy Period** in an aggregate amount not to exceed \$500,000 per **Policy Period** which amount is part of, and not in addition to, the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations and no Retention shall apply to such amount.

III. D&O Crisis Management Coverage

The Company shall pay, on behalf of an **Organization**, **D&O Crisis Management Expenses** on account of a **D&O Crisis Management Event** occurring during the **Policy Period** in an aggregate amount not to exceed \$25,000 per **Policy Period**, which amount is part of, and not in addition to, the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations and no Retention shall apply to such amount.

IV. Retired Executive Coverage

(A) If this Coverage Part expires (or is otherwise terminated) without being replaced or renewed with any other similar directors and officers liability coverage, then coverage under Insuring Clause (A), Individual Non-Indemnified Liability Coverage, shall be extended for any **Retired Executive** for no additional premium for a period of six (6) years from the official retirement date of such **Retired Executive** (the "Retirement Extension Period") for **Wrongful Acts** before the official retirement date of such Retired Executive; provided this Section IV **Retired Executive Coverage** and any outstanding Retirement Extension Period shall terminate upon:

- (1) the occurrence of any event described in Section VI(C), Conversion of Coverage Under Certain Circumstances, of the General Terms and Conditions; or

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Directors & Officers and Entity Liability (D&O)
Coverage Part

(2) the **Financial Impairment** of the **Organization**.

- (B) Any coverage afforded under Subsection (A) above is not intended, nor shall be construed to increase the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations for all **Loss** on account of all **Claims** first made during the **Policy Period**.
- (C) If the Company or any subsidiary or affiliate of The Chubb Corporation makes payment under another policy on account of such **Retired Executive**, the Limit of Liability for this Coverage Part with respect to such **Claim** shall be reduced by the amount of such payment.

V. Additional Limit of Liability Dedicated For Insured Persons (optional)

- (A) Notwithstanding anything in this Policy to the contrary, the Additional Limit of Liability Dedicated For Insured Persons, if purchased, as set forth in Item 3 of the D&O Declarations, shall be an additional Limit of Liability in an amount not to exceed \$1,000,000, which amount is in addition to, and not part of, the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations.
- (B) The Additional Limit of Liability Dedicated For Insured Persons is available solely for **Loss** resulting from any **Claim** against any **Insured Person** covered under Insuring Clause (A), Individual Non-Indemnified Liability Coverage.
- (C) The Additional Limit of Liability Dedicated For Insured Persons shall be excess of any insurance available that is specifically excess to this Coverage Part and such excess insurance must be completely exhausted by payment of loss, damages or defence costs thereunder before the Company shall have any obligation to make any payment on account of the Additional Limit of Liability Dedicated For Insured Persons.

VI. Definitions

For purposes of this Coverage Part:

Application means:

- (A) any portion of an application given to the Company for this Policy, including any attachments, written information and materials provided to the Company by or on behalf of an **Insured** for the purposes of the Company's underwriting of this Coverage Part; and
- (B) any warranty provided to the Company within the past three (3) years in connection with any coverage part or policy of which this Coverage Part is a renewal or replacement.

Benefit Law means:

(A) in Canada:

- (1) the Pension Benefit Standards Act, R.S.C, 1985, c. 32, including any rules or regulations thereunder, as amended, or the same or similar provisions of any legislation, rules or regulations in each of the provinces or territories of Canada, as amended or as applicable;
- (2) the Income Tax Act, R.S.C, 1985, c. 1, including any rules or regulations thereunder, as amended, or the same or similar provisions of any legislation, rules or regulations in each of the provinces or territories of Canada, as amended or as applicable, but solely in connection with any obligations or duties of fiduciaries with respect to any employee benefit plan;

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- (3) any common, civil or statutory law or regulation applicable to fiduciaries of any employee benefit plan; or
- (4) any similar federal, provincial, territorial or local law or regulation or any amendment thereunder as described in (1), (2), or (3) above; or
- (B) in the United States of America: the Employee Retirement Income Security Act of 1974, as amended, and any rules or regulations promulgated thereunder (including amendments relating to the Consolidated Omnibus Budget Reconciliation Act of 1985, and the Health Insurance Portability and Accountability Act of 1996); or
- (C) any similar employee benefit law to (A) or (B) above anywhere in the world.

Canadian Securities Legislation means the Securities Act of Ontario R. S. O., 1990, c. S.5 and any amendments thereto or any rules or regulations promulgated thereunder or any similar provision of any federal, provincial or territorial Canadian legislation, rules or regulations, as amended or as applicable.

Claim means any:

- (A) written demand (other than a derivative demand) first received by an **Insured** for monetary or non-monetary relief, including injunctive relief;
- (B) civil proceeding commenced by the service of a statement of claim, complaint or similar pleading, or any foreign equivalent thereof;
- (C) criminal proceeding commenced by: (a) an arrest; (b) a summons to appear; (c) a return of an indictment, information or foreign equivalent thereof; or (d) receipt of an official request for **Extradition**;
- (D) administrative or regulatory proceeding commenced by the service of a notice of charges, or other originating process or foreign equivalent thereof; or
- (E) arbitration or mediation proceeding commenced by receipt of a demand for arbitration or a demand for mediation,

against an **Insured** for a **Wrongful Act**, including any appeal therefrom;

- (F) investigation or interview by an **Enforcement Unit** against an **Insured Person** for a **Wrongful Act**, commenced by the service of a written request from such **Enforcement Unit** upon an **Insured Person** compelling witness testimony or document production and identifying such **Insured Person** as the target for such investigation or interview, including a subpoena, civil investigative demand, grand jury subpoena, search warrant or target letter; provided that the Company shall take into reasonable consideration all extrinsic evidence presented by the **Insured** when determining whether such written request identifies such **Insured Person** as a target of such investigation or interview; or
- (G) written request first received by an **Insured** to toll or waive a limitation period or statute of limitations relating to a potential **Claim** described in Subsections (A) through (F) above;

D&O Crisis Management Event means any one of the following events first occurring during the **Policy Period**:

- (A) an unanticipated death, incapacity or resignation of the chief executive officer or chief financial officer of the **Organization**;
- (B) an unanticipated financial loss to the **Organization** arising from a product recall, delay in production, loss of intellectual property rights, loss of a major contract or customer;

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(C) a reorganization proceeding relating to the **Organization** brought in Canada under the Companies' Creditors Arrangement Act; or

(D) an **Organization's** voluntary or involuntary bankruptcy;

which results in the publication of unfavourable information regarding the **Organization** and which could reasonably be considered to lessen public confidence in the competence of the **Organization**.

D&O Crisis Management Expenses means the reasonable costs, charges, fees and expenses, incurred by an **Organization** with the Company's prior written consent, of an independent public relations consultant or crisis management consultant retained on behalf of the **Organization** with the Company's prior written consent to:

(A) make a public communication; or

(B) prevent or minimize business disruption and adverse publicity,

with respect to a **D&O Crisis Management Event**.

Defence Costs means that part of **Loss** consisting of reasonable costs, charges, fees (including legal fees and experts' fees) and expenses (other than regular or overtime wages, salaries, fees or benefits of **Insured Persons**) incurred in investigating, defending, opposing or appealing any **Claim** and the premium for appeal, attachment or similar bonds.

Derivative Demand Evaluation Costs means reasonable costs, fees (including but not limited to legal fees and experts' fees) and expenses (other than regular or overtime wages, salaries, fees, or benefits of the directors, officers or employees of an **Organization**) incurred by an **Organization** (including its Board of Directors or any committee of its Board of Directors) solely with respect to an evaluation required to determine whether it is in the best interest of the **Organization** to prosecute the claims alleged in a derivative demand and prior to any **Claim** first made in connection with such derivative demand. In no event shall **Derivative Demand Evaluation Costs** include any costs, fees or expenses incurred in a **Claim**.

Employee means any natural person whose labour or service is, was or will be engaged and directed by an **Organization**, including a part-time, seasonal, leased and temporary employee, intern or volunteer. **Employee** shall not include any independent contractor.

Enforcement Unit means any federal, provincial, territorial, state or local law enforcement or governmental authority worldwide (including the U.S. Department of Justice or any attorney general).

Executive means any natural person who is, was or will be:

(A) a duly elected or appointed: (1) director (including a *de facto* director); (2) officer; (3) trustee; (4) governor; (5) member of the Advisory Board; or (6) in-house general counsel of any **Organization** incorporated in Canada or the United States of America;

(B) a duly elected or appointed: (1) manager or member of the Board of Managers or equivalent position; (2) member of the Advisory Board; or (3) in-house general counsel, of any **Organization** formed as a limited liability company in Canada or the United States of America; or

(C) a holder of an equivalent position to those described in Subsections (A) or (B) above in any **Organization** incorporated, formed or organized anywhere in the world.

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Extradition means: (A) any formal process by which an **Insured Person** located in any country is surrendered to any other country for trial or otherwise to answer any criminal accusation; or (B) the execution of a warrant for the arrest of an **Insured Person** where such execution is an element of **Extradition**.

Financial Impairment means the status of an **Organization** resulting from:

- (A) the appointment by any federal, provincial, territorial or state court, agency or official of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to take control of, supervise, manage or liquidate such **Organization**;
- (B) such **Organization** operating as a debtor as that term is defined and used in Canada within the provisions of the Bankruptcy and Insolvency Act, rules, regulations, orders and orders in council promulgated thereunder and amendments thereto, and, including when any receiver, conservator, liquidator, trustee, sequestrator or similar official has been appointed by a federal, provincial, territorial or state court, agency or official or by a creditor to take control of, supervise, manage or liquidate such **Organization**; or
- (C) such **Organization** operating under protection of the Companies' Creditor Arrangement Act of Canada or becoming a debtor in possession under the United States of America bankruptcy law or the equivalent of a debtor in possession under the law of any other country,

provided that the court or other judicial or administrative body overseeing the restructuring, receivership, conservatorship, liquidation, rehabilitation, bankruptcy or equivalent proceeding has denied a request by the **Organization**, or other party determined to have standing, for authorization of the **Organization** to indemnify an **Insured Person** for **Loss**; provided further that, the Company may, in its sole discretion, waive the foregoing requirement.

Financial Institution means any bank, savings and loan company, trust company, credit union, securities fund, mutual fund, pension fund, broker or dealer in securities or commodities, mortgage broker, investment advisor, stock exchange, commodities exchange, futures exchange, insurance company, insurance agent, venture capital firm, private equity firm, finance company, leasing company, fund manager or any similar enterprise.

Insured means any **Organization** and any **Insured Person**.

Insured Person means any **Executive** or **Employee** of an **Organization** acting either in his or her capacity as such or in an **Outside Capacity**.

Loss means the amount which an **Insured** becomes legally obligated to pay as a result of any **Claim**, including:

- (A) compensatory damages;
- (B) punitive, exemplary or multiplied damages, if and to the extent such damages are insurable under the law of the jurisdiction most favourable to the insurability of such damages, provided such jurisdiction has a substantial relationship to the **Insured**, the Company, or to the **Claim** giving rise to such damages;
- (C) civil fines or civil penalties assessed against an **Insured Person**, including civil penalties assessed against an **Insured Person** pursuant to the Corruption of Foreign Public Officials Act of Canada and 15 U.S.C. §78dd-2(g)(2)(B) of the Foreign Corrupt Practices Act of the United States of America, provided that such violation is neither intentional nor willful and such fines or penalties are insurable under the law pursuant to which this Coverage Part is construed;

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- (D) judgments, including pre-judgment and post-judgment interest;
- (E) settlements; and
- (F) **Defence Costs**;

provided that **Loss** does not include any portion of such amount that constitutes any:

- (1) cost of compliance with any order for, grant of or agreement to provide non-monetary relief, including injunctive relief;
- (2) amount uninsurable under the law pursuant to which this Coverage Part is construed;
- (3) tax, except solely for the purposes of Insuring Clause (A), Individual Non-Indemnified Liability Coverage, any: (i) tax imposed upon an **Insured Person** in his or her capacity as such in connection with any bankruptcy, receivership, conservatorship, or liquidation of an **Organization**, to the extent that such tax is insurable under the law pursuant to which this Coverage Part is construed; or (ii) tax imposed upon an **Insured Person** if such **Insured Person** has become personally liable to make such payment under any applicable Canadian statutory provision;
- (4) amount (other than **Derivative Demand Evaluation Costs**) incurred by an **Insured** in the defence or investigation of any action, proceeding or demand that was not then a **Claim** even if (a) such amount also benefits the defence of a covered **Claim**; or (b) such action, proceeding or demand subsequently gives rise to a **Claim**;
- (5) amount that represents or is substantially equivalent to an increase in the consideration paid (or proposed to be paid) by an **Organization** in connection with its purchase of any securities or assets; or
- (6) cost incurred in cleaning-up, removing, containing, treating, detoxifying, neutralizing, assessing the effects of, testing for, or monitoring **Pollutants**.

Outside Capacity means service by an **Insured Person** in an **Outside Entity** as any: (A) director or officer; (B) manager or member of the Board of Managers; (C) trustee, regent, governor; (D) member of an Advisory Board; or (E) equivalent executive position of any of the foregoing, but solely during the time that such service is at the written request of the **Organization**.

Outside Entity means:

- (A) any not-for-profit corporation that is incorporated or granted a certificate of continuance under the Canada Not-for-profit Corporations Act S.C. 2009, c. 23 or under any similar provisions of any provincial or territorial act;
- (B) any non-profit corporation, community chest, fund or foundation that is exempt from federal income tax in the United States of America as an entity described in Section 501(c)(3), 501(c)(4), 501(c)(7) or 501(c)(10) of the Internal Revenue Code of 1986, as amended;
- (C) any other entity organized for a religious or charitable purpose under any non-profit organization act or statute anywhere in the world;
- (D) any private corporation, joint venture, partnership, trust or other private enterprise that is not registered or approved for direct or indirect trading on a national securities exchange or over the counter trading system anywhere in the world and in which the **Parent Organization** is a shareholder, unit holder, partner, creditor, trustee, or executor except for any such entity that is a **Financial Institution** or in the biotech, life science, pharmaceutical or telecom industry; or

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(E) any other entity specifically added as an **Outside Entity** by written endorsement attached to this Coverage Part,

that is not an **Organization**.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including, smoke, vapour, soot, fumes, acids, alkalis, chemicals, asbestos, asbestos products or waste. Waste includes materials to be recycled, reconditioned or reclaimed.

Professional Services means services which are performed for others for a fee.

