

THIS IS EXHIBIT   J   REFERRED  
TO IN THE AFFIDAVIT OF  
  Agnieszka Hoffmann    
SWORN BEFORE ME ON THIS THE

  19   DAY OF   December   20   16  

  Scott Thibaudeau    
A COMMISSIONER, ETC.

  P00406  

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.  
P00406

## ROYALTY PURCHASE AGREEMENT

THIS AGREEMENT is made October 17<sup>th</sup>, 2014,

BETWEEN:

**BG FURNITURE LTD.**  
(the "Corporation")

- and -

**GRENVILLE STRATEGIC ROYALTY CORP.**  
(the "Purchaser")

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

THE PARTIES agree as follows:

### ARTICLE 1 DEFINITIONS AND INTERPRETATION

#### 1.1 Definitions

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

#### 1.2 Certain Rules of Interpretation

In this Agreement:

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

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

### **1.3 Knowledge**

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

### **1.4 Entire Agreement; Waiver**

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

### **1.5 Disclosure Letter**

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

## **ARTICLE 2 INSTALLMENTS AND ROYALTIES**

### **2.1 Payment of Installments**

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

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

## 2.2 Gross Sales Royalty

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

## 2.3 Minimum Monthly Amount

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

## 2.4 Payment Mechanism, Adjustments and Delinquent Royalty Payments

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

## **2.5 Payment of Royalty Payments and Buyout Amounts**

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

## **2.6 Royalty Payments Following Termination**

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

## **2.7 Audit Right**

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

## 2.8 Dispute Mechanism

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

## 2.9 Buy-down Options and Change of Control Buyout Option

- (a) Subject to Section 2.9(b):
  - (i) at any time following the date on which the Purchaser has received aggregate Royalty Payments totalling an amount equal to the then applicable Aggregate Installment Amount, the Corporation may by delivery of notice in writing to the Purchaser (a "**Buy-down Notice**") purchase and extinguish 50% (but no more or less) of all amounts owing or to become owing to the Purchaser hereunder (but excluding any amounts which may become owing under Section 2.12(c)), including the Outstanding Installment Amount and the Gross Sales Royalty applicable thereto (such that, for greater certainty, the applicable Gross Sales Royalty and the applicable Minimum Monthly Amount will thereafter each be reduced by 50%) (the "**Buy-down Option**"), upon payment to the Purchaser by wire transfer of immediately available funds on a date that is no later than the third Business Day following the date of the Buy-down Notice of an amount equal to the then applicable Aggregate Installment Amount multiplied by 0.50 (the "**Buy-down Payment**");
  - (ii) if one or more Subsequent Installments have been paid to the Corporation, the Buy-down Payment will be increased proportionately based on the

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

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



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

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

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

## **2.10 Acknowledgments and Obligations of the Corporation**

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

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

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

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

## **2.11 Conditions to Payment of Installments**

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

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

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

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

## **2.12 Event of Default Trigger Event and Bankruptcy Occurrence Trigger Event**

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

### **ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION**

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

#### **3.1 Incorporation and Organization**

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

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

#### **3.2 Corporate Records**

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

#### **3.3 Subsidiaries**

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

#### **3.4 Qualification in Foreign Jurisdictions**

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

### **3.5 Authorized and Issued Outstanding Capital**

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

### **3.6 Corporate Authorization**

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

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

### **3.7 No Governmental or Third Party Consents**

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

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

### **3.8 Financial Statements**

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

### **3.9 Absence of Certain Changes**

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

### **3.10 Properties, Leases, Etc.**

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

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

### **3.11 Indebtedness**

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



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

### **3.12 Absence of Undisclosed Liabilities**

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

### **3.13 Tax Matters**

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

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

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

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

### **3.14 Litigation**

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

### **3.15 Employment Contracts**

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

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

### **3.16 Material Contracts**

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

### **3.17 Insiders**

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

### **3.18 Business Intellectual Property**

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

### **3.19 Intellectual Property Rights**

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

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

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

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

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

### **3.20 Insurance**

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

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

### **3.21 Brokers**

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

### **3.22 No Sale Agreements**

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

### **3.23 Compliance with Other Instruments, Laws, Etc.**

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

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

### **3.24 Agreements Restricting Business**

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

### **3.25 Absence of Questionable Payments**

To the knowledge of the Corporation, no member of the BG Group or, to the knowledge of the Corporation, any director, officer, agent or employee of any of the foregoing or any other Person acting on behalf of any of the foregoing, has used any corporate or other funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to government officials or others or established or maintained any unlawful or unrecorded funds in connection with the Business. No member of the BG Group or, to the knowledge of the Corporation, any director, officer, agent or employee of any of the foregoing or any other Person acting on behalf of any of the foregoing, has accepted or received any unlawful contributions, payments, gifts or expenditures in connection with the Business.

### **3.26 Change of Control**

Except as disclosed in Section 3.26 of the Disclosure Letter, no member of the BG Group has approved, is contemplating, considering or has held discussions in respect of, has entered into any Contract in respect of, or has any knowledge of:

- (a) a proposed Change of Control; or
- (b) any Contract, or any right or privilege capable of becoming a Contract, for the purchase, sale, transfer or other disposition of any material property or assets or any interest therein owned directly or indirectly by any member of the BG Group (including, in the case of the Corporation, any of the outstanding shares of any BG Subsidiary).

### **3.27 Disclosure**

- (a) No representation or warranty by the Corporation in this Agreement or in the Disclosure Letter contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact required to be stated in this Agreement or necessary to make the statements contained in this Agreement not false or misleading.
- (b) To the knowledge of the Corporation, there is no fact or circumstance relating specifically to the Business or the members of the BG Group that could

reasonably be expected to result in a Material Adverse Effect and that is not disclosed in the Disclosure Letter.

The Corporation has made available to the Purchaser or its counsel all information reasonably available to the Corporation that the Purchaser (or its counsel) has requested.

#### **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

The Purchaser represents and warrants to the Corporation as of the date on which the Initial Installment is paid to the Corporation as follows, and acknowledges that the representations and warranties contained in this Agreement are made by it with the intent that they may be relied upon by the Corporation.

##### **4.1 Incorporation and Organization**

The Purchaser is a corporation incorporated and validly subsisting under the laws of the Province of British Columbia, and is in good standing under such laws.

##### **4.2 Corporate Authorization**

- (a) The execution and delivery of this Agreement and the consummation of the Transaction have been duly authorized by all necessary corporate action on the part of the Purchaser.
- (b) This Agreement constitutes, a valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought and except as rights to indemnity and contribution may be limited by Law.

##### **4.3 Purchasing for Investment Purposes**

The Purchaser is acquiring the interest granted to it herein for investment purposes only and not with a view to the resale or distribution of any portion of such interest.

##### **4.4 Purchase as Principal**

The Purchaser is acquiring the interest granted to it herein as principal for its own account, and not on behalf of or for the benefit of any other Person.

#### **ARTICLE 5 SURVIVAL AND INDEMNIFICATION**

##### **5.1 Survival**

Subject to the limitations contained in this Agreement, all representations and warranties contained in this Agreement on the part of each of the Parties will survive the date hereof for a period of two (2) years following the date of this Agreement.

## 5.2 Indemnification Obligations

- (a) All covenants, representations and warranties made in this Agreement by the Corporation are deemed to have been relied on by the Purchaser, notwithstanding any investigation made by or on behalf of the Purchaser. Subject to the limitations set forth in Section 5.2(b) and subject to Section 5.2(c), the members of the BG Group (the "**Indemnitors**"), for each of which the Corporation acts as agent hereunder, will jointly and severally indemnify, defend and hold harmless the Purchaser, and each of the Purchaser's officers, directors, employees, agents, advisors, representatives and affiliates, and the respective successors, assigns, heirs, executors, administrators and legal and personal representatives of each of the foregoing (each, an "**Indemnitee**"), from and against all Direct Damages incurred or suffered by any of them in any capacity and resulting from or relating to the occurrence of a Non-Monetary Event of Default.
- (b) The obligations of the Indemnitors under Section 5.2(a) are subject to the following limitations:
  - (i) except for the matters referred to in paragraphs (ii) and (iii) hereof, the obligations of the Indemnitors under Section 5.2(a) will terminate on the date that is two (2) years following the date of this Agreement, except with respect to bona fide claims by any Indemnitee set forth in written notices given by them to the Corporation prior to such date;
  - (ii) the obligations of the Indemnitors in respect of any claim relating to Tax matters, including any claim arising out of Section 3.12, will terminate on the date that is ninety (90) days after the relevant Governmental Authorities are no longer entitled to assess or reassess liability for Taxes (other than interest, penalties, fines, additions to Tax or other additional amounts) against the applicable member of the BG Group, having regard to any waivers given by any such entity in respect of any taxation year, except with respect to bona fide claims by any Indemnitee set forth in written notices given to the Corporation prior to such date;
  - (iii) the obligations of the Indemnitors in respect of any claim based upon fraud or intentional misrepresentation shall survive indefinitely; and
  - (iv) the liability of the Indemnitors under Section 5.2(a), whether alone or in the aggregate, shall be limited to an amount equal to the Aggregate Installment Amount.
- (c) The Indemnitors, for each of which the Corporation acts as agent hereunder, will jointly and severally indemnify, defend and hold harmless the Indemnitees from and against all Direct Damages and Indirect Damages incurred or suffered by any of them in any capacity and resulting from or relating to:
  - (i) an Event of Default;
  - (ii) a Bankruptcy Occurrence; or



- (iii) a breach by the Corporation of Section 6.8.

The rights of indemnity under Section 5.2(c) shall not be subject to any monetary limitation and shall be in addition to, and not in substitution for, all of the rights and remedies of the Indemnitees otherwise afforded to the Indemnitees by law, equity or otherwise in respect of the occurrence of an Event of Default, a Bankruptcy Occurrence or a breach by the Corporation of Section 6.8, including all rights and remedies of the Purchaser under Section 2.12.

## **ARTICLE 6 GENERAL**

### **6.1 Notices**

Any notice given in connection with this Agreement must be in writing and is sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by electronic means:

- (a) in the case of a notice to the Corporation at:

75 Ridout Street, Box 1240  
Walkerton, Ontario N0G 2V0  
Attention: Adam Hofmann  
Email: [ahofmann@bgfurniture.ca](mailto:ahofmann@bgfurniture.ca)

- (b) in the case of a notice to the Purchaser at:

243 Queen Street West, 3rd Floor  
Toronto, Ontario M5V 1Z4  
Attention: William R. Tharp  
Email: [bill@GrenvilleSRC.com](mailto:bill@GrenvilleSRC.com)

Any notice delivered or transmitted to a Party in accordance with the foregoing is deemed given and received on the day it is delivered or transmitted if it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. If the notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day, then the notice is deemed to have been given and received on the next Business Day. Any Party may, from time to time, change its physical address or email address by giving notice to the other Parties in accordance with the provisions of this Section 6.1.

### **6.2 Announcements**

Except as otherwise required by Law (including in order to comply with continuous disclosure or other requirements under securities Laws), following the date hereof, the Corporation may make reasonable disclosure of the completion and nature of the Transaction only with the prior written consent of the Purchaser, such consent not to be unreasonably withheld or delayed, and, except as otherwise required by Law (including in order to comply with continuous disclosure or other requirements under securities Laws), the Purchaser may make reasonable disclosure of the completion and nature of the Transaction only with the prior written consent of the Corporation,

such consent not to be unreasonably withheld or delayed. The Corporation hereby consents to the reasonable disclosure by the Purchaser of the completion and nature of the Transaction to Governmental Authorities, the Purchaser's shareholders and to any other Person in connection with any financing, offering, business combination or similar transaction proposed to be undertaken by the Purchaser. The Corporation acknowledges that the Purchaser may be required, in accordance with applicable securities laws, to publicly disclose the Transaction and to file a copy of this Agreement on SEDAR, and the Purchaser agrees that in such case it shall make such redactions to this Agreement as are permitted under Section 12.2(3) of National Instrument 51-102 ("NI 51-102") (subject to compliance by the Purchaser with the remaining provisions of Section 12.2 of NI 51-102) with the prior consultation of the Corporation. The Purchaser hereby consents to the reasonable disclosure by the Corporation of the completion and nature of the Transaction to Governmental Authorities, the Corporation's shareholders and to any other Person in connection with any financing, offering, business combination or similar transaction proposed to be undertaken by any member of the BG Group.

### **6.3 Facsimile/Adobe Acrobat and Counterparts**

This Agreement may be executed via facsimile or scanned Adobe Acrobat (Portable Document Format or PDF) or TIFF document and in any number of counterparts each of which shall be deemed to be an original and all of which when taken together shall be deemed to constitute one and the same instrument and it shall not be necessary in making proof of this Agreement to produce more than one counterpart.

### **6.4 Further Assurances**

The Parties shall with reasonable diligence do all such things and provide all such assurances as may be required or desirable to consummate the Transaction and each Party shall provide such further documents or instruments as may be required or be desired by the other party to effect the purpose of this Agreement and to carry out the provisions of this Agreement, whether before or after Closing.

### **6.5 Severability**

In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

### **6.6 Delays or Omissions**

No delay or omission to exercise any right, power, or remedy accruing to any Party under this Agreement upon any breach or default of the other Party under this Agreement shall impair any such right, power, or remedy of such non-breaching or non-defaulting Party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any Party, shall be cumulative and not alternative.

### **6.7 Acknowledgment re Drafting**

Each Party acknowledges and agrees that the Parties have participated jointly in the negotiation and drafting of this Agreement and, therefore, in the event that any ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favouring or disfavouring any Party by virtue of the authorship of any provision hereof.

### **6.8 Confidentiality**

Each Party acknowledges that it has had access to and will in the future receive confidential and proprietary information concerning the other Party (the "**Confidential Information**"), the disclosure of which would be detrimental to the interests of the other Party. Accordingly, each Party covenants and agrees, subject to Section 6.2, to keep the Confidential Information in strict confidence and not disclose any of such Confidential Information to any Person or use or attempt to use such Confidential Information. Notwithstanding the foregoing, no Party will have liability for any Confidential Information that is:

- (a) already in the public domain or comes into the public domain without any breach of this Agreement;
- (b) required to be disclosed pursuant to Law or pursuant to any regulatory or judicial authority having jurisdiction over such Party; or
- (c) made to a professional advisor of such Party, in which event such party shall ensure that the recipient is aware of and agrees to comply with the terms of this Section 6.8 as if a party to this Agreement.

### **6.9 Assignment**

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns; provided, however, that:

- (a) the Purchaser may, without the consent of the Corporation, assign its rights and obligations or encumber its interest under this Agreement, in whole or in part, to any Person; and
- (b) the Corporation may not assign any of its rights under this Agreement without the prior written consent of the Purchaser (such consent not to be unreasonably withheld by the Purchaser), and any such purported assignment without such prior written consent is void.

For greater certainty, unless terminated, reduced or extinguished pursuant to the terms of this Agreement, the Gross Sales Royalty shall survive, and shall not in any way be extinguished or impaired by, any: (i) Change of Control of any member of the BG Group; or (ii) any transfer by operation of Law or otherwise of this Agreement by the Corporation.

#### **6.10 Payment of Purchaser Expenses**

The Corporation will pay all of the reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Purchaser in connection with the Transaction and the various agreements and documents referred to in this Agreement, up to a maximum amount of \$25,000 (plus all disbursements incurred by counsel to the Purchaser and all applicable Taxes on any of the foregoing amounts), which amounts will be deducted from the Initial Installment on the date of payment thereof.

#### **6.11 Force Majeure**

Neither Party shall be liable for the failure to comply with any of their respective obligations under this Agreement to the extent, and for the period, that such failure results from Force Majeure. The Party claiming a Force Majeure shall make all reasonable efforts, including all reasonable expenditures, necessary to cure, mitigate or remedy the effects of a Force Majeure.

#### **6.12 Tax Cooperation**

The Corporation and the Purchaser shall (and, if requested to do so, shall cause their respective Affiliates to): (i) use commercially reasonable efforts to assist the other Party in preparing for or defending against any audit, investigation, claim, dispute or controversy relating to Taxes regarding the Gross Sales Royalty or the Transaction; and (ii) make available to the other Party and to any taxing authority as reasonably requested all information, records and documents relating to the Gross Sales Royalty or the Transaction; and (iii) furnish the other Party with timely notice of, and copies of all correspondence received from any taxing authority in connection with, any audit, investigation, claim, dispute or controversy relating to Taxes regarding the Gross Sales Royalty or the Transaction.

#### **6.13 Maximum Permitted Rate**


Under no circumstances shall the Purchaser be entitled to receive nor shall it in fact receive a payment or partial payment (whether in the form of Royalty Payments, Buyout Payments or otherwise) under or in relation to this Agreement at a rate that is prohibited by applicable law. Accordingly, notwithstanding anything herein or elsewhere contained, if and to the extent that under any circumstances, the effective annual rate of "interest" (as defined in section 347 of the *Criminal Code of Canada*) received or to be received by the Purchaser (determined in accordance with such section) on any amount of "credit advanced" (as defined in that section) pursuant to this Agreement or any agreement or arrangement collateral hereto entered into in consequence or implementation hereof would, but for this Section 6.13, be a rate that is prohibited by applicable law, then the effective annual rate of interest, as so determined, received or to be received by the Purchaser on such amount of credit advanced shall be and be deemed to be adjusted to a rate that is one whole percentage point less than the lowest effective annual rate of interest that is so prohibited (the "**adjusted rate**"); and, if the Purchaser has received a payment or partial payment which would, but for this Section 6.13, be so prohibited then any amount or amounts so received by the Purchaser in excess of the lowest effective annual rate that is so prohibited shall and shall be deemed to have comprised a credit to be applied to subsequent payments on account of other amounts due to the Purchaser at the adjusted rate.

*[Signature Page Follows]*

IN WITNESS WHEREOF each Party has duly executed this Agreement.

**BG FURNITURE LTD.**

By:



Name: ADAM HOFMANN

Title: PRESIDENT

**GRENVILLE STRATEGIC ROYALTY  
CORP.**

By:



Name: William Hoop

Title: CEO/Director

## SCHEDULE "A"

### DEFINED TERMS

Whenever used in this Agreement, the following words and terms have the following meanings:

**"adjusted rate"** has the meaning given to it in Section 6.13.

**"Affiliate"** has the meaning given to it in National Instrument 45-106 - *Prospectus and Registration Exemptions*.

**"Aggregate Installment Amount"** means, as of a specified date, the aggregate of all Installments actually paid to the Corporation as of such date.

**"Agreement"** means this royalty purchase agreement, including all schedules and all amendments or restatements, and references to "Article" or "Section" mean the specified Article or Section of this Agreement.

**"Annual Financial Statements"** means, as at any given date, the financial statements of the Corporation and each other applicable member of the BG Group for the then most recently completed financial year of the applicable member of the BG Group.

**"Bankruptcy Occurrence"** means the occurrence of any of the following:

- (a) if an order is made or an effective resolution passed for the winding-up or liquidation of any member of the BG Group, or if a petition is filed for the winding-up of any member of the BG Group;
- (b) if any member of the BG Group commits an act of bankruptcy, makes a general assignment for the benefit of its creditors, ceases to carry on the Business or becomes insolvent within the meaning of applicable legislation of any applicable jurisdiction;
- (c) if a bankruptcy petition is filed or presented against any member of the BG Group, or if any proceedings with respect to any member of the BG Group are commenced under any applicable legislation of any applicable jurisdiction providing protection for the benefit of the applicable member of the BG Group; or if an execution, sequestration, or any other process of any court becomes enforceable against any member of the BG Group or if a distress or analogous process is levied upon any part of the property of any member of the BG Group; or
- (d) any trustee in bankruptcy, interim receiver, receiver, receiver and manager, custodian, sequestrator, administrator, monitor or liquidator of any other Person with similar powers is appointed in respect of member of the BG Group or any of the assets or property of any member of the BG Group.

**"Bankruptcy Occurrence Trigger Event"** has the meaning given to it in Section 2.9(b).

**"BG Group"** means, collectively, the Corporation and the BG Subsidiaries.

**"BG Subsidiaries"** means, collectively each direct or indirect subsidiary or investee of the Corporation (whether wholly, partially or not at all owned, directly or indirectly, by the Corporation, and whether or not controlled by the Corporation) incorporated, acquired or established after the date hereof, and **"BG Subsidiary"** means any one of the aforementioned entities.

**"Business"** means the business currently carried on by the BG Group or as carried on at the relevant time.

**"Business Day"** means a day, other than a Saturday or Sunday, on which the principal commercial banks located in Walkerton, Ontario and Toronto, Ontario are open for business during normal banking hours.

