

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

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

**MOTION RECORD
(Returnable January 12, 2017)**

January 10, 2017

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TAB 1

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

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IN THE PROVINCE OF ONTARIO

NOTICE OF MOTION

Grenville Strategic Royalty Corp., will make a Motion to a Judge of the Commercial List on Thursday, January 12, 2017 at 10:00 a.m., or as soon after that time as the Motion can be heard at the court house, 330 University Avenue, 7th Floor, Toronto, Ontario, M5G 1R7.

PROPOSED METHOD OF HEARING: The Motion is to be heard

- in writing under subrule 37.12.1(1) because it is ;
- in writing as an opposed motion under subrule 37.12.1(4);
- orally.

THE MOTION IS FOR:

- (a) An Order abridging the time for service and filing of the within Motion, declaring that service of this Motion has been validly effected on all necessary parties and declaring that this Motion is properly returnable today;
- (b) An Order pursuant to sections 50.4(11), 69.4(a), (b) and 69 (2)(c) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c.B-3 (the “BIA”) terminating the period within

which BG Furniture Ltd. (“BG”) (which filed a Notice of Intention to File a Proposal on December 14, 2016) must put forward its proposal to creditors;

- (c) An Order pursuant to sections 243 (1)(a) and (b), 243 (1.1)(a) and (b) and 243 (6) of the BIA and s. 101 of the *Courts of Justice Act*, R.S.O. 1990, c.C-43 appointing A. Farber & Partners Inc. (“Farber”) as Court-Appointed Receiver over the assets and undertaking of BG on the terms set out in the attached draft Order as Schedule “A”;
- (d) An Order pursuant to section 14.04 of the BIA substituting/appointing Farber as the trustee in bankruptcy of BG, effective immediately upon the termination of BG’s proposal as requested herein.
- (e) Such further and other Relief as to this Honourable Court may seem just.

THE GROUNDS FOR THE MOTION ARE:

- (f) BG is an insolvent furniture manufacturer located in Walkerton, Ontario. On December 14, 2016, BG filed a Notice of Intention to File a Proposal (“NOI”) pursuant to the BIA and naming Collins Barrow Toronto Limited as Proposal Trustee (in such capacity, the “Proposal Trustee”);
- (g) BG is a corporation incorporated pursuant to the laws of the Province of Ontario. BG’s registered office is located at its production facility at 75 Ridout Street, Walkerton, Ontario N0G 2V0 (the “Facility”);
- (h) BG operates as a manufacturer of high-quality solid wood furniture. The business (including its predecessors) has been in operation since 1927, and has manufactured in the Facility since 1938;

- (i) Prior to October 7, 2016, BG employed approximately 40 full time employees of the full time employees, approximately 31 are hourly, unionized employees, who are members of the United Steel Workers, Local 1-500;
- (j) On October 7, 2016, BG ceased ordinary course operations and laid off its employees. As noted above, BG emerged with the business following a BIA proposal process commenced by Bogdon & Gross Company Limited in 2014. However, BG assumed an unsustainable amount of pre-filing indebtedness as part of the purchase price for the assets, the cost of its lending arrangements was not affordable and it had insufficient working capital to succeed;
- (k) Dirk Nielson (“Nielson”) and Adam Hofmann are BG’s directors. Mr. Hofmann is BG’s President and Nielson is BG’s Vice President. BG has no other officers or directors;
- (l) BG has the following assets:
 - (i) The Facility and the lands upon which the Facility is located (the “Lands”);
 - (ii) Equipment, which Mr. Hoffman estimates has a gross liquidation value of approximately \$470,000 (excluding leased equipment);
 - (iii) Raw materials and inventory, which Mr. Hofmann estimates has a gross liquidation value of approximately \$70,000; and
 - (iv) Accounts receivable, in the amount of approximately \$21,000.
- (m) Shortly after filing its NOI, on December 23, 2016, BG moved for approval of interim financing and sale investment solicitation process, which motion was

dismissed by this Honourable Court. The Endorsement of Mr. Justice Newbould in respect of that motion containing the following statement: “it is apparent that any Proposal would not succeed;”

- (n) As a result of the dismissal of BG’s Motion, the DIP loan could not proceed and BG has run out of funds to continue in operation. The facility is currently closed, and has been for several months. There is an immediate need for a Court-Appointed Receiver to take control of the premises, which are heated by means of a boiler, heated by a wood stove, to preserve, market, and sell the assets located thereon;
- (o) Grenville, a secured creditor of BG, is owed \$2,789,689.44 as of November 31, 2016. Grenville is the senior, non-lease, secured creditor over the equipment owned by BG (the “Equipment”). Grenville holds over 47% of the total debt of the company, as shown on the creditors list attached to BG’s Notice of Intention to Enforce Security, and nearly 50% of the total secured debt owed by the company. Grenville is in a veto position with respect to any proposal that BG could put forward;
- (p) BG is indebted to the Canada Revenue Agency in an amount of approximately \$49,983 in respect of unremitted employee source deductions;
- (q) BG owes an aggregate amount of approximately \$420,000 in unsecured liabilities to trade creditors;
- (r) BG owes an amount of approximately \$250,222 in unpaid wages to its employees. BG has reached with a the Union in respect of unpaid wages and other issues;