Retired Executive means any **Executive** who retires and no longer serves in his or her capacity as such during the **Policy Period**,

Wrongful Act means any actual or alleged error, misstatement, misleading statement, act, omission, neglect, or breach of duty committed, attempted, or allegedly committed or attempted by:

(A) for purposes of coverage under Insuring Clause (A), Individual Non-Indemnified Liability Coverage, and Insuring Clause (B), Individual Indemnified Liability Coverage, any **Insured Person** while acting in his or her capacity as such or any matter claimed against any **Insured Person** solely by reason of his or her status as such; or

(B) for purposes of coverage under Insuring Clause (C), Entity Liability Coverage, any **Organization**.

VII. Exclusions

(A) EXCLUSIONS APPLICABLE TO ALL INSURING CLAUSES

The Company shall not be liable for **Loss** on account of any **Claim**:

(1) Prior Notice

based upon, arising from or in consequence of any fact, circumstance, situation, transaction, event or **Wrongful Act** that, before the inception date set forth in Item 2(A), Policy Period, of the GTC Declarations, was the subject of any notice accepted under any policy or coverage part of which this Coverage Part is a direct or indirect renewal or replacement;

(2) Pending or Prior Proceedings

based upon, arising from or in consequence of any written demand, suit or other proceeding pending against, or order, decree or judgment entered for or against any **Insured**, on or prior to the applicable Pending or Prior Proceedings Date set forth in Item 5 of the D&O Declarations, or the same or substantially the same fact, circumstance or situation underlying or alleged therein;

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(3) Bodily Injury or Property Damage

for bodily injury, mental anguish, humiliation, emotional distress, sickness, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof whether or not it is damaged or destroyed, provided that this Exclusion (A)(3) shall not apply to: (i) **Loss** for any mental anguish, humiliation or emotional distress asserted in an employment-related **Claim** afforded coverage under Insuring Clause (A), Individual Non-Indemnified Liability Coverage, or Insuring Clause (B), Individual Indemnified Liability Coverage; (ii) **Defence Costs** on account of any **Claim** which is a criminal proceeding pursuant to section 217.1 of the Criminal Code of Canada (as amended by Bill C-45) against an **Insured**; or (iii) **Defence Costs** incurred by an **Insured Person** on account of any **Claim** which is a criminal proceeding for manslaughter (or any other similar offence);

(4) Pollution

based upon, arising from or in consequence of any:

- (a) discharge, emission, release, dispersal or escape of any **Pollutants** or any threat thereof;
- (b) treatment, removal or disposal of any **Pollutants**; or
- (c) regulation, order, direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize any **Pollutants**,

including any **Claim** for financial loss to an **Organization**, its securityholders or its creditors based upon, arising from or in consequence of any matter described in Subparagraphs (a), (b) or (c) of this Exclusion (A)(4), provided that this Exclusion (A)(4) shall not apply to **Loss** which an **Insured Person** becomes legally obligated to pay and for which such **Insured Person** is not indemnified by an **Organization** or **Outside Entity** either because the **Organization** or **Outside Entity** is not permitted by common, civil or statutory law to grant such indemnification or because of the **Financial Impairment** of the **Organization** or **Outside Entity**, provided that this exception shall only apply to **Claims** first made during the **Policy Period** or the Extended Reporting Period, if applicable;

(5) Benefit Law

for any violation of the responsibilities, obligations or duties imposed by any **Benefit Law**;

(6) Insured versus Insured

- (a) brought by an **Organization** against any other **Organization**;
- (b) brought by an **Organization** against an **Insured Person** of such **Organization**, provided that this Subparagraph (b) shall not apply to any **Claim** brought:
 - (i) outside Canada or the United States of America;
 - (ii) in the event of **Financial Impairment** of the **Organization**; or
 - (iii) as a derivative action;
- (c) brought by an **Insured Person** in any capacity against an **Insured**, except with respect to a **Claim**:
 - (i) for employment-related **Wrongful Acts** against an **Insured Person**;

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- (ii) brought by an **Employee**, other than an **Executive**, in his or her capacity as a shareholder of an **Organization**;
- (iii) for contribution or indemnity arising from another **Claim** otherwise covered under this Policy;
- (iv) brought by an **Executive** who has ceased serving in his or her capacity as an **Executive** for at least one (1) year; or
- (v) brought by a whistleblower pursuant to any federal, provincial, territorial, state, local or foreign law against an **Insured Person**.

(7) Publicly Traded Securities

based upon, arising from or in consequence of: (a) any public offering of securities issued by any **Organization** or **Outside Entity**; or (b) the purchase or sale of any publicly traded securities for which the **Organization** is subject to **Canadian Securities Legislation** or the United States Securities Exchange Act of 1934, provided that, this Exclusion (A)(7) shall not apply to any **Claim**:

- (i) based upon, arising from or in consequence of a private offering, sale or purchase of private securities that is not required to be qualified by a prospectus under **Canadian Securities Legislation** or any similar law that regulates the private offering, sale or purchase of private securities;
- (ii) based upon, arising from or in consequence of an offering, sale or purchase of securities that are not required to be registered under the United States Securities Act of 1933 or any similar foreign law that regulates the offering, sale or purchase of securities;
- (iii) made by any securityholder of an **Organization** for the failure of the **Organization** to undertake or complete the initial public offering or sale of securities of the **Organization**;
- (iv) for any **Wrongful Act** relating to an **Organization's** preparation for any public offering, including any road show presentation to potential investors or other similar presentation, made by the **Organization** and its **Executives** via any medium in connection with such public offering, if such offering does not occur; or
- (v) based upon, arising from or in consequence of any offering, sale or purchase of securities that qualifies for a Securities Act registration exemption created pursuant to Title IV, Small Company Capital Formation, of the Jumpstart Our Business Startups Act of the United States of America ("Title IV Small Company Capital Formation Claim"), provided the Company's maximum aggregate Limit of Liability for **Loss** on account of all such Title IV Small Company Capital Formation Claims shall be \$250,000, which amount shall be part of, and not in addition to, the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations;

(8) Outside Entity versus Insured

for a **Wrongful Act** by an **Insured Person** while serving in an **Outside Capacity** where such **Claim** is brought:

- (a) by an **Outside Entity** against an **Insured Person** who is acting in his or her **Outside Capacity** in such **Outside Entity** at the time such **Claim** is first made, except with respect to a **Claim** brought as a derivative action; or

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(b) by a director, officer, trustee, governor or equivalent position of the **Outside Entity** in any capacity against an **Insured**, except with respect to a **Claim** for contribution or indemnity arising from another **Claim** otherwise covered under this Policy; or

(9) Conduct

based upon, arising from or in consequence of:

(a) any deliberately fraudulent act or omission, or any wilful violation of any statute or regulation, by an **Insured**, if a final, non-appealable adjudication in any underlying proceeding or action (other than a declaratory proceeding or action brought by or against the Company) establishes such act, omission or violation;

(b) an **Insured Person** having gained any personal profit, remuneration or other financial advantage to which such **Insured Person** was not legally entitled, if a final, non-appealable adjudication in any underlying proceeding or action (other than a declaratory proceeding or action brought by or against the Company) establishes the gaining of such profit, remuneration or financial advantage; or

(c) an **Organization** having gained any profit, remuneration or other financial advantage to which such **Organization** was not legally entitled, if a final, non-appealable adjudication in any underlying proceeding or action (other than a declaratory proceeding or action brought by or against the Company) establishes the gaining of such profit, remuneration or financial advantage.

(B) EXCLUSIONS APPLICABLE TO INSURING CLAUSE (C), ENTITY LIABILITY COVERAGE, ONLY

The Company shall not be liable for **Loss** on account of any **Claim** against an **Organization**:

(1) Contract

based upon, arising from or in consequence of any liability in connection with any oral or written contract or agreement to which an **Organization** is a party, provided that this Exclusion (B)(1) shall not apply to the extent that such **Organization** would have been liable in the absence of such contract or agreement;

(2) Employment Practices

based upon, arising from or in consequence of any employment-related **Wrongful Act**;

(3) Third Party Discrimination or Sexual Harassment

based upon, arising from or in consequence of any discrimination against, or sexual harassment of, any third party;

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(4) Antitrust, Competition Act or Unfair Trade Practices

based upon, arising from or in consequence of price fixing, restraint of trade, monopolization, unfair trade practices or any violation of the Canadian Competition Act, R.S.C. 1985, c. C-34, the United States of America Federal Trade Commission Act, the Sherman Anti-Trust Act, the Clayton Act, or any other federal statutory provision involving anti-trust, monopoly, price fixing, price discrimination, predatory pricing or restraint of trade activities, and any amendments thereto or any rules or regulations promulgated thereunder or in connection with such statutes; or any similar provision of any federal, provincial, territorial, state, or local statutory law, common law, or civil law anywhere in the world;

(5) Personal Injury

based upon, arising from or in consequence of any libel, slander, oral or written publication of defamatory or disparaging material, invasion of privacy, wrongful entry, eviction, false arrest, false imprisonment, malicious prosecution, malicious use or abuse of process, assault, battery or loss of consortium; or

(6) Product Defect/Intellectual Property/Professional Services

based upon, arising from or in consequence of:

- (a) any malfunction of any product or failure of any product to perform in any manner as a result of any defect, deficiency, inadequacy or dangerous condition in such product or in its design or manufacture;
- (b) any infringement of copyright, patent, trademark, trade name, trade dress, or service mark; any misappropriation of ideas, trade secrets or other intellectual property rights; any false patent marking; or any violation of a federal, provincial, territorial, state, local or foreign intellectual property law, or a rule or regulation promulgated under any such intellectual property law; or
- (c) the rendering of, or failure to render, any **Professional Services** by an **Insured**, provided that this Exclusion (B)(6) shall not apply to **Loss** on account of any securities **Claim**, derivative demand or derivative action.

VIII. Severability of Exclusions

With respect to the Exclusions, where applicable, in this Coverage Part: (i) no fact or conduct pertaining to or knowledge possessed by any **Insured Person** shall be imputed to any other **Insured Person** to determine if coverage is available; and (ii) only facts or conduct pertaining to, and knowledge possessed by, any past, present or future chief executive officer, chief financial officer, or president (or any equivalent position to any of the foregoing) of an **Organization** shall be imputed to such **Organization** and its **Subsidiaries** to determine if coverage is available.

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IX. Reporting

- (A) An **Insured** shall, as a condition precedent to exercising any right to coverage under this Coverage Part, give to the Company written notice of any **Claim** as soon as practicable after the chief executive officer, chief financial officer, in-house general counsel, or any person with the responsibility for the management of insurance claims (or any equivalent position to any of the foregoing) of an **Organization** becomes aware of such **Claim**, but in no event later than:
- (1) if this Coverage Part expires (or is otherwise terminated) without being renewed with the Company, ninety (90) days after the effective date of such expiration or termination of this Coverage Part; or
 - (2) the expiration date of the Extended Reporting Period, if applicable.
- (B) If during the **Policy Period**, or any applicable Extended Reporting Period, an **Insured** becomes aware of:
- (1) circumstances which could give rise to a **Claim**;
 - (2) a derivative demand; or
 - (3) a **D&O Crisis Management Event**,
- and gives written notice thereof to the Company, then any **Claim** subsequently arising from such circumstances, derivative demand or **D&O Crisis Management Event** described in Paragraphs (B) (1),(2) or (3) above shall be deemed to have been first made against the **Insured** during the **Policy Year** in which such written notice was first given by the **Insured** to the Company, provided any such subsequent **Claim** is reported to the Company as soon as practicable, but in no event later than ninety (90) days after the chief executive officer, chief financial officer, in-house general counsel or any person with the responsibility for the management of insurance claims (or any equivalent position to any of the foregoing) of an **Organization** becomes aware of such **Claim**.
- (C) An **Insured** shall, as a condition precedent to exercising any right to coverage under this Coverage Part, give to the Company such information, assistance and cooperation as the Company may reasonably require and shall include in any notice under Subsections (A) or (B) above a description of the **Claim** or circumstances, the nature of the alleged **Wrongful Act**, the nature of the alleged or potential damage, the names of the actual or potential claimants, and the manner in which such **Insured** first became aware of the **Claim**, circumstances or alleged **Wrongful Act**

X. Retention and Presumptive Indemnification

- (A) The Company's liability under this Coverage Part shall apply only to that part of each **Loss** which is in excess of the applicable Retention set forth in Item 4 of the D&O Declarations, and such Retention shall be borne by the **Insureds** uninsured and at their own risk.
- (B) If different parts of a single **Claim** are subject to different Retentions in different Insuring Clauses within this Coverage Part, the applicable Retentions shall be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention.
- (C) If different parts of a single **Claim** are subject to different Retentions in different Coverage Parts, the applicable Retentions shall be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention.
- (D) **Claims** shall be subject to the Retention(s) applicable to the **Policy Year** during which such **Claims** are first made or first deemed to have been made.

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- (E) If an **Organization** fails or refuses, other than for reason of **Financial Impairment**, to indemnify an **Insured Person** for **Loss** to the fullest extent permitted by any statutory law, common law or civil law, then any payment by the Company of such **Loss**, shall be excess of the Insuring Clause (B), Individual Indemnified Liability Coverage, Retention set forth in Item 4 of the D&O Declarations.

Furthermore, if an **Organization** refuses in writing, or fails within sixty (60) days of an **Insured Person's** written request for indemnification, to advance, pay or indemnify an **Insured Person** for **Loss** on account of a **Claim**, then upon the reporting of the **Claim** pursuant to Section IX, Reporting, the Company shall advance covered **Defence Costs** until such time that the **Organization** accepts the **Insured Person's** request for indemnification or the applicable Limit of Liability set forth in Item 2 of the Declarations has been exhausted, whichever occurs first.

- (F) For the purposes of determining an **Organization's** indemnification obligation to any Advisory Board Member, each Advisory Board Member shall be deemed a director or officer of such **Organization**. Accordingly, the **Organization** shall be deemed to have granted indemnification to each Advisory Board Member to the fullest extent permitted by statutory law, common law or civil law to the same extent as any director or officer of the **Organization**.

- (G) In the event that:

(1) a final adjudication with prejudice pursuant to a trial, motion to dismiss, or a motion for summary judgment of any **Claim**; or

(2) a complete and final settlement with prejudice of any **Claim**;

establishes that none of the **Insureds** in such **Claim** are liable for any **Loss**, no Retention shall apply to **Defence Costs** incurred in connection with any such **Claim**, and the Company will reimburse the **Insureds** for any covered **Defence Costs** paid by the **Insureds** within the Retention otherwise applicable to such **Claim**.

