

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

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

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

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

VOLUME 1 OF 2

December 19, 2016

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IN THE MATTER OF THE PROPOSAL OF
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IN THE PROVINCE OF ONTARIO

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

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

NOTICE OF MOTION

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

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

THE MOTION IS FOR:

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

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

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

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

THE GROUNDS FOR THE MOTION ARE:

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

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

The DIP Facility

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

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

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

The SISP & Stalking Horse Bid

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

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

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

Administration Charge

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

D&O Charge

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

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

Extension of Time for Proposal

(nn) The 30 day initial stay of proceedings pursuant to the NOI will expire on January 12, 2017. The SISP contemplates completion in March 2017. Consequently, BG Furniture seeks an Order extending the stay of proceedings by 45 days, to February 5, 2017;

(oo) A further extension of the time within which BG Furniture must file a BIA proposal with the Official Receiver will be required to enable BG Furniture to complete the SISP and the BIA proposal process (if necessary);

(pp) The Proposal Trustee and the DIP Lender have reviewed BG Furniture's cash flow projections;

Transfer of Proceeding

(qq) A transfer of this BIA proceeding to the Commercial List of the Ontario Superior Court of Justice in Toronto is desirable in the interest of justice, having regard to its circumstances and the parties involved;

(rr) The Proposal Trustee and the DIP Lender support the relief sought herein;

(ss) Sections 50.6, 50.4(9) and 64.2 of the BIA;

(tt) Rules 1.04, 2.03, 3.02, 13.1, 16.04 and 37 of the Rules of Civil Procedure, R.R.O. 1990, Reg. 194, as amended;

(uu) The inherent jurisdiction of this Honourable Court; and

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

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

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

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

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

December 19, 2016

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SCHEDULE "A"

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

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

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

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

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

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

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

SERVICE

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

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

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

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

PROPOSAL TRUSTEE

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

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

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

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

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

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

ADMINISTRATION CHARGE

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

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

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

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

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

DIP FINANCING

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

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

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

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

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

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

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

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

D&O INDEMNITY AND CHARGE

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

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

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

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

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

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

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

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

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

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

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

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

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

THE SISP & STALKING HORSE BID

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

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

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

EXTENSION

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

TRANSFER

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

GENERAL

32. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Debtor, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Debtor and the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Debtor, the Proposal Trustee and their respective agents in carrying out the terms of this Order.

33. THIS COURT ORDERS that each of the Debtor and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

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

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

SCHEDULE "A"

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

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

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

Proceedings commenced at Toronto

ORDER

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Lawyers for the Moving Party, BG Furniture Ltd.

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

Court File No. ●

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

NOTICE OF MOTION

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tab 2

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

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

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

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

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

Relief Sought

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

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

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

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

Background

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

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

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

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

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

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

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

Assets

10. BG Furniture has the following principal assets:

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

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

Secured Creditors & Other Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Purpose of Proceedings

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

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

Cash Flow Forecast

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

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

The DIP Facility

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

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

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

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

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

SISP

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

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

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

Stalking Horse Bid

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Administration Charge

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

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

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

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

D&O Charge

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

Extension of Time for Proposal


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


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

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

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

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


Commissioner for Taking Affidavits


ADAM HOFMANN

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

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

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

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

Proceedings commenced at Toronto

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

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

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

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

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

Lawyers for the Moving Party, BG Furniture Ltd.

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

19 DAY OF Dec 2016

Scott Thibault p00466
A COMMISSIONER, ETC.

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

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

Province of Ontario
 Ministry of Government Services

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

CORPORATION PROFILE REPORT

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

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

Province of Ontario
Ministry of Government Services

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

CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2404489

BG FURNITURE LTD.

Corporate Name History

Effective Date

BG FURNITURE LTD.

2014/01/23

Current Business Name(s) Exist:

NO

Expired Business Name(s) Exist:

NO

Administrator:

Name (Individual / Corporation)

Address

ADAM
M.
HOFMANN

257 4TH STREET CRESCENT

HANOVER
ONTARIO
CANADA N4N 3S9

Date Began

First Director

2014/01/23

NOT APPLICABLE

Designation

Officer Type

Resident Canadian

DIRECTOR

Y

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

Province of Ontario
Ministry of Government Services

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

CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2404489

BG FURNITURE LTD.

Administrator:
Name (Individual / Corporation)

Address

ADAM
M.
HOFMANN

257 4TH STREET CRESCENT

HANOVER
ONTARIO
CANADA N4N 3S9

Date Began

First Director

2014/01/23

NOT APPLICABLE

Designation

Officer Type

Resident Canadian

OFFICER

PRESIDENT

Y

Administrator:
Name (Individual / Corporation)

Address

DIRK
P.
NIELSEN

302 WESTWOOD DRIVE

WALKERTON
ONTARIO
CANADA N0G 2V0

Date Began

First Director

2014/01/23

NOT APPLICABLE

Designation

Officer Type

Resident Canadian

DIRECTOR

Y

Request ID: 019547383
Transaction ID: 62628807
Category ID: UN/E

Province of Ontario
Ministry of Government Services

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

CORPORATION PROFILE REPORT

Ontario Corp Number

2404489

Corporation Name

BG FURNITURE LTD.

Administrator:

Name (Individual / Corporation)

DIRK
P.
NIELSEN

Address

302 WESTWOOD DRIVE

WALKERTON
ONTARIO
CANADA N0G 2V0

Date Began

2014/01/23

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

VICE-PRESIDENT

Resident Canadian

Y

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

Province of Ontario
Ministry of Government Services

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

CORPORATION PROFILE REPORT

Ontario Corp Number

2404489

Corporation Name

BG FURNITURE LTD.

Last Document Recorded

Act/Code Description

Form

Date

CIA

ANNUAL RETURN 2014

1C

2015/06/06 (ELECTRONIC FILING)

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

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

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

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

19 DAY OF December 20 12

Scott Stewart Thibaudeau
A COMMISSIONER, ETC.