**"Business IP"** means the Owned IP and the Licensed IP.

**"Buy-down Notice"** has the meaning given to it in Section 2.9(a)(i).

**"Buy-down Option"** has the meaning given to it in Section 2.9(a)(i).

**"Buy-down Payment"** has the meaning given to it in Section 2.9(a)(i).

**"Buyout Payments"** has the meaning given to it in Section 2.9.

**"Change of Control"** means any of the following: (a) a sale or other transfer of all or substantially all of the Corporation's assets, (b) the acquisition of the Corporation by another entity by means of merger, arrangement, share purchase (whether from the Corporation or from the holders of shares in the capital of the Corporation), share exchange, consolidation, reorganization, amalgamation, arrangement, take-over bid, reverse take-over or other business combination or transaction or series of related transactions; provided that a Change of Control shall not include (i) a merger effected exclusively for the purpose of changing the domicile of the Corporation, or (ii) any transaction in which one or more of the Insiders or Affiliates of the Corporation immediately prior to the transaction own 50% or more of the voting power of the surviving corporation (including the Corporation) or the acquirer of the Corporation's assets following the transaction.

**"Change of Control Buyout Notice"** has the meaning given to it in Section 2.9(a)(iv).

**"Change of Control Buyout Option"** has the meaning given to it in Section 2.9(a)(iv).

**"Closing"** means the completion of the Transaction, which shall be deemed to occur on the date on which the last Installment is fully paid to the Corporation.

**"Commercial Software Licenses"** means "shrink-wrap", "web-wrap", "click-wrap" or other similar generic licenses for commercially available software available to the public.

**"Confidential Information"** has the meaning given to it in Section 6.8.

**"Confirmed Quarterly Royalties"** has the meaning given to it in Section 2.4(b).

**"Contract"** means any written or oral agreement, contract, understanding, arrangement, instrument, note, guarantee, indemnity, warranty, deed, assignment, power of attorney, commitment, covenant or undertaking of any nature.

**"Corporation"** means BG Furniture Ltd., and includes any assignee of the Corporation pursuant to an assignment made in accordance with Section 6.9(b).

**"Developers"** has the meaning given to it in Section 3.19(f).

**"Direct Damages"** means all damages and losses of any kind excluding Indirect Damages.

**"Disclosure Letter"** means the Disclosure Letter delivered by the Corporation to the Purchaser on the date hereof, as the same may be updated as of the date on which any Subsequent Installment is paid to the Corporation.

**"Dispute"** has the meaning given to it in Section 2.8.

**"Employee IP Agreements"** means agreements relating to proprietary information and assignment of inventions to a member of the BG Group by employees and consultants of such entity.

**"Event of Default"** means the occurrence of any of the following:

- (a) any failure by the Corporation to pay in full when due any Royalty Payment, Buyout Payment or any other amount owing under this Agreement or arising in as a result of or relating to the Transaction, including any amount owing under Section 2.12(c); or
- (b) any default by any member of the BG Group in the observance or performance of any of the Specified Covenants.

**"Event of Default Trigger Event"** has the meaning given to it in Section 2.9(b).

**"Financial Statements"** means, collectively, the Annual Financial Statements and the Interim Financial Statements.

**"Force Majeure"** means any event or circumstance that prevents the affected Party from performing its obligations under this Agreement and is beyond the reasonable control of the affected Party, but:

- (a) is not due to the fault or negligence of the affected Party or those for whom it is responsible at law;
- (b) does not arise by reason of any act or omission by the Party (or those for whom it is responsible at law) claiming Force Majeure in breach of the provisions of this Agreement; and
- (c) does not arise by reason of the lack or insufficiency of funds or failure to make payment of monies.



"GAAP" means generally accepted accounting principles as defined from time to time by the Accounting Standards Board of the Canadian Institute of Chartered Accountants in the Handbook of the Canadian Institute of Chartered Accountants, or the equivalent thereof for and in respect of any other applicable jurisdiction.

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

- (a) having or purporting to have jurisdiction on behalf of any nation, province, territory, state or other geographic or political subdivision thereof; or
- (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

"Gross Sales Royalty" has the meaning given to it in Section 2.2.

"Independent Accountant" has the meaning given to it in Section 2.8.

"Indemnitee" has the meaning given to it in Section 5.2(a).

"Indemnitors" has the meaning given to it in Section 5.2(a).

"Indirect Damages" means all indirect, consequential, special, incidental, punitive and aggravated damages and losses, loss of profits and diminution of value.

"Initial Installment" has the meaning given to it in Section 2.1(a).

"Insiders" means:

- (a) directors, officers, shareholders, members, security holders or employees of a member of the BG Group; and
- (b) any other Person not dealing at arm's length with any member of the BG Group or any Affiliate or related party of any member of the BG Group or of any Person referred to in paragraph (a) hereof.

"Installments" means, collectively, the Initial Installment and all Subsequent Installments, and individually means any one of them.

"Intellectual Property" means any or all of the following and all proprietary intellectual property and other rights in, arising out of or associated with:

- (a) all patents and utility models and applications therefore and all provisionals, re-issuances, continuations, continuations-in-part, divisions, revisions, supplementary protection certificates, extensions and re-examinations thereof and all equivalent or similar rights anywhere in the world in inventions and discoveries, including invention disclosures ("**Patents**");

- (b) all registered and unregistered trade-marks, service marks, trade names, trade dress, logos, business, corporate and product names and slogans and registrations, and applications for registration thereof ("**Trade-marks**");
- (c) all copyrights in copyrightable works, and all other rights of authorship, worldwide, and all applications, registrations and renewals in connection therewith ("**Copyrights**");
- (d) all maskworks, maskwork registrations and applications therefor, and any equivalent or similar rights in semiconductor masks, layouts, architectures or topologies ("**Maskworks**"); and
- (e) all World Wide Web addresses, domain names and sites and applications and registrations therefor ("**Domain Names**").

"**Interim Financial Statements**" means, as at any given date, the unaudited management-prepared financial statements of the Corporation and each other member of the BG Group for the then most recently completed calendar month.

"**Laws**" means applicable laws (including common law), statutes, codes, by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, treaties, policies, notices, directions, decrees, judgments, awards or requirements, in each case of any Governmental Authority.

"**Licensed IP**" means all Intellectual Property and Technology that any member of the BG Group uses or has a right to use, including all Intellectual Property and Technology that any member of the BG Group uses or has a right to use at any time after the date hereof, in the conduct of the Business under a Contract with another Person.

"**Liens**" means any lien, hypothec, mortgage, security interest, charge, encumbrance, pledge, option, pre-emptive right, or transfer restriction other than, in the case of references to securities, any transfer restriction arising under applicable securities Laws solely by reason of the fact that such securities were issued pursuant to exemptions from registration or prospectus requirements under such securities Laws.

"**Material Adverse Effect**" means any effect, change, event, occurrence or development with respect to the BG Group or the Business, taken as a whole and as a going concern, that is or is reasonably likely to be materially adverse to the results of the Business or the BG Group's affairs, properties, assets, liabilities or condition (financial or otherwise), operations or capital, or that is materially adverse to the completion of the Transaction.

"**Minimum Monthly Amount**" has the meaning given to it in Section 2.3.

"**Non-Monetary Event of Default**" means the breach by the Corporation of any of the representations, warranties or covenants of the Corporation under this Agreement other than the Specified Covenants.

**"Outstanding Installment Amount"** means, as of the applicable date on which such amount is determined, an amount equal to the Aggregate Installment Amount less the aggregate of all Royalty Payments actually received by the Purchaser as of such date.

**"Owned IP"** means all Intellectual Property and Technology that any member of the BG Group owns, including all Intellectual Property and Technology owned by any member of the BG Group at any time after the date hereof.

**"Parties"** means the Corporation and the Purchaser, and **"Party"** means either one of them.

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

**"Pre-Adjusted Quarterly Royalties"** has the meaning given to it in Section 2.4(b).

**"Purchaser"** means Grenville Strategic Royalty Corp., and any assignee thereof pursuant to an assignment made in accordance with Section 6.9(a).

**"Quarterly Determination Date"** has the meaning given to it in Section 2.4(b).

**"Registered IP"** means all Canadian, United States, international and foreign:

- (a) Patents;
- (b) registered Trade-marks, applications to register Trade-marks, including intent-to-use applications or other registrations or applications related to Trade-marks and Domain Name registrations;
- (c) Copyrights registrations and applications to register Copyrights;
- (d) Maskwork registrations and applications to register Maskworks; and
- (e) Technology that is the subject of an application, certificate, filing, registration or other document issued by, filed with, or recorded by, any Governmental Authority at any time.

**"Revenue of the BG Group"** means, in respect of any period commencing on or after the date hereof and without duplication, all funds of any kind directly or indirectly received by the members of the BG Group (which, in respect of any non-wholly owned BG Subsidiary, shall be the percentage of such BG Subsidiary's revenue actually received during such period that is equal to the Corporation's direct or indirect ownership percentage of such BG Subsidiary) during such period on account of or in connection with all products and services sold or otherwise provided by the members of the BG Group, including all royalties, license fees, lease fees, service fees, subscription fees and other forms of compensation directly or indirectly received by a member of the BG

Group (including amounts received in connection with the settlement of disputes or the proceeds of litigation); but excludes:

- (a) any amount received by a member of the BG Group in the form of a grant or other form of funding (including funding for research purposes), incentive, loan, advance, exemption, tax reduction, tax credit, subsidy or similar benefit from any Governmental Authority, institution or organization;
- (b) any amount received by a member of the BG Group which is required by contract or Law to be paid by such entity: (i) to agents or resellers of such entity; or (ii) to third parties on account of shipping, duties or customs charges;
- (c) any amount received by a member of the BG Group from another member of the BG Group; and
- (d) any amount received by a member of the BG Group which constitutes Taxes payable by a Person in connection with goods or services provided by the member of the BG Group to such Person.

**"Royalty Payment"** has the meaning given to it in Section 2.2 (and, for greater certainty, includes all Minimum Monthly Amounts).

**"Subsequent Installment"** has the meaning given to it in Section 2.1(b).

**"Specified Covenants"** means those covenants of the Corporation set out in Sections 2.10(a), 2.10(b), 2.10(d), 2.10(e), 2.10(f), 2.10(k), 2.10(l), 2.10(n), 2.10(o), 2.10(p) and 2.10(q).

**"subsidiary"** has the meaning given to it in National Instrument 45-106 - *Prospectus and Registration Exemptions*.

**"Tax"** or **"Taxes"** means all taxes, assessments, charges, duties, fees, levies, or other governmental charges, including all federal, provincial, state, local, foreign and other income, corporation, franchise, profits, capital gains, estimated, sales (including HST), use, transfer, registration, value added, excise, natural resources, severance, stamp, occupation, premium, environmental, customs, duties, imposts, immovable property, personal property, capital stock, unemployment, disability, payroll, license, employee, deficiency assessments, withholding and other taxes, assessments, charges, duties, fees, levies or other governmental charges (whether payable directly or by withholding and whether or not requiring the filing of a Tax Return), and any interest, penalties, or additions to tax in respect of the foregoing and includes any liability for such amounts as a result either of being a member of a combined, consolidated, unitary or affiliated group or of a contractual obligation to indemnify any Person or other entity.

**"Tax Return"** means any return, declaration, report, claim for refund, information return or other document (including any related or supporting estimates, elections, schedules, statements or information) filed or required to be filed in connection with the determination, assessment or collection of any Tax or the administration of any Laws relating to any Tax.

**"Technology"** means:

- (a) works of authorship including computer programs, source code and executable code, whether embodied in software, firmware or otherwise, documentation, designs, methods, techniques, processes, files, industrial models, schematics, specifications, net lists, build lists, records and data;
- (b) inventions (whether or not patentable), improvements, enhancements and modifications;
- (c) proprietary and confidential business and technical information, including technical data, trade secrets, ideas, research and development and know how; and
- (d) databases, data compilations and collections and technical data.

**"Transaction"** means the transactions contemplated in this Agreement.

## Schedule "B"

### SAMPLE CALCULATION OF THE CHANGE OF CONTROL BUYOUT

#### EXAMPLE 1

- Buy-down not exercised
- Company sells for \$8,000,000

#### Equity Method

\$750,000 invested/ \$2,500,000 = 30.00% equity interest

\$8,000,000 sales price x 30.00% = \$2,400,000

\$2,400,000 x 0.8 = \$1,920,000 payment

#### OR

2 x \$750,000 = \$1,500,000 payment

**\$1,920,000 takes precedence and therefore payment is \$1,920,000**

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#### EXAMPLE 2

- Buy-down exercised
- Company sells for \$8,000,000

#### Equity Method

\$750,000 invested/ \$2,500,000 = 30.00% equity interest

\$8,000,000 sales price x 30.00% = \$2,400,000

\$2,400,000 x 0.8 = \$1,920,000

\$1,920,000 x 50% Buydown Percentage = \$960,000

\$960,000 payment

#### OR

2 x \$750,000 x 50% Buydown Percentage = \$750,000

**Therefore, the \$960,000 payment takes precedence**

THIS IS EXHIBIT k REFERRED  
TO IN THE AFFIDAVIT OF  
Angela Hoffmann  
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault 1000406  
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.  
1000406

## SECURITY AGREEMENT - EQUIPMENT

This General Security Agreement dated the 2 day of September, 2015, is made by BG Furniture Ltd., an Ontario corporation ("**Borrower**") in favour of **DSL Industrial Limited**, an Ontario corporation ("**DSL**")

### WITNESSETH

#### WHEREAS:

- a. Pursuant to the Bill of Sale, DSL sold and assigned the Collateral to the Borrower;
- b. The Borrower is indebted to DSL for an unpaid portion of the purchase price for the Collateral as evidenced by the Note;
- c. The Borrower has agreed to grant DSL a security interest in the Collateral pursuant to the terms of this Agreement to secure payment of the Obligations and such security interest is intended to be a purchase money security interest, as such term is defined in the PPSA.

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

Unless there is something in the subject matter or content inconsistent therewith:

- (a) "**Affiliate**" has the meaning ascribed to such term in the *Business Corporations Act* (Ontario),
- (b) "**Applicable Law**" means, in respect of any person, property, transaction or event, all applicable laws, statutes, rules, by-laws (including zoning by-laws) and regulations, and all applicable official directives, orders, judgments and decrees, consents, exemptions, approvals, licences, guidelines and policies of Governmental Bodies (and, in the case of Section 3.2 whether or not having the force of law) relating to such person, property, transaction or event;
- (c) "**Bill of Sale**" means a bill of sale of even date herewith made between DSL as vendor and the Borrower as purchaser pursuant to which DSL sold and assigned all of its right, title and interest in the equipment listed in Schedule "D" hereto to the Borrower.
- (d) "**Business Day**" means any day except Saturday, Sunday or a statutory holiday in the Province of Ontario



- (e) "**Collateral**" means the equipment of the Borrower described in the Bill of Sale as listed in Schedule "E" hereto which is specifically charged pursuant to Section 2.1 and includes all cash and non cash proceeds thereof;
- (f) "**Constating Documents**" means, in the case of a corporation incorporated under the laws of the Province of Ontario or the federal laws of Canada, the articles (within the meaning of the Applicable Law) and the by-laws of the corporation; in the case of a partnership, the partnership agreement and the limited partnership declaration, if applicable;
- (g) "**Environmental Assessment**" means any inquiry, investigation or report of the environmental condition of the Premises;
- (h) "**Environmental Laws**" means all applicable federal, provincial, regional, state, municipal or local laws, common law, statutes, regulations, ordinances, codes, rules, guidelines, requirements, certificates of approval, licences or permits relating to Hazardous Substances or the use, consumption, handling, transportation, storage or Release thereof including (and in addition to any such laws relating to the environment generally) any such laws relating to public health, occupational health and safety, product liability or transportation;
- (i) "**Environmental Order**" means any prosecution, order, decision, notice, direction, report, recommendation or request issued, rendered or made by any Governmental Body in connection with Environmental Laws;
- (j) "**Event of Default**" means any one or more of the events set out or referred to in Section 5.1;
- (k) "**Governmental Body**" means any nation, government, province, state, region, municipality or other political subdivision or any governmental department, ministry, commission, board, agency or instrumentality or other public authority or person, domestic or foreign, exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government, and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing and includes any court of competent jurisdiction;
- (l) "**Hazardous Substance**" means any substance, combination of substances or by-product of any substance which is or may become hazardous, toxic, injurious or dangerous to any person, property, air, land, water, flora, fauna or wildlife; and includes but is not limited to contaminants, pollutants, wastes and dangerous, toxic, deleterious or designated substances as defined in or pursuant to any Environmental Laws or Environmental Orders;

- (m) "**Lien**" means any mortgage, lien, pledge, assignment, charge, security, interest, title retention agreement, hypothec, levy, execution, seizure, attachment, garnishment, right of distress or other claim in respect of property of any nature or kind whatsoever howsoever arising (whether consensual, statutory or arising by operation of law or otherwise) and includes arrangements known as sale and lease-back, sale and buy-back and sale with option to buy-back;
- (n) "**Normal Business**" has the meaning ascribed thereto in Section 4.1(l) hereof;
- (o) "**Note**" means the promissory note of even date herewith executed and delivered by the Borrower to DSL, a true copy of which is annexed hereto as Schedule "E";
- (p) "**Obligations**" means all monies now or at any time and from time to time hereafter owing or payable by the Borrower to DSL pursuant to the Note or otherwise arising pursuant to the terms of this Agreement;
- (q) "**Occupants**" means the Borrower, its tenants and other occupants of any Premises;
- (r) "**Permitted Liens**" means the following -
  - (i) liens for taxes, assessments, governmental charges or levies not for the time being due and delinquent,
  - (ii) easements, rights of way or other similar rights in land existing at the date of this Agreement which individually or in the aggregate do not in DSL's opinion materially detract from the value of the property concerned or materially impair its use in the operation of the business of the Borrower,
  - (iii) rights reserved to or vested in any Governmental Body by the terms of any lease, licence, franchise, grant or permit, or by any statutory provision, to terminate the same or to require annual or other periodic payments as a condition of the continuance thereof,
  - (iv) any Lien the validity of which is being contested by the Borrower in good faith by appropriate legal proceedings and in respect of which either -
    - (1) security adequate in the opinion of DSL has been provided to it to ensure payment of such liens; or
    - or
    - (2) DSL is of the opinion that such liens are not materially prejudicial to the security hereof,
  - (v) any reservations, limitations, provisos and conditions expressed in any original grant from the Crown which do not in DSL's opinion materially

detract from the value of the property concerned or materially impair its use in the operation of the business of the Borrower,

- (vi) title defects or irregularities which, in the opinion of counsel to DSL, are of a minor nature and in the aggregate will not in DSL's opinion materially detract from the value of the property concerned or materially impair its use in the operation of the business of the Borrower, and
- (vii) the Liens set out in **Schedule C** hereto;
- (s) "**Permitted Substances**" means, in respect of each Occupant, those substances necessary to the carrying on of the Normal Business of such Occupant;
- (t) "**PPSA**" means the *Personal Property Security Act* (Ontario)
- (u) "**Premises**" means all lands and premises owned or occupied by the Borrower from time to time (including the lands and premises referred to in **Schedule A** hereto);
- (v) "**Receiver**" shall include one or more of a receiver, receiver-manager or receiver and manager of all or a portion of the undertaking, property and assets of the Borrower appointed by DSL pursuant to this Agreement or by or under any judgment or order of a court;
- (w) "**Release**" includes abandon, add, deposit, discharge, disperse, dispose, dump, emit, empty, escape, leach, leak, migrate, pour, pump, release or spill;
- (x) "**Security Documents**" means this Agreement, providing security against the assets of the Borrower in favour of DSL for the Obligations; and
- (y) "**Subsidiary**" has the meaning ascribed to such term in the *Business Corporations Act* (Ontario).

## 1.2 Construction

- (a) The division of this Agreement into Articles, Sections, subsections, paragraphs and clauses and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement.
- (b) Words importing the singular number only include the plural and vice versa and words importing gender includes all genders.
- (c) The terms, "**this Agreement**", "**hereof**", "**hereunder**", and similar expressions refer to the whole of this agreement, as it may be amended, modified, revised, supplemented or restated from time to time, and not to any particular Article, Section, subsection, paragraph or other portion of this Agreement.

- (d) The terms, "**including**", "**includes**", "**any**" and "**or**", are not exclusive or limiting unless expressly indicated to the contrary.
- (e) The term, "**person**", means any individual, corporation, company, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.
- (f) Every reference to a party hereto shall extend to and include such party's heirs, executors, administrators, other legal representatives, successors and permitted assigns, as if specifically named.
- (g) Unless otherwise expressly provided in this Agreement, any reference in this Agreement to any law shall include any by-law, regulation, order, act or statute of any governmental body and shall be construed as a reference thereto as amended or re-enacted from time to time or as a reference to any successor thereto.
- (h) Time shall be in all respects of the essence herein.
- (i) If any of the provisions of this Agreement shall be held invalid or unenforceable by any court having jurisdiction, this Agreement shall be construed as if not containing those provisions, and the rights and obligations of the parties hereto should be construed and enforced accordingly.
- (j) This Agreement shall be governed by, and construed in accordance with, the internal laws of the Province of Ontario and the federal laws of Canada applicable therein (other than conflict of laws rules) and shall be treated in all respects as an Ontario contract.
- (k) Except as expressly provided herein, terms which are defined in the *Personal Property Security Act* (Ontario) shall have the same meaning where used herein.