XI. Defence and Settlement

- (A) The Company shall have the right and duty to defend any **Claim** covered by this Coverage Part. Coverage shall apply even if any of the allegations are groundless, false or fraudulent. The Company's duty to defend any **Claim** shall cease upon exhaustion of the applicable Limit of Liability.
- (B) The Company may make any investigation it deems necessary and may, with the consent of the **Insureds**, make any settlement of any **Claim** it deems appropriate.
- (C) No **Insured** shall settle any **Claim**, incur any **Defence Costs**, or otherwise assume any contractual obligation or admit any liability with respect to any **Claim** without the Company's written consent, which shall not be unreasonably withheld. The Company shall not be liable for any settlement, **Defence Costs**, assumed obligation or admission to which it has not consented. However, the Company may, in its sole discretion, waive the foregoing requirement with respect to **Defence Costs** incurred within ninety (90) days prior to the reporting of a **Claim** pursuant to Section IX, Reporting of this Coverage Part.

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Coverage Part

- (D) The Company shall have no obligation to pay **Loss**, including **Defence Costs**, or to defend or continue to defend any **Claim** after the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations or the Combined Maximum Aggregate Limit of Liability set forth in Item 3 of the GTC Declarations, if applicable, has been exhausted by the payment of **Loss** and the applicable premium shall be deemed fully earned.
- (E) The **Insureds** agree to provide the Company with all information, assistance and cooperation which the Company reasonably requests and agrees to do nothing that may prejudice the Company's position or its potential or actual rights of recovery. The failure of any **Insured Person** to give the Company the information, assistance or cooperation as it may reasonably require shall not impair the rights of any other **Insured Person** under this Coverage Part.
- (F) The Company shall not seek repayment from an **Insured Person** of any **Defence Costs** paid by the Company that are deemed uninsured pursuant to Exclusion (A)(9), Conduct, unless the applicable determination standard (whether a final, non-appealable adjudication or other determination standard) set forth in such Exclusion has been met. Furthermore, **Defence Costs** shall be repaid to the Company by the **Insured Persons**, severally according to their respective interests, if and to the extent it is determined that such **Defence Costs** are not insured under this Coverage Part.

XII. Allocation

If an **Insured** who is afforded coverage for a **Claim** incurs an amount consisting of both **Loss** that is covered by this Coverage Part and also loss that is not covered by this Coverage Part because such **Claim** includes both covered and uncovered matters, then coverage shall apply as follows:

- (A) **Defence Costs**: one hundred percent (100%) of **Defence Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to Exclusion (B)(2), Employment Practices, or Subsection XVII(B), Representations and Severability. Such **Defence Costs** shall be allocated between covered **Loss** and non-covered loss based upon the relative legal exposures of the parties to such matters; and
- (B) loss other than **Defence Costs**: all remaining loss incurred by such **Insured** from such **Claim** shall be allocated between covered **Loss** and uncovered loss based upon the relative legal exposures of the parties to such matters.

XIII. Priority of Payments

- (A) In the event of **Loss** arising from a **Claim** for which payment is concurrently due under Insuring Clause (A), Individual Non-Indemnified Liability Coverage, and one or more of the other Insuring Clauses of this Coverage Part, the Company shall:
- (1) first, pay **Loss** for which coverage is provided under Insuring Clause (A), Individual Non-Indemnified Liability Coverage, then
 - (2) with respect to whatever remaining amount of the Limit of Liability is available after payment under Paragraph (1) above, pay such **Loss** for which coverage is provided under any other Insuring Clause.
- (B) Except as otherwise provided in Subsection (A) above, the Company may pay covered **Loss** as it becomes due under this Coverage Part without regard to the potential for other future payment obligations under this Coverage Part.

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XIV. Other Insurance Or Indemnity

- (A) If any **Loss** under this Coverage Part is insured under any other valid and collectible insurance policy (other than a policy that is issued specifically as excess of the insurance afforded by this Coverage Part), this Coverage Part shall be excess of and shall not contribute with such other insurance, regardless of whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise.
- (B) This Coverage Part shall be specifically excess of, and shall not contribute with, any insurance policy for: third party liability coverage for environmental exposures, employment practices liability or professional liability.
- (C) Any coverage afforded under this Coverage Part for a **Claim** in connection with an **Insured Person** serving in an **Outside Capacity** for an **Outside Entity** shall be specifically excess of any indemnity (other than any indemnity provided by an **Organization**) and insurance available to such **Insured Person** by reason of serving in such **Outside Capacity**.
- (D) If any **Claim** made against an **Insured Person** serving in an **Outside Capacity** gives rise to coverage both under this Coverage Part and under any other coverage part or policy issued by the Company or any subsidiary or affiliate of The Chubb Corporation to any other entity, then any payment under such other coverage part or policy shall reduce any applicable Limit of Liability under this Coverage Part by the amount of such payment.

XV. Securities Transactions

- (A) If, during the **Policy Period**, an **Organization** intends to:
- (1) distribute securities that are required to be qualified by a prospectus under **Canadian Securities Legislation**, the **Organization** shall, no later than thirty (30) days prior to the date of filing the prospectus under **Canadian Securities Legislation**, give the Company written notice of the proposed distribution and all information requested by the Company relating thereto; or
 - (2) sell or offers to sell securities that are required to be registered under the United States Securities Act of 1933, the **Organization** shall, no later than thirty (30) days prior to the effective date of the Registration Statement for such sale or offering, give the Company written notice of the proposed sale or offering and all information requested by the Company relating thereto.
- (B) The Company shall provide to the **Organization** a quotation for coverage with respect to such distribution, sale or offering, including for **Wrongful Acts** occurring in the course of any "road show" presentation to potential investors or other similar presentation; provided any such coverage offered shall be subject to such other terms, conditions, and limitations of coverage and such additional premium as the Company, in its sole discretion, may require.

XVI. Subrogation

In the event of any payment under this Coverage Part, the Company shall be subrogated to the extent of such payment to all of the **Insureds'** rights of recovery. As a condition precedent to the Company's payment under this Coverage Part, the **Insureds** agree to execute all papers required and shall take all reasonable actions to secure and preserve such rights, including the execution of such documents necessary to enable the Company to effectively bring suit or otherwise pursue subrogation rights in the name of the **Insureds**; provided that it is understood and agreed that the Company shall not subrogate against natural persons who are **Insured Persons** under this Coverage Part.

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Directors & Officers and Entity Liability (D&O)
Coverage Part

**XVII. Representations
and Severability**

- (A) In granting coverage to the **Insureds** under this Coverage Part, the Company has relied upon the declarations and statements in the **Application** for this Coverage Part. Such declarations and statements are the basis of the coverage under this Coverage Part and shall be considered as incorporated in and constituting part of this Coverage Part.
- (B) The **Application** for coverage shall be construed as a separate **Application** for coverage by each **Insured Person**. With respect to the declarations and statements in such **Application**:
- (1) no fact pertaining to or knowledge possessed by any **Insured Person** shall be imputed to any other **Insured Person** for the purpose of determining if coverage is available; or
 - (2) facts pertaining to and knowledge possessed only by any past or present chief executive officer, chief financial officer, or president (or any equivalent position to any of the foregoing) of an **Organization** shall be imputed to such **Organization** and its **Subsidiaries** for the purpose of determining if coverage is available.
- (C) The Company shall not be entitled under any circumstances to void or rescind Insuring Clause (A) of this Coverage Part with respect to any **Insured Person**.

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	1
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

ADD EMPLOYED LAWYER COVERAGE ENDORSEMENT

In consideration of the premium charged, it is agreed that:

(1) Section VI, Definitions, of this Coverage Part is amended as follows:

(A) The following definitions are added to this Section:

Employed Lawyer means any **Insured Person** of the **Organization** who is admitted to practice law and who is or was employed as a lawyer for, and salaried by, the **Organization**.

Employed Lawyer Wrongful Act means act, error or omission committed, attempted, or allegedly committed or attempted by an **Employed Lawyer** in the rendering of, or failure to render, professional legal services for an **Organization** while in his or her capacity as a lawyer for such **Organization**.

(B) The definition of **Wrongful Act** is amended to include an **Employed Lawyer Wrongful Act**.

(2) The Company shall not be liable for **Loss** on account of any **Claim**:

(A) based upon, arising from, or in consequence of any act, error or omission in connection with any activities by such **Employed Lawyer** which:

- (i) are not related to such **Employed Lawyer's** employment with the **Organization**;
- (ii) are not rendered on the behalf of, for, or to the **Organization**; or
- (iii) are performed by the **Employed Lawyer** for others for a fee;

(B) based upon, arising from, or in consequence of any **Employed Lawyer Wrongful Act** while the **Employed Lawyer** was not employed as a lawyer by the **Organization**; or

(C) based upon, arising from, or in consequence of any activities by the **Employed Lawyer** as an officer or director of any entity other than the **Organization**.

(3) The Company's maximum liability under this Coverage Part for all **Loss** on account of all **Claims** for all **Employed Lawyer Wrongful Acts** shall be \$1,000,000, which amount is part of and not in addition to the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

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**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	2
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

AMEND INSURED VERSUS INSURED EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) Exclusion (A)(6), Insured versus Insured, of this Coverage Part is amended to add the following to the end thereof:
 - (d) brought by a securityholder of the **Organization** against an **Insured**, provided this Subparagraph (d) shall not apply to any such **Claim** by a securityholder brought and maintained without the solicitation, assistance, active participation or intervention of the **Organization** or any **Executive**;
- (2) Subparagraph (b)(iii) of Exclusion (A)(6), Insured versus Insured, of this Coverage Part is deleted.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	3
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

**EMPLOYMENT PRACTICES/THIRD PARTY EXCLUSION WITH SECURITYHOLDER AND STATUTORY
LIABILITY CARVE-OUT ENDORSEMENT**

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** based upon, arising from or in consequence of any:
 - (i) employment-related **Wrongful Act**; or
 - (ii) discrimination against, or harassment, including sexual harassment, of any third party;
 provided that this Exclusion shall not apply to:
 - a. **Loss** on account of any securities **Claim**, derivative demand or derivative action;
 - b. **Loss** on account of any **Claim** brought against an **Executive** under any federal or provincial Canadian business corporations or employment statutes for unpaid employee wages resulting from the **Financial Impairment** of the **Insured Organization**; or
 - c. any **Non-Indemnifiable Loss** (other than a **Wage and Hour Violation**);
- (2) Paragraph (i) of Exclusion A(6)(c), Insured versus Insured, of this Coverage Part is deleted and replaced with the following:
 - (i) for employment-related **Wrongful Acts** against an **Insured Person**, provided this exception shall only apply to **Non-Indemnifiable Loss** (other than a **Wage and Hour Violation**);
- (3) Exclusion (A)(3), Bodily Injury/Property Damage, of this Coverage Part, including any amendment by endorsement, is amended to delete item (i):
 - (i) **Non-Indemnifiable Loss** (other than a **Wage and Hour Violation**) for any mental anguish, humiliation or emotional distress asserted in an employment-related **Claim**;
- (4) Exclusion (B)(2), Employment Practices, and Exclusion (B)(3), Third Party Discrimination or Sexual Harassment, of this Coverage Part are deleted.
- (5) For purposes of this Endorsement the following definitions are added:

Non-Indemnifiable Loss means **Loss** of an **Insured Person** on account of a **Claim** for which the **Organization** has not indemnified and is not permitted or required to indemnify (including by reason of **Financial Impairment**) pursuant to applicable law or contract, or the charter, bylaws, operating agreement or similar document of an **Organization**.

Wage and Hour Violation means any actual or alleged violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including that part of the Canadian Labour Code Part III or the United States of America Fair Labor Standards Act) that governs wage, hour and payroll policies and practices, except the Canadian Human Rights Act, Section 11 or any similar provincial, territorial, or local statute or the United States Equal Pay Act.

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***ForeFront Portfolio
Endorsement***

(6) Notwithstanding Section XII, Allocation, of this Coverage Part (including any endorsement amending Section XII), if paragraphs (1), (2) or (3) of this endorsement are applicable, the **Insureds** and the Company shall use their best efforts to determine an allocation between **Loss** that is covered by this Coverage Part and loss, or any other amount, that is not covered by this Coverage Part based on the relative legal and financial exposures of the covered parties to the covered matters.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	4
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

FALSE ADVERTISING ENDORSEMENT

In consideration of the premium charged, it is agreed that:

(1) Subsection (B) of Section VII, Exclusions, of this Coverage Part is amended to add the following:

False Advertising

based upon, arising from, or in consequence of any false advertising, misrepresentation in advertising or unfair or deceptive trade practices, with respect to the advertising of the **Insured's** own goods, publications or services; provided that this Exclusion shall not apply to **Loss** on account of any securities **Claim**, securityholder derivative demand or securityholder derivative action.

(2) Solely with respect to the coverage afforded under this endorsement, Subsection (A) of Section XII, Allocation, of this Coverage Part is deleted and replaced with the following:

(A) **Defence Costs**: one hundred percent (100%) of **Defence Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to the Exclusion in paragraph (1) of this endorsement, False Advertising, Exclusion (B)(2), Employment Practices, or Subsection XVII(C), Representations and Severability. Such **Defence Costs** shall be allocated between covered **Loss** and non-covered loss based on the relative legal exposures of the parties to such matters; and

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

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**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	5
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

FAMILY CLAIMS EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** brought or maintained by or on behalf of a(n) Pacione Family Member (as defined in Paragraph (2) of this endorsement), including any such **Claim** in the form of a class action or shareholder derivative action.
- (2) For purposes of this endorsement, Pacione Family Member means any:
 - (a) estate, heir, legal representative, assign, or relative (whether related by consanguinity or affinity) of Pacione; or
 - (b) trustee or beneficiary of a trust created or maintained by or for the benefit of any individual or entity described in (2)(a) above.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	6
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

NETWORK SECURITY PRIVACY BREACH EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) the Company shall not be liable for any **Loss** on account of any **Claim** based upon, arising from or in consequence of any **Network Security or Privacy Breach**, provided that this Exclusion shall not apply to (a) any **Non-Indemnifiable Loss**; or (b) any **Loss** on account of any securities **Claim**, derivative demand or derivative action;
- (2) For the purposes of this Endorsement the following definitions are added:

Network Security or Privacy Breach means any:

- (A) unauthorized or unlawful access to, alteration of, or damage to any computer, computer program, computer network or computer database, including the infection of any of the foregoing through the transmission of a computer virus, malware, spyware or other fraudulent or unauthorized computer code that: (1) modifies, alters, damages, destroys, deletes, records or transmits information; (2) contaminates other computer programs or computer data; or (3) consumes computer resources or in some fashion usurps the normal operation of a computer system;
- (B) denial of service or delay, disruption, impairment or failure of any computer network, communication network, technology, information or telecommunication network, service, hardware or software;
- (C) unauthorized or unlawful access to, disclosure of, alteration of, theft, collection, storage, use or dissemination of, or loss of any data or confidential or proprietary business information or personally identifiable information as defined by: (1) applicable federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world; or (2) an **Organization's** publicly stated privacy policy;
- (D) violation of any privacy protection or data security laws including federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world; or
- (E) violation of any federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world used to impose liability in connection with any unsolicited communication, distribution, publication, sending or transmission via telephone, cell or mobile phone, telephone facsimile machine, computer or other telephonic or electronic devices, including:
- (1) in Canada:
- (a) the Canadian Anti-Spam Act S.C. 2010 c.23 or any amendments thereto or any rules or regulations promulgated thereunder;
- (b) the Canadian Radio-television and Telecommunications Commission Unsolicited Telecommunications Rules or any amendments thereto or any rules or regulations promulgated thereunder;
- or any similar provisions of any federal, provincial, territorial, state or local statutory, civil or common law;

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Endorsement**

(2) in the United States of America:

(a) the United States of America Telephone Consumer Protection Act of 1991 or any amendments thereto or any rules or regulations promulgated thereunder;

(b) the United States of America CAN-SPAM Act of 2003 or any amendments thereto or any rules or regulations promulgated thereunder;

or any similar provisions of any federal, provincial, territorial, state, local, statutory, civil or common law.