- (s) BG has no unpaid pension contributions or accrued pension liabilities;
- (t) BG owns the Lands in Walkerton on which the Facility is located. Platinum Investment Group Inc. (“Platinum”) holds the first-ranking mortgage security against title to the Lands. Platinum is owed approximately \$622,000. Grenville does not hold mortgage security over the Lands and buildings;
- (u) Grenville and Platinum, the two senior-ranking secured creditors, collectively hold over 60% of the entire indebtedness of the company, and an even-greater portion of the secured debt of the company, are in agreement that they are not prepared to vote for any proposal that BG could put forward;
- (v) No draft proposal or even a kernel of a proposal, has been put forward by the debtor and there is no reason to believe that one will be put forward. The company is out of operating cash and that there are no other investors currently prepared to fund operations, or a proposal;
- (w) The initial 30-day stay period afforded to BG expires at midnight January 14, 2017. Accordingly, the stay of proceedings would only have lasted one more day, (assuming this Motion is heard on January 13, 2017) in any event;
- (x) In the current situation, there is nothing to be achieved by continuing with the proposal process and it should be terminated;
- (y) As a result of the termination of the proposal process, BG will be deemed bankrupt, and Collins Barrow Toronto Limited will automatically become its trustee in bankruptcy. There will be no assets to be administered in the bankrupt estate and

given the receivership requested herein, this will result in two separate licensed trustees administering the bankruptcy and receivership, which is not cost effective or desirable.

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

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

- (aa) The Affidavit of Donnacha Rahill sworn January 10, 2017;
- (bb) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

January 10, 2017

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SCHEDULE A

Court File No. 35-2199056

ONTARIO
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THE HONOURABLE)	THURSDAY, THE 12TH
)	
JUSTICE)	DAY OF JANUARY, 2017

ORDER
(Appointing Receiver)

THIS MOTION made by Grenville Strategic Royalty Corp. for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”) and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the “CJA”) appointing A. Farber & Partners Inc. as receiver (in such capacities, the “Receiver” or “Farber”) without security, of all of the assets, undertakings and properties of BG Furniture Ltd. (the “Debtor”) acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, 7th Floor, Toronto, Ontario.

ON READING the Affidavit of Donnacha Rahill sworn January 10, 2017 and the Exhibits thereto and on hearing the submissions of counsel for Grenville Strategic Royalty Corp., counsel for the Debtor, counsel for Platinum Investment Group Inc. (“Platinum”) and counsel for the Proposal Trustee and on reading the Consent of Farber to act as the Receiver,

SERVICE

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

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, Farber is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) to enter into any agreements, incur any obligations, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage auctioneers, consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or

applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property, including by way of an on-site or off-site auction of any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business:
 - (i) without the approval of the Court in respect of any on or off-site auction(s) of the equipment, inventory and raw materials, including office furniture and equipment or any other personal property of the Debtor,
 - (ii) without the approval of this Court in respect of any transaction not exceeding \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$250,000; and
 - (iii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a Purchaser or Purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to act as, or to enter into agreements with any Trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being “Persons” and each being a “Person”) shall forthwith advise the Receiver of the existence of any Property in such Person’s possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver’s request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the “Records”) in that Person’s possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege

attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. THIS COURT ORDERS nothing in this Order, or, specifically, paragraphs 10 and 11 below, shall stay or restrict the rights of Platinum to issue a Notice of Sale in respect of the real property over which it holds mortgage security, or otherwise enforce same.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

10. THIS COURT ORDERS that subject to paragraph 10 above no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence

or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

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

RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for

herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective Purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The Purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, “Possession”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “Environmental Legislation”), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER’S LIABILITY

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, save and except for the mortgage security held by Platinum, which shall not in any way be "primed" or subsequent in priority to the Receiver's Charge.

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

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

FUNDING OF THE RECEIVERSHIP

21. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may

consider necessary or desirable, provided that the outstanding principal amount does not exceed \$100,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA save and except for the mortgage security held by Platinum which shall not in any way be "primed" or subsequent in priority to the Receiver's Borrowing Charge.

22. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

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

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

GENERAL

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

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a Trustee in bankruptcy of the Debtor.

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

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

31. THIS COURT ORDERS that the Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

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

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO.

AMOUNT \$

1. THIS IS TO CERTIFY that A. Farber & Partners Inc., the receiver (the "Receiver") of the assets, undertakings and properties BG Furniture Ltd. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 12th day of January, 2017 (the "Order") made in an action having Court file number Court File No. 35-2199056, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

1. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

2. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

3. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

4. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____, day of January, 2017.

A. Farber & Partners Inc., solely in its capacity as
Receiver and not in its personal capacity

Per: _____

Name:

Title:

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

Court File No. 35-2199056

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDING COMMENCED AT
TORONTO

ORDER
(Appointing Receiver)

TORKIN MANES LLP
Barristers & Solicitors
151 Yonge Street, Suite 1500
Toronto ON M5C 2W7

Jeffrey J. Simpson (39663M)
jsimpson@torkinmanes.com
Tel: 416-777-5413
Fax: 1-888-587-9143

Tel: 416-863-1188
Fax: 416-863-0305

Lawyers for Grenville Strategic Royalty Corp.