## **ARTICLE 2 SECURITY**

### **2.1 Charge**

Subject to the exceptions set forth in Section **Error! Reference source not found.**, the Borrower hereby:

- (a) grants, sells, assigns, conveys, transfers, mortgages, pledges and charges, as and by way of fixed and specific mortgage, pledge and charge to and in favour of DSL, and grants to DSL a security interest in the Collateral and all cash and non cash proceeds thereof.

### **2.2 Charge Valid Irrespective of Advance of Money**

The mortgages, pledges and charges hereby created shall have effect and be deemed to be effective whether or not the monies or obligations hereby secured or any part thereof shall be

advanced or owing or in existence before or after or upon the date of this Agreement and neither the giving of this Agreement nor any advance of funds shall oblige DSL to advance any funds or any additional funds. The Borrower acknowledges that the parties have not agreed to postpone the time for attachment of any of the charges created hereby, including the floating charge created hereby, all of which shall attach upon the execution hereof. The Borrower acknowledges that value has been given.

### 2.3 Continuing Security

The Collateral and any other security given with DSL's consent in replacement thereof, substitution therefore or in addition thereto shall be held by DSL as general and continuing security for due payment and performance of all Obligations, including all costs and amounts payable pursuant hereto and interest on the Obligations at the rate or rates applicable thereto in accordance with the prevailing agreement between DSL and the Borrower. Any and all payments made at any time in respect of the Obligations and the proceeds realized from any securities held therefore (including moneys realized from the enforcement of this Agreement and any increase in or profits from the Collateral) may be applied (and reapplied from time to time notwithstanding any previous application) to such part or parts of the Obligations as DSL sees fit, or held by DSL unappropriated as additional security hereunder for such period of time as DSL sees fit to be applied against the Obligations when and how DSL sees fit. The Borrower shall be accountable for any deficiency and DSL shall be accountable for any surplus.

## ARTICLE 3 REPRESENTATIONS AND WARRANTIES

### 3.1 General Representations and Warranties

The Borrower represents warrants and covenants to and with DSL as follows:

(a) Status

The Borrower is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation (or, if a partnership, is a validly subsisting partnership) and has the power and capacity to own its properties and assets and to carry on its business as presently carried on by it; and holds all material licences, permits and assets as are required to own its properties and assets and to carry on business in each jurisdiction in which it does so.

(b) Power and Capacity

The Borrower has the power and capacity to enter into this Agreement and to do all acts and things as are required or contemplated hereunder or thereunder to be done, observed and performed by it.

(c) Due Authorization and Enforceability

The Borrower has taken all necessary action to authorize the execution, delivery and performance of this Agreement and it constitutes a valid and binding obligation of the Borrower enforceable against it in accordance with its terms, subject only to the following qualifications -

- (i) an order of specific performance and an injunction are discretionary remedies, and in particular, may not be available where damages are considered an adequate remedy, and
- (ii) enforcement may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar laws generally affecting enforceability of creditors' rights.

(d) No Contravention

The execution and delivery of this Agreement and the performance by the Borrower of its obligations hereunder -

- (i) do not and will not violate any Applicable Law or any provision of the Constatng Documents of the Borrower or constitute a breach of any existing contractual or other obligation of the Borrower or contravene any licence or permit to which the Borrower is subject,
- (ii) will not result in the creation of, or require the Borrower to create, any Lien in favour any person other than DSL, and
- (iii) will not result in or permit the acceleration of the maturity of any indebtedness or other obligation of the Borrower.

(e) No Consents Required

No authorization, consent or approval of, or filing with or notice to, any person is required in connection with the execution, delivery or performance of this Agreement by the Borrower.

(f) Locations

The chief executive office of the Borrower is at the location specified in **Schedule A** hereto and all of the tangible Collateral

(g) Title

Subject only to Permitted Liens, the Borrower lawfully owns and is lawfully possessed of the Collateral and all property and assets indicated by the financial statements which it has delivered to DSL to be owned by it and has good right and authority to mortgage and charge the same as provided for herein, free and clear

of all Liens (other than Permitted Liens), and it will warrant and defend the title thereto as well as to any other property, rights and interests hereafter acquired by the Borrower. No person has any agreement or right or option to acquire any of such property (except under unfilled purchase orders accepted in the ordinary course of business for the sale of Inventory).

(h) Solvency and Proceedings

The Borrower is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada). No act or proceedings have been taken by or, to the Borrower's knowledge, against or, to the Borrower's knowledge, are pending in connection with, and the Borrower is not in the course of and has not received any notice with respect to, amalgamation, winding-up, surrender of charter, cancellation of charter, dissolution, liquidation, insolvency, bankruptcy, reorganization or a sale of assets out of the ordinary course of business. The Borrower is not in default in complying with the provisions of the *Employer Health Tax Act* (Ontario), the *Retail Sales Tax Act* (Ontario), the *Fuel Tax Act* (Ontario), the *Gasoline Tax Act* (Ontario), the *Tobacco Tax Act* (Ontario) or, if a corporation, the *Corporations Information Act* (Ontario) or the *Corporations Tax Act* (Ontario).

(i) No Litigation

There are no actions, suits, judgments, awards or proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower before any court or government department, commission, board, agency or instrumentality, domestic or foreign, or before any other authority, or before any arbitrator of any kind, which would, if determined adversely to the Borrower, materially adversely affect its business, property, financial condition or prospects or its ability to perform any of the provisions of any Security Document to which it is a party or which purports to affect the legality, validity or enforceability of any Security Document, and the Borrower is not in default with respect to any judgment, order, writ, injunction, award, rule or regulation of any Governmental Body or any arbitrator, which individually or in the aggregate results in any such material adverse effect.

(j) No Default

The Borrower is not in default or breach under any material commitment or obligation or under any order, writ, decree or demand of any Governmental Body or with respect to any leases, licences or permits to own and/or operate material properties and assets or to carry on business and there exists no state of facts which, after notice or the passage of time or both, would constitute such a default or breach; and there are not any proceedings in progress, pending or threatened, which may result in the revocation, cancellation, suspension or any adverse modification of any such leases, licences or permits.

(k) Consumer Goods

None of the Collateral now owned or hereafter acquired is now or shall at any time be consumer goods of the Borrower.

**3.2 Environmental Representations and Warranties**

The Borrower represents warrants and covenants to and with DSL as follows:

- (a) The Collateral and the operations of the Occupants now and will at all times in future comply in all material respects with all Environmental Laws and Environmental Orders.
- (b) After due and diligent inquiry, it has been found that, except for Permitted Substances, there is no Hazardous Substance on or in any of the Premises.
- (c) There is no judicial or administrative proceeding or investigation pending and no Environmental Order has been issued or, to the best of the Borrower's knowledge, threatened concerning the possible violation of any Environmental Laws or Environmental Orders by any of the Occupants, by any of the operations of the Occupants or otherwise in relation to the Collateral.
- (d) Except for Permitted Substances, no Hazardous Substance shall be brought onto or used on or in any part of the Premises without the prior written consent of DSL and any Hazardous Substance brought onto or into any part of the Premises or used by any person on or in any part of the Premises shall be transported, used and stored only in accordance with all Environmental Laws, other lawful requirements, prudent industrial standards (including any published environmental standards of any applicable industry association) and any requirements of applicable insurance policies.
- (e) The Borrower has created, properly organized and maintained all documentation and records concerning environmental matters as required by any Environmental Laws or Environmental Orders and will maintain such documentation and records at all times in future as aforesaid.
- (f) The Borrower has provided to DSL any Environmental Assessment and related documentation concerning any of the Premises in its possession or control and shall promptly provide to DSL any such material as the Borrower may obtain in future.
- (g) The Borrower shall promptly notify DSL if it -
  - (i) receives notice from any Governmental Body of any violation or potential violation of any Environmental Laws or Environmental Orders, including the Release of a Hazardous Substance, which may have occurred or been committed or is about to occur or be committed,



- (ii) receives notice that any administrative or judicial complaint or Environmental Order has been issued or filed or is about to be issued or filed against any of the Occupants or their representatives alleging violations of any Environmental Laws or Environmental Orders or requiring the taking of any action in connection with any Hazardous Substance,
  - (iii) learns of the enactment of any Environmental Laws or the issuance of any Environmental Orders which may have a material adverse effect on the Premises or the operations or the condition, financial or otherwise, of any of the Occupants, or
  - (iv) knows of or suspects that any Hazardous Substance (other than a Permitted Substance) has been brought onto any part of the Premises or that there is any actual, threatened or potential Release of any Hazardous Substance (whether or not a Permitted Substance) on, from, in or under any part of the Premises.
- (h) The Borrower shall indemnify DSL and hold DSL harmless against and from all loss, costs, damages and expenses which DSL may sustain, incur or be or become liable for by reason of or arising from the presence, clean-up, removal or disposal of any Hazardous Substance referred to in this section or compliance with Environmental Laws or Environmental Orders relating thereto, including any clean-up, decommissioning, restoration or remediation of the Premises and other affected lands or property (and this indemnification shall survive the satisfaction, release or extinguishment of the indebtedness secured hereby).

#### **ARTICLE 4 COVENANTS OF THE BORROWER**

##### **4.1 General Covenants**

So long as this Agreement remains outstanding, the Borrower covenants and agrees as follows:

(a) To Pay Costs

The Borrower shall pay all reasonable costs, charges and expenses of or incurred by DSL as follows –

- (i) incidental to the preparation, execution and filing of this Agreement and any instruments relating hereto (including any supplemental security or any instrument amending this Agreement),
- (ii) in inspecting the Collateral, with respect to, or resulting from, any failure or delay by the Borrower in performing or observing any of its obligations under this Agreement, or in or about taking, recovering or keeping

possession of any of the Collateral or in any other proceedings taken in enforcing the remedies provided herein or otherwise in relation to this Agreement or the Collateral, or by reason of non-payment of the moneys hereby secured,

- (iii) the costs of any sale proceedings hereunder, whether such sale prove abortive or not, and
- (iv) the costs of any Receiver with respect to, and all expenditures made by DSL or any Receiver in the course of, doing anything hereby permitted to be done by DSL or such Receiver (including any costs and expenditures relating to compliance with the *Bankruptcy and Insolvency Act (Canada)*). All such costs and expenses and other monies payable hereunder, together with interest at the highest rate applicable to any Obligations, shall be payable on demand and shall constitute a charge on the Collateral.

Without limiting the generality of the foregoing, such costs shall extend to and include any legal costs incurred by or on behalf of DSL on a full indemnity basis.

(b) To Pay Certain Debts

The Borrower shall punctually pay and discharge every obligation, failure to pay or discharge which might result in any lien or charge or right of distress, forfeiture, termination or sale or any other remedy being enforced against the Collateral and provide to DSL when required satisfactory evidence of such payment and discharge, but the Borrower may on giving DSL such security (if any) as DSL may require refrain from paying or discharging any obligation so long as it contests in good faith its liability therefore.

(c) To Maintain Existence and Security

The Borrower shall -

- (i) maintain its existence,
- (ii) diligently preserve all its rights, licences, powers, privileges, franchises and goodwill, to the extent the Borrower deems it to be commercially reasonable to do so,
- (iii) observe and perform all of its obligations and comply with all conditions under leases, licences and other agreements to which it is a party or upon or under which any of the Collateral is held,
- (iv) carry on and conduct its business in a proper and efficient manner so as to preserve and protect the Collateral and income therefrom,
- (v) keep proper books of account with correct entries of all transactions in relation to its business,

- (vi) observe and conform to all valid requirements of Applicable Law and of any Governmental Body relative to the Collateral or the carrying on by the Borrower of its business,
- (vii) repair and keep in repair and good order and condition all property, including the Collateral, the use of which is necessary or advantageous in connection with its business, to the extent the Borrower deems it to be commercially reasonable to do so,
- (viii) except in the case of consumable Inventory and except for a reasonable number of Inventory items used by the Borrower for demonstration purposes, keep all Inventory in a new and unused condition,
- (ix) immediately notify DSL in writing of any proposed change of name of the Borrower or of the Borrower's chief executive office,
- (x) keep DSL constantly informed in writing as to the location of the Collateral and the books of account and other records of the Borrower, and
- (xi) effect such registrations as may be required by DSL from time to time to protect the security hereof.

(d) Leases

- (i) The Borrower shall at all times perform and discharge all of the Borrower's covenants and obligations under any Lease.
- (ii) The Borrower will not without the written consent of DSL terminate, surrender, amend, alter or vary the terms and conditions of the any Lease. Nor shall the Borrower, without the written consent of DSL, waive performance by the landlord under any of the Leases or release any of the said landlords from any obligations under their respective Leases.

(e) To Insure

The Borrower shall keep the Collateral and the operations of the Borrower insured in such amounts as DSL may reasonably require against loss or damage by fire and such other risks as DSL may from time to time specify, with insurers approved by DSL. The Borrower shall whenever from time to time requested by DSL provide DSL with satisfactory evidence of such insurance and any renewal thereof which shall at all times be subject to loss payee clauses in a form approved by DSL, and shall at the request of DSL forthwith assign, transfer and deliver unto DSL the policy or policies of such insurance. Evidence satisfactory to DSL of the renewal of every policy of insurance shall be provided to DSL at least seven (7) days before the termination thereof.

(f) To Furnish Proofs

The Borrower shall forthwith on the happening of any loss or damage furnish at its own expense all necessary proofs and do all necessary acts to enable DSL to obtain payment of the insurance monies, which, in the sole discretion of DSL, may be applied in reinstating the insured property or be paid to the Borrower or be applied in payment of the monies owing hereunder, whether due or not then due, or paid partly in one way and partly in another.

(g) Inspection by DSL

The Borrower shall allow any employees or authorized agents of DSL at any reasonable time to enter the premises of the Borrower in order to inspect the Collateral and to inspect the books and records of the Borrower and make extracts therefrom, and shall permit DSL prompt access to such other persons as DSL may deem necessary or desirable for the purposes of inspecting or verifying any matters relating to any part of the Collateral or the books and records of the Borrower, provided that any information so obtained shall be kept confidential, save as required by DSL in exercising its rights hereunder.

(h) Notice of Litigation and Damage

The Borrower will promptly give written notice to DSL of –

- (i) all claims or proceedings pending or threatened against the Borrower which may give rise to uninsured liability in excess of Twenty-Five Thousand Dollars (\$25,000.00) or which may have a material adverse affect on the business or operations of the Borrower, and
- (ii) all damage to or loss or destruction of any property comprising part of the Collateral which may give rise to an insurance claim in excess of Twenty-Five Thousand Dollars (\$25,000.00); and will supply DSL with all information reasonably requested in respect of any such claim.

(i) Notice of Default

The Borrower will promptly give written notice to DSL of the occurrence of any Event of Default or of any event which after notice or lapse of time would constitute an Event of Default.

(j) Not to Create Certain Charges

The Borrower shall not, without the prior written consent of DSL, create or permit to arise any Lien on any of the Collateral (other than Permitted Liens), and will not permit any Subsidiary to do the same (except in favour of the Borrower).

(k) Not to Sell

The Borrower shall not, except as otherwise permitted hereunder, remove, destroy, lease, sell or otherwise dispose of any of the Collateral;

(l) Not to Make Certain Changes

The Borrower shall not without the prior written consent of DSL:

- (i) materially change the nature of the Borrower's business as presently carried on ("Normal Business"),
- (ii) enter into a partnership, joint venture or syndicate with any other person; acquire or establish any Subsidiary; or, if a corporation, amalgamate, consolidate or merge with any person,
- (iii) enter into any transaction, or permit any Subsidiary to do so, outside the ordinary active business operations of the Borrower and its Subsidiaries,
- (iv) acquire or invest in any securities except instruments or securities issued by a financial institution or liquid securities traded on a recognized public securities exchange and acquired only for the Borrower's cash management purposes or permit any Subsidiary to do so, or
- (v) remove any of the Collateral, except as may be permitted hereunder (eg. sales of Inventory in the ordinary course of business, dispositions of Equipment in the ordinary course of business, etc.) or any of the books of account or other records of the Borrower from the jurisdiction where presently located.

**ARTICLE 5  
EVENTS OF DEFAULT AND REMEDIES**

**5.1 Events of Default**

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

- (a) if default occurs in payment or performance of any Obligation (whether arising herein or otherwise);
- (b) if any representation or warranty made by the Borrower herein or in any other Security Document or in any certificate, statement or report furnished in connection herewith is found to be false or incorrect in any way so as to make it materially misleading when made or when deemed to have been made;
- (c) if default occurs in payment or performance of any obligation in favour of any person to whom the Borrower is indebted except obligations to trade creditors

incurred in the ordinary course of business or except where the Borrower is contesting such obligation in good faith;

- (d) if default occurs in payment or performance of any obligation (whether now existing, presently arising or created in future) of any Affiliate of the Borrower in favour of DSL;
- (e) if the Borrower commits an act of bankruptcy or becomes insolvent within the meaning of any bankruptcy or insolvency legislation applicable to it or a petition or other process for the bankruptcy of the Borrower is filed or instituted, except where contested by the Borrower in good faith;
- (f) if any act, matter or thing is done toward, or any action or proceeding is launched, had or taken for, terminating the corporate existence of the Borrower, whether by winding-up, surrender of charter or otherwise;
- (g) if the Borrower ceases to carry on its business or makes or proposes to make any sale of its assets in bulk or any sale of its assets out of the usual course of its business;
- (h) if any proposal is made or any petition is filed by the Borrower under any law having for its purpose the extension of time for payment, composition or compromise of the liabilities of the Borrower or other reorganization or arrangement respecting its liabilities or if the Borrower gives notice of its intention to make or file any such proposal or petition including an application to any court for an order to stay or suspend any proceedings of creditors pending the making or filing of any such proposal or petition;
- (i) if any receiver, administrator or manager of the property, assets or undertaking of the Borrower or a substantial part thereof is appointed pursuant to the terms of any trust deed, trust indenture, debenture or similar instrument or by or under any judgment or order of any court;
- (j) if the Borrower permits any sum which has been admitted as due by it or is not disputed to be due by it and which forms, or is capable of being made, a charge upon any of the Collateral in priority to, or *pari passu* with, the charge created by this Agreement to remain unpaid for thirty (30) days after proceedings have been taken to enforce the same as such charge;
- (k) if any proceedings are taken to enforce any Lien affecting any of the Collateral;
- (l) if any action is taken or power or right be exercised by any Governmental Body or if any claim or proceeding is pending or threatened by any person which may have a material adverse effect on the Borrower, its business or operations, its properties or its prospects; or

- (m) if in the opinion of DSL a material adverse change has occurred in the financial condition or business of the Borrower which may impair the ability or willingness of the Borrower to perform any of the Obligations or if DSL considers that the Collateral is in jeopardy or that DSL is insecure;

## 5.2 Consequences of an Event of Default

Upon the occurrence of an Event of Default, all Obligations and all monies secured hereby shall at the option of DSL become forthwith due and payable whereupon the floating charge hereby created shall crystallize, all of the rights and remedies hereby conferred in respect of the Collateral shall become immediately enforceable and any and all additional and collateral securities for payment of the Obligations shall become immediately enforceable.

## 5.3 Enforcement

Upon the happening of any Event of Default DSL may by instrument in writing declare that the security hereof has become enforceable and crystallized and DSL shall have the following rights and powers:

- (a) to enter into possession of all or any part of the Collateral;
- (b) to preserve and maintain the Collateral and make such replacements thereof and additions thereto as it deems advisable;
- (c) to pay or otherwise satisfy in whole or in part any Liens which, in DSL's opinion, rank in priority to the security hereof;
- (d) after entry by its officers or agents or without entry to sell, lease or otherwise dispose in any way whatsoever of all or any part of the Collateral either en bloc or separately at public auction or by tender or by private agreement and at such time or times and on such terms and conditions as DSL in its absolute discretion may determine and without any notice to or concurrence of the Borrower except as may be required by Applicable Law; and
- (e) by instrument in writing to appoint any person or persons (whether an officer or officers of DSL or not) the Receiver of all or any part of the Collateral and to remove any Receiver so appointed and appoint another or others in his stead.

The security of this Agreement may be realized and the rights enforced by any remedy or in any manner authorized or permitted by this Agreement or by law or equity and no remedy for the realization of the security hereof shall be exclusive of or dependent upon any other remedy and all or any remedies may from time to time be exercised independently or in any combination.

## 5.4 Disposition

Without limiting the generality of the foregoing it shall be lawful for DSL:

- (a) to make any sale, lease or other disposition of the Collateral either for cash or upon credit or partly for one and partly for the other upon such conditions as to terms of payment as it in its absolute discretion may deem proper;
- (b) to rescind or vary any contract for sale, lease or other disposition that DSL may have entered into pursuant hereto and resell, release or redispense of the Collateral with or under any of the powers conferred herein; and
- (c) to stop, suspend or adjourn any sale, lease or other disposition from time to time and to hold the same as adjourned without further notice.