Non-Indemnifiable Loss means **Loss** of an **Insured Person** on account of a **Claim** for which the **Organization** has not indemnified and is not permitted or required to indemnify (including by reason of **Financial Impairment**) pursuant to applicable law or contract, or the charter, bylaws, operating agreement or similar document of an **Organization**.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	7
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

SERVICE INDUSTRY ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** based upon, arising from, or in consequence of the rendering of, or failure to render, any **Professional Services** by an **Insured**; provided that this Exclusion shall not apply to any **Loss** on account of any securities **Claim**, derivative demand, derivative action or **Specific Management Claim** (as defined in Paragraph (2) of this endorsement).
- (2) Section VI, Definitions, of this Coverage Part, is amended to include the following definition:
Specific Management Claim means any **Claim** made against an **Executive** for a **Wrongful Act** by such **Executive** in connection with the **Executive's** management of any **Organization** or **Subsidiary**, of an **Organization**. However, **Specific Management Claim** shall not mean, and in no event shall any coverage be afforded herein for, any **Claim** made against an **Executive** for a **Wrongful Act** by such **Executive** in the direct offering of, or in supervising or assisting an **Insured Person** in direct offering of, any **Professional Services**.
- (3) Exclusion (B)(6)(c), Professional Services, of this Coverage Part is deleted.
- (4) Subsection (A) of Section XII, Allocation, of this Coverage Part is deleted and replaced with the following:
(A) **Defense Costs**: one hundred percent (100%) of **Defense Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to paragraph (1) of this endorsement or Exclusion (B)(1), Contract, Exclusion (B)(2), Employment Practices, or Subsection XVII(C), Representations and Severability. Such **Defense Costs** shall be allocated between covered **Loss** and non-covered loss based on the relative legal exposures of the parties to such matters; and
- (5) Solely with respect to the coverage afforded under this endorsement, Section XIV, Other Insurance or Indemnity, of this Coverage Part is amended to add the following:
Subject to the provisions of this endorsement, no coverage shall be available for any **Loss** until after any or all coverage available under any policy providing professional liability or errors and omissions coverage has been exhausted.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

CHUBB

ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

EPL Declarations Chubb Insurance Company of Canada
 herein called the Company
 Policy Number: 82427885

NOTICE: THIS COVERAGE PART PROVIDES CLAIMS MADE COVERAGE, WHICH APPLIES ONLY TO "CLAIMS" FIRST MADE DURING THE "POLICY PERIOD", OR ANY APPLICABLE EXTENDED REPORTING PERIOD. EXCEPT AS REQUIRED BY THE LAW OF THE PROVINCE OF QUEBEC, THE LIMIT OF LIABILITY TO PAY DAMAGES OR SETTLEMENTS WILL BE REDUCED AND MAY BE EXHAUSTED BY "DEFENCE COSTS", AND "DEFENCE COSTS" WILL BE APPLIED AGAINST THE RETENTION. IN NO EVENT, WILL THE COMPANY BE LIABLE FOR "DEFENCE COSTS" OR THE AMOUNT OF ANY JUDGMENT OR SETTLEMENT IN EXCESS OF THE APPLICABLE LIMIT OF LIABILITY. READ THE ENTIRE POLICY CAREFULLY.

THIS POLICY CONTAINS A CLAUSE THAT MAY OR WHICH MAY LIMIT THE AMOUNT PAYABLE.

Item 1. Parent Organization: Quality Rugs Of Canada ; Quality Sterling Group

Item 2. Maximum Aggregate Limit of Liability for this Coverage Part: \$1,000,000

Item 3. Limits of Liability:
 (A) Insuring Clause (A): Employment Practices Liability Coverage: \$1,000,000
 (B) Insuring Clause (B): Third Party Liability Coverage \$250,000

Item 4. Retentions:
 (A) Insuring Clause (A): Employment Practices Liability Coverage:
 (i) For **Claims** made in the United States of America: \$15,000
 (ii) For **Claims** made outside of the United States of America \$15,000
 (B) Insuring Clause (B): Third Party Liability Coverage:
 (i) For **Claims** made in the United States of America: \$15,000
 (ii) For **Claims** made outside of the United States of America \$15,000

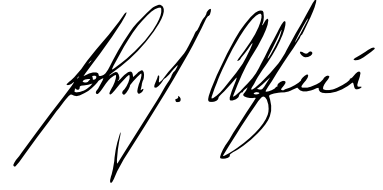
Item 5. Pending or Prior Proceedings Dates:
 (A) Insuring Clause (A): May 8, 2015
 (B) Insuring Clause (B): May 8, 2015

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ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

In witness whereof, the Company issuing this Policy has caused this Policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

Chubb Insurance Company of Canada



President

August 25, 2022

Date

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ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

In consideration of payment of the premium and subject to the **Declarations, General Terms and Conditions, and the limitations, conditions, provisions and other terms of this Coverage Part, the Company and the Insureds agree as follows:**

I. Insuring Clauses

Insuring Clause (A): Employment Practices Liability Coverage

(A) The Company shall pay, on behalf of an **Insured, Loss** on account of an **Employment Claim** first made against the **Insured** during the **Policy Period**, or the Extended Reporting Period if applicable, provided the Company's maximum liability for this Insuring Clause (A) shall be the Limit of Liability set forth in Item 3(A) of the EPL Declarations or the unpaid portion of the Maximum Aggregate Limit of Liability set forth in Item 2 of the EPL Declarations for each **Policy Year**, whichever is less. Provided that, any **Employment Claim** brought in Canada arising out of a committed, attempted, or allegedly committed or attempted **Termination** shall be subject to Section II, Canadian Termination Coverage.

Insuring Clause (B): Third Party Liability Coverage

(B) The Company shall pay, on behalf of an **Insured, Loss** on account of a **Third Party Claim** first made against the **Insured** during the **Policy Period**, or the Extended Reporting Period if applicable, provided the Company's maximum liability for this Insuring Clause (B) shall be the Limit of Liability set forth in Item 3(B) of the EPL Declarations or the unpaid portion of the Maximum Aggregate Limit of Liability set forth in Item 2 of the EPL Declarations for each **Policy Year**, whichever is less.

II. Canadian Termination Coverage

Solely with respect to any **Employment Claim** brought in Canada during the **Policy Period** or, if exercised, during the Extended Reporting Period, arising out of a **Termination** committed, attempted, or allegedly committed or attempted by an **Insured**, the Company shall pay, on behalf of such **Insured, Loss** for which the **Insured** becomes legally obligated to pay on account of such **Employment Claim**, including the following:

(A) Without Cause Termination

In the event the **Employee's Termination** by the **Insured** is made without cause, any additional compensation owing to an **Employee** at settlement or judgment pursuant to **Canadian Employment Laws** over and above the **Termination Offer** that was offered at the time of **Termination**, whether such offer was accepted by the **Employee** or not.

(B) With Cause Termination

In the event the **Employee's Termination** by the **Insured** is made with cause, compensation owed to an **Employee** in lieu of providing notice pursuant to **Canadian Employment Laws**;

provided that the following conditions are met:

Canadian Termination Coverage Conditions

A. Without Cause Termination

It is a condition precedent for coverage for any **Employment Claim** for a **Termination** without cause that the **Insured** shall make a best efforts attempt to comply with the relevant **Canadian Employment Laws**, in providing the **Employee** with a **Termination Offer**.

ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

B. With Cause Termination

It is a condition precedent to coverage for any **Employment Claim** for a **Termination** with cause that prior to proceeding with such **Termination**, the **Organization** shall have obtained a written opinion from independent legal counsel setting out the legal basis for the **Termination** with cause and confirming that the **Organization** has sufficient grounds for **Termination** with cause. In the event of an **Employment Claim** arising out of such **Termination** with cause, the costs of obtaining such legal opinion will be covered as **Defence Costs** in aggregate amount not to exceed \$25,000 per **Policy Period** which amount is part of, and not in addition to, the Limit of Liability as set forth in Item 2 of the Declarations to this Coverage Part and no deductible shall apply to such amount.

III. Definitions

For purposes of this Coverage Part:

Application means:

- (A) any portion of an application given to the Company for this Policy, including any attachments, written information and materials provided to the Company by or on behalf of an **Insured** for the purposes of the Company's underwriting of this Coverage Part; and
- (B) any warranty provided to the Company within the past three (3) years in connection with any coverage part or policy of which this Coverage Part is a renewal or replacement.

Benefits means perquisites, fringe benefits, deferred compensation or payments (including insurance premiums) in connection with an employee benefit plan and any other payment to or for the benefit of an employee arising out of the employment relationship. **Benefits** shall not include salary, wages, commissions, bonuses, **Stock Benefits** or non-deferred cash incentive compensation.

Breach of Employment Contract means any breach of any oral, written or implied contract or contractual obligation including any contract or contractual obligation arising out of any personnel manual, employee handbook, policy statement or other representation.

Canadian Employment Laws means any applicable statute, common law or civil law governing employment relationships in Canada.

Claim means any **Employment Claim** or any **Third Party Claim**.

Defence Costs means that part of **Loss** consisting of reasonable costs, charges, fees (including legal fees and experts' fees) and expenses (other than regular or overtime wages, salaries, fees, benefits of the **Insured Persons**) incurred in defending, opposing or appealing any **Claim**, and the premium for appeal, attachment or similar bonds.

Employee means any natural person whose labour or service was, is or will be engaged and directed by an **Organization**, including a part-time, seasonal, leased and temporary employee, intern or volunteer. **Employee** shall not include any **Independent Contractor**.

Employment Claim means:

- (A) (1) any:
 - (a) written demand first received by an **Insured** for monetary or non-monetary relief, including a written demand for reinstatement, re-employment, re-engagement or injunctive relief;

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Employment Practices Liability (EPL)
Coverage Part

- (b) civil proceeding commenced by the service of a statement of claim, complaint or similar pleading, or any foreign equivalent thereof;
- (c) criminal proceeding outside Canada or the United States of America commenced by a return of an indictment, or foreign equivalent thereof;
- (d) arbitration proceeding pursuant to an employment contract, policy or practice of an **Organization**, commenced by the receipt by an **Insured** of a demand for arbitration or foreign equivalent thereof, or any other external alternative dispute resolution proceeding commenced by receipt by an **Insured** of a demand for an alternative dispute resolution; or
- (e) administrative, regulatory or tribunal proceeding commenced by:
 - (i) the issuance of a notice of charge, formal investigative order or
 - (ii) in the event the **Insured** is not issued notice as set forth in (e)(i) above, the receipt by an **Insured** of the administrative, regulatory or tribunal proceeding resulting from such notice of charge, formal investigative order,

including any such proceeding brought by or in association with the Canadian Human Rights Commission or any Human Rights Tribunal or similar body in any of the provinces or territories; the Equal Employment Opportunity Commission of the United States of America; or any similar governmental agency located anywhere in the world with jurisdiction over the **Organization's** employment practices; or

- (2) in the context of an audit conducted in the United States of America by the Office of Federal Contract Compliance Programs, a Notice of Violation or Order to Show Cause or written demand for monetary relief or injunctive relief, commenced by the receipt by an **Insured** of such Notice, Order or written demand,

which is brought and maintained by or on behalf of a past, present or prospective **Employee** or **Independent Contractor** of an **Organization** against any **Insured** for an **Employment Practices Wrongful Act**, including any appeal therefrom; or

- (B) a written request first received by an **Insured** to toll or waive a limitation period or statute of limitations relating to a potential **Employment Claim** as described in Subsection (A) above.

Notwithstanding the foregoing, **Employment Claim** shall not include any labour or grievance arbitration or other proceeding pursuant to a collective bargaining agreement.

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Coverage Part

Employment Discrimination means any violation of employment discrimination laws including any actual, alleged or constructive employment termination, dismissal, or discharge, employment demotion, denial of tenure, modification of any term or condition of employment, any failure or refusal to hire or promote, or any limitation, segregation or classification of any employee or applicant for employment in any way that would deprive or tend to deprive any person of employment opportunities or otherwise affect his or her status as an employee based on such person's race, colour, religion, creed, genetic information, age, sex, gender identity, disability, marital status, national origin, pregnancy, HIV status, sexual orientation or preference, protected military status or other status that is protected pursuant to any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world.

Employment Harassment means:

- (A) sexual harassment, including unwelcome sexual advances, requests for sexual favours, or other conduct of a sexual nature that is made a condition of employment with, used as a basis for employment decisions by, interferes with performance or creates an intimidating, hostile or offensive working environment within an **Organization**; or
- (B) workplace harassment, including work related harassment or bullying of a non-sexual nature that interferes with performance or creates an intimidating, hostile or offensive working environment within an **Organization**.

Employment Practices Wrongful Act means any actual or alleged:

- (A) **Breach of Employment Contract**;
- (B) **Employment Discrimination**;
- (C) **Employment Harassment**;
- (D) **Retaliation**;
- (E) **Termination**;
- (F) **Workplace Tort**; or
- (G) **Wrongful Employment Decision**;

committed, attempted, or allegedly committed or attempted by an **Organization** or by an **Insured Person** while acting in his or her capacity as such.

Executive means any natural person who was, is or will be:

- (A) a duly elected or appointed: (1) director (including a *de facto* director); (2) officer; (3) trustee; (4) governor; (5) member of the Advisory Board; or (6) in-house general counsel of any **Organization** incorporated in Canada or the United States of America;
- (B) a duly elected or appointed: (1) manager or member of the Board of Managers or equivalent position; (2) member of the Advisory Board; or (3) in-house general counsel, of any **Organization** formed as a limited liability company in Canada or the United States of America; or
- (C) a holder of an equivalent position to those described in Subsections (A) or (B) above in any **Organization** incorporated, formed or organized anywhere in the world.