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

Court /Estate File No. 35-2199056

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDING COMMENCED AT
TORONTO

NOTICE OF MOTION

TORKIN MANES LLP

Barristers & Solicitors
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Toronto ON M5C 2W7

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Tel: 416-863-1188
Fax: 416-863-0305

Lawyers for Grenville Strategic Royalty Corp.

TAB 2

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

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

AFFIDAVIT OF DONNACHA RAHILL

I, Donnacha Rahill, of the City of Burlington, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the Chief Financial Officer of Grenville Strategic Royalty Corp. (“Grenville”), a Creditor in this proceeding, and, as such have knowledge of the matters hereinafter deposed to, either through my own knowledge or by informing myself with respect thereto, in which case I have indicated the source of my information and belief.
2. I swear this Affidavit in support of a Motion to: (a) terminate the stay of proceedings arising out of the December 14, 2016 filing by BG Furniture Ltd. (“BG”) of a Notice of Intention to File a Proposal pursuant to the *Bankruptcy and Insolvency Act* (“BIA”); and (b) appoint a Receiver over the assets and undertaking of BG.
3. BG is an insolvent furniture manufacturer located in Walkerton, Ontario¹. On December 14, 2016, BG filed a Notice of Intention to File a Proposal (“NOI”) pursuant to the BIA².

¹ Attached hereto and marked as Exhibit “A” is a copy of a Corporation Profile Report generated January 10, 2017.

² Attached hereto and marked as Exhibit “B” is a copy of the NOI dated December 14, 2016.

Background

4. Based on an earlier Affidavit filed by Adam Hofmann a director and the President of BG sworn December 19, 2016, I verily believe the following to be some of the relevant background details with respect to this matter:

- (a) BG is a corporation incorporated pursuant to the laws of the Province of Ontario. BG's registered office is located at its production facility at 75 Ridout Street, Walkerton, Ontario N0G 2V0 (the "Facility");
- (b) BG is the successor to Bogdon & Gross Furniture Company Limited, which filed a Notice of Intention to File a Proposal under the BIA on March 4, 2014. BG acquired the assets of Bogdon & Gross Furniture Company Limited through the BIA proposal process, in consideration of, among other things, assumption of a significant quantum of pre-filing indebtedness;
- (c) BG operates as a manufacturer of high-quality solid wood furniture. The business (including its predecessors) has been in operation since 1927, and has manufactured in the Facility since 1938;
- (d) Prior to October 7, 2016, BG employed approximately 40 full time employees of the full time employees, approximately 31 are hourly, unionized employees, who are members of the United Steel Workers, Local 1-500;
- (e) On October 7, 2016, BG ceased ordinary course operations and laid off its employees. As noted above, BG emerged with the business following a BIA proposal process commenced by Bogdon & Gross Company Limited in 2014.

However, BG assumed an unsustainable amount of pre-filing indebtedness as part of the purchase price for the assets, the cost of its lending arrangements was not affordable and it had insufficient working capital to succeed;

- (f) On December 14, 2016, BG filed the NOI naming Collins Barrow Toronto Limited as Proposal Trustee (in such capacity, the “Proposal Trustee”);
- (g) Dirk Nielson (“Nielson”) and Adam Hofmann are BG’s directors. Mr. Hofmann is BG’s President and Nielson is BG’s Vice President. BG has no other officers or directors;
- (h) BG has the following assets:
 - (i) The Facility and the lands upon which the Facility is located (the “Lands”);
 - (ii) Equipment, which Mr. Hoffman estimates has a gross liquidation value of approximately \$470,000 (excluding leased equipment);
 - (iii) Raw materials and inventory, which Mr. Hofmann estimates has a gross liquidation value of approximately \$70,000; and
 - (iv) Accounts receivable, in the amount of approximately \$21,000.
- (i) A Phase I survey of the Lands completed in April, 2014 identified a low-to-moderate risk of environmental impact. The Lands have been subject to almost 120 years of continues light industry on site. The Appraisal Report did not incorporate any soil or other environmental testing. Any change of use of the Lands may require environmental remediation;

(j) The 75,000 square foot main building at the Facility is heated with a wood-burning boiler that is fed with production remnants. The operation of the boiler in cold winter temperatures requires fuel, fuel delivery (since there are no production remnants given that the company is not in business) and an operator who is familiar with the operation of same. This would be highly impractical for almost any other use of the building and would necessitate an extensive and expensive retrofit of the building.

5. Pursuant to an Appraisal Report dated July 23, 2015, attached to Mr. Hofmann's Affidavit, the Lands were appraised at a market value of \$825,000.

6. Mr. Hofmann states in his Affidavit that:

the estimated market value vastly overstates the gross proceeds that would be realized in a liquidation or other enforcement process, as it was made based on assumptions which would be inapplicable in those circumstances. Specifically, the appraisal was made based on continued owner-occupation and contribution of a rental equivalency by the business, and assumed "highest and best use," and 8 to 10 month marketing process, and a transaction" ... between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.