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

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

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

Take notice that:

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

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



BG Furniture Ltd.
Insolvent Person

To be completed by Official Receiver:


Filing Date

Official Receiver

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

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

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

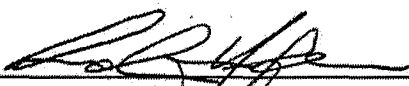


 BG Furniture Ltd.
 Insolvent Person

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

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


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


 BG Furniture Ltd.
 Insolvent Person

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

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

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


 BG Furniture Ltd.
 Insolvent Person

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

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

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

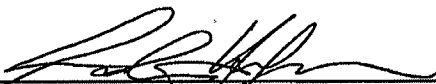


 BG Furniture Ltd.
 Insolvent Person

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

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

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



BG Furniture Ltd.
Insolvent Person



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

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

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

BG Furniture Ltd.
Insolvent Person

COLLINS BARROW TORONTO LIMITED
Licensed Insolvency Trustee

Date of the Notice of Intention: December 14, 2016

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

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

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

Date: December 14, 2016, 12:11

E-File/Dépôt Electronique

Official Receiver

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

Canada

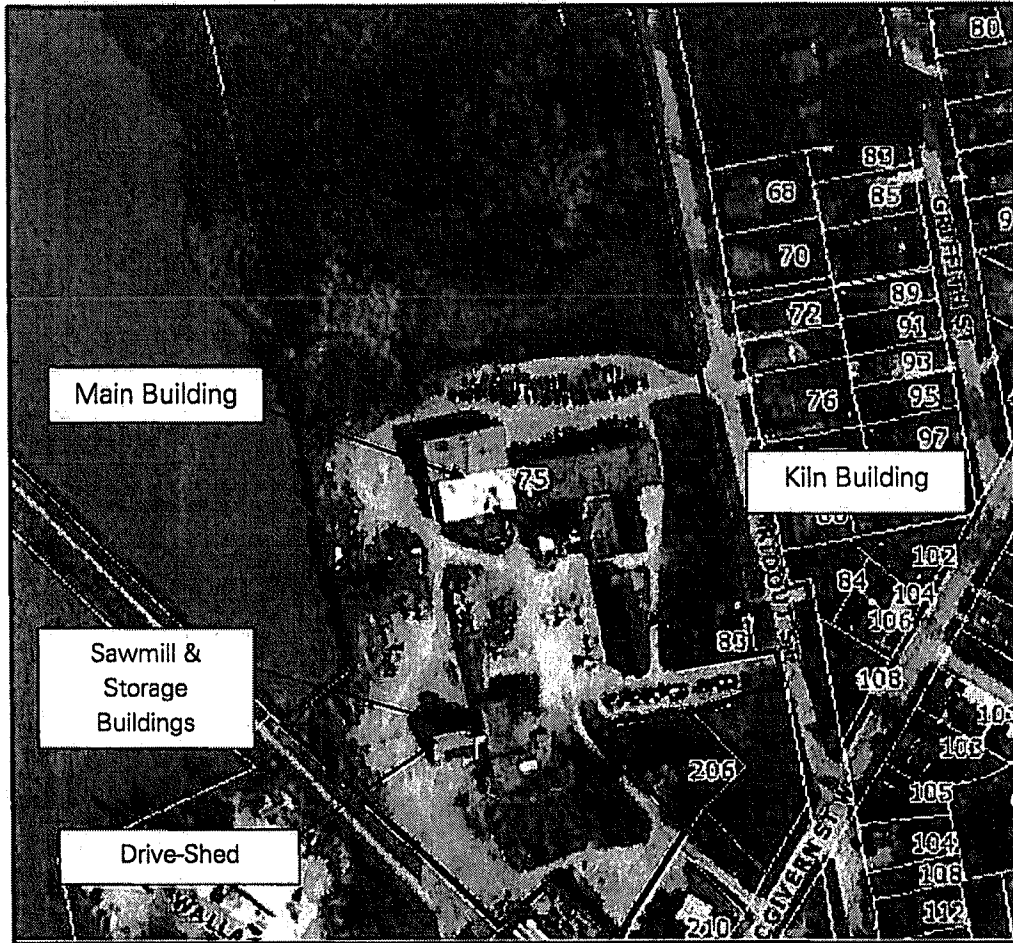
THIS IS EXHIBIT C REFERRED
TO IN THE AFFIDAVIT OF
ADAM HOFFMAN
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Stewart Thibaudeau 400408
A COMMISSIONER, ETC

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

Site Plan Sketch



THIS IS EXHIBIT D REFERRED
TO IN THE AFFIDAVIT OF

Adam Hoffmann
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault
A COMMISSIONER, ETC.

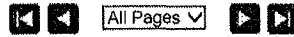
Scott Stewart Thibault, a Commissioner, etc.,
Province of Ontario, for Mid Ontario Paralegal
Service, and for work done within
your permitted scope of practice
as a licensed paralegal in Ontario.
r/s. Scott Thibault

ServiceOntario

[Main Menu](#) [New Enquiry](#)

Enquiry Result

File Currency: 01NOV 2016



Show All Pages

Note: All pages have been returned.

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

File Number	Family	of Families	Page	of Pages	Expiry Date	Status
697507524	1	10	1	23	27JUN 2019	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
697507524		01	002		20140627 1040 1529 8606	P PPSA	5

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

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

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

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

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

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

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

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	697507524	1	10	2	23	27JUN 2019			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
697507524		02	002		20140627 1040 1529 8606				
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address			City	Province	Postal Code			
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address			City	Province	Postal Code			
Secured Party	Secured Party / Lien Claimant								
	Address			City	Province	Postal Code			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make			Model	V.I.N.			
General Collateral Description	General Collateral Description								
	2013 HLA 3800 BLADE, SERIAL 147047								
Registering Agent	Registering Agent								
	Address				City	Province	Postal Code		

END OF FAMILY

Type of Search	Business Debtor		
	BG FURNITURE LTD.		