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Financial Impairment means the status of an **Organization** resulting from:

- (A) the appointment by any federal, provincial, territorial, or state court, agency or official of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to take control of, supervise, manage or liquidate such **Organization**;
- (B) such **Organization** operating as a debtor as that term is defined and used in Canada within the provisions of the Bankruptcy and Insolvency Act, rules, regulations, orders and orders in council promulgated thereunder and amendments thereto, including, when any receiver, conservator, liquidator, trustee, sequestrator or similar official has been appointed by a federal, provincial, territorial or state court, agency or official or by a creditor to take control of, supervise, manage or liquidate such **Organization**; or
- (C) such **Organization** operating under the protection of the Companies' Creditor Arrangement Act of Canada or becoming a debtor in possession under the United States bankruptcy law or the equivalent of a debtor in possession under the law of any other country,

provided that the court or other judicial or administrative body overseeing the restructuring, receivership, conservatorship, liquidation, rehabilitation, bankruptcy or equivalent proceeding has denied a request by the **Organization**, or other party determined to have standing, for authorization of the **Organization** to indemnify an **Insured Person** for **Loss**; provided further that, the Company may, in its sole discretion, waive the foregoing requirement.

Independent Contractor means any natural person working for an **Organization** in the capacity of an independent contractor and pursuant to an **Independent Contractor Services Agreement**.

Independent Contractor Services Agreement means any express contract or agreement between an **Independent Contractor**, or any entity on behalf of such **Independent Contractor**, and the **Organization** governing the nature of the **Organization's** engagement of such **Independent Contractor**.

Insured means any **Organization** and any **Insured Person**.

Insured Person means any:

- (A) **Executive** or **Employee** of an **Organization**; or
- (B) **Independent Contractor** working for an **Organization**, but only while acting in his or her capacity as such and only if the **Organization** agrees to indemnify the **Independent Contractor** in the same manner as provided to the **Organization's Employees** for liability arising out of a **Claim**.

Loss means the amount which an **Insured** becomes legally obligated to pay as a result of any **Claim**, including:

- (A) compensatory damages;
- (B) (1) punitive, exemplary or multiplied damages, if and to the extent such damages are insurable under the law of the jurisdiction most favourable to the insurability of such damages, provided such jurisdiction has a substantial relationship to the **Insured**, the Company, or to the **Claim** giving rise to such damages; or
- (2) in the United States of America: liquidated damages awarded pursuant to the Age Discrimination in Employment Act, Family and Medical Leave Act or Equal Pay Act;

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(C) back pay, front pay, claimant's legal fees awarded by a court against an **Insured** or agreed to by the Company in connection with a settlement (but only if such claimant's legal fees are agreed to in writing by the Company at the time of or after a final settlement);

(D) judgments, including pre-judgment and post-judgment interest;

(E) settlements; and

(F) **Defence Costs**,

provided that **Loss** does not include any portion of such amount that constitutes any:

(1) cost of compliance with any order for, grant of, or agreement to provide non-monetary relief, including injunctive relief;

(2) amount uninsurable under the law pursuant to which this Coverage Part is construed;

(3) tax, fine or penalty imposed by law; except as provided above with respect to punitive, exemplary or multiplied damages, or liquidated damages;

(4) future salary, wages, commissions, or **Benefits** of a claimant who has been or shall be hired, promoted or reinstated to employment pursuant to a settlement, order or other resolution of any **Claim**;

(5) salary, wages, commissions, **Benefits** or other monetary payments which constitute statutorily mandated severance payments or statutorily mandated payments pursuant to a notice period;

(6) amounts which at the time of **Termination** were part of the **Termination Offer** to the **Employee**, whether such offer was accepted by the **Employee** or not;

(7) **Benefits** due or to become due or the equivalent value of such **Benefits**, except with respect to any **Employment Claim** for **Termination**;

(8) **Stock Benefits**;

(9) cost associated with providing any accommodation for persons with disabilities or any other status which is protected under any applicable federal, provincial, territorial, state, or local statutory law, civil law, or common law anywhere in the world, including, the Canadian Human Rights Act, or the United States Americans with Disabilities Act, the Civil Rights Act of 1964, or any amendments to or rules, orders, orders in council or regulations promulgated under any such law;

(10) amount incurred by an **Insured** in the defence or investigation of any action, proceeding or demand that was not then a **Claim** even if: (a) such amount also benefits the defence of a covered **Claim**; or (b) such action, proceeding, investigation or demand subsequently gives rise to a **Claim**; or

(11) cost incurred in cleaning-up, removing, containing, treating, detoxifying, neutralizing, assessing the effects of, testing for, or monitoring **Pollutants**.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapour, soot, fumes, acids, alkalis, chemicals, asbestos, asbestos products or waste. Waste includes materials to be recycled, reconditioned or reclaimed.

Potential Claim means a complaint or allegation of a **Wrongful Act** by or on behalf of a potential claimant if such complaint or allegation:

(A) does not constitute a **Claim** but may subsequently give rise to a **Claim**; and

ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

(B) is lodged with:

- (1) any supervisory employee having management-level responsibility for personnel matters with respect to such claimant, if such supervisory employee provides notice of such complaint or allegation to any member of an **Organization's** human resources, general counsel or risk management departments, or other comparable department; or
- (2) any member of an **Organization's** human resources, general counsel or risk management departments, or other comparable department.

Retaliation means retaliatory treatment against an **Employee** or **Independent Contractor** of an **Organization** on account of such individual:

- (A) exercising his or her rights under law, refusing to violate any law, or opposing any unlawful practice;
- (B) having assisted or testified in or cooperated with a proceeding or investigation (including any internal investigation conducted by the **Organization's** human resources department or legal department) regarding alleged violations of law by the **Insured**;
- (C) disclosing or threatening to disclose to a superior or to any governmental agency any alleged violations of law; or
- (D) filing any claim against the **Organization** under the Canadian Public Servants Disclosure Protection Act or in the United States of America, the Federal False Claims Act, Section 806 of the Sarbanes Oxley Act, or any other federal, provincial, state, territorial, local or foreign whistleblower law.

Stock Benefits means any:

- (A) offering, plan or agreement between an **Organization** and any employee which grants stock, warrants, shares or stock options of the **Organization** to such employee, including grants of stock options, restricted stock, stock warrants, performance stock shares, membership shares, or any other compensation or incentive granted in the form of securities of the **Organization**; or
- (B) payment or instrument, the amount or value of which is derived from the value of securities of the **Organization**, including stock appreciation rights or phantom stock plans or arrangements,

provided that, **Stock Benefits** shall not include amounts claimed under any employee stock ownership plans or employee stock purchase plans.

Termination means:

- (A) in Canada: any wrongful termination, dismissal or discharge of employment, or any such wrongful termination, dismissal or discharge that arises from a **Breach of Employment Contract**; or
- (B) outside Canada: any wrongful termination, dismissal or discharge of employment, including constructive termination, dismissal or discharge. **Termination** does not include **Breach of Employment Contract**.

Termination Offer means the notice or the compensation in lieu of notice of termination legally required to be offered by the **Organization** to the **Employee** at the time of termination, having taken into account the relevant factors to be considered pursuant to **Canadian Employment Laws**.

Third Party means any natural person who is a customer, vendor, service provider or other business invitee of an **Organization**.

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Employment Practices Liability (EPL)
Coverage Part

Third Party Claim means any:

- (A) written demand first received by an **Insured** for monetary or non-monetary relief, including injunctive relief;
- (B) civil proceeding commenced by the service of a statement of claim, complaint or similar pleading;
- (C) arbitration proceeding commenced by the receipt by an **Insured** of a demand for arbitration, or any other external alternative dispute resolution proceeding commenced by receipt by an **Insured** of a demand for an alternative dispute resolution; or
- (D) administrative, regulatory or tribunal proceeding commenced by the filing of a complaint, the issuance of a notice of charge, formal investigative order or foreign equivalent thereof,

which is brought and maintained by or on behalf of a **Third Party** against an **Insured** for a **Third Party Wrongful Act**, including any appeal therefrom; or

- (E) a written request first received by an **Insured** to toll or waive a limitation period or statute of limitations relating to a potential **Third Party Claim** as described in Subsections (A) through (D) above.

Third Party Wrongful Act means any actual or alleged:

- (A) discrimination against a **Third Party** based upon such **Third Party's** race, colour, religion, creed, genetic information, age, sex, gender identity, disability, marital status, national origin, pregnancy, HIV status, sexual orientation or preference, Vietnam Era Veteran status or other protected military status or other status that is protected pursuant to any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world; or
- (B) harassment, including unwelcome sexual advances, requests for sexual favours or other conduct of a sexual nature against a **Third Party**,

committed, attempted, or allegedly committed or attempted by any **Organization** or by any **Insured Person** while acting in his or her capacity as such.

Workplace Tort means any:

- (A) employment-related:
 - (1) misrepresentation;
 - (2) defamation (including libel and slander);
 - (3) invasion of privacy (including in Canada, violation of the Personal Information Protection and Electronic Documents Act, S.C. 2000 as amended or pursuant to the same or similar provision of any provincial or territorial statute or the unauthorized use or disclosure in the United States of America of an **Employee's** (a) medical information in violation of the Health Insurance Portability and Accountability Act ("HIPAA"); (b) credit information or related information in violation of the Credit Reporting Act of Canada or the Fair Credit Reporting Act of the United States of America; or (c) other information obtained through an employment-related background check);
 - (4) negligent evaluation;
 - (5) wrongful discipline; or
 - (6) wrongful deprivation of career opportunity; or

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Coverage Part

(B) employment-related:

- (1) negligent retention;
- (2) negligent supervision;
- (3) negligent hiring;
- (4) negligent training;
- (5) wrongful infliction of emotional distress, mental anguish or humiliation;
- (6) failure to provide or enforce consistent employment-related corporate policies and procedures; or
- (7) false imprisonment,

but only when alleged as part of an **Employment Claim** for any **Wrongful Employment Decision, Breach of Employment Contract, Employment Discrimination, Employment Harassment, Retaliation, Termination**, or any act set forth in Subsection (A) of this definition.

Wrongful Act means an **Employment Practices Wrongful Act** and **Third Party Wrongful Act**.

Wrongful Employment Decision means:

- (A) in Canada: any wrongful demotion, denial of tenure, or failure or refusal to hire or promote, failure to employ, wrongful or negligent employee reference, or any constructive termination, dismissal or discharge; or
- (B) outside Canada: any wrongful demotion, denial of tenure, or failure or refusal to hire or promote, failure to employ, or wrongful or negligent employee reference.

IV. Exclusions

The Company shall not be liable for **Loss** on account of any **Claim**:

(A) Prior Notice

based upon, arising from or in consequence of any fact, circumstance, situation, transaction, event or **Wrongful Act** that, before the inception date set forth in Item 2 (A), Policy Period, of the GTC Declarations, was the subject of any notice accepted under any employment practices liability policy or coverage part or any other liability policy or coverage part that includes coverage for employment practices liability of which this Coverage Part is a direct or indirect renewal or replacement;

(B) Pending or Prior Proceedings

based upon, arising from or in consequence of a written demand alleging a **Wrongful Act**, suit, formal administrative or regulatory proceeding commenced by the filing of a notice of charges, formal investigative order or similar document, a Notice of Violation or Order to Show Cause resulting from an audit conducted in the United States of America by the Office of Federal Contract Compliance Programs or arbitration proceeding pending against or order, decree or judgment entered for or against any **Insured** on or prior to the applicable Pending or Prior Proceedings Date as set forth in Item 5 of the EPL Declarations or the same or substantially the same fact, circumstance or situation underlying or alleged therein;

(C) Pollution

based upon, arising from or in consequence of any:

- (1) discharge, emission, release, dispersal or escape of any **Pollutants** or any threat thereof;

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- (2) treatment, removal or disposal of any **Pollutants**; or
 (3) regulation, order, direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize any **Pollutants**,

including any **Claim** for financial loss to an **Organization**, its securityholders or its creditors based upon, arising from or in consequence of any matter described in Paragraphs (1), (2) or (3) of this Exclusion (C), provided that this Exclusion (C) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation**;

(D) Bodily Injury or Property Damage

for bodily injury, mental anguish, humiliation, emotional distress, sickness, disease or death of any person or damage to or destruction of any tangible property including the loss of use thereof whether or not it is damaged or destroyed, provided that this Exclusion (D) shall not apply to **Loss** for any mental anguish, humiliation or emotional distress when alleged as part of an otherwise covered **Claim**;

(E) Workers' Compensation, Unemployment Insurance, Social Insurance, Social Security, Disability Benefits

for any obligation of any **Insured** pursuant to any workers compensation, unemployment insurance, social insurance, social security, disability benefits or any similar federal, provincial, territorial, state, or local statutory law, civil or common law anywhere in the world, provided that this Exclusion (E) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation**;

(F) Breach of Independent Contractor Agreement

for any breach of any **Independent Contractor Services Agreement**;

(G) Employee Benefits Program

for any violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including that part of the Canadian Labour Code Part III, the Canadian Pension Benefits Standards Act 1987, or the United States Employment Retirement Income Security Act of 1974 (except section 510 thereof) and the Consolidated Omnibus Budget Reconciliation Act of 1985) or amendments to or regulations promulgated under any such law that governs any employee benefit arrangement, program, policy, plan or scheme of any type (whether or not legally required or whether provided during or subsequent to employment with an **Organization**), including any:

- (1) retirement income or pension benefit program;
- (2) profit sharing plan, deferred compensation plan, employee stock purchase plan, or employee stock ownership plan;
- (3) vacation, maternity leave, personal leave, or parental leave;
- (4) severance pay arrangement;
- (5) apprenticeship program;
- (6) life insurance plan, welfare plan, supplementary unemployment compensation plan, or pre-paid legal service plan or scholarship plan;
- (7) health, sickness, medical, dental, disability or dependant care plan; or
- (8) similar arrangement, program, plan or scheme,

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provided that, this Exclusion (G) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation** or any **Employment Claim** otherwise covered pursuant to Section II of this Coverage Part, Canadian Termination Coverage.