The Filing of the NOI and the Failed DIP and SISP Motion

7. Shortly after filing its NOI, on December 23, 2016, BG moved for approval of interim financing and sale investment solicitation process, which motion was dismissed by this Honourable Court. The Endorsement of Mr. Justice Newbould³ in respect of that motion contains the following statement: "it is apparent that any Proposal would not succeed."

³ Attached hereto and marked as Exhibit "C" is a copy of the endorsement of Justice Newbould dated December 23, 2016.

8. As a result of the dismissal of BG's Motion, the DIP loan could not proceed and BG has run out of funds to continue in operation. The facility is currently closed, and has been for several months. There is an immediate need for a Court-Appointed Receiver to take control of the premises (which are heated by means of a boiler system heated by a wood stove) to preserve, market, and realize upon the assets located thereon.

Indebtedness in Favour of Grenville

9. Grenville, a secured creditor of BG, is owed \$2,789,689.44 as of November 31, 2016. Grenville is the senior, non-lease, secured creditor over the equipment owned by BG (the "Equipment"). Grenville holds over 47% of the total debt of the company, as shown on the creditors list attached to BG's Notice of Intention to Enforce Security, and nearly 50% of the total secured debt owed by the company. Grenville is in a veto position with respect to any proposal that BG could put forward. Grenville's loan and security documents⁴, as well as a summary of a PPSA search⁵, are attached hereto as Exhibits D and E respectively.

Other Creditors

10. According to Mr. Hofmann's December 19, 2016 Affidavit:

- (a) BG is indebted to the Canada Revenue Agency in an amount of approximately \$49,983 in respect of unremitted employee source deductions;
- (b) BG owes an aggregate amount of approximately \$420,000 in unsecured liabilities to trade creditors;

⁴ Attached hereto and marked as Exhibit "D" is a copy of the loan and security documents.

⁵ Attached hereto and marked as Exhibit "E" is a copy of the PPSA summary.

- (c) BG owes an amount of approximately \$250,222 in unpaid wages to its employees. BG has reached with a the Union in respect of unpaid wages and other issues;
- (d) BG has no unpaid pension contributions or accrued pension liabilities.

11. BG owns the Lands in Walkerton on which the Facility is located⁶. I verily believe that Platinum Investment Group Inc. (“Platinum”) holds the first-ranking mortgage security against title to the Lands. Platinum is owed approximately \$622,000. Grenville does not hold mortgage security over the Lands and buildings.

Veto Position of the Creditors

12. Based on a previous Affidavit filed by Stuart des Vignes, the Administrative Coordinator of Platinum in response to the DIP/SISP Motion, I believe that Grenville and Platinum, the two senior-ranking secured creditors, who collectively hold over 60% of the entire indebtedness of the company, and an even-greater portion of the secured debt of the company, are in agreement that they are not prepared to vote for any proposal that BG could put forward.

13. No draft proposal or even a kernel of a proposal, has been put forward by the debtor and there is no reason to believe that one will be put forward. The Affidavit material filed in support of the Motion to approve the interim financing⁷ makes it clear that the company is out of operating cash and that there are no other investors currently prepared to fund operations, or a proposal. Mr. Hofmann has repeatedly made it clear to me that if Grenville or the other creditors wish to keep the Facility heated and habitable, they will have to pay for same, as the company lacks the funds to so (or any funds). It is evident that in these circumstances, the best interests of the

⁶ Attached hereto and marked as Exhibit “F” is a copy of the Parcel Register.

⁷ Attached hereto and marked as Exhibit “G” is a copy of Adam Hofmann Affidavit sworn December 19, 2016.

majority of stakeholders will be best served by the appointment of a Court-Appointed Receiver to take control of the situation.

14. The initial 30-day stay period afforded to BG expires at midnight January 14, 2017. Accordingly, the stay of proceedings would only have lasted one more day, (assuming this Motion is heard on January 13, 2017) in any event.

NITES Served by Grenville

15. On January 10, 2017, Grenville delivered to BG demand for repayment in full of its indebtedness as well as a Notice of Intention to Enforce Security (“NITES”) pursuant to the BIA⁸. These documents were delivered notwithstanding the existence of the stay of proceedings arising from the filing of the NOI, on the basis of a consent requested from counsel for BG.

16. In the current situation, there is nothing to be achieved by continuing with the proposal process and it should be terminated.

Form of the Receivership

17. There has been considerable discussions between the various secured creditors of BG in respect to an orderly enforcement of the various security held by those parties.

18. As can be seen from a review of the relevant searches attached hereto, different parties rank first in priority to BG’s various asset classes. Specifically, it appears that Platinum ranks first in priority as against the real property and Grenville ranks first in priority with respect to the Equipment which is located on that property.

⁸ Attached hereto and marked as Exhibit “H” is a copy of the demands and NITES dated January 10, 2017.