Search Conducted On									
File Currency	01NOV 2016								
File Number	Family	of Families	Page	of Pages	Expiry Date	Status			
697884291	2	10	3	23	10JUL 2018				
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
697884291		001	1		20140710 1314 1532 3258	P PPSA	4		
Individual Debtor	Date of Birth	First Given Name		Initial	Surname				
Business Debtor	Business Debtor Name			Ontario Corporation Number					
	BG FURNITURE LTD.								
	Address		City	Province	Postal Code				
	75 RIDEOUT STREET, BOX 140		WALKERTON	ON	N0G 2V0				
Individual Debtor	Date of Birth	First Given Name		Initial	Surname				
Business Debtor	Business Debtor Name			Ontario Corporation Number					
	Address			City	Province	Postal Code			
Secured Party	Secured Party / Lien Claimant								
	RPG RECEIVABLES PURCHASE GROUP INC.								
	Address		City	Province	Postal Code				
	300 - 221 LAKESHORE ROAD EAST		OAKVILLE	ON	L6J 1H7				
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X	X			
Motor Vehicle Description	Year	Make		Model		V.I.N.			
General Collateral Description	General Collateral Description								

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

CONTINUED

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

Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period
	697884291	X		A AMNDMNT		
Reference Debtor/ Transferor	First Given Name		Initial		Surname	
	BG FURNITURE LTD.		Business Debtor Name			
Other Change	Other Change					
Reason / Description	Reason / Description					
	AMEND DEBTOR ADDRESS FROM 75 RIDEOUT STREET, BOX 140, WALKERTON, ON N0G 2V0 TO 75 RIDEOUT STREET, BOX 1240, WALKERTON, ON N0G 2V0					
Debtor/ Transferee	Date of Birth	First Given Name		Initial	Surname	
		Business Debtor Name			Ontario Corporation Number	
		BG FURNITURE LTD.				
		Address		City	Province	Postal Code
		75 RIDEOUT STREET, BOX 1240		WALKERTON	ON	N0G 2V0
Assignor Name	Assignor Name					
Secured Party	Secured party, lien claimant, assignee					
		Address		City	Province	Postal Code
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included
Motor Vehicle Description	Year	Make		Model	V.I.N.	
General Collateral Description	General Collateral Description					
Registering Agent	Registering Agent or Secured Party/ Lien Claimant					
	CANADIAN SECURITIES REGISTRATION SYSTEMS					
	Address			City	Province	Postal Code
	4126 NORLAND AVENUE			BURNABY	BC	V5G 3S8

END OF FAMILY

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

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN							
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
698259708		001	002		20140723 1319 1862 7063	P PPSA	6

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

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

Secured Party	Secured Party / Lien Claimant			
	SARGEEN ECONOMIC DEVELOPMENT CORPORATION			
	Address	City	Province	Postal Code
	515 MILL STREET, P. O. BOX 177	NEUSTADT	ON	N0G 2M0

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

Motor Vehicle Description	Year	Make	Model	V.I.N.
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General Collateral Description: INCLUDES BUT NOT LIMITED TO THE SCIENTIFIC RESEARCH & EXPERIMENTAL DEVELOPMENT PROGRAM TAX CREDIT ADMINISTERED BY THE FEDERAL GOVERNMENT AND THE INVESTMENT TAX CREDIT PROGRAM AS ADMINISTERED BY THE

Registering Agent	Registering Agent			
	GRANT & ACHESON			
	Address	City	Province	Postal Code
	265 BRIDGE STREET, P.O. BOX 128	FERGUS	ON	N1M 2W7

CONTINUED

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

Address		City	Province	Postal Code
Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name		Ontario Corporation Number	
Address		City	Province	Postal Code
Secured Party	Secured Party / Lien Claimant			
BRUCE COMMUNITY FUTURES DEVELOPMENT CORPORATION				
Address		City	Province	Postal Code
233 BROADWAY STREET		KINCARDINE	ON	N2Z 2X9
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts
				Other
			Motor Vehicle Included	Amount
				Date of Maturity or
				No Fixed Maturity Date
Motor Vehicle Description	Year	Make	Model	V.I.N.
General Collateral Description	General Collateral Description			
	PROVINCE OF ONTARIO			

Registering Agent	Registering Agent			
Address		City	Province	Postal Code

CONTINUED

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

Reason / Description	Reason / Description TO AMEND THE GENERAL COLLATERAL DESCRIPTION IN THE ORIGINAL REGISTRATION BY REMOVING THE WORDS "INCLUDES BUT NOT"
-----------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------

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

Assignor Name	Assignor Name
Secured Party	Secured party, lien claimant, assignee
	Address
	City
	Province Postal Code

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
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Motor Vehicle Description	Year	Make	Model	V.I.N.
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General Collateral Description	General Collateral Description LIMITED TO THE SCIENTIFIC RESEARCH & EXPERIMENTAL DEVELOPMENT PROGRAM TAX CREDIT ADMINISTERED BY THE FEDERAL GOVERNMENT AND THE INVESTMENT TAX CREDIT PROGRAM AS ADMINISTERED BY THE PROVINCE OF
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Registering Agent	Registering Agent or Secured Party/ Lien Claimant GRANT & ACHESON LLP
	Address
	City
	Province
	Postal Code
	265 BRIDGE STREET, P.O. BOX 128
	FERGUS
	ON
	N1M 2W7

CONTINUED

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

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

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

Secured Party	Secured party, lien claimant, assignee			
	Address	City	Province	Postal Code

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
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Motor Vehicle Description	Year	Make	Model	V.I.N.
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General Collateral Description	General Collateral Description
	ONTARIO.