(H) Occupational Safety and Health

for any violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including the Canadian Labour Code Part II or the United States Occupational Safety and Health Act) or amendments to or regulations promulgated under any such law that governs workplace safety and health, including any obligation to maintain a place of employment free from hazards likely to cause physical harm, injury or death, provided that this Exclusion (H) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation**;

(I) Wage and Hour

for any violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including that part of the Canadian Labour Code Part III or the United States of America Fair Labor Standards Act) or amendments to or regulations promulgated under any such law that governs wage, hour and payroll policies and practices, including:

- (1) the calculation, recordkeeping, timing or manner of payment of minimum wages, prevailing wage rates, overtime pay or other compensation alleged to be due and owing;
- (2) the classification of any organization or person for wage and hour purposes;
- (3) garnishments, withholdings or other deductions from wages;
- (4) child labour;
- (5) pay equity or comparable worth; or
- (6) any similar policies or practices,

provided that, this Exclusion (I) shall not apply to:

- (i) **Loss** on account of any **Employment Claim** for **Retaliation**; or
- (ii) the Canadian Human Rights Act, Section 11 or any similar provincial, territorial or local statute or the United States Equal Pay Act.

(J) Workforce Notification

for any violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including the Ontario *Employment Standards Act*, 2000, the United States of America Worker Adjustment and Retraining Notification Act), or amendments to or regulations promulgated under any such law that governs any obligation of an employer to notify, discuss or bargain with its employees or others in advance of any plant or facility closing, or mass layoff, or any similar obligation, provided that this Exclusion (J) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation**;

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(K) Labour Management Relations

for any violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including the Canadian Labour Code Part I or the United States National Labor Relations Act) or any amendments to or regulations promulgated under any such law that governs:

- (1) the rights of employees to engage in, or to refrain from engaging in, union or other collective activities, including union organizing, union elections and other union activities;
- (2) the duty or obligation of an employer to meet, discuss, notify or bargain with any employee or employee representative, collectively or otherwise;
- (3) the enforcement of any collective bargaining agreement, including grievance and arbitration proceedings;
- (4) strikes, work stoppages, boycotts, picketing and lockouts; or
- (5) any similar rights or duties,

provided that, this Exclusion (K) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation**;

(L) Breach of Written Employment Contract

based upon, arising from or in consequence of any breach of any written employment contract, provided that this Exclusion (L) shall not apply to:

- (1) **Loss** to the extent an **Insured** would have been liable for such **Loss** in the absence of such written employment contract; or
- (2) **Defence Costs**.

(M) Financial Impairment

brought in Canada for **Wrongful Acts** based upon, arising from, or in consequence of the **Financial Impairment** of an **Organization**.

V. Reporting

- (A) An **Insured** shall, as a condition precedent to exercising any right to coverage under this Coverage Part, give to the Company written notice of any **Claim** as soon as practicable after the chief executive officer, chief financial officer, any person with the responsibility for the management of insurance claims (or any equivalent position to any of the foregoing), or any member of the in-house general counsel or human resources departments, of an **Organization** becomes aware of such **Claim**, but in no event later than:
 - (1) if this Coverage Part expires (or is otherwise terminated) without being renewed with the Company, ninety (90) days after the effective date of such expiration or termination; or
 - (2) the expiration date of the Extended Reporting Period, if applicable.
- (B) Notwithstanding the foregoing Subsection (A) and solely with respect to an **Employment Claim** that is brought as a formal administrative or regulatory proceeding commenced by the filing of a complaint or the filing of a notice of charges, an **Insured**, shall, as a condition precedent to exercising any right to coverage under this Coverage Part, give written notice thereof to the Company during the **Policy Period**, or, if applicable, in no event later than the earliest of the following dates:

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- (1) if this Coverage Part is renewed, three hundred and sixty five (365) days after the end of the **Policy Period**,
 - (2) if this Coverage Part expires (or is otherwise terminated) without being renewed with the Company and if no Extended Reporting Period is purchased, ninety (90) days after the effective date of such expiration or termination; or
 - (3) the expiration date of the Extended Reporting Period, if elected,
- provided that, if the Company sends written notice to the **Parent Organization**, stating that this Policy is being terminated for non-payment of premium, an **Insured** shall give to the Company written notice of such **Employment Claim** prior to the effective date of such termination.
- (C) If during the **Policy Period**, or any applicable Extended Reporting Period, an **Insured** becomes aware of a **Potential Claim** and gives written notice of such **Potential Claim** to the Company, and requests coverage under this Coverage Part for any **Claim** subsequently resulting from such **Potential Claim**, then any **Claim** subsequently arising from the **Potential Claim** shall be deemed made against the **Insured** during the **Policy Year** in which written notice of such **Potential Claim** was first given to the Company, provided any such subsequent **Claim** is reported to the Company as soon as practicable, but in no event later than ninety (90) days after the chief executive officer, chief financial officer, any natural person with the responsibility for the management of insurance claims (or any position equivalent to the foregoing), or any member of the in-house general counsel or human resources department of an **Organization** becomes aware of such **Claim**.
 - (D) An **Insured** shall, as a condition precedent to exercising any right to coverage under this Coverage Part, give to the Company such information, assistance and cooperation as the Company may reasonably require and shall include in any notice under Subsections (A), (B) or (C) above, a description of the **Claim**, request or **Potential Claim**, the nature of any alleged **Wrongful Act**, the nature of the alleged or potential damage, the names of all actual or potential claimants, the names of all actual or potential defendants, the manner in which such **Insured** first became aware of the **Claim**, **Potential Claim** or alleged **Wrongful Act**, and with respect to notices of **Potential Claims** under Subsection (C) above, the consequences which have resulted or may result from such **Potential Claim**.

VI. Retention

- (A) The Company's liability under this Coverage Part shall apply only to that part of each **Loss** which is excess of the applicable Retention set forth in Item 4 of the EPL Declarations and such Retention shall be borne by the **Insureds** uninsured and at their own risk.
- (B) If different parts of a single **Claim** are subject to different Retentions in different Insuring Clauses within this Coverage Part, the applicable Retentions shall be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention.
- (C) If different parts of a single **Claim** are subject to different Retentions in different Coverage Parts, the applicable Retentions shall be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention.

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- (D) **Claims** shall be subject to the Retention(s) applicable to the **Policy Year** during which such **Claims** are first made or first deemed to have been made.
- (E) No Retention shall apply to any **Loss** under this Coverage Part incurred by an **Insured Person** if such **Loss** cannot be indemnified by an **Organization** because such **Organization** is not permitted by statutory law, civil law or common law to indemnify, or is permitted or required to indemnify, but is unable to do so by reason of **Financial Impairment**.

VII. Defence And Settlement

- (A) Except as provided in Subsection (B) below, the Company shall have the right and duty to defend any **Claim** covered by this Coverage Part. Coverage shall apply even if any of the allegations are groundless, false or fraudulent. The Company's duty to defend any **Claim** shall cease upon exhaustion of the applicable Limit of Liability.
- (B) Notwithstanding Subsection (A) above, it shall be the duty of the **Insureds** and not the duty of the Company to defend any Claim which is in part excluded from coverage pursuant to Exclusion IV(I), Wage and Hour. For such portion of such **Claim** that is otherwise covered under this Coverage Part, the **Insureds** shall select as defence counsel for such **Claim** a law firm included in the Company's then current list of approved employment defence firms for the jurisdiction in which such **Claim** is pending.
- (C) The Company may make any investigation it deems necessary and may, with the consent of the **Insureds**, make any settlement of any **Claim** it deems appropriate.
- (D) No **Insured** shall settle any **Claim**, incur any **Defence Costs**, or otherwise assume any contractual obligation or admit any liability with respect to any **Claim** without the Company's written consent, which shall not be unreasonably withheld. The Company shall not be liable for any settlement, **Defence Costs**, assumed obligation or admission to which it has not consented.
- (E) The Company shall have no obligation to pay **Loss**, including **Defence Costs**, or to defend or continue to defend any **Claim** after the Maximum Aggregate Limit of Liability set forth in Item 2 of the EPL Declarations or the Combined Maximum Aggregate Limit of Liability set forth in Item 3 of the GTC Declarations, if applicable, has been exhausted by the payment of **Loss** and the premium shall be deemed fully earned.
- (F) The **Insureds** agree to provide the Company with all information, assistance and cooperation which the Company reasonably requests and agree they will do nothing that may prejudice the Company's position or its potential or actual rights of recovery.

VIII. Allocation

If an **Insured** who is afforded coverage for a **Claim** incurs an amount consisting of both **Loss** that is covered by this Coverage Part and also loss that is not covered by this Coverage Part because such **Claim** includes both covered and uncovered matters, then coverage shall apply as follows:

- (A) **Defence Costs**: one hundred percent (100%) of **Defence Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to Exclusion IV(I), Wage and Hour, or Subsection XII(B), Representations and Severability. Such **Defence Costs** shall be allocated between covered **Loss** and non-covered loss based on the relative legal exposures of the parties to such matters; and

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- (B) loss other than **Defence Costs**: all remaining loss incurred by such **Insured** from such **Claim** shall be allocated between covered **Loss** and uncovered loss based upon the relative legal exposures of the parties to such matters.

IX. Employment Claim Arbitration

- (A) Any dispute between any **Insured** and the Company based upon, arising from or in any way involving any actual or alleged coverage under this Coverage Part, or the validity, termination or breach of this Coverage Part, including any dispute sounding in contract or tort, shall be submitted to binding arbitration.
- (B) An **Organization**, however, shall first have the option to resolve the dispute by non-binding mediation pursuant to such rules and procedures, and using such mediator, as the parties may agree. If the parties cannot so agree in Canada the mediation shall be governed by the then prevailing Ontario Arbitration Act rules, orders, orders in council or regulations promulgated thereunder or amendments thereto or, upon the agreement of both the Company and the **Organization** by the similar provisions of a statute passed by a province or territory other than Ontario. In the United States of America, the mediation shall be administered by the American Arbitration Association pursuant to its then prevailing commercial mediation rules.
- (C) If the parties cannot resolve the dispute by non-binding mediation, the parties shall submit the dispute to binding arbitration pursuant to the then prevailing Ontario Arbitration Act rules, orders, orders in council or regulations promulgated thereunder or amendments thereto or, upon the agreement of both the Company and the **Organization** by the similar provisions of a statute passed by a province or territory other than Ontario. In the United States of America, the binding arbitration shall be conducted pursuant to the then prevailing commercial arbitration rules of the American Arbitration Association, except that the arbitration panel shall consist of one arbitrator selected by the **Insureds**, one arbitrator selected by the Company, and a third arbitrator selected by the first two arbitrators.

X. Other Insurance

Unless specifically stated otherwise, the coverage afforded under this Coverage Part for:

- (A) **Employment Claims** shall be primary, provided that with respect to that portion of an **Employment Claim** made against any leased or temporary employee, or **Independent Contractor, Loss**, including **Defence Costs**, payable on behalf of such leased or temporary employee or **Independent Contractor** under this Coverage Part shall be excess of and shall not contribute with any other valid and collectible insurance policy (other than a policy that is issued specifically as excess of the insurance afforded by the Coverage Part), regardless of whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise.
- (B) **Third Party Claims** shall be excess of and shall not contribute with any other valid and collectible insurance policy (other than a policy that is issued specifically as excess of the insurance afforded by the Coverage Part), regardless of whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise.

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XI. Subrogation

In the event of any payment under this Coverage Part, the Company shall be subrogated to the extent of such payment to all of the **Insureds'** rights of recovery. As a condition precedent to the Company's payment under this Coverage Part, the **Insureds** agree to execute all papers required and shall take all reasonable actions to secure and preserve such rights, including the execution of such documents necessary to enable the Company to effectively bring suit or otherwise pursue subrogation rights in the name of the **Insureds**; provided that it is understood and agreed that the Company shall not subrogate against natural persons who are **Insured Persons** under this Coverage Part.

XII. Representations And Severability

- (A) In granting coverage to the **Insureds** under this Coverage Part, the Company has relied upon the declarations and statements in the **Application** for this Coverage Part. Such declarations and statements are the basis of the coverage under this Coverage Part and shall be considered as incorporated in and constituting part of this Coverage Part.
- (B) The **Application** for coverage shall be construed as a separate **Application** for coverage by each **Insured Person**. With respect to the declarations and statements in such **Application**:
- (1) no fact pertaining to or knowledge possessed by any **Insured Person** shall be imputed to any other **Insured Person** for determining if coverage is available; or
 - (2) facts pertaining to and knowledge possessed by any past or present, chief executive officer, chief financial officer, director of human resources, in-house general counsel (or any equivalent position to any of the foregoing) of an **Organization** shall be imputed to such **Organization** and its **Subsidiaries** for the purpose of determining if coverage is available.
- (C) Solely with respect to **Loss** incurred by an **Insured Person** for which the **Organization** either is not legally permitted, or fails or refuses solely by reason of **Financial Impairment** to indemnify the **Insured Persons**, the Company shall not be entitled under any circumstances to rescind this policy.

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Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	1
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this	
Quality Rugs Of Canada ; Quality Sterling Group	endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Employment Practices Liability Coverage Part

WORKPLACE VIOLENCE EXPENSES ENDORSEMENT (WITH SUBLIMIT)

In consideration of the premium charged, it is agreed that solely with respect to this Coverage Part, the following shall apply:

- (1) Section I, Insuring Clauses, of this Coverage Part shall be amended to add the following Insuring Clause:
- Workplace Violence Expense Coverage
- The Company shall reimburse the **Parent Organization** for "Workplace Violence Expenses" (as defined below) incurred by an **Organization** resulting from any "Workplace Violence" (as defined below); provided that the Company's maximum aggregate liability for all Workplace Violence Expenses shall not exceed \$250,000, which amount is part of, and not in addition to, the Company's maximum aggregate Limit of Liability set forth in Item 2 of the EPL Declarations.
- (2) No Retention shall apply to Workplace Violence Expenses; provided however, if different parts of a single **Claim** are subject to different Retentions, the applicable Retentions will be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention as set forth in Item 4 of the EPL Declarations. Such Retention shall be borne by the **Insureds** uninsured and at their own risk.
- (3) For the purposes of this endorsement, Exclusion (D), Bodily Injury/Property Damage, of this Coverage Part is deleted and replaced with the following:
- (D) Bodily Injury/Property Damage
- based upon, arising from, or in consequence of bodily injury, mental anguish, emotional distress, sickness, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof whether or not it is damaged or destroyed; provided that this Exclusion (D) shall not apply to **Loss** for any mental anguish, humiliation or emotional distress when alleged as part of an otherwise covered **Claim**;
- (4) The terms and conditions of subsection (A) of Section VII, Defense and Settlement, of this Coverage Part shall not apply to the coverage for "Workplace Violence Expenses" (as defined below) afforded pursuant to the Workplace Violence Expense Coverage Insuring Clause as set forth in paragraph (1) of this endorsement.
- (5) For the purposes of this endorsement, the following terms shall apply:
- "Workplace Violence" means any intentional and unlawful act:
- (i) of deadly force involving the use of lethal weapon; or
- (ii) the threat of deadly force involving the display of a lethal weapon,
- which occurs on or in the "Premises" (as defined below) and which did or could result in bodily injury or death to an **Insured Person**.
- "Workplace Violence Expenses" means the reasonable fees and expenses, or cost of:
- (i) an independent security consultant for ninety (90) days following the date Workplace Violence occurs;

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Endorsement**

- (ii) an independent public relations consultant for ninety (90) days following the date Workplace Violence occurs;
- (iii) a counseling seminar for all **Employees** conducted by an independent consultant following a Workplace Violence;
- (iv) independent security guard services for up to fifteen (15) days; and
- (v) an independent forensic analyst.