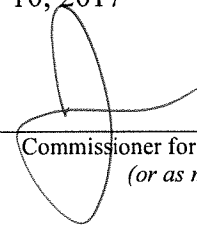
19. Grenville wishes to enforce its security against the Equipment of BG, primarily various pieces of machinery that would be typically used by a factory of this size in the manufacturing of furniture. I have spoken with a representative of a reputable auctioneer who has advised me that removing the Equipment from the premises would be costly and potentially result in damage to the structure. I anticipate that an on-site auction of that Equipment, with removal of same specified to be at the expense of the purchaser, is the most expeditious way of enforcing Grenville's security against the Equipment in question.

Substitution of Trustee


20. Grenville is also requesting that the Court substitute the proposed receiver A. Farber & Partners Inc. as the bankruptcy trustee, in addition to being the Court-Appointed Receiver of BG. Currently, Collins Barrow Toronto Limited is the Proposal Trustee and upon the bankruptcy of BG would become BG's trustee in bankruptcy. Grenville does not see it as desirable or cost effective to have two different licensed trustees act as Receiver and trustee in bankruptcy in these circumstances.

21. I make this Affidavit in good faith and for no other or improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario on January 10, 2017



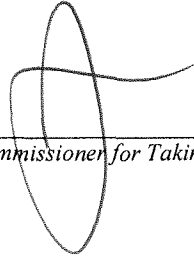
Commissioner for Taking Affidavits
(or as may be)

} 

DONNACHA RAHILL

TAB A

This is Exhibit "A" referred to in the Affidavit of Donnacha Rahill
sworn January 10, 2017

A handwritten signature in black ink, consisting of a large, loopy initial 'D' followed by a horizontal stroke and a small flourish.

Commissioner for Taking Affidavits (or as may be)

Request ID: 019780179
 Transaction ID: 63218188
 Category ID: UN/E

Province of Ontario
 Ministry of Government Services

Date Report Produced: 2017/01/10
 Time Report Produced: 08:29:54
 Page: 1

CORPORATION PROFILE REPORT

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

Request ID: 019780179
Transaction ID: 63218188
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/01/10
Time Report Produced: 08:29:54
Page: 2

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2404489	BG FURNITURE LTD.

Corporate Name History	Effective Date
BG FURNITURE LTD.	2014/01/23

Current Business Name(s) Exist:	NO
Expired Business Name(s) Exist:	NO

Administrator: Name (Individual / Corporation)	Address
ADAM M. HOFMANN	257 4TH STREET CRESCENT HANOVER ONTARIO CANADA N4N 3S9

Date Began	First Director	
2014/01/23	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y

Request ID: 019780179
Transaction ID: 63218188
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/01/10
Time Report Produced: 08:29:54
Page: 3

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2404489	BG FURNITURE LTD.

Administrator: Name (Individual / Corporation)	Address
ADAM M. HOFMANN	257 4TH STREET CRESCENT HANOVER ONTARIO CANADA N4N 3S9

Date Began	First Director	
2014/01/23	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
OFFICER	PRESIDENT	Y

Administrator: Name (Individual / Corporation)	Address
DIRK P. NIELSEN	302 WESTWOOD DRIVE WALKERTON ONTARIO CANADA N0G 2V0

Date Began	First Director	
2014/01/23	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y

Request ID: 019780179
Transaction ID: 63218188
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/01/10
Time Report Produced: 08:29:54
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CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	
2404489	BG FURNITURE LTD.	
Administrator:	Address	
Name (Individual / Corporation)		
DIRK P. NIELSEN	302 WESTWOOD DRIVE WALKERTON ONTARIO CANADA N0G 2V0	
Date Began	First Director	
2014/01/23	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
OFFICER	VICE-PRESIDENT	Y

Request ID: 019780179
Transaction ID: 63218188
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/01/10
Time Report Produced: 08:29:54
Page: 5

44

CORPORATION PROFILE REPORT

Ontario Corp Number

2404489

Corporation Name

BG FURNITURE LTD.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	ANNUAL RETURN 2014	1C	2015/06/06 (ELECTRONIC FILING)

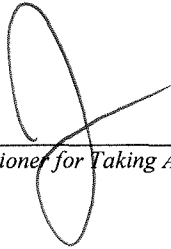
THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

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

TAB B

This is Exhibit "B" referred to in the Affidavit of Donnacha Rahill
sworn January 10, 2017

A handwritten signature consisting of a large, loopy 'D' shape with a diagonal stroke extending from the top right of the loop.

Commissioner for Taking Affidavits (or as may be)

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

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

Take notice that:

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

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



BG Furniture Ltd.
Insolvent Person

To be completed by Official Receiver:


Filing Date

Official Receiver

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

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

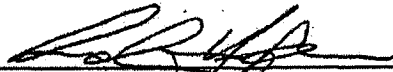
List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
2110785 ONTARIO Inc. Adam Hofmann and Dirk Nielsen	PO Box 1240 75 Ridout Street Walkerton ON N0G 2V0		836,785.42
2544311 Ontario Limited Jian Jun Rong	77 King Street West - 3000 TD Centre North Tower Toronto ON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