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

END OF FAMILY

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

File Number	Family	of Families	Page	of Pages	Expiry Date	Status
699347934	4	10	9	23	28AUG 2019	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
699347934		001	1		20140828 1637 6083 7593	P PPSA	5

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

75 RIDEOUT STREET, PO BOX 1240 WALKERTON ON N0G 2V0

Individual Debtor Date of Birth First Given Name Initial Surname

Business Debtor Business Debtor Name Ontario Corporation Number

Address City Province Postal Code

Secured Party Secured Party / Lien Claimant

MANORHOUSE LIMITED

Address City Province Postal Code
54 CRICKLEWOOD CRESCENT THORNHILL ON L3T 4T9

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X		250000		X

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

General Collateral Description General Collateral Description

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

CONTINUED

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

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

Assignor Name	Assignor Name
Secured Party	Secured party, lien claimant, assignee
Address	
City	
Province Postal Code	

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

Motor Vehicle Description	Year	Make	Model	V.I.N.
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General Collateral Description	General Collateral Description
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Registering Agent	Registering Agent or Secured Party/ Lien Claimant
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ESC CORPORATE SERVICES LTD.

Address	City	Province	Postal Code
445 KING STREET WEST, SUITE 400	TORONTO	ON	M5V1K4

END OF FAMILY

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

		Address	City	Province	Postal Code				
		257 4TH STREET CRESCENT	HANOVER	ON	N4N3S9				
Secured Party	Secured Party / Lien Claimant								
XEROX CANADA LTD									
		Address	City	Province	Postal Code				
		33 BLOOR ST. E. 3RD FLOOR	TORONTO	ON	M4W3H1				
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X		X				X
Motor Vehicle Description	Year	Make		Model		V.I.N.			
General Collateral Description		General Collateral Description							

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

END OF FAMILY

Type of Search	Business Debtor							
Search Conducted On	BG FURNITURE LTD.							
File Currency	01NOV 2016							
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status	
	706716855	6	10	12	23	03JUN 2018		
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN								
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period	
706716855		01	002		20150603 1033 8077 3122	P PPSA	3	

Individual Debtor	Date of Birth	First Given Name		Initial	Surname			
Business Debtor	Business Debtor Name		Ontario Corporation Number					
	BG FURNITURE LTD.							
	Address	City	Province	Postal Code				
	75 RIDEOUT STREET	WALKERTON	ON	N0G 2K0				
Individual Debtor	Date of Birth	First Given Name		Initial	Surname			
	02FEB1986	DIRK		P	NIELSON			
Business Debtor	Business Debtor Name		Ontario Corporation Number					

		Address	City	Province	Postal Code
		302 WESTWOOD DR S55	WALKERTON	ON	N0G 2V0
Secured Party	Secured Party / Lien Claimant				
BLUE CHIP LEASING CORPORATION					
		Address	City	Province	Postal Code
		156 DUNCAN MILL ROAD, UNIT 16	TORONTO	ON	M3B 3N2

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

CONTINUED

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

File Number	Family	of Families	Page	of Pages	Expiry Date	Status
706716855	6	10	13	23	03JUN 2018	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
706716855		02	002		20150603 1033 8077 3122		

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
	02FEB1986	DIRK		NIELSON
Business Debtor	Business Debtor Name			Ontario Corporation Number
	302 WESTWOOD DR SS5			
Address		City	Province	Postal Code
		WALKERTON	ON	N0G 2V0

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
	10MAR1964	ADAM		HOFMANN
Business Debtor	Business Debtor Name			Ontario Corporation Number
	257 4TH ST CRES			
Address		City	Province	Postal Code
		HANOVER	ON	N4N 3S9

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

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

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

General Collateral Description		General Collateral Description		
Registering Agent	Registering Agent			
Address		City	Province	Postal Code

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages				
	706716855	6	10	14	23				
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT									
	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under			
		001	3		20150901 0944 1901 8919				
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period			
	706716855			A AMNDMNT					
Reference Debtor/ Transferor	First Given Name			Initial	Surname				
	Business Debtor Name								
	BG FURNITURE LTD.								
Other Change	Other Change								
Reason / Description	Reason / Description								
	AMEND GENERAL COLLATERAL AMEND DEBTOR FROM ADAM MICHAEL HOFMANN 257 4TH ST CRES HANOVER, ON, N4N3S9 (DOB 10 MAR 1964) TO ADAM M HOFMANN 257 4TH ST CRES HANOVER, ON, N4N3S9 (DOB 10 MAR 1964)								
Debtor/ Transferee	Date of Birth	First Given Name		Initial	Surname				
	10MAR1964	ADAM		M	HOFMANN				
	Business Debtor Name							Ontario Corporation Number	
	Address			City	Province	Postal Code			
	257 4TH ST CRES			HANOVER	ON	N4N 3S9			
Assignor Name	Assignor Name								
Secured Party	Secured party, lien claimant, assignee								
	Address			City	Province	Postal Code			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date

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

General Collateral Description
 1 - OMGA DOUBLE (TWO HEAD) MITRE SAW, WITH VERTICAL CLAMPS, HORIZONTAL CLAMPS AND ALL CARPENTRY EQUIPMENT OF EVERY NATURE OR KIND DESCRIBED IN LEASE NUMBER 40116 (40636) BETWEEN THE SECURED PARTY,

Registering Agent	Registering Agent or Secured Party/ Lien Claimant			
AVS SYSTEMS INC.	Address	City	Province	Postal Code
	201 - 1325 POLSON DR.	VERNON	BC	V1T 8H2

CONTINUED

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

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

General Collateral Description General Collateral Description
 AS LESSOR AND THE DEBTOR AS LESSEE, AS AMENDED FROM TIME TO TIME,
 TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, SUBSTITUTIONS AND ALL
 PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING

Registering Agent Registering Agent or Secured Party/ Lien Claimant

	Address	City	Province	Postal Code

CONTINUED

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

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

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

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

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

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

Other Change Other Change

Reason / Description Reason / Description

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

Assignor Name Assignor Name

Secured Party Secured party, lien claimant, assignee

	Address	City	Province	Postal Code
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Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
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Motor Vehicle Description	Year	Make	Model	V.I.N.
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General Collateral Description: WITH THE COLLATERAL OR PROCEEDS THEREOF.