“Premises” means the buildings, facilities or properties occupied by an **Organization** in conducting its business.

- (6) For the purposes of this endorsement, no coverage will be available under this Coverage Part for:
- (a) any Workplace Violence which occurs at any location other than the Premises;
 - (b) **Loss** arising from declared or undeclared war, civil war, insurrection, riot, civil commotion, rebellion or revolution, military, naval or usurped power, governmental intervention, expropriation or nationalization;
 - (c) legal costs, judgments and settlements incurred as the result of any claim, suit or judicial action brought against an **Organization** in connection with Workplace Violence; or
 - (d) **Loss** resulting from the use or threat of force or violence occurring on the Premises for the purpose of demanding money, securities or property.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

**ForeFront Portfolio
Endorsement**

Issue Date: August 22, 2022	Endorsement No.:	2
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

General Terms and Conditions

TERRITORIAL RESTRICTION ENDORSEMENT

In consideration of the premium charged it is agreed that notwithstanding anything to the contrary in this policy/bond or any attached endorsement, this insurance does not apply to any:

- loss, damages, costs, or expenses incurred;
- wrongful act committed;
- claim, occurrence, suit, injury or damage that takes place; or
- property situated,

in Iran, North Korea, Syria, Cuba and Sudan. To the extent any such terms are defined in this policy, such definition applies to this endorsement.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

**ForeFront Portfolio
Endorsement**

Issue Date: August 22, 2022	Endorsement No.:	5
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

FAMILY CLAIMS EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** brought or maintained by or on behalf of a(n) Pacione Family Member (as defined in Paragraph (2) of this endorsement), including any such **Claim** in the form of a class action or shareholder derivative action.
- (2) For purposes of this endorsement, Pacione Family Member means any:
 - (a) estate, heir, legal representative, assign, or relative (whether related by consanguinity or affinity) of Pacione; or
 - (b) trustee or beneficiary of a trust created or maintained by or for the benefit of any individual or entity described in (2)(a) above.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

**ForeFront Portfolio
Endorsement**

Issue Date: August 22, 2022	Endorsement No.:	2
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

AMEND INSURED VERSUS INSURED EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) Exclusion (A)(6), Insured versus Insured, of this Coverage Part is amended to add the following to the end thereof:
 - (d) brought by a securityholder of the **Organization** against an **Insured**, provided this Subparagraph (d) shall not apply to any such **Claim** by a securityholder brought and maintained without the solicitation, assistance, active participation or intervention of the **Organization** or any **Executive**;
- (2) Subparagraph (b)(iii) of Exclusion (A)(6), Insured versus Insured, of this Coverage Part is deleted.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

Issue Date: July 28, 2021	Endorsement No.:	3
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	July 30, 2021

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

FALSE ADVERTISING ENDORSEMENT

In consideration of the premium charged, it is agreed that:

(1) Subsection (B) of Section VII, Exclusions, of this Coverage Part is amended to add the following:

False Advertising

based upon, arising from, or in consequence of any false advertising, misrepresentation in advertising or unfair or deceptive trade practices, with respect to the advertising of the **Insured's** own goods, publications or services; provided that this Exclusion shall not apply to **Loss** on account of any securities **Claim**, securityholder derivative demand or securityholder derivative action.

(2) Solely with respect to the coverage afforded under this endorsement, Subsection (A) of Section XII, Allocation, of this Coverage Part is deleted and replaced with the following:

(A) **Defence Costs:** one hundred percent (100%) of **Defence Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to the Exclusion in paragraph (1) of this endorsement, False Advertising, Exclusion (B)(2), Employment Practices, or Subsection XVII(C), Representations and Severability. Such **Defence Costs** shall be allocated between covered **Loss** and non-covered loss based on the relative legal exposures of the parties to such matters; and

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

Issue Date: July 28, 2021	Endorsement No.:	2
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	July 30, 2021

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

**EMPLOYMENT PRACTICES/THIRD PARTY EXCLUSION WITH SECURITYHOLDER AND STATUTORY
LIABILITY CARVE-OUT ENDORSEMENT**

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** based upon, arising from or in consequence of any:
 - (i) employment-related **Wrongful Act**; or
 - (ii) discrimination against, or harassment, including but not limited to sexual harassment, of any third party, provided that this Exclusion shall not apply to **Loss** on account of any **Claim**:
 - a. brought by any securityholder of an **Organization** in his or her capacity as such, whether directly or derivatively, so long as such **Claim** is brought and maintained without the solicitation, assistance, active participation or intervention of any **Insured**; or
 - b. brought against an **Executive** under any federal or provincial Canadian business corporations or employment statutes for unpaid employee wages resulting from the **Financial Impairment** of the **Insured Organization**.
- (2) Exclusion (A)(3), Bodily Injury/Property Damage, of this Coverage Part, including any amendment by endorsement, is amended to delete item (i):
 - (i) **Loss** for any mental anguish, humiliation or emotional distress asserted in an employment-related **Claim** afforded coverage under Insuring Clauses (A), Individual Non-Indemnified Liability Coverage, or (B), Individual Indemnified Liability Coverage;
- (3) Subparagraph (c)(i) of Exclusion (A)(6), Insured versus Insured, Exclusion (B)(2), Employment Practices, and Exclusion (B)(3), Third Party Discrimination or Sexual Harassment, of this Coverage Part are deleted.
- (4) Notwithstanding Section XII, Allocation, of this Coverage Part (including any endorsement amending Section XII), if the Exclusion in paragraph (1) of this endorsement or Exclusion (B)(1), Contract, is applicable, the **Insureds** and the Company shall use their best efforts to determine an allocation between **Loss** that is covered by this Coverage Part and loss, or any other amount, that is not covered by this Coverage Part based on the relative legal and financial exposures of the covered parties to the covered matters.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

<p>Issue Date: August 22, 2022</p> <p>Company: Chubb Insurance Company of Canada herein called the Company</p> <p>Issued to: Quality Rugs Of Canada ; Quality Sterling Group</p>	<p>Endorsement No.: 6</p> <p>To be attached to and form a part of Policy no: 82427885</p> <p>Effective date of this endorsement: August 30, 2022</p>
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This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

NETWORK SECURITY PRIVACY BREACH EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

(1) the Company shall not be liable for any **Loss** on account of any **Claim** based upon, arising from or in consequence of any **Network Security or Privacy Breach**, provided that this Exclusion shall not apply to (a) any **Non-Indemnifiable Loss**; or (b) any **Loss** on account of any securities **Claim**, derivative demand or derivative action;

(2) For the purposes of this Endorsement the following definitions are added:

Network Security or Privacy Breach means any:

(A) unauthorized or unlawful access to, alteration of, or damage to any computer, computer program, computer network or computer database, including the infection of any of the foregoing through the transmission of a computer virus, malware, spyware or other fraudulent or unauthorized computer code that: (1) modifies, alters, damages, destroys, deletes, records or transmits information; (2) contaminates other computer programs or computer data; or (3) consumes computer resources or in some fashion usurps the normal operation of a computer system;

(B) denial of service or delay, disruption, impairment or failure of any computer network, communication network, technology, information or telecommunication network, service, hardware or software;

(C) unauthorized or unlawful access to, disclosure of, alteration of, theft, collection, storage, use or dissemination of, or loss of any data or confidential or proprietary business information or personally identifiable information as defined by: (1) applicable federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world; or (2) an **Organization's** publicly stated privacy policy;

(D) violation of any privacy protection or data security laws including federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world; or

(E) violation of any federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world used to impose liability in connection with any unsolicited communication, distribution, publication, sending or transmission via telephone, cell or mobile phone, telephone facsimile machine, computer or other telephonic or electronic devices, including:

(1) in Canada:

(a) the Canadian Anti-Spam Act S.C. 2010 c.23 or any amendments thereto or any rules or regulations promulgated thereunder;

(b) the Canadian Radio-television and Telecommunications Commission Unsolicited Telecommunications Rules or any amendments thereto or any rules or regulations promulgated thereunder;

or any similar provisions of any federal, provincial, territorial, state or local statutory, civil or common law;

**ForeFront Portfolio
Endorsement**

(2) in the United States of America:

(a) the United States of America Telephone Consumer Protection Act of 1991 or any amendments thereto or any rules or regulations promulgated thereunder;

(b) the United States of America CAN-SPAM Act of 2003 or any amendments thereto or any rules or regulations promulgated thereunder;

or any similar provisions of any federal, provincial, territorial, state, local, statutory, civil or common law.

Non-Indemnifiable Loss means **Loss** of an **Insured Person** on account of a **Claim** for which the **Organization** has not indemnified and is not permitted or required to indemnify (including by reason of **Financial Impairment**) pursuant to applicable law or contract, or the charter, bylaws, operating agreement or similar document of an **Organization**.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

Issue Date: August 22, 2022	Endorsement No.:	7
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

SERVICE INDUSTRY ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** based upon, arising from, or in consequence of the rendering of, or failure to render, any **Professional Services** by an **Insured**; provided that this Exclusion shall not apply to any **Loss** on account of any securities **Claim**, derivative demand, derivative action or **Specific Management Claim** (as defined in Paragraph (2) of this endorsement).
- (2) Section VI, Definitions, of this Coverage Part, is amended to include the following definition:
Specific Management Claim means any **Claim** made against an **Executive** for a **Wrongful Act** by such **Executive** in connection with the **Executive's** management of any **Organization** or **Subsidiary**, of an **Organization**. However, **Specific Management Claim** shall not mean, and in no event shall any coverage be afforded herein for, any **Claim** made against an **Executive** for a **Wrongful Act** by such **Executive** in the direct offering of, or in supervising or assisting an **Insured Person** in direct offering of, any **Professional Services**.
- (3) Exclusion (B)(6)(c), Professional Services, of this Coverage Part is deleted.
- (4) Subsection (A) of Section XII, Allocation, of this Coverage Part is deleted and replaced with the following:
(A) **Defense Costs**: one hundred percent (100%) of **Defense Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to paragraph (1) of this endorsement or Exclusion (B)(1), Contract, Exclusion (B)(2), Employment Practices, or Subsection XVII(C), Representations and Severability. Such **Defense Costs** shall be allocated between covered **Loss** and non-covered loss based on the relative legal exposures of the parties to such matters; and
- (5) Solely with respect to the coverage afforded under this endorsement, Section XIV, Other Insurance or Indemnity, of this Coverage Part is amended to add the following:
Subject to the provisions of this endorsement, no coverage shall be available for any **Loss** until after any or all coverage available under any policy providing professional liability or errors and omissions coverage has been exhausted.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

Issue Date: August 22, 2022	Endorsement No.:	1
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

ADD EMPLOYED LAWYER COVERAGE ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) Section VI, Definitions, of this Coverage Part is amended as follows:
- (A) The following definitions are added to this Section:
- Employed Lawyer** means any **Insured Person** of the **Organization** who is admitted to practice law and who is or was employed as a lawyer for, and salaried by, the **Organization**.
- Employed Lawyer Wrongful Act** means act, error or omission committed, attempted, or allegedly committed or attempted by an **Employed Lawyer** in the rendering of, or failure to render, professional legal services for an **Organization** while in his or her capacity as a lawyer for such **Organization**.
- (B) The definition of **Wrongful Act** is amended to include an **Employed Lawyer Wrongful Act**.
- (2) The Company shall not be liable for **Loss** on account of any **Claim**:
- (A) based upon, arising from, or in consequence of any act, error or omission in connection with any activities by such **Employed Lawyer** which:
- (i) are not related to such **Employed Lawyer's** employment with the **Organization**;
- (ii) are not rendered on the behalf of, for, or to the **Organization**; or
- (iii) are performed by the **Employed Lawyer** for others for a fee;
- (B) based upon, arising from, or in consequence of any **Employed Lawyer Wrongful Act** while the **Employed Lawyer** was not employed as a lawyer by the **Organization**; or
- (C) based upon, arising from, or in consequence of any activities by the **Employed Lawyer** as an officer or director of any entity other than the **Organization**.
- (3) The Company's maximum liability under this Coverage Part for all **Loss** on account of all **Claims** for all **Employed Lawyer Wrongful Acts** shall be \$1,000,000, which amount is part of and not in addition to the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

Issue Date: August 22, 2022	Endorsement No.:	1
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Employment Practices Liability Coverage Part

WORKPLACE VIOLENCE EXPENSES ENDORSEMENT (WITH SUBLIMIT)

In consideration of the premium charged, it is agreed that solely with respect to this Coverage Part, the following shall apply:

- (1) Section I, Insuring Clauses, of this Coverage Part shall be amended to add the following Insuring Clause:

Workplace Violence Expense Coverage

The Company shall reimburse the **Parent Organization** for "Workplace Violence Expenses" (as defined below) incurred by an **Organization** resulting from any "Workplace Violence" (as defined below); provided that the Company's maximum aggregate liability for all Workplace Violence Expenses shall not exceed \$250,000, which amount is part of, and not in addition to, the Company's maximum aggregate Limit of Liability set forth in Item 2 of the EPL Declarations.

- (2) No Retention shall apply to Workplace Violence Expenses; provided however, if different parts of a single **Claim** are subject to different Retentions, the applicable Retentions will be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention as set forth in Item 4 of the EPL Declarations. Such Retention shall be borne by the **Insureds** uninsured and at their own risk.
- (3) For the purposes of this endorsement, Exclusion (D), Bodily Injury/Property Damage, of this Coverage Part is deleted and replaced with the following:

(D) Bodily Injury/Property Damage

based upon, arising from, or in consequence of bodily injury, mental anguish, emotional distress, sickness, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof whether or not it is damaged or destroyed; provided that this Exclusion (D) shall not apply to **Loss** for any mental anguish, humiliation or emotional distress when alleged as part of an otherwise covered **Claim**;

- (4) The terms and conditions of subsection (A) of Section VII, Defense and Settlement, of this Coverage Part shall not apply to the coverage for "Workplace Violence Expenses" (as defined below) afforded pursuant to the Workplace Violence Expense Coverage Insuring Clause as set forth in paragraph (1) of this endorsement.