BG Furniture Ltd.
Insolvent Person

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

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


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


 BG Furniture Ltd.
 Insolvent Person

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

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

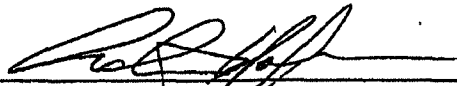
List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Holst Office Supplies	PO Box 218 Walkerton ON N0G 2V0		2,548.57
Homag Canada Inc	5090 Edwards blvd. Mississauga ON L5T 2W3		870.81
LeanPack	15825 Marsh Hill Rd Port Perry ON L9L 1Z1		5,970.61
Master Finishing Supplies	PO Box 866 135 Ormont Drive, Unit 22 Beeton ON L0G 1A0		565.67
Matt's Cabinetry By Design	75 Kimball Rd. Wallaceburg ON N8A 4L2		2,712.00
Minister of Finance - EHT	PO Box 620 33 King Street West Oshawa ON L1H 8E9	829530971TE0001	20,369.61
Municipality of Brockton - Prop Taxes	PO Box 88 100 Scott Street Walkerton ON N0G 2V0	41-04-360-006-18800-000 0	15,458.60
National Compressed Air	376 Sovereign rd. London ON N6M 1A5		481.45
Olympic Forest	39 Erin Park Dr Erin ON N0B 1T0		26,948.23
Ottens Products	11555 NE Sumner Street Portland OR 97220 USA		790.00
Pallet Valo LLP	Lawyers & Trade-Mark Agents 300-77 City Centre Dr. West Tower Mississauga ON L5B 1M5		92,130.00


 B.G. Furniture Ltd.
 Insolvent Person

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

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

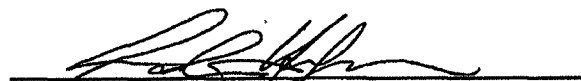
List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Platinum Investment Group Inc. Stuart des Vignes	896 Brock Rd, Unit 1 Pickering ON L1W 1Z9		622,312.00
Receiver General - Source Deductions	875 Heron Rd Ottawa ON K1A 1B1	82953 0971 RP0001	49,983.00
Richelleu Hardware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


 BG Furniture Ltd.
 Insolvent Person

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

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

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


 BG Furniture Ltd.
 Insolvent Person



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

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

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

BG Furniture Ltd.
Insolvent Person

COLLINS BARROW TORONTO LIMITED
Licensed Insolvency Trustee

Date of the Notice of Intention: December 14, 2016

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

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

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

Date: December 14, 2016, 12:11

E-File/Dépôt Electronique

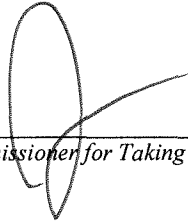
Official Receiver

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

Canada

TAB C

This is Exhibit "C" referred to in the Affidavit of Donnacha Rahill
sworn January 10, 2017

A handwritten signature in black ink, consisting of a large, vertical oval shape with a horizontal line crossing it near the middle, and a short horizontal stroke extending to the right from the bottom of the oval.

Commissioner for Taking Affidavits (or as may be)

Dec. 22, 2016

Court File No.
Court No. 35-219905
Estate No. 35-219905

December 23, 2016

In the course of this motion, the matter is transferred to the auction list in Toronto.

In my view, there are not sufficient grounds to approve the bid to secure the assets in the stalking horse bid. The result would be required to the secured creditors who appear to have the best economic interest in the assets. It is apparent that any proposal would not succeed.

Motion dismissed.

There is

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

MOTION RECORD
(Motion Returnable December 22, 2016)

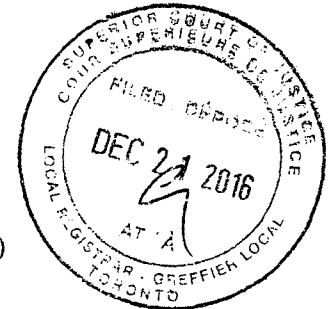
Fogler, Rubinoff LLP
77 King Street West
Suite 3000, PO Box 95
TD Centre North Tower
Toronto, ON M5K 1G8

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

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

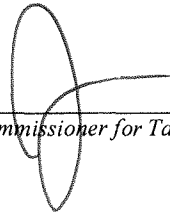
Tel: (416) 864-9700
Fax: (416) 941-8852

Lawyers for the Moving Party, BG Furniture Ltd.



TAB D

This is Exhibit "D" referred to in the Affidavit of Donnacha Rahill
sworn January 10, 2017

A handwritten signature consisting of a large, vertical oval shape with a horizontal line extending from its right side.

Commissioner for Taking Affidavits (or as may be)

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

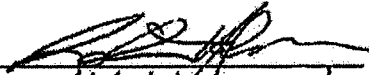
PRINCIPAL AMOUNT: CDN\$100,000
(the "Principal Amount")

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

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

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

BG FURNITURE LTD.

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

GRENVILLE STRATEGIC ROYALTY CORP.