Upon any such sale, lease or other disposition DSL shall be accountable only for money actually received by it. The Borrower shall be accountable for any deficiency and DSL shall be accountable for any surplus. DSL may deliver to the purchaser or purchasers of the Collateral or any part thereof good and sufficient conveyances or deeds for the same free and clear of any claim by the Borrower. The purchaser or lessee receiving any disposition of the Collateral or any part thereof need not inquire whether default under this Agreement has actually occurred but may as to this and all other matters rely upon a statutory declaration of an officer of DSL, which declaration shall be conclusive evidence as between the Borrower and any such purchaser or lessee, and the purchaser or lessee need not look to the application of the purchase money, rent or other consideration given upon such sale, lease or other disposition, which shall not be affected by any irregularity of any nature or kind relating to the crystallizing or enforcing of the security hereof or the taking of possession of the Collateral or the sale, lease or other disposition thereof.

#### **5.5 Powers of Receiver**

Any Receiver appointed as aforesaid shall have the power without legal process:

- (a) to take possession of the Collateral or any part thereof wherever the same may be found;
- (b) to carry on the business of the Borrower or any part thereof in the name of the Borrower or of the Receiver; and
- (c) to exercise on behalf of DSL all of the rights and remedies herein granted to DSL,

and without in any way limiting the foregoing the Receiver shall have all the powers of a receiver appointed by a court of competent jurisdiction. Any Receiver shall, so far as concerns responsibility for his acts, be deemed the agent of the Borrower, and DSL shall not be in any way responsible for any misconduct or negligence on the part of any Receiver or any loss resulting therefrom.

#### **5.6 Application of Moneys**

All moneys actually received by DSL or by the Receiver in enforcing the security of this Agreement shall be applied, subject to the proper claims of any other person:



- (a) first, to pay or reimburse DSL and any Receiver the costs, charges, expenses and advances payable by the Borrower in accordance herewith;
- (b) second, in or toward the payment to DSL of the Obligations in such order as DSL in its sole discretion may determine; and
- (c) third, any surplus shall be paid to the Borrower or its assigns.

#### **5.7 Limitations on Liability**

Neither the provisions of this Agreement nor anything done under or pursuant to the rights, remedies and powers conferred upon DSL and the Receiver, whether hereunder or otherwise, will render DSL a mortgagee in possession. Neither DSL nor any Receiver will be bound to collect, dispose of, realize, enforce or sell any securities, Instruments, Chattel Paper or Intangibles (including any Accounts) comprised in the Collateral or to allow any such Collateral to be sold or disposed of, nor will it be responsible for any loss occasioned by any such sale or other dealing or for any failure to sell or so act, nor will it be responsible for any failure to take necessary steps to preserve rights against others in respect of such Collateral, nor will it be responsible for any loss occasioned by the failure to exercise any rights in respect of Collateral within the time limited for the exercise thereof. Neither DSL nor the Receiver will be obligated to keep Collateral separate or identifiable.

### **ARTICLE 6 GENERAL**

#### **6.1 Waiver and Amendment**

No waiver of any provision hereof and no consent to any departure by the Borrower herefrom shall be effective unless the same shall be in writing and signed by DSL and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. Any amendment hereto shall be signed by DSL and the Borrower.

#### **6.2 Waivers and Indemnity.**

- (a) To the extent permitted by applicable law, the Borrower unconditionally and irrevocably waives
  - (i) all claims, damages and demands it may acquire against DSL arising out of the lawful exercise by DSL or any Receiver of any rights or remedies under this Agreement or at law, and
  - (ii) all of the rights, benefits and protections given by any present or future statute that imposes limitations on the rights, powers or remedies of a secured party or on the methods of, or procedures for, realization of security, including any "seize or sue" or "anti-deficiency" statute or any similar provision of any other statute.

- (b) The Borrower agrees to indemnify DSL from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (except by reason of the gross negligence or willful misconduct of DSL or any of its agents or employees) which may be imposed on, incurred by, or asserted against DSL and arising by reason of any action (including any action referred to in this Agreement) or inaction or omission to do any act in connection with this Agreement.

### 6.3 Other Securities

The rights of DSL hereunder shall not be prejudiced nor shall the liabilities of the Borrower or of any other person be reduced in any way by the taking of any other security of any nature or kind whatsoever either at the time of execution of this Agreement or at any time hereafter.

### 6.4 No Merger or Novation

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

### 6.5 Amalgamation

The Borrower, if a corporation, acknowledges that if it amalgamates with any other corporation or corporations:

- (a) the Collateral and the lien created hereby shall extend to and include all the property and assets of each of the amalgamating corporations and the amalgamated corporation and to any property or assets of the amalgamated corporation thereafter owned or acquired;
- (b) the term, "**Borrower**", where used herein, shall extend to and include each of the amalgamating corporations and the amalgamated corporation; and
- (c) the term, "**Obligations**", where used herein, shall extend to and include the Obligations of each of the amalgamating corporations and the amalgamated corporation.

Nothing contained in this Section 6.5 shall be interpreted as permitting the Borrower to amalgamate in violation of any covenant of the Borrower contained herein or in any other agreement binding the Borrower.

### 6.6 Power of Attorney

The Borrower for valuable consideration irrevocably appoints DSL and its officers from time to time or any of them to be the attorneys of the Borrower in the name of and on behalf of the Borrower after an Event of Default has occurred to execute and do any deeds, transfers,

conveyances, assignments, assurances and things which the Borrower ought to execute and do under the covenants and provisions herein contained and generally to use the name of the Borrower in the exercise of all or any of the powers hereby conferred on DSL, including to receive, endorse and collect all instruments made payable to the Borrower representing any distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

#### 6.7 DSL May Remedy Default

If the Borrower fails to do anything hereby required to be done by it, DSL may, but shall not be obliged to, do such thing and all sums thereby expended by DSL shall be payable forthwith by the Borrower, shall be secured hereby and shall have the benefit of the lien hereby created, but no such performance by DSL shall be deemed to relieve the Borrower from any default hereunder.

#### 6.8 Intentionally Deleted

#### 6.9 Notices

All notices given pursuant to or in connection with this Agreement shall be in writing and shall be personally delivered to the individual designated below, to any officer or director of the addressee or to any employee of the addressee with apparent responsibility for matters to which the information relates, or sent by registered or certified mail, telefacsimile at or to the applicable addresses or telefacsimile numbers (as the case may be), charges prepaid, set opposite the party's name below or at or to such other address or addresses or telefacsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner:

if to the Borrower:

BG Furniture Ltd.  
75 Ridout Street  
Walkerton, Ontario  
N0G 2V0  
Facsimile: 519-881-~~6455~~ 1068 AH  
Attention: Adam Hofmann, President

if to DSL:

DSL Industrial Limited  
37 Kodiak Crescent  
Unit 7  
Toronto, Ontario  
M3J 3E5  
Facsimile: 416-630-5241  
Attention: Jonathan Ordon

Any notice which is personally delivered as aforesaid shall be deemed to have been validly and effectively given and received on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given and received on the Business Day next following such date of delivery. Any notice which is transmitted by telefacsimile as aforesaid shall be deemed to have been validly and effectively given and received on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given and received on the Business Day next following such date of transmission. Any notice which is sent by registered or certified mail shall be deemed to have been validly and effectively given and received four (4) Business Days after the date on which it is mailed by certified or registered mail, save in the event of a disruption of postal service.

**6.10 Receipt**

The Borrower hereby acknowledges receipt of a true copy of this Agreement and a copy of the financing statement registered under the *Personal Property Security Act* (Ontario) in respect of the security created hereby.

**6.11 Successors and Assigns, etc.**

This Agreement and all its provisions shall enure to the benefit of DSL, its successors and assigns, and shall be binding upon the Borrower, its successors and permitted assigns.

*[Signature Page Follows]*

IN WITNESS WHEREOF the Borrower has duly executed this Agreement as of the dated first above written.

**BG FURNITURE LTD.**

Per: \_\_\_\_\_

  
Name: Adam Hofmann

Title: President

**DSL INDUSTRIAL LIMITED**

Per: \_\_\_\_\_

Name:

Title:

AH

**Schedule A  
PREMISES**

**(Section 1.1(u))**

**Head Office:**

BG Furniture Ltd.  
75 Ridout Street  
Walkerton, Ontario  
N0G 2V0

**Other Collateral Locations including warehouse or other third party locations:**

None



**Schedule B**  
**SPECIFIED PERSONAL PROPERTY**

(Section Error! Reference source not found.)

The following goods:

N/A

Now located at :     N/A



**Schedule C**  
**PERMITTED LIENS**

**(Section 1.1)**

**I. PERSONAL PROPERTY SECURITY ACT**

- a. File Number 687128409 in favour of RCAP Leasing Inc.
- b. File Number 698259708 in favour of Saugeen Economic Development Corporation and Bruce Community Futures Development Corporation;
- c. File Number 697507524 in favour of CNH Industrial Capital Canada Ltd.;
- d. File Number 697884291 in favour of RPG Receivables Purchase Group Inc.
- e. File Number 699347934 in favour of Manorhouse Limited;
- f. File Number 701243604 in favour of Xerox Canada Ltd.;
- g. File Number 706716855 in favour of Blue Chip Leasing Corporation;
- h. File Number 709508421 in favour of Grenville Strategic Royalty Corp.

*Handwritten initials*

**Schedule D**  
**BILL OF SALE AND EQUIPMENT LISTING**

AA



# APPENDIX A

BG Furniture Ltd.

## Machinery & Equipment Listing

All this machinery and equipment is located at 75 Ridout Street, Walkerton ON N0G 2V0

Updated July 18, 2014

Description	Manufacturer	Model	Serial	Location
Felder Multi Drill	Felder	FD921		Machining
Roughing Planer	Cantec			Breakout
Packaging Machine	Panotec	Flexmode		Packing
Wood Grinder	Vecoplan	RGU42	V3333	Basement
RF Glue Press	Dimter	ProfiPress L2500	2714.37	Breakout
Felder Shaper	Felder	Profil 45	61.09.002.10	Machining
Moulder 6 head	Weinig			Machining
Biesse Rover 35	Biesse	Rover 35	61222	Machining
Selco EB 90 panel saw	Selco	EB90		Breakout
CNC Optimizing crosscut saw	Cameron	Quick Chop 16	QC-106	Breakout
Finish sander (2 wider and 1 vertical belt)	Heeseman	MFA-6 classic	200109261	Sanding
Gang rip, multi-adjustable	Raimann	KRUSBV	26773	Breakout
Brandt Optimat sander shaper	Brandt	0-266-02-7977		Sanding
44" Timesaver planer/sander	Whitney	243-2KA1C	28705	Breakout
CNC router	Biesse	Rover 322	92043	Machining
Racking	Various			all over
Automatic double-sided cut off moulding & boring	Balestrini	MIA Plus	U221 U1	Machining
Dovetailer	Omec	F11CN	U3072777	Assembly
Tenoner	Balestrini	PICO	E1420BY30	Machining
Tenoner #2	Balestrini	PICO	E944BJ24	Machining
Door SA Clamp	Taylor			Assembly
Return Conveyor	Ligmatech	ZHR/01/R 075	0-305-06-0826	Machining
Forklift	Hyster	H155x12		Yard
Dust collection system & 2 hoppers. Lg Baghouse: PT360, Small Baghouse: PT304, Fan 1: MF673, Fan 2: MF603	Dust Collector			Yard
Dust Collector Explosion Relief	MacDonald Steel			Yard
pallet carts, work benches, small air tools=> drills, sanders, screwguns, staplers				all over
Moulder 7 head	Weinig	PFA17N		Machining
Lumber lift, conveyor & sorting deck	in-house			Breakout
Plastic product bins - black				all over
2nd to 3rd floor conveyor				Assembly
Glue wheel #1 rotary clamp set	2 units	1 in storage		Breakout
5 section mitre clamp -blue	JLT	79X-5-M		Machining
Micron - mortiser	Balestrini		AN411L 16	Machining
Drawer glueing clamp	Omec	SCM1200	030407	Assembly
Motorized conveyor for cut to length parts 60"w	in-house	50' long		Breakout
Watson factory carts				all over
Flexsander - horizontal				Sanding
Flexsander - vertical				Sanding
3rd floor track & carts				Packing
Leg fluter	Macchia			Machining
Large rip saw #2	Diehl	SL50		Breakout
Large rip saw #1	Diehl	SL52		Breakout
I-R 350cfm Refrigerated air dryer		TMS-0380	TMS-380-0602/	Comp. Room

# APPENDIX A

## BG Furniture Ltd.

### Machinery & Equipment Listing

All this machinery and equipment is located at 75 Ridout Street, Walkerton ON N0G 2V0

Updated July 18, 2014

Description	Manufacturer	Model	Serial	Location
Phone system	Nortel	Norstar		Electrical Room
5 chemical fire cabinets		25995		Finishing
Band saw	Tannewitz	G1	14378	Machining
Continental Cabinet resaw c/w power feeder	Meber 900			Basement
Large double case clamp	Holz Her	1528	3397	Assembly
Large double case clamp	Holz Her	1528	3576	Assembly
Lumber lift conveyor	in-house			Breakout
Lumber lift sorting deck	in-house			Breakout
Stroke Sander	Preston			Sanding
Stroke Sanders (2)	in-house			Sanding
Overhead router	SCM	R9		Machining
Hinge Drill	Blum	Minipress P	JQ 00224	Assembly
Hanger bolt machine- borer/inserter				Machining
Kremlin airless spray unit				Finishing
Maintenance Shop Equipment				Maintenance
Dry Power Capacitor	Freeborn	AV5000	10017594-A1	Electrical Room
Plastic product bins - grey				all over
Oakley drawer sander -12"	Oakley	HL2		Assembly
Steam & press unit - small				Basement
pump & guns for booth #1 - stain	Binks	AA/1500		Finishing
pump & guns for booth #2 - stain	Binks	62		Finishing
pump & guns for booth #3 - shader	Binks	62		Finishing
pump & guns for booth #4 - sealer	Kremlin			Finishing
pump & guns for booth #5 - top coat	Kremlin			Finishing
Spindle lathe c/w 40 heads	Mattison	55C		Machining
Table Frame clamp - pneumatic		R375		Assembly
metal lathe 48"	Zenith	L-1440		Maintenance
edge sander #1, double sided-72"	Ekamant			
Scissor & other lifts	Blue Giant	KG 1000		
Table/Rip saw	Wadkin	PU687		Assembly
Combo drill press & milling - metal	Complex Machine	KDM30		Maintenance
4 chemical pumps air operated	Binks			Finishing
2- Vertical Spindle Sanders	Progress			
edge sander #4 -36"	Doucet	PMC-150		
Flat edge sander -60"				
edge sander #2 -36"				
pipe threader	Ridgid 300	7573539		Maintenance
4 head Multiple borer/drill, hyd table	Greenlee			
edge sander #3	General	15-01OM3		
Mig 250 welder/fabricator	Thermalarc	A10157A9060880		Maintenance
spray booth #1 - stain	Kremlin			
spray booth #2 - stain	Kremlin			
spray booth #3 - shader	Kremlin			
spray booth #4 - sealer	Devilbliss			
Edge sander	General	15-020M1	16801805	Assembly
2 small manual case clamps	CMC	15561 & 18696		Assembly
Small chop saw #1	KNA	1200		Breakout

*AH*

# APPENDIX A

## BG Furniture Ltd.

### Machinery & Equipment Listing

All this machinery and equipment is located at 75 Ridout Street, Walkerton ON N0G 2V0

Updated July 18, 2014

Description	Manufacturer	Model	Serial	Location
Small chop saw #2	KNA	1201		Breakout
Plasma Cutter	Miller		375	Maintenance
Rotary "Spindle/Leg" Sander	Nash	50-72	F-5281	Sanding
drill press	Reuland	10589X		Assembly
drill press	King		20189190027	Assembly
Glue conveyor/spreader				
rip saw conveyor	in-house			
Table saw	Oliver	88-D	63670	Machining
table saw -10"	Delta	36-650		Sample
36" band saw	Berlin			Sample
Auto lathe #1 c/w 1000's cutter blades	Mattison	66		
large single drum sander				
small drum sander #1- 2 drums	Cemco			
small drum sander #2- 2 drums		554-		
Idealarc 250 welder	Lincoln	9993		Maintenance
1 small manual case clamps	210	1G634		Assembly
4- Power mitre saws	Delta/Craftsman			Assembly
Bander machines & Tape Dispensers				
Several small drill presses	Craftex/mastercraft			
Small chop saw #3	King	8372N		
Welding Table & Anvil				Maintenance
Bluestreak Fabric cutter	Eastman		BC11299-5	Assembly
10" Radial Arm Saw	Craftsman			
Glass Cutter	Fletcher Terry		14638	
Band saw	Beaver 15"			
HD Drill	Root			
Table saw	Beaver	8"		
Router & Stand	DeWalt			Assembly
metal chop saw		903876		Maintenance
Dowel Gluer and Inserter	Gannomat		252	Machining
Sewing Machine	Juki	LU-1114-4	R01720	
Sewing Machine	Juki	LU-563		
Studio Lighting, umbrellas, tripods, lights	various			

*AA*

**Schedule E**  
**PROMISSORY NOTE**

*AA*

**SECURED PROMISSORY NOTE**  
(the "Note")

Date: September 2, 2015

\$50,750.00 CDN.

**FOR VALUE RECEIVED, BG Furniture Ltd. (the "Payor"), PROMISES TO PAY to the Order of DSL Industrial Limited (the "Payee") at Toronto, Ontario, or at such other place as the Payee may designate in writing from time to time, the amount of FIFTY THOUSAND SEVEN HUNDRED AND FIFTY DOLLARS (\$50,750.00) of lawful money of Canada (the "Principal Sum"), without interest on December 31, 2015.**

This Note is being delivered by the Payor to the Payee as evidence of the Payor's obligation to pay a portion of the purchase price payable to the Payee as set out in a bill of sale for certain equipment purchased by the Payor from the Payee dated with effect as of the date hereof.

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

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

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

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

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

The obligations of the Payor under this Note are secured by way of a general security agreement (the "Security Agreement") executed and delivered by the Payor to the Payee with effect as of the date hereof. In the event of the occurrence of an Event of Default under and as defined in the Security

Agreement, the principal balance of this Note shall accelerate and shall become due and payable on written demand.

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

IN WITNESS WHEREOF the Payor has executed this Note.

**BG FURNITURE LTD.**



Name: Adam Hofmann

Title: President



THIS IS EXHIBIT L REFERRED  
TO IN THE AFFIDAVIT OF

Adam Hoffmann

SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Thibault *per*

A COMMISSIONER, ETC.

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

2016

THIS SECURITY AGREEMENT is made the 2<sup>nd</sup> day of September, 2015.

**B E T W E E N:**

**BG FURNITURE LTD.**  
75 Ridout Street, Box 1240  
Walkerton, Ontario N0G 2V0

Attn: Adam Hofmann, President  
FAX: 519-881-6465

(the "Debtor")

- and -

**GRENVILLE STRATEGIC ROYALTY CORP.**  
220 Bay Street, Suite 5000  
Toronto, Ontario M5J 2W4

Attention: William R. Tharp  
FAX: 416-644-0098

(the "Secured Party")

**1.0 SECURITY INTEREST**

**1.1** For one dollar (\$1) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor does hereby:

(a) mortgage and charge as and by way of a fixed and specific charge, and assign and transfer to the Secured Party, and grant to the Secured Party a security interest in, but subject to the exceptions contained in Section 2, all the Debtor's right, title and interest in and to all its presently owned or held and after acquired or held personal property, of whatever nature or kind and wheresoever situate, and all cash proceeds and non-cash proceeds thereof and therefrom including:

- (i) all equipment, including, without limiting the generality of the foregoing, machinery, tools, fixtures, furniture, furnishings, chattels, motor vehicles and other tangible personal property that is not Inventory, and all parts, components, attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing (all of which is hereinafter collectively called the "Equipment");
- (ii) all inventory, including, without limiting the generality of the foregoing, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all raw materials, work in process, finished goods, returned goods, repossessed goods, and all packaging materials, supplies and containers relating to or used or consumed in connection with any of the foregoing (all of which is hereinafter collectively called the "Inventory");
- (iii) all debts, accounts, claims, demands, monies and choses in action which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor and all books, records, documents, papers and



electronically recorded data recording, evidencing or relating to the said debts, accounts, claims, demands, monies and choses in action or any part thereof and the computers and equipment containing said electronically recorded data (all of which is hereinafter collectively called the "**Accounts**");

- (iv) all documents of title, chattel paper, instruments, securities and money, Investment Property (as such term is defined in the Personal Property Security Act (Ontario)) and Financial Assets (as such term is defined in the Securities Transfer Act, 2006 (Ontario)) and all other goods of the Debtor that are not Equipment, Inventory or Accounts;
- (v) all contracts, contractual rights, licences, goodwill, copyrights, patents, trademarks and other intellectual property of the Debtor, all other choses in action of the Debtor of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor, and all other intangible property of the Debtor which is not Accounts, chattel paper, instruments, documents of title, securities or money; and
- (vi) without limiting the generality of the foregoing, the property described in Schedule A hereto; and

(b) charge as and by way of a floating charge, and grant to the Secured Party a security interest in and to:

- (i) all the Debtor's right, title and interest in and to all its presently owned or held and after acquired or held real, immovable and leasehold property and all interests therein, and all easements, rights-of-way, privileges, benefits, licences, improvements and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant and other fixtures (all which is hereinafter collectively called the "**Real Property**"); and
- (ii) all assets and undertakings of the Debtor, of whatsoever nature or kind and wheresoever situate, and all proceeds thereof and therefrom, other than such of its assets and undertakings as are otherwise validly and effectively subject to the charges and security interests in favour of the Secured Party created pursuant to this Section 1.1.