- (5) For the purposes of this endorsement, the following terms shall apply:

"Workplace Violence" means any intentional and unlawful act:

- (i) of deadly force involving the use of lethal weapon; or
(ii) the threat of deadly force involving the display of a lethal weapon,

which occurs on or in the "Premises" (as defined below) and which did or could result in bodily injury or death to an **Insured Person**.

"Workplace Violence Expenses" means the reasonable fees and expenses, or cost of:

- (i) an independent security consultant for ninety (90) days following the date Workplace Violence occurs;

ForeFront Portfolio
Endorsement

- (ii) an independent public relations consultant for ninety (90) days following the date Workplace Violence occurs;
- (iii) a counseling seminar for all **Employees** conducted by an independent consultant following a Workplace Violence;
- (iv) independent security guard services for up to fifteen (15) days; and
- (v) an independent forensic analyst.

"Premises" means the buildings, facilities or properties occupied by an **Organization** in conducting its business.

- (6) For the purposes of this endorsement, no coverage will be available under this Coverage Part for:
- (a) any Workplace Violence which occurs at any location other than the Premises;
 - (b) **Loss** arising from declared or undeclared war, civil war, insurrection, riot, civil commotion, rebellion or revolution, military, naval or usurped power, governmental intervention, expropriation or nationalization;
 - (c) legal costs, judgments and settlements incurred as the result of any claim, suit or judicial action brought against an **Organization** in connection with Workplace Violence; or
 - (d) **Loss** resulting from the use or threat of force or violence occurring on the Premises for the purpose of demanding money, securities or property.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

**WAYGAR CAPITAL INC., AS AGENT FOR
NINEPOINT CANADIAN SENIOR DEBT
MASTER FUND L.P.**

Applicant

- and - **QUALITY RUGS OF CANADA
LIMITED et al.**

Respondents

Court File No: CV-23-00703933-00CL

Court File No: CV-23-00703292-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

AFFIDAVIT OF DON ROGERS

AIRD & BERLIS LLP

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Lawyers for Waygar Capital Inc., as agent for
Ninepoint Canadian Senior Debt Master Fund
L.P.

TAB 3

Court File No. CV-23-00703933-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) FRIDAY, THE 24TH
MR JUSTICE PENNY) DAY OF NOVEMBER, 2023

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED***

**AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF QUALITY RUGS OF CANADA
LIMITED AND THE OTHER COMPANIES LISTED IN
SCHEDULE "A" HERETO**

(collectively, the "**Applicants**")

ORDER

THIS MOTION, made by Waygar Capital Inc., as agent for Ninepoint Canadian Senior Debt Master Fund L.P. ("**Waygar**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), was heard this day by videoconference.

ON READING the Motion Record of Waygar, including the Affidavit of Don Rogers sworn November 10, 2023, and on hearing the submissions of counsel for Waygar and any other parties listed on the Counsel Slip, and no one appearing for any other party although duly served as appears from the affidavit of service of Daisy Jin sworn November 10, 2023, filed,

SERVICE

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

DEFINED TERMS

2. **THIS COURT ORDERS** that all terms capitalized but not defined herein shall have the meanings ascribed to such terms in the amended and restated initial order of Justice Penny dated September 5, 2023 (the "ARIO").

AMENDMENTS TO ARIO

3. **THIS COURT ORDERS** that the Directors' Charge (as defined in and created by paragraph 27 of the ARIO) is terminated, discharged, and released.

4. **THIS COURT ORDERS** that the Financial Advisor's Charge (as defined in and created by paragraph 29 of the ARIO) is terminated, discharged, and released.

GENERAL

5. **THIS COURT ORDERS** that any beneficiary of the Administration Charge shall seek court approval of its fees and disbursements.

6. **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 RSM Canada Limited, in its capacity as monitor of the Applicants (in such capacity, the "**Monitor**"), and The Fuller Landau Group Inc., in its capacity

as court-appointed receiver of each of Quality Rugs of Canada Limited, Malvern Contract Interiors Limited, Weston Hardwood Design Centre Inc., Ontario Flooring Ltd., Timeline Floors Inc., and Quality Commercial Carpet Corporation (in such capacity, the “**Receiver**”), and the Monitor’s and Receiver’s respective agents in carrying out the terms of this Order.

7. **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.

8. **THIS COURT ORDERS** that this Order is effective from the date that it is made and is enforceable without any need for entry and filing.

Schedule “A” – Other Applicants

A.1 QSG Opcos (in addition to QRCL)

1. Timeline Floors Inc.
2. Ontario Flooring Ltd
3. Weston Hardwood Design Centre Inc
4. Malvern Contract Interiors Limited

A.2 Holding Companies

5. Quality Commercial Carpet Corporation;
6. Joseph Douglas Pacione Holdings Ltd.;
7. John Anthony Pacione Holdings Ltd.;
8. Jopac Enterprises Limited;
9. Patjo Holdings Inc.

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
QUALITY RUGS OF CANADA LIMITED AND THE OTHER COMPANIES LISTED IN
SCHEDULE "A" HERETO**

Court File No.: CV-23-00703933-00CL

collectively, The Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

ORDER
(Motion returnable November 24, 2023)

AIRD & BERLIS LLP

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Counsel for Waygar Capital Inc., as agent for
Ninepoint Canadian Senior Debt Master Fund L.P.

TAB 4

Service List
(as at November 9, 2023)

TO:	<p>AIRD & BERLIS LLP Brookfield Place 181 Bay Street, Suite 1800 Toronto, ON M5J 2T9</p> <p>Steven L. Graff Tel: 416-865-7726 sgraff@airdberlis.com</p> <p>Matilda Lici Tel: 416-865-3428 mlici@airdberlis.com</p> <p><i>Counsel for Waygar Capital Inc., as agent for Ninepoint Canadian Senior Debt Master Fund L.P.</i></p>
AND TO:	<p>WAYGAR CAPITAL INC., AS AGENT FOR NINEPOINT CANADIAN SENIOR DEBT MASTER FUND 372 Bay Street, Suite 901 Toronto, ON M5H 2W9</p> <p>Don Rogers Tel: 416-565-2738 drogers@waygarcapital.com</p> <p><i>Applicant</i></p>
TO:	<p>GARDINER ROBERTS LLP Bay Adelaide Centre, East Tower 22 Adelaide St. W., Suite 3600 Toronto, ON M5H 4E3</p> <p>Chris Besant Tel: 416-865-4022 cbesant@grllp.com</p> <p><i>Counsel for the Respondents, Quality Rugs of Canada Limited, Malvern Contract Interiors Limited, Weston Hardwood Design Centre Inc., Ontario Flooring Ltd., Timeline Floors Inc., and Quality Commercial Carpet Corporation</i></p>

AND TO:	<p>DENTONS CANADA LLP 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON M5K 0A1</p> <p>Kenneth Kraft Tel: 416-863-4374 Fax: 416 863-4592 kenneth.kraft@dentons.com</p> <p>Sara-Ann Wilson Tel: (416) 863-4402 sara.wilson@dentons.com</p> <p>Sarah Lam sarah.lam@dentons.com</p> <p><i>Lawyers for The Fuller Landau Group Inc. in its capacity court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.</i></p>
AND TO:	<p>THE FULLER LANDAU GROUP INC. 151 Bloor St W, 12th Floor Toronto, ON M5S 1S4</p> <p>Ken Pearl Tel: 416-645-6519 kpearl@fullerllp.com</p> <p><i>Court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.</i></p>
AND TO:	<p>DAVIES WARD PHILLIPS & VINEBERG LLP 155 Wellington Street West Toronto, ON M5V 3J7</p> <p>Natasha MacParland Tel: 416-863-5567 nmacparland@dwpv.com</p> <p>Joshua Kuretzky Tel: 416-367-7469 jkuretzky@dwpv.com</p> <p>Natalie Renner Tel: 416-367-7489 nrenner@dwpv.com</p> <p><i>Counsel for Ironbridge Equity Partners Management Limited</i></p>

AND TO:	<p>RSM CANADA LIMITED 11 King Street West, Suite 700 Toronto, ON M5H 4C7</p> <p>Bryan Tannenbaum Tel: 416-238-5055 bryan.tannenbaum@rsmcanada.com</p> <p>Arif Dhanani Tel: 647-725-0183 arif.dhanani@rsmcanada.com</p> <p><i>Monitor in the CCAA proceedings of Quality Rugs of Canada Limited, et al.</i></p>
AND TO:	<p>GOODMANS LLP 333 Bay Street, Suite 3400 Toronto, ON M5H 2S7</p> <p>Joe Latham Tel: 416-587-2202 jlatham@goodmans.ca</p> <p>Erik Axell Tel: 416.840.2579 eaxell@goodmans.ca</p> <p>R. Chadwick rchadwick@goodmans.ca</p> <p>Andrew Harmes aharmes@goodmans.ca</p> <p><i>Counsel for RSM Canada Limited, in its capacity as Monitor in the CCAA proceedings of Quality Rugs of Canada Limited, et al.</i></p>
AND TO:	<p>OSLER, HOSKIN & HARCOURT LLP 1 First Canadian Place 100 King Street West, Suite 6200 Toronto, ON M5X 1B8</p> <p>Kathryn Esaw Tel: 416-862-4905 kesaw@osler.com</p> <p>Marc Wasserman mwasserman@osler.com</p> <p><i>Counsel for Mohawk Carpet Distribution, Inc.</i></p>

AND TO:	<p>LAWSON LUNDELL LLP Brookfield Place 225 – 6th Avenue SW, Suite 1100 Calgary, AB T2P 1N2</p> <p>Andrea Lutsch Tel: 403-218-7574 alutsch@lawsonlundell.com</p> <p>Kelly Hannan Tel: 403-218-7541 khannan@lawsonlundell.com</p> <p><i>Counsel for Taiga Building Products Ltd</i></p>
AND TO:	<p>DLA PIPER (CANADA) LLP 1 First Canadian Place 100 King St W, Suite 6000 Toronto, ON M5X 1E2</p> <p>Danny Nunes Tel: 416-365-3421 danny.nunes@dlapiper.com</p> <p>Bruce Darlington Tel: 416-365-3529 bruce.darlington@dlapiper.com</p> <p>Howard Krupat Tel: 416-365-3510 howard.krupat@dlapiper.com</p> <p><i>Counsel for Macro-Universe Enterprises Ltd. dba Fuzion Flooring</i></p>
AND TO:	<p>DEVRY SMITH FRANK LLP 95 Barber Greene Road, Suite 100 Toronto, ON M3C 3E9</p> <p>Michael Farace Tel: 416-446-5818 Michael.Farace@devrylaw.ca</p> <p><i>Counsel for GG Eight Cumberland Inc.</i></p>

AND TO:	ATTORNEY GENERAL OF CANADA DEPARTMENT OF JUSTICE Ontario Regional Office, Tax Law Section 120 Adelaide Street West, Suite 400 Toronto, ON M5H 1T1 Edward Park Tel: 647-292-9368 edward.park@justice.gc.ca Pat Confalone Pat.confalone@justice.gc.ca Kelly Smith Wayland Tel: 647-533-7183 kelly.smithwayland@justice.gc.ca
AND TO:	LAX O’SULLIVAN LISUS GOTTLIEB LLP 145 King Street West, Suite 2750 Toronto, ON M5H 1J8 Matthew Gottlieb Tel: 416-644-5353 mgottlieb@lolg.ca Andrew Winton Tel: 416-644-5342 awinton@lolg.ca <i>Counsel for Alvarez & Marsal Canada Securities ULC.</i>
AND TO:	KOSKIE MINSKY LLP 20 Queen Street West, Suite 900 Toronto, ON M5H 3R3 Demetrios Yiokaris Tel: 416-595-2130 dyiokaris@kmlaw.ca James Harnum Tel: 416-542-6285 jharnum@kmlaw.ca <i>Counsel for LIUNA Local 183</i>

AND TO:	MINISTRY OF FINANCE Ministry of the Attorney General (Ontario) Collections Branch – Bankruptcy and Insolvency Unit 6-33 King Street West Oshawa, ON L1H 8H5 Tel: 1-866-668-8297 Sherrise Carey insolvency.unit@ontario.ca
AND TO:	BORDEN LADNER GERVAIS LLP Centennial Place, East Tower 520 – 3RD Ave. SW, Suite 1900 Calgary, AB T2P 0R3 Marin Leci Tel: 403-232-9513 mleci@blg.com Myles Fish Tel: 403-232-9764 mfish@blg.com <i>Counsel for Housing One 10th Avenue Corporation</i>
AND TO:	OGILVIE LAW 1400 Canadian Western Bank Place 10303 Jasper Avenue Edmonton, AB T5J 3N6 Matt Feehan Tel: 780-429-6224 mfeehan@ogilvielaw.com Akhil Vohra Tel: 780-429-6285 avohra@ogilvielaw.com <i>Counsel for Ames Tile & Stone Ltd.</i>

AND TO:	<p>MILLER THOMPSON LLP Scotia Plaza 40 King Street West, Suite 5800 P.O. Box 1011 Toronto, ON M5H 3S1</p> <p>Manav Singhla Tel: 416-595-7974 msinghla@millerthomson.com</p> <p>Tony Van Klink Tel: 1-519-931-3509 tvanklink@millerthomson.com</p> <p><i>Counsel for Vifloor Canada Ltd.</i></p>
AND TO:	<p>GOWLING WLG 100 King Street West, Suite 1600 Toronto, ON M5X 1G5</p> <p>Pierre Champagne Tel: 613-783-8677 pierre.champagne@gowlingwlg.com</p> <p>Haddon Murray Tel: 416-862-3604 haddon.murray@gowlingwlg.com</p> <p><i>Counsel for Torlys Inc.; Metropolitan Hardwood Floors (Eastern) Inc.; Lauzon – Planchers De Bois Exclusifs Inc.; Ceratec Inc.; and Boa- Franc SENC/GP</i></p>
AND TO:	<p>ROUSSEAU MAZZUCA LLP 65 Queen Street West, Suite 600 Toronto, ON M4H 2M5</p> <p>Daniel Wright Tel: 416-304-9899 dwright@rousseaumazzuca.com</p> <p>Michael Mazzuca Tel: 416-304-9899 Michael@RousseauMazzuca.com</p> <p>Michael Mandarino mmandarino@rousseaumazzuca.com</p> <p><i>Counsel for the United Brotherhood of Carpenters and Joiners of America</i></p>

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**WAYGAR CAPITAL INC., AS AGENT FOR
NINEPOINT CANADIAN SENIOR DEBT MASTER
FUND L.P.**

Applicant

- and -

QUALITY RUGS OF CANADA LIMITED ET AL.

Respondents

Court File No: CV-23-00703933-00CL

Court File No: CV-23-00703292-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

**MOTION RECORD OF
WAYGAR CAPITAL INC.**

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