Registering Agent: Registering Agent or Secured Party/ Lien Claimant

	Address	City	Province	Postal Code
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END OF FAMILY

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	709217757	7	10	17	23	21AUG 2017			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
709217757		001	1		20150821 1712 6083 5601	P PPSA	2		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	BG FURNITURE LTD.					2404489			
	Address			City	Province	Postal Code			
	75 RIDOUT STREET			WALKERTON	ON	N0G 2V0			
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address			City	Province	Postal Code			
Secured Party	Secured Party / Lien Claimant								
	PLATINUM INVESTMENT GROUP INC.								
	Address			City	Province	Postal Code			
	3-109 OLD KINGSTON ROAD			AJAX	ON	L1T 3A6			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
	X	X	X	X	X		287500		
	Year	Make			Model	V.I.N.			

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

CONTINUED

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

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

END OF FAMILY

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	709508421	8	10	19	23	01SEP 2025			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
709508421		001	1		20150901 0815 1590 2566	P PPSA	10		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	BG FURNITURE LTD.					002404489			
	Address			City	Province	Postal Code			
	75 RIDOUT ST			WALKERTON	ON	N0G 2V0			
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address			City	Province	Postal Code			
Secured Party	Secured Party / Lien Claimant								
	GRENVILLE STRATEGIC ROYALTY CORP.								
	Address			City	Province	Postal Code			
	220 BAY STREET, SUITE 5000			TORONTO	ON	M5J 2W4			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X	X			
Motor Vehicle Description	Year	Make			Model	V.I.N.			
General Collateral Description	General Collateral Description								

Registering Agent				
OWENS WRIGHT LLP (JUSTINE DE PALMA)				
Address		City	Province	Postal Code
300 - 20 HOLLY STREET		TORONTO	ON	M4S 3B1

END OF FAMILY

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	712901835	9	10	20	23	24DEC 2020			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
712901835		001	3		20151224 1045 2350 0073	P PPSA	05		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	BG FURNITURE LTD.					2404489			
	Address			City	Province	Postal Code			
	75 RIDOUT STREET			WALKERTON	ON	N0G 2V0			
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address			City	Province	Postal Code			
Secured Party	Secured Party / Lien Claimant								
	ADAM HOFFMAN								
	Address			City	Province	Postal Code			
	75 RIDOUT STREET			WALKERTON	ON	N0G 2V0			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
	X	X	X	X	X		1500000		X
Motor Vehicle Description	Year	Make			Model	V.I.N.			
General Collateral Description	General Collateral Description								
	ACCOUNTS, EQUIPMENT, DOCUMENTS, AGREEMENTS, GOODWILL, LICENCES, CHATTELS, INVENTORY, LEASES, SHARES								
Registering Agent	Registering Agent								
	ANDREW S. MACDONALD								
	Address			City	Province	Postal Code			
	42 WATERLOO STREET SOUTH			STRATFORD	ON	N5A 4A7			

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	BG FURNITURE LTD.								
File Currency	01NOV 2016								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	712901835	9	10	21	23	24DEC 2020			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
712901835		002	3		20151224 1045 2350 0073				
Individual Debtor	Date of Birth	First Given Name		Initial	Surname				
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address			City	Province	Postal Code			
Individual Debtor	Date of Birth	First Given Name		Initial	Surname				
Business Debtor	Business Debtor Name					Ontario Corporation Number			
	Address			City	Province	Postal Code			
Secured Party	Secured Party / Lien Claimant								
	DIRK PETER NIELSON								
	Address			City	Province	Postal Code			
	75 RIDOUT STREET			WALKERTON	ON	N0G 2V0			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make		Model		V.I.N.			
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent								
	Address			City	Province	Postal Code			

CONTINUED

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

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

Individual Debtor Date of Birth First Given Name Initial Surname

Business Debtor Business Debtor Name Ontario Corporation Number

Address City Province Postal Code

Individual Debtor Date of Birth First Given Name Initial Surname

Business Debtor Business Debtor Name Ontario Corporation Number

Address City Province Postal Code

Secured Party Secured Party / Lien Claimant

2110785 ONTARIO INC. Address City Province Postal Code

75 RIDOUT STREET WALKERTON ON N0G 2V0

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

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

General Collateral Description General Collateral Description

Registering Agent	Registering Agent			
	Address	City	Province	Postal Code

END OF FAMILY

Type of Search Business Debtor

Search Conducted On BG FURNITURE LTD.

File Currency 01NOV 2016

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

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

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

Individual Debtor Date of Birth First Given Name Initial Surname

Business Debtor Business Debtor Name Ontario Corporation Number

BG FURNITURE LTD.

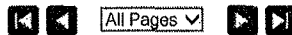
		Address		City	Province	Postal Code			
		75 RIDOUT ST GD		WALKERTON	ON	N0G 2V0			
Individual Debtor	Date of Birth	First Given Name		Initial	Surname				
Business Debtor	Business Debtor Name			Ontario Corporation Number					
		Address		City	Province	Postal Code			
Secured Party	Secured Party / Lien Claimant								
HER MAJESTY IN RIGHT OF ONTARIO REPRESENTED BY THE MINISTER OF FINANCE									
		Address		City	Province	Postal Code			
		5 PARK HOME AVENUE, 2ND FLOOR		TORONTO	ON	M2N 6W8			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X	X	X	X		20994	28MAY2021	
Motor Vehicle Description	Year	Make		Model		V.I.N.			
General Collateral Description	General Collateral Description								

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

LAST PAGE

Note: All pages have been returned.