1.2 The charges, assignments, transfers and security interests created pursuant to Section 1.1 are hereinafter collectively called the "**Security Interests**" and the property subject to the Security Interests and all property, assets and undertakings, expressed to be charged, assigned or transferred or secured by any instruments supplemental hereto or in implementation hereof are hereinafter collectively called the "**Collateral**".

## 2.0 EXCEPTIONS

2.1 The last 10 days of the term created by any lease or agreement therefor are hereby excepted out of the Security Interests created by this Security Agreement but the Debtor shall stand possessed of the reversion thereby remaining upon trust to assign and dispose thereof to any third party as the Secured Party shall direct.

2.2 All consumer goods of the Debtor are hereby excepted out of the Security Interests created by this Security Agreement.

2.3 The Collateral shall not include any contract, account, user licence, permit, licence, claim, demand, chose in action or other intangible which, as a matter of law or by its terms, is not assignable or may not be charged or otherwise encumbered by the Debtor without the consent, authorization, approval or waiver of a third party (all such contracts, accounts, user licences, permits, licences, claims, demands, choses in action and other intangibles are collectively referred to herein as the "**Restricted Assets**") unless and until such consent, authorization, approval or waiver has been obtained, provided that, until such time as the applicable consent, authorization, approval or waiver has been obtained, the Debtor shall hold each Restricted Asset in trust for the Secured Party and to assign and dispose of the same in such manner as the Secured Party may from time to time direct as and when the Secured Party is entitled to realize upon Collateral in accordance with Section 10.0.

### 3.0 ATTACHMENT

The Debtor acknowledges that the Security Interests hereby created attach upon the execution of this Security Agreement (or in the case of any after acquired property, upon the date of acquisition thereof), that value has been given, and that the Debtor has (or in the case of any after acquired property, will have upon the date of acquisition) rights in the Collateral.

#### 4.0 **PROHIBITIONS**

4.1 Without the prior written consent of the Secured Party the Debtor shall not have power to:

(a) except for the liens set out in Schedule B hereto ("**Permitted Liens**"), create or permit to exist any security interest in, charge, encumbrance or lien over, or claim against any of its property, assets, or undertakings which ranks or could in any event rank in priority to or pari passu with any of the Security Interests created by this Security Agreement; or

(b) grant, sell, or otherwise assign its chattel paper, Investment Property or Financial Assets.

#### 5.0 **OBLIGATIONS SECURED**

This Security Agreement and the Security Interests hereby created are in addition to and not in substitution for any other security interest now or hereafter held by the Secured Party from the Debtor or from any other person whomsoever and shall be general and continuing security for the payment of all indebtedness and liability of the Debtor to the Secured Party including, without limitation, under or in connection with the royalty purchase agreement between the Debtor and the Secured Party dated October 17, 2014 (the "**Royalty Purchase Agreement**"), present and future, absolute or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wheresoever and howsoever incurred, and any ultimate balance thereof, including all advances on current or running account, future advances and re-advances, and for the performance of all obligations of the Debtor to the Secured Party arising hereunder or under or in connection with the Royalty Purchase Agreement, whether or not contained in this Security Agreement (all of which indebtedness, liability and obligations are hereinafter collectively called the "**Obligations**").

#### 6.0 **REPRESENTATIONS AND WARRANTIES**

6.1 The Debtor represents and warrants that this Security Agreement is granted in accordance with resolutions of the directors (and of the shareholders, as applicable) of the Debtor and all other matters and things have been done and performed so as to authorize and make the execution and delivery of this Security Agreement, and the performance of the Debtor's obligations hereunder, legal, valid and binding.

6.2 The Debtor represents and warrants that the Debtor lawfully owns and possesses all presently held Collateral and has good title thereto, free from all security interests, charges, encumbrances, liens and claims, save only Permitted Liens and any other charges or security interests consented to in writing by the Secured Party, and the Debtor has good right and lawful authority to grant a security interest in the Collateral as provided by this Security Agreement.

6.3 The Debtor represents and warrants and, so long as this Security Agreement remains in effect, shall be deemed to continuously represent and warrant

that the locations specified in Schedule C as to business operations and records are accurate and complete.

## 7.0 COVENANTS OF THE DEBTOR

7.1 The Debtor covenants that at all times while this Security Agreement remains in effect the Debtor will:

(a) defend the title to the Collateral for the benefit of the Secured Party against the claims and demands of all persons;

(b) fully and effectually maintain and keep maintained the Security Interests hereby created valid and effective;

(c) maintain the Collateral in good order and repair;

(d) promptly pay as and when they become due:

(i) all taxes, assessments, rates, duties, levies, government fees, claims and dues lawfully levied, assessed or imposed upon it or the Collateral when due, unless the Debtor shall in good faith contest its obligations so to pay and has set aside reserves to the extent required by generally accepted accounting principles; and

(ii) all security interests, charges, encumbrances, liens and claims which rank or could in any event rank in priority to any Security Interests created by this Security Agreement;

(e) promptly pay all reasonable costs, charges, expenses and legal fees and disbursements (on a solicitor and own client basis) which may be incurred by the Secured Party in:

(i) inspecting the Collateral;

(ii) negotiating, preparing, perfecting and registering this Security Agreement and other documents, whether or not relating to this Security Agreement; and

(iii) investigating title to the Collateral;

(f) promptly pay all costs, charges, expenses and legal fees and disbursements (on a solicitor and own client basis) which may be incurred by the Secured Party in:

(i) taking, recovering and keeping possession of the Collateral; and

(ii) all other actions and proceedings taken in connection with the preservation of the Collateral and the enforcement of this Security Agreement and of any other security interest held by the Secured Party as security for the Obligations;

(g) at the Secured Party's request at any time and from time to time execute and deliver such further and other documents and instruments and do all acts and things as the Secured Party, acting reasonably, requires in order to confirm and perfect, and maintain perfection of, the Security Interests hereby created in favour of the Secured Party upon any of the Collateral;

- (h) notify the Secured Party promptly of:
- (i) any change in the information contained herein relating to the Debtor, its business or the Collateral, including without limitation any change of name or address of the Debtor and any change in the present location of any material part of the Collateral;
  - (ii) the details of any material acquisition of Collateral;
  - (iii) any material loss or damage to Collateral;
  - (iv) any material default by any account debtor in payment or other performance of his obligations to the Debtor with respect to any Accounts; and
  - (v) the return to or repossession by the Debtor of Collateral where such return or repossession of Collateral is material in relation to the business of the Debtor;
- (i) prevent Collateral, other than Inventory sold, leased, or otherwise disposed of as permitted hereby, from being or becoming an accession to other property not covered by this Security Agreement;
- (j) regarding any Investment Property or Financial Asset that is a certificated security, an uncertificated security or a security entitlement, the Debtor shall, or shall cause the issuer of such Investment Property or Financial Asset to, or shall cause the securities intermediary that holds such Investment Property or Financial Asset to, take all steps as are necessary to give exclusive control over such Investment Property or Financial Asset to Secured Party on terms and conditions satisfactory to Secured Party;
- (l) carry on and conduct its business in a proper and business-like manner, including maintenance of proper books of account and records;
- (k) permit the Secured Party and its representatives, at all reasonable time access to its Collateral for the purpose of inspection and render all assistance reasonably necessary for such inspection; and
- (l) make available to the Secured Party from time to time promptly upon request:
- (i) any documents of title, instruments, securities and chattel paper constituting, representing or relating to Collateral;
  - (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to Collateral for the purpose of inspecting, auditing or copying the same;
  - (iii) all financial statements prepared by or for the Debtor regarding the Debtor's business; and
  - (iv) such information concerning the Collateral and the Debtor and the Debtor's business and affairs related to the Security Interest as the Secured Party may require.

## 8.0 PERFORMANCE OF OBLIGATIONS

If the Debtor fails to perform its obligations to the Secured Party, the Secured Party may, but shall not be obliged to, perform any or all of such obligations

without prejudice to any other rights and remedies of the Secured Party hereunder, and any payments made and any costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred in connection therewith shall be payable by the Debtor to the Secured Party promptly with interest until paid at the highest rate borne by any of the Obligations.

## 9.0 **DEFAULT**

9.1 The Debtor shall be in default under this Security Agreement if an Event of Default (as defined in the Royalty Purchase Agreement) has occurred and is not cured in accordance with the provisions of the Royalty Purchase Agreement (an "**Uncured Event of Default**").

## 10.0 **ENFORCEMENT**

10.1 Upon the occurrence and during the continuance of an Uncured Event of Default, the Secured Party may declare any or all of the Obligations to become immediately due and payable and the security hereby constituted will immediately become enforceable. The Secured Party may enforce and realize on the Security Interests created by this Security Agreement and may take any action permitted by law or in equity, as it may deem expedient, and in particular and without limiting the generality of the foregoing, the Secured Party may do any one or more of the following:

(a) appoint by instrument a receiver, receiver and manager or receiver manager (the person so appointed being hereinafter called the "**Receiver**") of the Collateral, with or without bond as the Secured Party may determine, and from time to time in its absolute discretion remove such Receiver and appoint another in its stead;

(b) enter upon any premises of the Debtor and take possession of the Collateral with power to exclude the Debtor, its agents and its servants therefrom, without becoming liable as a mortgagee in possession;

(c) preserve, protect and maintain the Collateral and make such replacements thereof and repairs and additions thereto as the Secured Party may deem advisable;

(d) sell, lease or otherwise dispose of all or any part of the Collateral, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained therefor and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to the Secured Party may seem reasonable, provided that if any sale, lease or other disposition is on credit the Debtor will not be entitled to be credited with the proceeds of such sale, lease or other disposition until the monies therefor are actually received; and

(e) exercise all of the rights and remedies of a secured party under the Act.

10.2 A Receiver appointed pursuant to this Security Agreement shall be the agent of the Debtor and not of the Secured Party and, to the extent permitted by law or to such lesser extent permitted by its appointment, shall have all the powers of the Secured Party hereunder, and in addition shall have power to carry on the business of the Debtor and for such purpose from time to time to borrow money either secured or unsecured, and if secured by a security interest on any Collateral, such security interest may rank before or pari passu with or behind any of the Security Interests created by

this Security Agreement, and if it does not so specify such security interest shall rank in priority to the Security Interests created by this Security Agreement.

10.3 Subject to the claims, if any, of the creditors of the Debtor ranking in priority to this Security Agreement, all amounts realized from the disposition of Collateral pursuant to this Security Agreement will be applied as the Secured Party, in its absolute discretion, may direct as follows:

(a) in payment of all costs, charges and expenses (including legal fees and disbursements on a solicitor and own client basis) incurred by the Secured Party in connection with or incidental to:

- (i) the exercise by the Secured Party of all or any of the powers granted to it pursuant to this Security Agreement; and
- (ii) the appointment of the Receiver and the exercise by the Receiver of all or any of the powers granted to it pursuant to this Security Agreement, including the Receiver's reasonable remuneration and all outgoings properly payable to the Receiver;

(b) in or toward payment to the Secured Party of all principal and other monies (except interest) due in respect of the Obligations; and

(c) in or toward payment to the Secured Party of all interest remaining unpaid in respect of the Obligations.

Subject to applicable law and the claims, if any, of other creditors of the Debtor, any surplus will be paid to the Debtor.

#### 11.0 DEFICIENCY

If the amounts realized from the disposition of the Collateral are not sufficient to pay the Obligations in full, the Debtor will immediately pay to the Secured Party the amount of such deficiency.

#### 12.0 LIABILITY OF SECURED PARTY

The Secured Party shall not be responsible or liable for any debts contracted by it, for damages to persons or property or for salaries or non-fulfillment of contracts during any period when the Secured Party shall manage the Collateral upon entry, as herein provided, nor shall the Secured Party be liable to account as a mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable. The Secured Party shall not be bound to do, observe or perform or to see to the observance or performance by the Debtor of any obligations or covenants imposed upon the Debtor nor shall the Secured Party, in the case of securities, instruments or chattel paper, be obliged to preserve rights against other persons, nor shall the Secured Party be obliged to keep any of the Collateral identifiable. The Debtor hereby waives any applicable provision of law permitted to be waived by it which imposes higher or greater obligations upon the Secured Party than aforesaid.

**13.0            APPOINTMENT OF ATTORNEY**

Effective upon the occurrence and during the continuance of an Uncured Event of Default, the Debtor hereby irrevocably appoints the Secured Party or the Receiver, as the case may be, with full power of substitution, to be the attorney of the Debtor for and in the name of the Debtor to sign, endorse or execute under seal or otherwise any deeds, documents, transfers, cheques, instruments, demands, assignments, assurances or consents that the Debtor is obliged to sign, endorse or execute and generally to use the name of the Debtor and to do all things as may be necessary or incidental to the exercise of all or any of the powers conferred on the Secured Party or the Receiver, as the case may be, pursuant to this Security Agreement.

**14.0            ACCOUNTS**

Notwithstanding any other provision of this Security Agreement if an Uncured Event of Default has occurred and is continuing, the Secured Party may collect, realize, sell or otherwise deal with the Accounts or any part thereof in such manner, upon such terms and conditions and at such time or times, as may seem to it advisable, and without notice to the Debtor, except in the case of disposition after default and then subject to the provisions of Part V of the Act. All monies or other forms of payment received by the Debtor in payment of any Account following the occurrence and during the continuance of an Uncured Event of Default, will be received and held by the Debtor in trust for the Secured Party.

**15.0            APPROPRIATION OF PAYMENTS**

Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collected in accordance with or realized on any enforcement of this Security Agreement) may be applied to such part or parts of the Obligations as the Secured Party may see fit, and the Secured Party may at all times and from time to time change any appropriation as the Secured Party may see fit.

**16.0            LIABILITY TO ADVANCE**

None of the preparation, execution, perfection and registration of this Security Agreement or the advance of any monies shall bind the Secured Party to make any advance or loan or further advance or loan, or renew any note or extend any time for payment of any indebtedness or liability of the Debtor to the Secured Party.

**17.0            WAIVER**

The Secured Party may from time to time and at any time waive in whole or in part any right, benefit or default under any Section of this Security Agreement but any such waiver of any right, benefit or default on any occasion shall be deemed not to



be a waiver of any such right, benefit or default thereafter, or of any other right, benefit or default, as the case may be. No waiver shall be effective unless it is in writing.

18.0            **NOTICE**

Notice may be given to either party in accordance with Section 6.1 of the Royalty Purchase Agreement, the terms of which are deemed to be incorporated herein by reference.

19.0            **EXTENSIONS**

The Secured Party may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests, and otherwise deal with the Debtor, account debtors of the Debtor, sureties and others and with Collateral and other security interests as the Secured Party may see fit without prejudice to the liability of the Debtor or the Secured Party's right to hold and realize on the Security Interests created by this Security Agreement.

20.0            **NO MERGER**

This Security Agreement shall not operate so as to create any merger or discharge of any of the Obligations, or of any assignment, transfer, guarantee, lien, contract, promissory note, bill of exchange or security interest of any form held or which may hereafter be held by the Secured Party from the Debtor or from any other person whomsoever. The taking of a judgment with respect to any of the Obligations will not operate as a merger of any of the covenants contained in this Security Agreement.

21.0            **RIGHTS CUMULATIVE**

All rights and remedies of the Secured Party set out in this Security Agreement, and in any other security agreement held by the Secured Party from the Debtor or any other person whomsoever to secure payment and performance of the Obligations, are cumulative and no right or remedy contained herein or therein is intended to be exclusive but each is in addition to every other right or remedy contained herein or therein or in any future security agreement, or now or hereafter existing at law, in equity or by statute, or pursuant to any other agreement between the Debtor and the Secured Party that may be in effect from time to time.

22.0            **ASSIGNMENT**

The Secured Party may, without further notice to the Debtor, at any time assign, transfer or grant a security interest in this Security Agreement and the Security Interests created hereby. The Debtor expressly agrees that the assignee, transferee or secured party, as the case may be, shall have all of the Secured Party's rights and remedies under this Security Agreement and the Debtor will not assert any defense, counterclaim, right of set-off or otherwise any claim which it now has or hereafter

acquires against the Secured Party in any action commenced by such assignee, transferee or secured party, as the case may be, and will pay the Obligations to the assignee, transferee or secured party, as the case may be, as the Obligations become due.

### 23.0 **SATISFACTION AND DISCHARGE**

Any partial payment or satisfaction of the Obligations, or any ceasing by the Debtor to be indebted to the Secured Party shall be deemed not to be a redemption or discharge of this Security Agreement. The Debtor shall be entitled to a release and discharge of this Security Agreement upon full payment and satisfaction of all Obligations, and upon written request by the Debtor and payment of all costs, charges, expenses and legal fees and disbursements (on a solicitor and his own client basis) incurred by the Secured Party in connection with the Obligations and such release and discharge.

### 24.0 **PARAMOUNTCY**

If there is a conflict between the terms and conditions of this Security Agreement and the terms and conditions of the Royalty Purchase Agreement, the terms and conditions of the Royalty Purchase Agreement shall prevail.

### 25.0 **ENUREMENT**

This Security Agreement shall enure to the benefit of the Secured Party and its successors and assigns, and shall be binding upon the Debtor and its successors and permitted assigns.

### 26.0 **INTERPRETATION**

26.1 Words and expressions used herein that have been defined in the Personal Property Security Act (Ontario) shall be interpreted in accordance with their respective meanings given in such Act unless otherwise defined herein or unless the context otherwise requires.

26.2 The invalidity or unenforceability of the whole or any part of any Section of this Security Agreement shall not affect the validity or enforceability of any other Section or the remainder of such Section.

26.3 The headings of the Sections of this Security Agreement have been inserted for reference only and do not define, limit, alter or enlarge the meaning of any provision of this Security Agreement.

26.4 This Security Agreement shall be governed by the laws of Ontario.

### 27.0 **COPY OF AGREEMENT AND FINANCING STATEMENT**

**27.1           The Debtor hereby:**

**(a)                   acknowledges receiving a copy of this Security Agreement; and**

**(b)waives to the extent permitted by law all rights to receive from the Secured Party a copy of any financing statement or financing change statement filed, or any verification statement received, at any time in respect of this Security Agreement.**

28.0

**ANNOUNCEMENTS**

.1 The Debtor hereby consents to the reasonable disclosure by the Secured Party of the completion and nature of the transactions contemplated by this Security Agreement to governmental authorities, the Secured Party's shareholders and to any other person in connection with any financing, offering, business combination or similar transaction proposed to be undertaken by the Secured Party. The Debtor acknowledges that the Secured Party may be required, in accordance with applicable securities laws, to publicly disclose the transactions contemplated by this Security Agreement and to file a copy of this Agreement on SEDAR, with such redactions to this Security Agreement as are permitted under Section 12.2(3) of National Instrument 51-102 ("**NI 51-102**") (subject to compliance by the Secured Party with the remaining provisions of Section 12.2 of NI 51-102) with the prior consultation of the Debtor.

*[The remainder of this page is intentionally blank; signature page follows]*

IN WITNESS WHEREOF the Debtor has executed this Security Agreement as of the 2<sup>nd</sup> day of September, 2015.