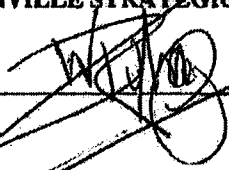
Per: 
Name: William R. King
Title: CEO & Director

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SCHEDULE "A"

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

ARTICLE 1 INTERPRETATION

1.1 Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.2 Interpretation

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

1.3 Headings, Etc.

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

1.4 Day Not a Business Day

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

1.5 Currency

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

1.6 Interest

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

1.7 Prepayment

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

ARTICLE 2 COVENANTS

2.1 Covenants

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

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

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

ARTICLE 3 CONVERSION

3.1 Optional Conversion prior to Maturity Date

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

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

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

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

Outstanding Amount/Conversion Price

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

3.2 Whole Shares Only

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

3.3 No Requirement to Issue Fractional Shares

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

3.4 Company to Create Preferred Shares

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

3.5 Corporate Agreements

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

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

3.6 Adjustments

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

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

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

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

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

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

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

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

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

**ARTICLE 4
EVENTS OF DEFAULT**

4.1 Events of Default

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

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

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

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

4.2 Consequences of an Event of Default

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

4.3 Costs of Realization

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

ARTICLE 5 MISCELLANEOUS

5.1 Discharge

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

5.2 Waiver

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

5.3 No Merger or Novation

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

5.4 Governing Law

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

5.5 Notices

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

5.6 Time of the Essence

Time shall be of the essence of this Note.

5.7 Maximum Rate Permitted by Law

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

5.8 No Partnership

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

5.9 Invalidity of any Provisions

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

5.10 Specific Performance

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

5.11 Successors and Assigns, etc.

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

5.12 Amendments

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

5.13 Expenses

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

5.14 Counterparts

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

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

To: BG Furniture Ltd.

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

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

Dated the __ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

TERM SHEET

SUMMARY OF PREFERRED SHARE TERMS

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

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

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

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

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

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

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

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

the fair value of such share.

Information Rights:

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

Rights of First Refusal and Co-Sale:

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

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

Drag-Along Rights:

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

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

To: BG Furniture Ltd.

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

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

Dated the __ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

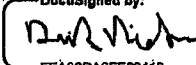
PRINCIPAL AMOUNT: CDN\$50,000
(the "Principal Amount")

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

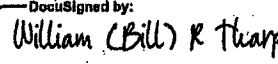
By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.

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

BG FURNITURE LTD.

DocuSigned by:

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

GRENVILLE STRATEGIC ROYALTY CORP.

DocuSigned by:

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

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

PRINCIPAL AMOUNT: CDNS25,000
(the "Principal Amount")

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

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

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

BG FURNITURE LTD.

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

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name:
Title:

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SCHEDULE "A"

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

ARTICLE 1 INTERPRETATION

1.1 Definitions

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

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

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

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

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

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

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

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

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

"Maturity Date" means December 15, 2016;

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

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

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

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

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

1.2 Interpretation

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

1.3 Headings, Etc.

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

1.4 Day Not a Business Day

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

1.5 Currency

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

1.6 Interest

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

1.7 Prepayment

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

1.8 Additional Note

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

ARTICLE 2 COVENANTS

2.1 Covenants

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

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

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

ARTICLE 3 CONVERSION

3.1 Optional Conversion prior to Maturity Date

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

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

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

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

Outstanding Amount/Conversion Price

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

3.2 Whole Shares Only

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

3.3 No Requirement to Issue Fractional Shares

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

3.4 Company to Create Preferred Shares

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

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3.5 Corporate Agreements

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

3.6 Adjustments

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

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

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

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

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

- (e) For the purposes of this Note:

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

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

**ARTICLE 4
EVENTS OF DEFAULT**

4.1 Events of Default

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

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

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

4.2 Consequences of an Event of Default

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

4.3 Costs of Realization

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

**ARTICLE 5
MISCELLANEOUS**

5.1 Discharge

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

5.2 Waiver

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

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5.3 No Merger or Novation

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

5.4 Governing Law

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

5.5 Notices

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

5.6 Time of the Essence

Time shall be of the essence of this Note.

5.7 Maximum Rate Permitted by Law

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

5.8 No Partnership

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

5.9 Invalidity of any Provisions

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

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

5.10 Specific Performance

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

5.11 Successors and Assigns, etc.

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

5.12 Amendments

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

5.13 Expenses

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

5.14 Counterparts

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

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

To: BG Furniture Ltd.

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

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

Dated the ___ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

**EXHIBIT "B" TO SCHEDULE "A" OF CONVERTIBLE PROMISSORY NOTE
TERM SHEET**

SUMMARY OF PREFERRED SHARE TERMS

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

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

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

the fair value of such share.

Information Rights:

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

Rights of First Refusal and Co-Sale:

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

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

Drag-Along Rights:

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

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

To: BG Furniture Ltd.

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

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

Dated the ___ day of _____, _____.

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario


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

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

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

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

HC FURNITURE LTD.

Per: 
Name: Adam H. Hermal
Title: Chief Executive Officer / President

GRENVILLE STRATEGIC ROYALTY CORP.