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

19 DAY OF December 2011

Scott Thibault #00406
A COMMISSIONER, ETC.

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



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PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

LAND
REGISTRY
OFFICE #3

33198-0287 (LT)

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

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

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

PROPERTY REMARKS:

ESTATE/QUALIFIER:
FEE SIMPLE
LT CONVERSION QUALIFIED

RECENTLY:
DIVISION FROM 33198-0285

PIN CREATION DATE:
2011/06/30

OWNERS' NAMES
BG FURNITURE LTD.

CAPACITY SHARE

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

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

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

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

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THIS IS EXHIBIT F REFERRED
TO IN THE AFFIDAVIT OF

Adrian Hoffmann
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault 000406
A COMMISSIONER, ETC.

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

2016

SECURED PROMISSORY NOTE
(the "Note")

Date: September 2, 2015

\$87,813.00 CDN.

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

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

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

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

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

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


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

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

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

IN WITNESS WHEREOF the Payor has executed this Note.


BG FURNITURE LTD.



Name: *Adam Hoffmann*
Title: *PRESIDENT*

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

19 DAY OF December 2016



A COMMISSIONER, ETC.

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

GENERAL SECURITY AGREEMENT

THIS AGREEMENT made the 29th day of July, 2014

BETWEEN:

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

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

- and -

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Debtor acknowledges and confirms that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SIGNED, SEALED AND DELIVERED


MANORHOUSE LIMITED

Per:

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

BG FURNITURE LTD.


Per:



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

BG FURNITURE LTD.

Per:



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

THIS IS EXHIBIT 14 REFERRED
TO IN THE AFFIDAVIT OF
Ayaz Hothoven
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault 000406
A COMMISSIONER, ETC.

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

Assignment of Debt & Security

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

B E T W E E N

MANORHOUSE LIMITED

(the "Assignor")

-and-

2544311 ONTARIO LIMITED

(the "Assignee")

WHEREAS:

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

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

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

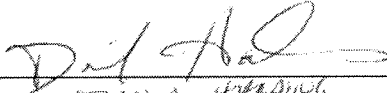
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3. Purchase Price. The Assignee shall pay to the Assignor the purchase price in the amount of FORTY THOUSAND TWO HUNDRED FIFTY FIVE DOLLARS AND THIRTEEN CENTS (\$40,255.13) (the "**Purchase Price**"). which shall be paid by electronic funds transfer,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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

MANORHOUSE LIMITED, as Assignor



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

**2544311 ONTARIO LIMITED, as
Assignee**

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

Schedule "A"
Debt Instruments

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

Schedule "B"
Security

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

**Schedule "C"
Registrations**

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

THIS IS EXHIBIT I REFERRED
TO IN THE AFFIDAVIT OF
Asa HOFFMAN
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 11

Scott Thibault *paralegal*
A COMMISSIONER, ETC.

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

7

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

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

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

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



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

BG FURNITURE LTD.

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

GRENVILLE STRATEGIC ROYALTY CORP.

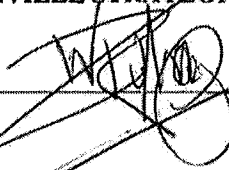
Per: 
Name: William K. King
Title: CEO & Dir.

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SCHEDULE "A"

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

ARTICLE 1 INTERPRETATION

1.1 Definitions

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

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

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

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

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

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

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

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

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

"**Maturity Date**" means October 31, 2016;

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

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

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

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

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

1.2 Interpretation

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

1.3 Headings, Etc.

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

1.4 Day Not a Business Day

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

1.5 Currency

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

1.6 Interest

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

1.7 Prepayment

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

ARTICLE 2 COVENANTS

2.1 Covenants

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

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

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

ARTICLE 3 CONVERSION

3.1 Optional Conversion prior to Maturity Date

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

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

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

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

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

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

3.2 Whole Shares Only

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

3.3 No Requirement to Issue Fractional Shares

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

3.4 Company to Create Preferred Shares

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

3.5 Corporate Agreements

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

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

3.6 Adjustments

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

- (a) If, and whenever at any time and from time to time the Company shall (i) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine, consolidate or change its then outstanding Common Shares into a lesser number of Common Shares, or (iii) issue Common Shares (or securities exchangeable or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of stock dividend or other distribution (other than a dividend in the ordinary course paid in Common Shares or securities exchangeable or convertible into Common Shares) (any of such events being a "Share Reorganization"), the Conversion Price shall be adjusted effective immediately after the effective date or record date for the Share Reorganization, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by the quotient obtained when:
- A. the number of Common Shares outstanding on such effective date or record date before giving effect to the Share Reorganization,
- is divided by
- B. the number of Common Shares outstanding immediately after the completion of such Share Reorganization (but before giving effect to the issue of any Common Shares issued after such record date otherwise than as part of such Share Reorganization) including, in the case where securities exchangeable or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date.
- (b) If and whenever there is a capital reorganization of the Company not otherwise provided for in Section 3.6(a) or a consolidation, merger, arrangement or amalgamation (statutory or otherwise) of the Company with or into another body corporate (any such event being a "Capital Reorganization"), if the Outstanding Amount has not been converted prior to the effective date or record date for such Capital Reorganization then the Holder shall be entitled to receive and shall accept, upon the conversion of the Outstanding Amount at any time after the effective date or record date for such Capital Reorganization, in lieu of the number of Preferred Shares to which the Holder was theretofore entitled upon conversion, the aggregate number of Preferred Shares, or other securities of the Company

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

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

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

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

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

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

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

ARTICLE 4 EVENTS OF DEFAULT

4.1 Events of Default

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

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

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

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

4.2 Consequences of an Event of Default

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

4.3 Costs of Realization

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

ARTICLE 5 MISCELLANEOUS

5.1 Discharge

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

5.2 Waiver

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

5.3 No Merger or Novation

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

5.4 Governing Law

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

5.5 Notices

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

5.6 Time of the Essence

Time shall be of the essence of this Note.