**BG FURNITURE LTD.**

By: 

Name: Adam Hofmann  
Title: President

**BG FURNITURE LTD.**

By: 

Name: Dirk Nielsen  
Title: V.P. Manufacturing

**SCHEDULE "A"**

**DESCRIPTION OF EQUIPMENT**

*Note: All equipment is located at 75 Ridout Street, Walkerton, ON*

#	Description	Manufacturer	Model	Serial
1	Chop saw deck/conveyor	in-house		
41	Condensate tank			
41	2 air storage tanks			
41	Air Compressor - 75HP Variable Disp	Quincy	QS 370i	
118	Fire system - electrics only			
118	Silo unloader & auger system	Goliath		
118	Dust auger			
13	Various non motorized conveyors	in-house		
	Various tooling heads (refer to listing)			
80	Explosion proof heater	Norseman	150KW	
104	Air Makeup Unit, 14,000cfm Direct NG	Cambridge	M120	U291380C
104	Spray Booth, 10,000cfm, 14'x7'	Web Mech		
104	Flash off Fan & Ducting 4,000cfm	Web Mech		
104	Cleaning Room	Web Mech		
80	Elec pallet cart	Mobile Lift		
1	Wood Grinder with 2 infeed conveyors	Vecoplan	RGU42	V3333
2	Continental Cabinet resaw c/w power feeder	Meber 900		
3	Plastic product bins - black (Qty - 1107)			
4	Factory carts (Qty. 130)	Watson		
5	Plastic product bins - grey (Qty 106)			
6	Steam & press unit - small			Antique
7	Motorized conveyor for cut to length parts 60"w	in-house	50' long	
8	Small chop saw #1	KNA	1200	
9	Small chop saw #2	KNA	1201	
10	CNC Optimizing crosscut saw	Cameron	Quick Chop 16	
11	Gang rip, multi-adjustable	Raimann	KRUSBV	
12	Roughing Planer	Cantec		
13	Lumber lift, conveyor & sorting deck	in-house		
13	Lumber lift conveyor	in-house		
13	Lumber lift sorting deck	in-house		
13	Rip saw conveyor	in-house		
14	Small chop saw #2	KNA	1201	
15	Large rip saw #2	Diehl	SL50	
16	Large rip saw #1	Diehl	SL52	
17	Selco EB 90 panel saw	Selco	EB90	
18	Electrical Platform Lift - 2000lb, 50" x 50"			
19	RF Glue Press	Dimter	ProfiPress L2500	2714.37

19	Glue wheel #1 rotary clamp set			
19	Glue conveyor/spreader			
21	44" Timesaver planer/sander	Timesaver	243-2KA1C	S-28705
24	Biesse CNC router 322	Biesse	Rover 322	92043
25	Biesse CNC Rover 35	Biesse	Rover 35	
26	Dry Power Capacitor	Freeborn	AV5000	10017594-A1
27	Band saw	Tannewitz	G1	
28	Small chop saw	Dewalt		
29	Racking (Qty. - 90)	Various		
30	Moulder 6 head	Weinig		
31	HD Drill	Beaver	8"	
32	Moulder 7 head	Weinig	PFA17N	
33	5 section mitre clamp -blue	JLT	79X-5-M	
34	Table Frame clamp - pneumatic		R375	
35	Table saw	Oliver	88-D	
36	Balestrini mortiser	Balestrini	Micron	
37	Felder Multi Drill	Felder	FD921	
38	Tenoner	Balestrini	PICO	E1420BY30
39	Tenoner #2	Balestrini	PICO	
40	Automatic double-sided cut off moulding & boring	Balestrini	MIA Plus	U221 U1
42	I-R 350cfm Refrigerated air dryer		TMS-0380	
43	Overhead router	SCM	R9	
44	Felder Shaper	Felder	Profil 45	
45	Leg fluter	Macchia		
46	Auto lathe #1 c/w 1000's cutter blades	Mattison	66	
47	Spindle lathe	Mattison	55C	
48	Rotary "Spindle/Leg" Sander - semi automatic	Nash	50-72	461436
50	Hanger bolt machine- borer/insertor			
51	Finish sander (2 wide and 1 vertical belt)	Heeseman	MFA-6 classic	200109261
52	Brandt Optimat sander shaper	Brandt	0-266-02-7977	
53	Return Conveyor	Ligmatech	ZHR/01/R 075	0-305-06-0826
54	Flexsander - horizontal			
55	Flexsander - vertical			
56	Flat edge sander - 80" opening 6"H belt			
57	edge sander - 78" opening x 5"H belt			
58	Qty of 2 stroke sanders, 98" opening	Schimmer		
59	Vertical Spindle Sander	General	15/020	
60	Vertical Spindle Sander	Progress		
60	Vertical Spindle Sander	Progress		
61	Small drum sander #1- 2 drums	Cemco		
62	Large single drum sander	Custom		

63	Small drum sander #2- 2 drums		554-	
64	Edge sander -59" opening x 5"H belt	Doucet	PMC-150	
65	Edge sander -59" opening x 5"H belt	Doucet	PMC-150	
66	Band saw 36"	Berlin		
67	table saw -10"	Delta	36-650	
68	Small chop saw	Dewalt		
69	3 drill presses	Craftex & 2 Mastercraft		
70	Horizontal 3 spindle drill			
71	Metal lathe 48"	Zenith	L-1440	
72	Combo drill press & milling - metal	Complex Machine	KDM30	
73	Pipe threader	Ridgid 300	7573539	
74	Mig 250 welder/fabricator	Thermalarc	A10157A9060880	
75	Plasma Cutter	Miller	375	
76	Idealarc 250 welder	Lincoln	9993	
77	Anvil			
78	Welding Table			
79	Metal chop saw - horizontal		903876	
80	Maintenance Shop Equipment			
81	Dowel Gluer and Inserter	Gannomat	252	
82	Dovetailer	Omec	F11CN	U307277/7
83	Drawer glueing clamp	Omec	SCM1200	
84	Table/Rip saw	Wadkin	PU687	
85	Oakley drawer sander -12"	Oakley	HL2	
86	Cut off saw and cutting rule/table			
87	Hinge Drill	Blum	Minipress P	JQ 00224
88	Drill press 10"	King		20189190027
89	2 small manual case clamps	CMC	15561 & 18696	
89	1 small manual case clamps	210	16634	
90	Door SA Clamp	Taylor/JLT		
91	Large double case clamp	Holz Her	1528	3397
92	Large double case clamp	Holz Her	1528	3576
94	Edge sander #1, double sided-72" opening x 6"H belt	Ekamant		
95	Router & Stand	DeWalt		
96	Gluer for dovetailer	Omec	1CM300	
97	4- Power mitre saws	Delta/Craftsman		
97	Small chop saw	King	8372N	
98	2nd to 3rd floor power conveyor 24' x 33"			
99	5 chemical fire cabinets		25995	
100	Kremlin airless spray unit			
100	4 chemical pumps air operated	Binks		
100	pump & guns for booth #1 - stain	Binks	AA/1500	
100	spray booth #1 - stain	Kremlin		
101	pump & guns for booth #2 - stain	Binks	62	



101	spray booth #2 - stain	Kremlin		
102	pump & guns for booth #3 - shader	Binks	62	
102	spray booth #3 - shader	Kremlin		
103	pump & guns for booth #4 - sealer	Kremlin		
103	spray booth #4 - sealer	Devilbliss		
104	pump & guns for booth #5 - top coat	Kremlin		
105	3rd floor track & carts & 4 lifts			
106	Packaging Machine	Panotec	Flexmode	
107	Motorized conveyor to shipping 58"x 25" x Qty. 2			
108	Bander machine & Tape Dispensers (Qty. 2)			
109	Band saw	Buffalo		
110	General International edge sander	General	15-01OM3	
111	Stroke sanders, 100" opening x 6"W belt	Schimmer		
112	Sewing Machine	Juki	LU-1114-4	R01720
112	Sewing Machine	Juki	LU-563	
114	Studio Lighting, umbrellas, tripods, lights	various		
115	Bluestreak Fabric cutter	Eastman	BC11299-5	
116	Glass Cutter	Fletcher Terry		
117	Forklift	Hyster	H155x12	
118	Dust collection system & 2 hoppers. Lg Baghouse: PT360, Small Baghouse: PT304, Fan 1: MF673, Fan 2: MF603	Dust Collector		
118	Dust Collector Explosion Relief	MacDonald Steel		
900	Pallet carts, work benches, small air tools=> drills, sanders, screw guns, staplers			
999	Phone system	Meridian		
999	Scissor & other lifts	Blue Giant	KG 1000	
999	Drill press	Reuland	10589X	

SCHEDULE "B"

**PERMITTED LIENS**

**SCHEDULE "C"**

**1. Locations of Debtor's Chief Executive Office, Corporate Office, Principal Place of Business and Business Operations**

75 Ridout Street, Box 1240  
Walkerton, Ontario N0G 2V0

**2. Locations of Books and Records relating to Collateral and Account Debtors**

75 Ridout Street, Box 1240  
Walkerton, Ontario N0G 2V0

**3. All Warehouses and Premises Where Collateral is Stored or Located**

75 Ridout Street, Box 1240  
Walkerton, Ontario N0G 2V0

THIS IS EXHIBIT M REFERRED  
TO IN THE AFFIDAVIT OF  
Adams Hoffman  
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 11

Scott Thibaudeau #00406  
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.  
r2# 2011 01 11

3099 Eastwood St, Suite 211  
Toronto, Ontario M4A 2B1  
Tel: 416 223-2777  
Fax: 416 223-2400

March 28, 2014

BG Furniture Ltd.  
75 Ridout Street  
Walkerton, Ontario N0G 2V0

Attention: Adam Hofmann and Dirk Peter <sup>Nielsen</sup> ~~Nielson~~

**RE: FIRST MORTGAGE FINANCING – 75 RIDOUT STREET,  
WALKERTON, ONTARIO**

We are pleased to offer you the following commitment for your consideration:

VALUED AT: \$469,000.00  
LOAN AMOUNT: \$300,000.00  
INTEREST RATE: 10% Interest Only  
TERM: 1 year  
PAYMENT: \$2,500.00 Interest Only  
CLOSING DATE: ASAP  
CONDITIONS:  
a) Open anytime with 3 month penalty.  
b) Non-transferable.  
c) Borrower to provide 12 post dated cheques.  
d) Title insurance required.  
e) Borrower acknowledges that this mortgage financing is from a Private Lender.  
f) Lender has the right to assign this commitment to a third party of their choice without the consent of the borrower.  
g) \$250.00 NSF or late payment fee.  
BORROWER: BG Furniture Ltd.  
GUARANTORS: Adam Hofmann and Dirk Peter <sup>Nielsen</sup> ~~Nielson~~ and all shareholders of the borrower  
FEES:  
Inspection Fee: \$ 500.00  
Lender Fee: \$ 4,500.00  
Brokerage Fee: \$ 4,500.00 MD Financial Corporation  
Legal Fee: \$ 2,000.00 + hst & disbursement  
TOTAL: \$ 11,500.00

**SECURITY:** Major Security for this loan includes:

- a) Registered First mortgage for \$300,000.00 over subject property  
Realty taxes to be paid in full.
- b) Satisfactory insurance coverage as verified by lender's  
independent insurance advisor and naming lender as loss payee.
- c) Personal guarantecs of Adam Hofmann and Dirk Peter Nielson  
and all Shareholders of Borrower for the full amount of the loan  
on a joint and several basis.
- d) Assignment of all rents.

**COMMITMENT FEE:** A commitment fee of \$5000.00 payable to MD Financial Corporation  
must accompany this signed commitment.

**LEGAL FEE:** A legal retainer fee of \$2,000.00 payable to Timothy Vanular in Trust  
must accompany this signed Commitment.

**CONDITIONS PRECEDENT**

**TO FUNDING:** Prior to the advance, the lender shall be satisfied that each of the  
following conditions have been met by the borrower.

- a) All security is in place to the satisfaction of the lender and it's  
solicitor.
- b) Evidence of satisfactory title and zoning has been provided.
- c) An up to date survey of the property acceptable to the lender and  
it's solicitor to be provided prior to funding.
- d) Subject to satisfactory inspection of the property by the lender or  
his agent.
- e) Subject to satisfactory appraisal of not less than \$469,000.00 for  
the subject property.
- f) This commitment shall be null and void after April 4, 2014 if not  
accepted by then.
- g) Subject to satisfactory Phase I Environmental Report.

**OTHER**

**CONDITIONS:** Borrower agrees to:

- a) Provide such other information and documentation as reasonable  
requested by the lender.
- b) All legal fees incurred by the lender to be paid by the borrower  
as stated in the commitment.
- c) Pay to the lender his bonus of \$4,500.00 and to the broker their  
fee of \$5,000.00 should the borrower fail to close through no  
fault of the lender, as a pre-estimated of their liquidated  
damages.

Yours very truly,  
MD FINANCIAL CORPORATION

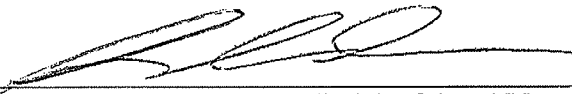
  
LARRY S. GWYNNE

.....  
ACCEPTANCE OF BORROWER

I the undersigned, hereby accept the terms and conditions as set out above.

X Dated at Waltham this 21 day of April 2014.

X   
BORROWER – BG FURNITURE LTD.

X   
GUARANTOR – ADAM HOFMANN

X   
GUARANTOR – PETER DIRK NIELSON

.....  
ACCEPTANCE OF LENDER

I hereby agree to the terms and conditions of this Mortgage Commitment and agree to fund this Mortgage. I have been advised of the risks of Mortgage Investing by the agent. This Mortgage Investment is suitable for my purposes.

Dated at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

\_\_\_\_\_

**Mortgage Brokerages, Lenders and Administrators Act**  
This document must be provided to the borrower 2 business days prior to the signing  
of any mortgage instruments, unless waived below.

**Disclosure to Borrower**

**Cost of Borrowing Disclosure:**

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario N0G 2V0 . .

**Details of Mortgage:**

The principal amount of the First mortgage \$ 300,000.00, will be repayable in Monthly installments of \$ 2,500.00, to be paid on the \_\_\_\_\_, only interest, starting on \_\_\_\_\_. The net advance of funds is \$ 288,500.00.  
The total amount of all payments over the 1 Years term will be \$ 30,000.00. The mortgage will be amortized over \_\_\_\_\_.

**Interest:**

The date on which interest begins to accrue is: \_\_\_\_\_ and if any grace period is given, the details are:  
N/A

The annual interest rate is 10.000 % and the compounding period is Monthly.  
Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.  
Where the annual interest rate may change, the method of determining the annual interest rate is:

**Fees and Costs Payable by Borrower:**

	Comments	Value	Included In APR
Brokerage Fee	MD Financial Corporation	\$ <u>4,500.00</u>	X
Inspection Costs	MD Financial Corporation	\$ <u>500.00</u>	X
Legal Fees & Disbursements		\$ <u>2,000.00</u>	X
Other Lender Fees		\$ <u>4,500.00</u>	X
<b>Total Costs:</b>		\$ <u>11,500.00</u>	

**Total Cost of Borrowing:**

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 41,500.00 APR: 13.833 %  
*The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.*

**Terms and Conditions:**

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: See commitment for details

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

**Conflict of Interest Disclosure:**

**Referral Fees to Brokerage and/or Broker/Agent:**

*Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.*

**Information on Brokerage:**

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 33 lenders during the previous fiscal year.



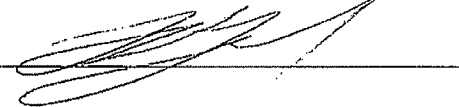
**Mortgage Brokerages, Lenders and Administrators Act**  
This document must be provided to the borrower 2 business days prior to the signing  
of any mortgage instruments, unless waived below.

**Disclosure to Borrower**

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: M08006342

Date: 03/28/2014

Authorized Signature: \_\_\_\_\_  


**Disclosure of Material Risks:**

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledge that this mortgage financing is from a private Lender.

Mortgage/Life Insurance has been discussed with me/us and will accept \_\_\_\_\_ or decline X ON (please initial)

**Acknowledgment**

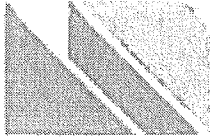
I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

X	Date: <u>21-Apr-14</u>	X	Borrower: <u>Dirk Neilson</u> BG Furniture Ltd.
X	Date: <u>21-Apr-14</u>	X	Guarantor: <u>Adam Hofmann</u> Adam Hofmann
λ	Date: <u>21-Apr-14</u>	X	Guarantor: <u>Dirk Neilson</u> Dirk P. Neilson

I / we waive the 2 business days requirement for this disclosure.

X	Date: <u>21-Apr-14</u>	X	Borrower: <u>Dirk Neilson</u> BG Furniture Ltd.
X	Date: <u>21-Apr-14</u>	X	Guarantor: <u>Adam Hofmann</u> Adam Hofmann
X	Date: <u>21-Apr-14</u>	X	Guarantor: <u>Dirk Neilson</u> Dirk P. Neilson

This form is provided "as-is" and D+H Limited Partnership ("D+H") makes no representations, warranties or conditions with regard to this form. Without limiting the generality of the foregoing, D+H does not warrant that this form complies with any applicable legislation and/or regulation. To the maximum extent permitted by applicable law, D+H disclaims all warranties and conditions implied or statutory, including, but not limited to, any warranties or conditions of merchantability, fitness for a particular purpose, and non-infringement.



**MD  
FINANCIAL  
CORPORATION**  
Lic. # 10714

3089 Bathurst St., Suite 312  
Toronto, Ontario M6A 2A4  
Tel: 416-782-5777  
Fax: 416-782-1048

July 10, 2015

Revised July 27, 2015

BG Furniture Ltd.  
75 Ridout Street  
Walkerton, ON N0G 2V0

**Attention: Adam Hofmann and Dirk Peter Nielson**

**RE: SECOND MORTGAGE FINANCING  
75 RIDOUT STREET, WALKERTON, ONTARIO**

We are pleased to offer you the following commitment for your consideration:

VALUED AT: \$825,000.00  
 LOAN AMOUNT: \$287,500.00  
 INTEREST RATE: 11.25% Interest Only  
 TERM: 1 year  
 PAYMENT: \$2,695.32 Interest only monthly  
 CLOSING DATE: ASAP  
 CONDITIONS:

- a) Open anytime with 3 month penalty.
- b) Non-transferable.
- c) Title insurance required.
- d) Borrower acknowledges that this mortgage financing is from a Private Lender.
- e) Lender has the right to assign this commitment to a third party of their choice without the consent of the borrower.
- f) Borrowers to provide photo identification.
- g) \$250.00 NSF fee.
- h) Payments to be made by pre-authorized debit.

BORROWER: BG Furniture Ltd.

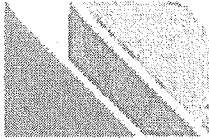
GUARANTORS: Adam Hofmann and Dirk Peter Nielson

FEES:

Lender Fee:	\$ 7,187.50
Brokerage Fee:	\$ 2,875.00 MD Financial Corporation
Legal Fee:	\$ 1,000.00 estimated + HST & disbursements
TOTAL:	\$11,062.50

MORTGAGES BOUGHT, SOLD AND ARRANGED

DN



**MD  
FINANCIAL  
CORPORATION**  
Lic. # 10714

3089 Bathurst St., Suite 312  
Toronto, Ontario M6A 2A4  
Tel: 416-782-5777  
Fax: 416-782-1048

**SECURITY:** Major Security for this loan includes:

- a) Registered Second mortgage for \$287,500.00 over subject property Realty taxes to be paid in full. First mortgage not to exceed \$290,000.00 and be in good standing.
- b) Satisfactory insurance coverage as verified by lender's independent insurance advisor and naming lender as loss payee.
- c) Personal guarantee of Adam Hofmann and Dirk Peter Nielson and all the shareholders of the borrower for the full amount of the loan on a joint and several basis.
- d) Assignment of all rents.

**LEGAL FEE:**

A standby fee of \$1,000.00 is payable to Timothy Vanular in Trust and must be accompanied with the signed acceptance of this commitment. In the event the applicant is unable to or unwilling to fulfill the conditions within this letter this fee will be forfeited and deemed to pay for work done on behalf of the lender. **(Certified funds only)**

**CONDITIONS PRECEDENT  
TO FUNDING:**

Prior to the advance, the lender shall be satisfied that each of the following conditions have been met by the borrower.

- a) All security is in place to the satisfaction of the lender and it's solicitor.
- b) Evidence of satisfactory title and zoning has been provided.
- c) An up to date survey of the property acceptable to the lender and it's solicitor to be provided prior to funding.
- d) Subject to satisfactory inspection of the property by the lender or his agent.
- e) Subject to satisfactory appraisal of not less than \$825,000.00 for the subject property. (Received)
- f) This commitment shall be null and void after August 3, 2015 if not accepted by then.

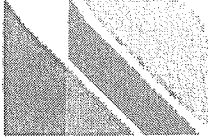
**OTHER  
CONDITIONS:**

Borrower agrees to:

- a) Provide such other information and documentation as reasonable requested by the lender.
- b) All legal fees incurred by the lender to be paid by the borrower as stated in the commitment.
- c) Pay to the lender his bonus of \$7,187.50 and to the broker their fee of \$2,875.00 should the borrower fail to close through no fault of the lender, as a pre-estimated of their liquidated damages.

2

DN



**MD  
FINANCIAL  
CORPORATION**  
Lic. # 10714

3089 Bathurst St., Suite 312  
Toronto, Ontario M6A 2A4  
Tel: 416-782-5777  
Fax: 416-782-1048

Yours very truly,  
MD FINANCIAL CORPORATION

LARRY S. GWYNNE

ACCEPTANCE OF BORROWER

I the undersigned, hereby accept the terms and conditions as set out above.

X Dated at Warkenton this 28 day of July, 2015.

X   
BORROWER - BG FURNITURE LTD.

X   
GUARANTOR - ADAM HOFMANN

X   
GUARANTOR - PETER DIRK NIELSON



**Mortgage Brokerages, Lenders and Administrators Act**

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

**Disclosure to Borrower**

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: MQ8006342

Date: 07/27/2015

Authorized Signature: \_\_\_\_\_

*[Handwritten Signature]*

**Disclosure of Material Risks:**

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledge that this mortgage financing is from a private Lender.

Mortgage/Life Insurance has been discussed with me/us and will accept \_\_\_\_\_ or decline AS (please initial)

**Acknowledgment**

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

Date: July 29, 2015

Borrower: [Signature]  
BG Furniture Ltd.

Date: 11

Guarantor: [Signature]  
Adam Hofmann

Date: 11

Guarantor: [Signature]  
Dirk P. Neilson

I / we waive the 2 business days requirement for this disclosure.

Date: July 28, 2015

Borrower: [Signature]  
BG Furniture Ltd.

Date: 11

Guarantor: [Signature]  
Adam Hofmann

Date: 11

Guarantor: [Signature]  
Dirk P. Neilson

This form is provided "as-is" and D+H Limited Partnership ("D+H") makes no representations, warranties or conditions with regard to this form. Without limiting the generality of the foregoing, D+H does not warrant that this form complies with any applicable legislation and/or regulation. To the maximum extent permitted by applicable law, D+H disclaims all warranties and conditions implied or statutory, including, but not limited to, any warranties or conditions of merchantability, fitness for a particular purpose, and non-infringement.

*[Handwritten mark]*

## AMORTIZATION SUMMARY

Transaction No:  
MDFC-1920-2

Prepared For: BG Furniture Ltd.

### MORTGAGE INFORMATION

Mortgage Amount:	\$ 287,500.00	Closing Date:	
Interest Rate:	11.250%	Interest Adjustment Date:	
Amortization:	0 Years 0 Months	First Payment Date:	
Term:	12 Months	Maturity Date:	
Disclosure Rate:	15.098%	Interest Adjustment Amount:	\$ 0.00
Payment Frequency:	Monthly	Interest Only:	Yes
Compounded:	Monthly		

### MORTGAGE SUMMARY

Monthly Payment: \$ 2,695.31

Total Payments:	\$ 32,343.72
Total Interest:	\$ 32,343.72
Total Principal:	\$ 0.00
Balance Remaining at Maturity:	\$ 287,500.00



DN

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Prepared by : Agent

Larry Gwynne - M08006342  
MD Financial Corporation

312 - 3089 Bathurst Street  
Toronto, Ontario  
M6A 2A4  
10714

Tel : (416) 782-5777

Fax : (416) 782-1048

E-mail : lsgwynne@yahoo.com





**RENEWAL AGREEMENT**

RENEWAL AGREEMENT dated at Toronto, this \_\_\_\_\_ day of \_\_\_\_\_, 2015

BETWEEN: **Platinum Investment Group Inc. as lenders**

Hereinafter called the Mortgagee(s) of the  
**FIRST PART**

and- **BG Furniture Ltd. as Borrowers**

and- **Adam Hofman and Dirk Peter Neilson as Guarantors**

Hereinafter called the Mortgagor(s) of the  
**SECOND PART**

PRINCIPAL BALANCE: \$290,000.00 AS AT: August 1, 2015 upon payment of \$10,000.00

INTEREST RATE: 10% COSTS: Lender Fee \$2,900.00 Lender Fee payable to Platinum Investment Group Inc.  
Broker Fee \$1,500.00 Payable to MD Financial Corporation

PAYMENTS: \$2,500.00 monthly interest only/Pre-Authorized Debit

FIRST PAYMENT: September 1, 2015

MATURITY DATE: August 1, 2016

PRIVILEGES: As per original mortgage save and except payment to be made by electronic debiting

MUNICIPALLY KNOW AS: 75 Ridout Street, Walkerton, Ontario

MORTGAGEE'S ADDRESS: 3089 Bathurst Street, Suite 312, Toronto, Ontario M6A 2A4

SUBJECT TO the above provisions, all other terms, conditions, liabilities and covenants contained in the Mortgage shall remain in full force and effect; proof that taxes are paid up to date is required.

IN WITNESS WHEREOF the parties hereto have executed these presents on the 16 day of \_\_\_\_\_

X Dirk Neilson 2015.

X Dirk Neilson  
WITNESS

X Dirk Neilson  
WITNESS

X Dirk Neilson  
WITNESS

\_\_\_\_\_  
WITNESS

X [Signature]  
MORTGAGOR – BG FURNITURE LTD.

X [Signature]  
GUARANTOR – ADAM HOFMAN

X Dirk Neilson  
GUARANTOR – DIRK PETER NEILSON

\_\_\_\_\_  
MORTGAGEE – PLATINUM INVESTMENT GROUP INC

**Mortgage Brokerages, Lenders and Administrators Act**

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

**Disclosure to Borrower**

**Cost of Borrowing Disclosure:**

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario N0G 2V0 . .

**Details of Mortgage:**

The principal amount of the First mortgage \$ 290,000.00, will be repayable in Monthly installments of \$ 2,416.67, to be paid on the 1st, only interest, starting on September 01, 2015. The net advance of funds is \$ 285,600.00.

The total amount of all payments over the 1 Years term will be \$ 29,000.04. The mortgage will be amortized over 0 yrs.

**Interest:**

The date on which interest begins to accrue is: August 01, 2015 and if any grace period is given, the details are: N/A

The annual interest rate is 10.000 % and the compounding period is Monthly.

Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.

Where the annual interest rate may change, the method of determining the annual interest rate is:

**Fees and Costs Payable by Borrower:**

	Comments	Value	Included in APR
Brokerage Fee	MD Financial Corporation	\$ 1,500.00	X
Other Lender Fees	Platinum Investments	\$ 2,900.00	X
<b>Total Costs:</b>		<b>\$ 4,400.00</b>	

**Total Cost of Borrowing:**

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 33,400.04 APR: 11.517 %

*The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.*

**Terms and Conditions:**

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: See commitment for details

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

**Conflict of Interest Disclosure:**

**Referral Fees to Brokerage and/or Broker/Agent:**

*Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.*

**Information on Brokerage:**

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 39 lenders during the previous fiscal year.

**Mortgage Brokerages, Lenders and Administrators Act**

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

**Disclosure to Borrower**

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: M08006342

Date: 07/09/2015

Authorized Signature: \_\_\_\_\_



**Disclosure of Material Risks:**

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledge that this mortgage financing is from a private Lender.

Mortgage/Life Insurance has been discussed with me/us and will accept \_\_\_\_\_ or decline X (please initial)

**Acknowledgment**

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

X Date: July 16, 2015

X Borrower: \_\_\_\_\_  
BG Furniture Ltd.

X Date: "

X Guarantor: \_\_\_\_\_  
Adam Hofmann

X Date: "

X Guarantor: \_\_\_\_\_  
Dirk P. Neilson

I / we waive the 2 business days requirement for this disclosure.

X Date: July 16, 2015

X Borrower: \_\_\_\_\_  
BG Furniture Ltd.

X Date: "

X Guarantor: \_\_\_\_\_  
Adam Hofmann

X Date: "

X Guarantor: \_\_\_\_\_  
Dirk P. Neilson

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## AMORTIZATION SUMMARY

Transaction No:  
MDFC-1904-1

Prepared For: BG Furniture Ltd.

### MORTGAGE INFORMATION

Mortgage Amount:	\$ 290,000.00	Closing Date:	August-1-2015
Interest Rate:	10.000%	Interest Adjustment Date:	August-1-2015
Amortization:	0 Years 0 Months	First Payment Date:	September-1-2015
Term:	12 Months	Maturity Date:	August-1-2016
Disclosure Rate:	11.517%	Interest Adjustment Amount:	\$ 0.00
Payment Frequency:	Monthly	Interest Only:	Yes
Compounded:	Monthly		

### MORTGAGE SUMMARY

Monthly Payment: \$ 2,416.67

Total Payments:	\$ 29,000.00
Total Interest:	\$ 29,000.00
Total Principal:	\$ 0.00
Balance Remaining at Maturity:	\$ 290,000.00

Prepared by : Agent

Larry Gwynne - M08006342  
MD Financial Corporation

312 - 3089 Bathurst Street  
Toronto, Ontario  
M6A 2A4  
10714

Tel : (416) 782-5777

Fax : (416) 782-1048

E-mail : lsgwynne@yahoo.com

  
E. + O. E.

### AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Balance
September 1, 2015	\$ 2,416.67	\$ 0.00	\$ 290,000.00
October 1, 2015	\$ 2,416.67	\$ 0.00	\$ 290,000.00
November 1, 2015	\$ 2,416.67	\$ 0.00	\$ 290,000.00
December 1, 2015	\$ 2,416.67	\$ 0.00	\$ 290,000.00
January 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
February 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
March 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
April 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
May 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
June 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
July 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
August 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
<b>At End of Term:</b>	<b>\$ 29,000.04</b>	<b>\$ 0.00</b>	<b>\$ 290,000.00</b>

X

**RENEWAL AGREEMENT**

RENEWAL AGREEMENT dated at Toronto, this 25th day of July, 2016

BETWEEN: **Platinum Investments Group Inc.** as lenders

Hereinafter called the Mortgagee(s) of the  
FIRST PART

and- **BG Furniture Ltd.** as Borrowers

and- **Adam Hofmann and Dirk Peter Neilson** as Guarantors

Hereinafter called the Mortgagor(s) of the  
SECOND PART

PRINCIPAL BALANCE: \$290,000.00 AS AT: **August 1, 2016 (providing all payments are up to date)**

INTEREST RATE: 10% COSTS: **Lender Fee \$3,750.00 payable to Platinum Investment Group Inc.  
Broker Fee \$1,450.00 Payable to MD Financial Corporation**

PAYMENTS: **\$2,416.67 monthly interest only via pre-authorized debit**

FIRST PAYMENT: **September 1, 2016**

MATURITY DATE: **August 1, 2017**

PRIVILEGES: **As per original mortgage**

MUNICIPALLY KNOW AS: 75 Ridout Street, Walkerton, Ontario

MORTGAGEE'S ADDRESS: 3089 Bathurst Street, Suite 312, Toronto, Ontario M6A 2A4

SUBJECT TO the above provisions, all other terms, conditions, liabilities and covenants contained in the Mortgage shall remain in full force and effect.

The following conditions must be met prior to maturity for this renewal agreement to be valid:

1. Proof that property taxes are up to date.
2. Up to date insurance binder showing an active and satisfactory policy on the property.
3. Acknowledgment of fee schedule attached
4. Any other information or documentation reasonably requested by the lender.

IN WITNESS WHEREOF the parties hereto have executed these presents on this date:

X _____ DATE	X _____ MORTGAGOR - BG FURNITURE LTD.	X _____ WITNESS
✓ _____ DATE	X _____ GUARANTOR - ADAM HOFMANN	✓ _____ WITNESS
✓ _____ DATE	X _____ GUARANTOR - DIRK PETER NEILSON	X _____ WITNESS
_____	_____	_____
DATE	MORTGAGEE - PLATINUM INVESTMENTS GROUP INC	WITNESS

## AMORTIZATION SUMMARY

Transaction No:  
MDFC-2253-1

Prepared For: BG Furniture Ltd.

### MORTGAGE INFORMATION

Mortgage Amount:	\$ 290,000.00	Closing Date:	August-1-2016
Interest Rate:	10.000%	Interest Adjustment Date:	August-1-2016
Amortization:	0 Years 0 Months	First Payment Date:	September-1-2016
Term:	12 Months	Maturity Date:	August-1-2017
Disclosure Rate:	11.793%	Interest Adjustment Amount:	\$ 0.00
Payment Frequency:	Monthly	Interest Only:	Yes
Compounded:	Monthly		

### MORTGAGE SUMMARY

Monthly Payment: \$ 2,416.67

Total Payments:	\$ 29,000.04
Total Interest:	\$ 29,000.04
Total Principal:	\$ 0.00
Balance Remaining at Maturity:	\$ 290,000.00

Prepared by : Agent

Larry Gwynne - M08006342  
MD Financial Corporation

312 - 3089 Bathurst Street  
Toronto, Ontario  
M6A 2A4  
10714

Tel : (416) 782-5777

Fax : (416) 782-1048

E-mail : lsgwynne@yahoo.com

X  
E. + O. E.

### AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Balance
September 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
October 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
November 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
December 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
January 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
February 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
March 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
April 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
May 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
June 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
July 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
August 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
<b>At End of Term:</b>	<b>\$ 29,000.04</b>	<b>\$ 0.00</b>	<b>\$ 290,000.00</b>

X



**Mortgage Brokerages, Lenders and Administrators Act**

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

**Disclosure to Borrower**

**Cost of Borrowing Disclosure:**

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario N0G 2V0 . .

**Details of Mortgage:**

The principal amount of the First mortgage \$ 290,000.00, will be repayable in Monthly installments of \$ 2,416.67, to be paid on the 1st , only interest, starting on September 01, 2016. The net advance of funds is \$ 290,000.00.  
The total amount of all payments over the 1 Years term will be \$ 29,000.04. The mortgage will be amortized over

0 yrs

**Interest:**

The date on which interest begins to accrue is: August 01, 2016 and if any grace period is given, the details are: N/A

The annual interest rate is 10.000 % and the compounding period is Monthly.  
Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.  
Where the annual interest rate may change, the method of determining the annual interest rate is:

**Fees and Costs Payable by Borrower:**

	Comments	Value	Included In APR
Brokerage Fee	MD Financial Corporation	\$ <u>1,450.00</u>	<u>X</u>
Other Lender Fees	Platinum Investments	\$ <u>3,750.00</u>	<u>X</u>
<b>Total Costs:</b>		\$ <u>5,200.00</u>	

**Total Cost of Borrowing:**

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 34,200.04 APR: 11.793 %  
*The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.*

**Terms and Conditions:**

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: Pre-authorized debit

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

**Conflict of Interest Disclosure:**

**Referral Fees to Brokerage and/or Broker/Agent:**

*Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.*

**Information on Brokerage:**

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 37 lenders during the previous fiscal year.

X

**Mortgage Brokerages, Lenders and Administrators Act**

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

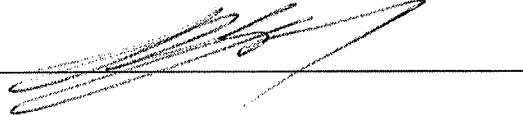
**Disclosure to Borrower**

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: M08006342

Date: 07/25/2016

Authorized Signature: \_\_\_\_\_



**Disclosure of Material Risks:**

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledges that this mortgage financing is from a private Lender.

Mortgage/Life Insurance has been discussed with me/us and will accept \_\_\_\_\_ or decline . (please initial)

**Acknowledgment**

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

Date: \_\_\_\_\_  Borrower: \_\_\_\_\_  
BG Furniture Ltd.

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Adam Hofmann

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Dirk P. Neilson

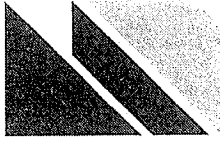
I / we waive the 2 business days requirement for this disclosure.

Date: \_\_\_\_\_  Borrower: \_\_\_\_\_  
BG Furniture Ltd.

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Adam Hofmann

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Dirk P. Neilson

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**MD  
FINANCIAL  
CORPORATION**  
Lic. # 10714

3089 Bathurst St., Suite 312  
Toronto, Ontario M6A 2A4  
Tel: 416-782-5777  
Fax: 416-782-1048

July 25, 2016

## **Renewal Fees Payment Schedule**

**Re: 1<sup>st</sup> & 2<sup>nd</sup> Mortgage Renewal on 75 RIDOUT STREET, WALKERTON,  
ONTARIO.**

### **Lender Renewal Fees: Platinum Investment Group Inc.**

1<sup>st</sup> Installment: \$2,400.00 due on August 1, 2016 by way of certified cheque.  
2<sup>nd</sup> Installment: \$2,500.00 due on September 1, 2016 by way of certified cheque.  
3<sup>rd</sup> Installment: \$2,600.00 due on October 1, 2016 by way of certified cheque.  
Total Payments: **\$7,500.00**

### **Brokerage Renewal Fees: MD Financial Corporation**

1<sup>st</sup> Installment: \$1,450.00 due on September 1, 2016 by way of post-dated cheque.  
2<sup>nd</sup> Installment: \$1,450.00 due on October 1, 2016 by way of post-dated cheque.  
Total Payments: **\$2,900.00**

X

MORTGAGES BOUGHT, SOLD AND ARRANGED

**RENEWAL AGREEMENT**

RENEWAL AGREEMENT dated at Toronto, this 25th day of July, 2016

BETWEEN: **Platinum Investments Group Inc.** as lenders

Hereinafter called the Mortgagee(s) of the  
FIRST PART

and- **BG Furniture Ltd.** as Borrowers

and- **Adam Hofmann and Dirk Peter Neilson** as Guarantors

Hereinafter called the Mortgagor(s) of the  
SECOND PART

PRINCIPAL BALANCE: \$290,000.00 AS AT: **August 1, 2016 (providing all payments are up to date)**

INTEREST RATE: 10% COSTS: **Lender Fee \$3,750.00 payable to Platinum Investment Group Inc.  
Broker Fee \$1,450.00 Payable to MD Financial Corporation**

PAYMENTS: **\$2,416.67 monthly interest only via pre-authorized debit**

FIRST PAYMENT: **September 1, 2016**

MATURITY DATE: **August 1, 2017**

PRIVILEGES: **As per original mortgage**

MUNICIPALLY KNOW AS: 75 Ridout Street, Walkerton, Ontario

MORTGAGEE'S ADDRESS: 3089 Bathurst Street, Suite 312, Toronto, Ontario M6A 2A4

SUBJECT TO the above provisions, all other terms, conditions, liabilities and covenants contained in the Mortgage shall remain in full force and effect.

The following conditions must be met prior to maturity for this renewal agreement to be valid:

1. Proof that property taxes are up to date.
2. Up to date insurance binder showing an active and satisfactory policy on the property.
3. Acknowledgment of fee schedule attached
4. Any other information or documentation reasonably requested by the lender.

IN WITNESS WHEREOF the parties hereto have executed these presents on this date:

X _____ DATE	X _____ MORTGAGOR - BG FURNITURE LTD.	X _____ WITNESS
X _____ DATE	X _____ GUARANTOR - ADAM HOFMANN	X _____ WITNESS
X _____ DATE	X _____ GUARANTOR - DIRK PETER NEILSON	X _____ WITNESS
_____ DATE	_____ MORTGAGEE - PLATINUM INVESTMENTS GROUP INC	_____ WITNESS

## AMORTIZATION SUMMARY

Transaction No:  
MDFC-2253-1

Prepared For: BG Furniture Ltd.

### MORTGAGE INFORMATION

Mortgage Amount:	\$ 290,000.00	Closing Date:	August-1-2016
Interest Rate:	10.000%	Interest Adjustment Date:	August-1-2016
Amortization:	0 Years 0 Months	First Payment Date:	September-1-2016
Term:	12 Months	Maturity Date:	August-1-2017
Disclosure Rate:	11.793%	Interest Adjustment Amount:	\$ 0.00
Payment Frequency:	Monthly	Interest Only:	Yes
Compounded:	Monthly		

### MORTGAGE SUMMARY

Monthly Payment: \$ 2,416.67

Total Payments:	\$ 29,000.04
Total Interest:	\$ 29,000.04
Total Principal:	\$ 0.00
Balance Remaining at Maturity:	\$ 290,000.00

Prepared by : Agent

Larry Gwynne - M08006342  
MD Financial Corporation

312 - 3089 Bathurst Street  
Toronto, Ontario  
M6A 2A4

10714

Tel : (416) 782-5777

Fax : (416) 782-1048

E-mail : lsgwynne@yahoo.com

E. + O. E.

### AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Balance
September 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
October 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
November 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
December 1, 2016	\$ 2,416.67	\$ 0.00	\$ 290,000.00
January 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
February 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
March 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
April 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
May 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
June 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
July 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
August 1, 2017	\$ 2,416.67	\$ 0.00	\$ 290,000.00
<b>At End of Term:</b>	<b>\$ 29,000.04</b>	<b>\$ 0.00</b>	<b>\$ 290,000.00</b>

X

**Mortgage Brokerages, Lenders and Administrators Act**

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

**Disclosure to Borrower**

**Cost of Borrowing Disclosure:**

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario N0G 2V0 , ,

**Details of Mortgage:**

The principal amount of the First mortgage \$ 290,000.00, will be repayable in Monthly installments of \$ 2,416.67, to be paid on the 1st , only interest, starting on September 01, 2016. The net advance of funds is \$ 290,000.00.  
The total amount of all payments over the 1 Years term will be \$ 29,000.04. The mortgage will be amortized over

**Interest:**

The date on which interest begins to accrue is: August 01, 2016 and if any grace period is given, the details are: N/A

The annual interest rate is 10.000 % and the compounding period is Monthly.  
Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.  
Where the annual interest rate may change, the method of determining the annual interest rate is:

**Fees and Costs Payable by Borrower:**

	Comments	Value	Included In APR
Brokerage Fee	MD Financial Corporation	\$ <u>1,450.00</u>	<u>X</u>
Other Lender Fees	Platinum Investments	\$ <u>3,750.00</u>	<u>X</u>
<b>Total Costs:</b>		\$ <u>5,200.00</u>	

**Total Cost of Borrowing:**

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 34,200.04 APR: 11.793 %  
*The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.*

**Terms and Conditions:**

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: Pre-authorized debit

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

**Conflict of Interest Disclosure:**

**Referral Fees to Brokerage and/or Broker/Agent:**

*Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.*

**Information on Brokerage:**

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 37 lenders during the previous fiscal year.