5.7 Maximum Rate Permitted by Law

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

5.8 No Partnership

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

5.9 Invalidity of any Provisions

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

5.10 Specific Performance

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

5.11 Successors and Assigns, etc.

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

5.12 Amendments

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

5.13 Expenses

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

5.14 Counterparts

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

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

To: BG Furniture Ltd.

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

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

Dated the __ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

TERM SHEET

SUMMARY OF PREFERRED SHARE TERMS

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

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

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

the fair value of such share.

Information Rights:

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

Rights of First Refusal and Co-Sale:

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

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

Drag-Along Rights:

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

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

CONVERSION NOTICE RE PREFERRED SHARES

To: BG Furniture Ltd.

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

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

Dated the __ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

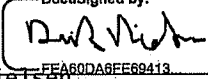
PRINCIPAL AMOUNT: CDN\$50,000
(the "Principal Amount")

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

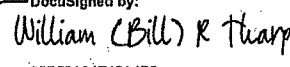
By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.

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

BG FURNITURE LTD.

DocuSigned by:

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

GRENVILLE STRATEGIC ROYALTY CORP.

DocuSigned by:

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

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

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

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

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

DW

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

BG FURNITURE LTD.

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

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name:
Title:

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RW

SCHEDULE "A"

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

ARTICLE 1 INTERPRETATION

1.1 Definitions

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

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

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

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

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

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

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

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

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

"Maturity Date" means December 15, 2016;

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

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

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

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

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

1.2 Interpretation

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

1.3 Headings, Etc.

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

1.4 Day Not a Business Day

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

1.5 Currency

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

1.6 Interest

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

1.7 Prepayment

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

1.8 Additional Note

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

ARTICLE 2 COVENANTS

2.1 Covenants

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

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

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

ARTICLE 3 CONVERSION

3.1 Optional Conversion prior to Maturity Date

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

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

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

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

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

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

3.2 Whole Shares Only

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

3.3 No Requirement to Issue Fractional Shares

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

3.4 Company to Create Preferred Shares

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

3.5 Corporate Agreements

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

3.6 Adjustments

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

- (a) If, and whenever at any time and from time to time the Company shall (i) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine, consolidate or change its then outstanding Common Shares into a lesser number of Common Shares, or (iii) issue Common Shares (or securities exchangeable or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of stock dividend or other distribution (other than a dividend in the ordinary course paid in Common Shares or securities exchangeable or convertible into Common Shares) (any of such events being a “**Share Reorganization**”), the Conversion Price shall be adjusted effective immediately after the effective date or record date for the Share Reorganization, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by the quotient obtained when:
- A. the number of Common Shares outstanding on such effective date or record date before giving effect to the Share Reorganization,
- is divided by
- B. the number of Common Shares outstanding immediately after the completion of such Share Reorganization (but before giving effect to the issue of any Common Shares issued after such record date otherwise than as part of such Share Reorganization) including, in the case where securities exchangeable or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date.
- (b) If and whenever there is a capital reorganization of the Company not otherwise provided for in Section 3.6(a) or a consolidation, merger, arrangement or amalgamation (statutory or otherwise) of the Company with or into another body corporate (any such event being a “**Capital Reorganization**”), if the Outstanding Amount has not been converted prior to the effective date or record date for such Capital Reorganization then the Holder shall be

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

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

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

- (e) For the purposes of this Note:

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

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

**ARTICLE 4
EVENTS OF DEFAULT**

4.1 Events of Default

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

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

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

4.2 Consequences of an Event of Default

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

4.3 Costs of Realization

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

ARTICLE 5 MISCELLANEOUS

5.1 Discharge

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

5.2 Waiver

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

5.3 No Merger or Novation

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

5.4 Governing Law

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

5.5 Notices

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

5.6 Time of the Essence

Time shall be of the essence of this Note.

5.7 Maximum Rate Permitted by Law

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

5.8 No Partnership

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

5.9 Invalidity of any Provisions

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

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

5.10 Specific Performance

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

5.11 Successors and Assigns, etc.

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

5.12 Amendments

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

5.13 Expenses

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

5.14 Counterparts

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

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

CONVERSION NOTICE RE ADDITIONAL ROYALTY INTERESTS

To: BG Furniture Ltd.

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

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

Dated the __ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

TERM SHEET

SUMMARY OF PREFERRED SHARE TERMS

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

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

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

the fair value of such share.

Information Rights:

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

Rights of First Refusal and Co-Sale:

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

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

Drag-Along Rights:

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

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

To: BG Furniture Ltd.

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

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

Dated the ___ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

CONVERTIBLE PROMISSORY NOTE

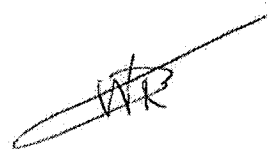
BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

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


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

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

A handwritten signature in black ink, appearing to be "WTR", is written over a horizontal line.

IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of December 21, 2019.

IG FURNITURE LTD.

Per: 
Name: Aron McFadden
Title: Chief Executive Officer / APPLICANT

GRENVILLE STRATEGIC ROYALTY CORP.