X

**Mortgage Brokerages, Lenders and Administrators Act**

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

**Disclosure to Borrower**

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: M08006342

Date: 07/25/2016

Authorized Signature: \_\_\_\_\_  


**Disclosure of Material Risks:**

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledges that this mortgage financing is from a private Lender.

Mortgage/Life Insurance has been discussed with me/us and will accept \_\_\_\_\_ or decline  (please initial)

**Acknowledgment**

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

Date: \_\_\_\_\_  Borrower: \_\_\_\_\_  
BG Furniture Ltd.

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Adam Hofmann

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Dirk P. Neilson

I / we waive the 2 business days requirement for this disclosure.

Date: \_\_\_\_\_  Borrower: \_\_\_\_\_  
BG Furniture Ltd.

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Adam Hofmann

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Dirk P. Neilson

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Tel: 416-782-5777  
Fax: 416-782-1048

July 25, 2016

## **Renewal Fees Payment Schedule**

**Re: 1<sup>st</sup> & 2<sup>nd</sup> Mortgage Renewal on 75 RIDOUT STREET, WALKERTON,  
ONTARIO.**

### **Lender Renewal Fees: Platinum Investment Group Inc.**

1<sup>st</sup> Installment:       \$2,400.00 due on August 1, 2016 by way of certified cheque.  
2<sup>nd</sup> Installment:       \$2,500.00 due on September 1, 2016 by way of certified cheque.  
3<sup>rd</sup> Installment:       \$2,600.00 due on October 1, 2016 by way of certified cheque.  
Total Payments:       **\$7,500.00**

### **Brokerage Renewal Fees: MD Financial Corporation**

1<sup>st</sup> Installment:       \$1,450.00 due on September 1, 2016 by way of post-dated cheque.  
2<sup>nd</sup> Installment:       \$1,450.00 due on October 1, 2016 by way of post-dated cheque.  
Total Payments:       **\$2,900.00**

X

MORTGAGES BOUGHT, SOLD AND ARRANGED

**RENEWAL AGREEMENT**

RENEWAL AGREEMENT dated at Toronto, this 25th day of July, 2016

BETWEEN: **Platinum Investments Group Inc.** as lenders

Hereinafter called the Mortgagee(s) of the  
FIRST PART

and- **BG Furniture Ltd.** as Borrowers

and- **Adam Hofmann and Dirk Peter Neilson** as Guarantors

Hereinafter called the Mortgagor(s) of the  
SECOND PART

PRINCIPAL BALANCE: \$287,500.00 AS AT: **August 1, 2016 (providing all payments are up to date)**

INTEREST RATE: 11.25% COSTS: **Lender Fee \$3,750.00 payable to Platinum Investment Group Inc.  
Broker Fee \$1,450.00 Payable to MD Financial Corporation**

PAYMENTS: **\$2,695.32 monthly interest only via pre-authorized debit**

FIRST PAYMENT: **September 1, 2016**

MATURITY DATE: **August 1, 2017**

PRIVILEGES: **As per original mortgage**

MUNICIPALLY KNOW AS: 75 Ridout Street, Walkerton, Ontario

MORTGAGEE'S ADDRESS: 3089 Bathurst Street, Suite 312, Toronto, Ontario M6A 2A4

SUBJECT TO the above provisions, all other terms, conditions, liabilities and covenants contained in the Mortgage shall remain in full force and effect.

The following conditions must be met prior to maturity for this renewal agreement to be valid:

1. Proof that property taxes are up to date.
2. Up to date insurance binder showing an active and satisfactory policy on the property.
3. Acknowledgment of fee schedule attached
4. Any other information or documentation reasonably requested by the lender.

IN WITNESS WHEREOF the parties hereto have executed these presents on this date:

X _____ DATE	X _____ MORTGAGOR - BG FURNITURE LTD.	X _____ WITNESS
X _____ DATE	X _____ GUARANTOR - ADAM HOFMANN	X _____ WITNESS
X _____ DATE	X _____ GUARANTOR - DIRK PETER NEILSON	X _____ WITNESS
_____ DATE	_____ MORTGAGEE - PLATINUM INVESTMENTS GROUP INC	_____ WITNESS

## AMORTIZATION SUMMARY

Transaction No:  
MDFC-2252-2

Prepared For: BG Furniture Ltd.

### MORTGAGE INFORMATION

Mortgage Amount:	\$ 287,500.00	Closing Date:	August-1-2016
Interest Rate:	11.250%	Interest Adjustment Date:	August-1-2016
Amortization:	0 Years 0 Months	First Payment Date:	September-1-2016
Term:	12 Months	Maturity Date:	August-1-2017
Disclosure Rate:	13.059%	Interest Adjustment Amount:	\$ 0.00
Payment Frequency:	Monthly	Interest Only:	Yes
Compounded:	Monthly		

### MORTGAGE SUMMARY

Monthly Payment: \$ 2,695.31

Total Payments:	\$ 32,343.72
Total Interest:	\$ 32,343.72
Total Principal:	\$ 0.00
Balance Remaining at Maturity:	\$ 287,500.00

Prepared by : Agent  
Larry Gwynne - M08006342  
MD Financial Corporation

312 - 3089 Bathurst Street  
Toronto, Ontario  
M6A 2A4  
10714

Tel : (416) 782-5777

Fax : (416) 782-1048

E-mail : lsgwynne@yahoo.com

X  
E. + O. E.

### AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Balance
September 1, 2016	\$ 2,695.31	\$ 0.00	\$ 287,500.00
October 1, 2016	\$ 2,695.31	\$ 0.00	\$ 287,500.00
November 1, 2016	\$ 2,695.31	\$ 0.00	\$ 287,500.00
December 1, 2016	\$ 2,695.31	\$ 0.00	\$ 287,500.00
January 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
February 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
March 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
April 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
May 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
June 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
July 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
August 1, 2017	\$ 2,695.31	\$ 0.00	\$ 287,500.00
<b>At End of Term:</b>	<b>\$ 32,343.72</b>	<b>\$ 0.00</b>	<b>\$ 287,500.00</b>

X

**Mortgage Brokerages, Lenders and Administrators Act**

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

**Disclosure to Borrower**

**Cost of Borrowing Disclosure:**

Property to be mortgaged: 75 Ridout Street Walkerton, Ontario , ,

**Details of Mortgage:**

The principal amount of the Second mortgage \$ 287,500.00, will be repayable in Monthly installments of \$ 2,695.31, to be paid on the 1st, only interest, starting on September 01, 2016. The net advance of funds is \$ 287,500.00.

The total amount of all payments over the 1 Years term will be \$ 32,343.72. The mortgage will be amortized over

**Interest:**

The date on which interest begins to accrue is: August 01, 2016 and if any grace period is given, the details are: N/A

The annual interest rate is 11.250 % and the compounding period is Monthly.

Interest for each payment period is calculated against the balance owing. Each payment is applied first to the accumulated cost of borrowing, and then to the outstanding principal. Any interest unpaid becomes part of the balance owing for the purposes of calculating the interest charged in future payment periods.

Where the annual interest rate may change, the method of determining the annual interest rate is:

**Fees and Costs Payable by Borrower:**

	Comments	Value	Included In APR
Brokerage Fee	MD Financial Corporation	\$ <u>1,450.00</u>	X
Other Lender Fees	Platinum Investments	\$ <u>3,750.00</u>	X
<b>Total Costs:</b>		\$ <u>5,200.00</u>	

**Total Cost of Borrowing:**

Total Cost of Borrowing (including interest) to be paid over the term of the mortgage: \$ 37,543.72 APR: 13.059 %

*The APR is not the contract rate of the mortgage. It is the interest costs, plus the non-interest costs required to obtain the mortgage, expressed as a percentage of the average mortgage balance over the term of the mortgage.*

**Terms and Conditions:**

Prepayment Privileges: See commitment for details

Transferability: See commitment for details

Method of Payment: pre-authorized debit

Special Conditions: See commitment for details

Particulars / Penalties: See commitment for details

**Conflict of Interest Disclosure:**

**Referral Fees to Brokerage and/or Broker/Agent:**

*Describe any direct or indirect interest that the Brokerage has or, as currently contemplated, may acquire in the transaction for which this disclosure statement is provided.*

**Information on Brokerage:**

The Brokerage is representing The Borrower & the Lender, not to the preference of either in this transaction.

The Brokerage has acted for 37 lenders during the previous fiscal year.

X

**Mortgage Brokerages, Lenders and Administrators Act**

This document must be provided to the borrower 2 business days prior to the signing of any mortgage instruments, unless waived below.

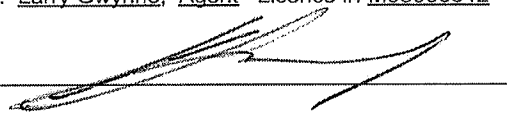
**Disclosure to Borrower**

Name and Address of Brokerage: MD Financial Corporation Licence #: 10714 312-3089 Bathurst Street, Toronto, ON M6A 2A4

Name of Authorized Person signing on behalf of Brokerage: Larry Gwynne, Agent Licence #: M08006342

Date: 07/25/2016

Authorized Signature: \_\_\_\_\_



**Disclosure of Material Risks:**

The brokerage has reviewed with the borrower the general risks associated with a mortgage commitment. These risks include: risk of falling into arrears, default and foreclosure, prepayment penalties, etc.

In addition, the following specific risks associated with this particular mortgage transaction have been discussed: 1. This mortgage provides the lender with an interest in your real estate (the "property") until you repay the money borrowed ("the loan"). If you required the loan by a certain date and the lender does not advance the loan by that date you may be unable to satisfy your intended purpose for the loan.

2. In the event you are unable to pay the monthly loan payments, property taxes, fire insurance premiums or the principal amount when the Loan is due, the lender could obtain a court judgment and your assets and income could be seized to pay the judgment, or the lender could keep your property, or sell it.

3. When the loan is due, if the lender cannot or will not renew the Loan and you no longer qualify for the loan of this amount because interest rates have risen, your income has fallen, your credit worthiness has deteriorated or the value of your property has fallen, your property may have to be sold in order to repay the Loan.

4. If interest rates rise on a variable rate mortgage, it may be more difficult for you to afford and make the payments. The lender will increase your payments if prime rate increases.

5. "I" or "We" agree that this mortgage is suitable for "me" or "us".

6. Borrower acknowledges that this mortgage financing is from a private Lender.

Mortgage/Life Insurance has been discussed with me/us and will accept \_\_\_\_\_ or decline \_\_\_\_\_. (please initial)

**Acknowledgment**

I / we acknowledge receipt of a copy of this form, and corresponding Amortization Schedule and that I / we have reviewed the information.

Date: \_\_\_\_\_  Borrower: \_\_\_\_\_  
BG Furniture Ltd.

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Adam Hofmann

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Dirk P. Neilson

I / we waive the 2 business days requirement for this disclosure.

Date: \_\_\_\_\_  Borrower: \_\_\_\_\_  
BG Furniture Ltd.

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Adam Hofmann

Date: \_\_\_\_\_  Guarantor: \_\_\_\_\_  
Dirk P. Neilson

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THIS IS EXHIBIT N REFERRED  
TO IN THE AFFIDAVIT OF

Adam Hoffmann  
SWORN BEFORE ME ON THIS THE

19 DAY OF December 20 16

Scott Stewart Thibaudeau #00488  
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.  
ST.      22.12.16

## **AGREEMENT**

August 4, 2015

The following is our amended agreement for SEDC to postpone in favour of a renewal mortgage and new mortgage totaling \$578,500. Below are the revised terms of an agreement between Saugeen Economic Development Corporation ("SEDC") and BG Furniture Ltd. in respect of the obligations assumed by BG Furniture Ltd. of Bogdon & Gross Furniture Company Limited ("B&G") pursuant to the terms of the Sale and Investment Solicitation Process (the "SISP") established by B&G as part of its restructuring efforts:

1. BG Furniture Ltd. will, in satisfaction of the indebtedness owing by B&G to SEDC, pay the sum of \$312,000 to SEDC (the "Settled Indebtedness") by pledging BG Furniture Ltd. interest in its Scientific Research and Experimental tax credits that arise during the 2014, 2015 and 2016 (collectively, the "SRED Credits") tax years, which will be submitted to the CRA in 2015, 2016 and 2017 respectively,
2. The amount paid to SEDC will be limited to the following re-payment schedule:
  - a. For the year ending 2014, 10% of the SRED refund will be paid to SEDC
  - b. For the year ending 2015, 30% of the SRED refund will be paid to SEDC
  - c. For the year ending 2016, 37.5% of the SRED refund will be paid to SEDC
  - d. For the year ending 2017 and for all future years until such time as the debt is paid in full; 50% of the SRED refund will be paid to SEDC
3. SEDC's security shall be limited to the following:
  - a. their participation in the SRED Credits and will rank *pari passu* with Bruce Community Futures Development Corporation's ("Bruce") interest in the SRED Credits,
  - b. third collateral mortgage on land and buildings, subordinated from time to time to a first and second mortgage subject to the terms and conditions described in Schedule "A" attached hereto.
4. Outstanding amounts of the Settled Indebtedness will not be subject to interest,
5. At close of renewal and new mortgage on or about August 7, 2015, \$17,500 will be disbursed from mortgage proceeds to SEDC against the total amount owing
6. Starting October 2015, an amount of \$390 per month will be paid to SEDC, this will increase to \$520 in March 2016. These funds will apply to debt owing
7. Adam Hofmann and Dirk Nielsen limited personal guarantee in favour of SEDC to a maximum amount of \$124,000 each will remain in place. For greater certainty, in the event of a default under this Agreement, SEDC is only entitled to seek a maximum of \$124,000 from each of Adam Hofmann and Dirk Nielsen.
8. BG Furniture Ltd. will provide monthly reporting in a manner satisfactory to SEDC & Bruce.
9. SEDC acknowledges that it has received the documentation for the second mortgage detailing the financing arrangements made by BG Furniture Ltd. and has received the full details of the obligations of BG Furniture Ltd.
10. BG Furniture Ltd will keep priority payables current and report their status on a monthly basis as part of the routine reporting to SEDC & Bruce (Source Deductions, HST, EHT & WSIB). In the event that priority payables are not kept current, SEDC & Bruce reserve the right to communicate and resolve the matter with other secured lenders. The loan is in default if the priority payables are not current.
11. SEDC & Bruce will meet monthly or more frequently if necessary with the owners and CFO. A replacement financial advisor shall be contracted for BG Furniture to the satisfaction of SEDC and BRUCE within the next three months.




12. BG Furniture Ltd. will ensure that financial management and reporting is conducted to the satisfaction of management and their lenders.
13. This amended agreement and the agreements and other documents required to be delivered pursuant to this agreement constitute the entire agreement between the parties and set out all covenants, representations, understandings and agreements between the parties relating to the subject matter of this agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement.
14. SEDC acknowledges that it will be receiving independent legal advice before executing this Agreement.

Accepted and Agreed to:

Date: August 6, 2015

**SAUGEEN ECONOMIC DEVELOPMENT CORPORATION**

  
Name: Rose Austin  
Title: General Manager

I have the authority to bind Saugeen Economic Development Corporation

**BG FURNITURE LTD.**

  
Name: Adam Hofmann  
Title: President

I have the authority to bind BG Furniture Ltd.

### **SCHEDULE "A" – TERMS OF SUBORDINATION**

1. SEDC will subordinate its collateral mortgage to the First and Second Mortgage to a maximum total of \$578,500.
2. The First and Second Mortgage is an interest only mortgage for the next year to July 31, 2016. Any renewal of the First and Second Mortgage, or of a replacement of the First and Second Mortgage lender with a new lender, must require that BG Furniture Ltd. make blended principal and interest payments on the First and Second Mortgage.
3. After July 31, 2016, and provided that the First and Second Mortgages are not in arrears, SEDC will subordinate its third collateral mortgage from time to time only to a maximum amount of the remaining principal amount outstanding on the First and Second Mortgage.

## *AGREEMENT*

August 4, 2015

The following is our amended agreement for BRUCE to postpone in favour of a renewal mortgage and new mortgage totaling \$578,500. Below are the revised terms of an agreement between Bruce Community Futures Development Corporation ("BRUCE") and BG Furniture Ltd. in respect of the obligations assumed by BG Furniture Ltd. of Bogdon & Gross Furniture Company Limited ("B&G") pursuant to the terms of the Sale and Investment Solicitation Process (the "SISP") established by B&G as part of its restructuring efforts:

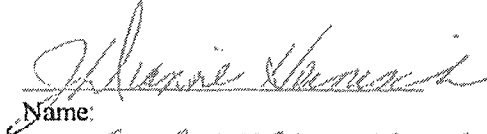
1. BG Furniture Ltd. will, in satisfaction of the indebtedness owing by B&G to BRUCE, pay the sum of \$312,000 to SEDC (the "Settled Indebtedness") by pledging BG Furniture Ltd. interest in its Scientific Research and Experimental tax credits that arise during the 2014, 2015 and 2016 (collectively, the "SRED Credits") tax years, which will be submitted to the CRA in 2015, 2016 and 2017 respectively,
2. The amount paid to BRUCE will be limited to the following re-payment schedule:
  - a. For the year ending 2014, 10% of the SRED refund will be paid to BRUCE
  - b. For the year ending 2015, 30% of the SRED refund will be paid to BRUCE
  - c. For the year ending 2016, 37.5% of the SRED refund will be paid to BRUCE
  - d. For the year ending 2017 and for all future years until such time as the debt is paid in full; 50% of the SRED refund will be paid to BRUCE
3. BRUCE's security shall be limited to the following:
  - a. their participation in the SRED Credits and will rank *pari passu* with Saugeen Economic Development Corporation's ("SEDC") interest in the SRED Credits,
  - b. third collateral mortgage on land and buildings, subordinated from time to time to a first and second mortgage subject to the terms and conditions described in Schedule "A" attached hereto.
4. Outstanding amounts of the Settled Indebtedness will not be subject to interest,
5. At close of renewal and new mortgage on or about August 7, 2015, \$17,500 will be disbursed from mortgage proceeds to BRUCE against the total amount owing
6. Starting October 2015, an amount of \$390 per month will be paid to BRUCE, this will increase to \$520 in March 2016. These funds will apply to debt owing
7. Adam Hofmann and Dirk Nielsen limited personal guarantee in favour of BRUCE to a maximum amount of \$124,000 each will remain in place. For greater certainty, in the event of a default under this Agreement, BRUCE is only entitled to seek a maximum of \$124,000 from each of Adam Hofmann and Dirk Nielsen.
8. BG Furniture Ltd. will provide monthly reporting in a manner satisfactory to SEDC & Bruce.
9. BRUCE acknowledges that it has received the documentation for the second mortgage detailing the obligations of BG Furniture Ltd.
10. BG Furniture Ltd will keep priority payables current and report their status on a monthly basis as part of the routine reporting to SEDC & Bruce (Source Deductions, HST, EHT & WSIB). In the event that priority payables are not kept current, SEDC & Bruce reserve the right to communicate and resolve the matter with other secured lenders. The loan is in default if the priority payables are not current.
11. SEDC & Bruce will meet monthly or more frequently if necessary with the owners and CFO. A replacement financial advisor shall be contracted for BG Furniture to the satisfaction of SEDC and BRUCE within the next three months.

12. BG Furniture Ltd. will ensure that financial management and reporting is conducted to the satisfaction of management and their lenders.
13. This amended agreement and the agreements and other documents required to be delivered pursuant to this agreement constitute the entire agreement between the parties and set out all covenants, representations, understandings and agreements between the parties relating to the subject matter of this agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement.
14. BRUCE acknowledges that it will be receiving independent legal advice before executing this Agreement.

Accepted and Agreed to:

Date: August 7, 2015

**BRUCE COMMUNITY FUTURES DEVELOPMENT CORPORATION**

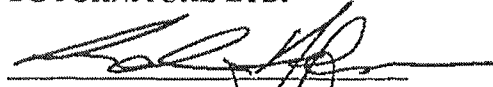


Name:

Title: SECRETARY - TREASURER

I have the authority to bind Bruce Community Futures Development Corporation

**BG FURNITURE LTD.**



Name: Adam Hofmann

Title: President

I have the authority to bind BG Furniture Ltd.

#### **SCHEDULE "A" – TERMS OF SUBORDINATION**

1. BRUCE will subordinate its collateral mortgage to the First and Second Mortgage to a maximum total of \$578,500.
2. The First and Second Mortgage is an interest only mortgage for the next year to July 31, 2016. Any renewal of the First and Second Mortgage, or of a replacement of the First and Second Mortgage lender with a new lender, must require that BG Furniture Ltd. make blended principal and interest payments on the First and Second Mortgage.
3. After July 31, 2016, and provided that the First and Second Mortgages are not in arrears, BRUCE will subordinate its third collateral mortgage from time to time only to a maximum amount of the remaining principal amount outstanding on the First and Second Mortgage.