Per: 
Name: William R. Tharp
Title: CEO & Director

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SCHEDULE "A"

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

ARTICLE I INTERPRETATION

1.1 Definitions

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

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

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

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

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

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

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

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

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

"**Maturity Date**" means December 23, 2016;

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

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

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

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

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

1.2 Interpretation

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

1.3 Headings, Etc.

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

1.4 Day Not a Business Day

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

1.5 Currency

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

1.6 Interest

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

1.7 Prepayment

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

1.8 Additional Note

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

ARTICLE 2 COVENANTS

2.1 Covenants

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

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

ARTICLE 3 CONVERSION

3.1 Optional Conversion prior to Maturity Date

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

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

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

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

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

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

3.2 Whole Shares Only

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

3.3 No Requirement to Issue Fractional Shares

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

3.4 Company to Create Preferred Shares

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

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

3.5 Corporate Agreements

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

3.6 Adjustments

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

- (a) If, and whenever at any time and from time to time the Company shall (i) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine, consolidate or change its then outstanding Common Shares into a lesser number of Common Shares, or (iii) issue Common Shares (or securities exchangeable or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of stock dividend or other distribution (other than a dividend in the ordinary course paid in Common Shares or securities exchangeable or convertible into Common Shares) (any of such events being a "Share Reorganization"), the Conversion Price shall be adjusted effective immediately after the effective date or record date for the Share Reorganization, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by the quotient obtained when:
- A. the number of Common Shares outstanding on such effective date or record date before giving effect to the Share Reorganization,
- is divided by
- B. the number of Common Shares outstanding immediately after the completion of such Share Reorganization (but before giving effect to the issue of any Common Shares issued after such record date otherwise than as part of such Share Reorganization) including, in the case where securities exchangeable or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date.
- (b) If and whenever there is a capital reorganization of the Company not otherwise provided for in Section 3.6(a) or a consolidation, merger, arrangement or amalgamation (statutory

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

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

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

(c) For the purposes of this Nine:

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

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

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

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

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

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

ARTICLE 4 EVENTS OF DEFAULT

4.1 Events of Default

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

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

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

4.2 Consequences of an Event of Default

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

4.3 Costs of Realization

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

ARTICLE 5 MISCELLANEOUS

5.1 Discharge

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

5.2 Waiver

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

5.3 No Merger or Novation

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

5.4 Governing Law

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

5.5 Notices

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

5.6 Time of the Essence

Time shall be of the essence of this Note.

5.7 Maximum Rate Permitted by Law

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

5.8 No Partnership

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

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

5.9 Invalidity of any Provisions

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

5.10 Specific Performance

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

5.11 Successors and Assigns, etc.

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

5.12 Amendments

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

5.13 Expenses

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

5.14 Counterparts

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

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

To: **BC Furniture Ltd.**

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

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

Dated the day of .

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

TERM SHEET

SUMMARY OF PREFERRED SHARE TERMS

Issuer:	BQ Furniture Ltd. (the "Company")
Investor:	Grenville Strategic Royalty Corp. ("Grenville")
Capitalization of the Company:	Grenville to invest up to CDN\$100,000 in exchange for preferred shares representing 20% of the fully diluted share ownership of the Company post financing
Price:	\$XX per share (the "Original Purchase Price").
Type of Security:	Series A Convertible Preferred Shares (the "Series A Preferred") of the Company, initially convertible on a 1:1 basis into common shares of the Company (the "Common Stock").
Ranking:	The Series A Preferred will rank senior to the Company's Common Stock with respect to dividends, liquidation, dissolution, voting and redemption.
Dividends:	The Series A Preferred will carry a cumulative annual dividend at the rate of 8% of the Original Purchase Price, payable upon a liquidation, whether or not declared, and prior and in preference to any declaration or payment of dividends to holders of the Common Stock. For any other dividends or similar distributions (other than a return of capital), the Series A Preferred will participate with the Common Stock on an as-if-converted basis.
Liquidation Preference:	In the event of a liquidation, dissolution or winding-up of the Company, the proceeds shall be distributed to the stockholders as follows: The Series A Preferred shall be entitled to receive, prior and in preference to the holders of the Common, a per share amount equal to 1 times the Original Purchase Price plus all declared and unpaid dividends. After such distribution, the remaining assets of the Corporation, if any, available for distribution to shareholders shall be distributed on a <i>pro rata</i> basis to holders of the Series A Preferred and the holders of Common Stock. A merger, acquisition, sale or transfer of 50% or more of the outstanding voting power of the Company, or sale or exclusive license of all or a material portion of the assets or intellectual property of the Company

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

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

the fair value of such share.

Information Rights:

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

Rights of First Refusal and Co-Sale:

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

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

Drag-Along Rights:

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

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

To: BG Furniture Ltd.

Reference is made to the Convertible Promissory Note dated December 21, 2015 (the "Note") issued to the undersigned by BG Furniture Ltd. (the "Company"). In accordance with and pursuant to the terms of the Note, effective as of the date hereof the undersigned hereby elects to convert the Outstanding Amount into such number of Preferred Shares as is determined pursuant to the terms of the Note and directs that such shares be registered, issued and delivered to the undersigned or as the undersigned may otherwise direct in writing.

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

Dated the ___ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

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

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


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

DS
WRT

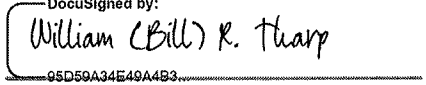


IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of January 7, 2016.

BG FURNITURE LTD.

Per: 
Name: *Abdul H. H. H.*
Title: Chief Executive Officer / *ABESIDENT*

GRENVILLE STRATEGIC ROYALTY CORP.

DocuSigned by:

Per: *William (Bill) R. Tharp*
Name: william (Bill) R. Tharp
Title: Director and CEO

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

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


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

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



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

BG FURNITURE LTD.

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

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name:
Title:

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

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



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

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



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

BG FURNITURE LTD.

Per: 
Name: 
Title: Chief Executive Officer

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name:
Title:

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

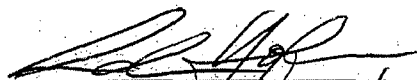
PRINCIPAL AMOUNT: CDN\$45,000
(the "Principal Amount")

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

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

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

BG FURNITURE LTD.

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

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name: _____
Title: _____