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

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SCHEDULE "A"

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

ARTICLE I INTERPRETATION

1.1 Definitions

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

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

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

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

"**Company**" means BGI Furniture Ltd., a body corporate incorporated pursuant to the laws of Province of Ontario, and includes any successor corporation to or of the Company within the meaning of Section 5(1);

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

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

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

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

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

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

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

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

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

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

1.2 Interpretation

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

1.3 Headings, Etc.

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

1.4 Day Not a Business Day

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

1.5 Currency

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

1.6 Interest

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

1.7 Prepayment

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

1.8 Additional Note

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

ARTICLE 2 COVENANTS

2.1 Covenants

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

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

ARTICLE 3 CONVERSION

3.1 Optional Conversion prior to Maturity Date

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

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

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

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

Outstanding Amount/Conversion Price

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

3.2 Whole Shares Only

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

3.3 No Requirement to Issue Fractional Shares

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

3.4 Company to Create Preferred Shares

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

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

3.5 Corporate Agreements

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

3.6 Adjustments

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

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

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

is divided by

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

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

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

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

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

(c) For the purposes of this Note:

(i) the term "Additional Shares" shall mean all Common Shares issued or deemed to be issued by the Company after the date of this Note, other than: (A) Common Shares or Convertible Securities (as defined below) issued pursuant to a Share Reorganization, Capital Reorganization or similar transactions described in this Section 3.6; (B) Common Shares or Convertible Securities issued upon the exercise of other Convertible Securities, or Common Shares issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Convertible Security; (C) Common Shares or Convertible Securities issued to employees or directors of, or consultants or advisory to, the Company or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the board of directors of the Company; (D) Common Shares or Convertible Securities issued pursuant to the acquisition of another corporation by the Company or any of its subsidiaries by amalgamation, arrangement, purchase of all or substantially all of the assets or shares or other reorganization or to a joint venture agreement, provided that such issuances are approved by the board of directors of the Company; or (E) Common Shares issued upon conversion of the Outstanding Amount;

(ii) the term "Outstanding Issue" shall mean the sum of: (A) the number of shares of the Company outstanding immediately prior to such issue; plus (B) the number of Preferred Shares issuable on the conversion of the Outstanding Amount, calculated immediately prior to such issue and prior to effecting any adjustment to the Conversion Price pursuant to Section 3.6(d); and

(iii) the term "Effective Price" shall mean the quotient determined by dividing the total number of Additional Shares issued or sold, or deemed to have been issued or sold by the Company under Section 3.6(d), into the consideration received, or deemed to have been received by the Company for such issue, under Section 3.6(d), for such Additional Shares.

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

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

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

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

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

ARTICLE 4 EVENTS OF DEFAULT

4.1 Events of Default

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

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

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

4.2 Consequences of an Event of Default

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

4.3 Costs of Realization

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

ARTICLE 5 MISCELLANEOUS

5.1 Discharge

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

5.2 Waiver

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

5.3 No Merger or Novation

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

5.4 Governing Law

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

5.5 Notices

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

5.6 Time of the Essence

Time shall be of the essence of this Note.

5.7 Maximum Rate Permitted by Law

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

5.8 No Partnership

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

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

5.9 Invalidity of any Provisions

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

5.10 Specific Performance

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

5.11 Successors and Assigns, etc.

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

5.12 Amendments

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

5.13 Expenses

The Company will pay all of the reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Holder in connection with the preparation and execution of this Note and the various agreements and documents referred to herein (including all documents referenced in or required by the Term Sheet), up to a maximum amount of \$75,000 (plus all disbursements incurred by counsel to the Holder and all applicable taxes on any of the foregoing amounts), which amounts will be deducted from the Principal Amount and/or paid by the Company on demand by the Holder.

5.14 Counterparts

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

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

To: **BC Furniture Ltd.**

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

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

Dated the day of

GRENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

TERM SHEET

SUMMARY OF PREFERRED SHARE TERMS

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

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

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

the fair value of such share

Information Rights:

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

Rights of First Refusal and Co-Sale:

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

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

Drag-Along Rights:

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

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

To: **BC Furniture Ltd.**

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

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

Dated this ___ day of _____.

GREENVILLE STRATEGIC ROYALTY CORP.

By: _____
Name:
Title:

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

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

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

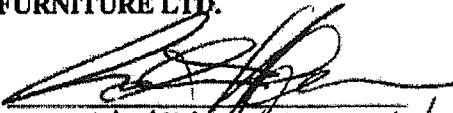
By its execution hereof, the Company and the Holder acknowledge and agree to the terms and conditions hereof, including the terms of Schedule "A" hereto.

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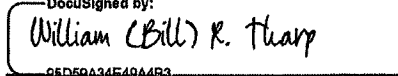


IN WITNESS WHEREOF, the Company and the Holder have caused this Note to be executed as of January 7, 2016.

BG FURNITURE LTD.

Per: 
Name: *ADRIAN JOHNSON*
Title: Chief Executive Officer / *PRESIDENT*

GRENVILLE STRATEGIC ROYALTY CORP.

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

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

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


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

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



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

BG FURNITURE LTD.

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

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name:
Title:

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

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



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

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



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

BG FURNITURE LTD.

Per: 
Name: 
Title: Chief Executive Officer

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name:
Title:

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

CONVERTIBLE PROMISSORY NOTE

BG FURNITURE LTD.

Incorporated under the laws of the Province of Ontario

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

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

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

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

BG FURNITURE LTD.

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

GRENVILLE STRATEGIC ROYALTY CORP.

Per: _____
Name: _____
Title: _____

ROYALTY PURCHASE AGREEMENT

THIS AGREEMENT is made October 17th, 2014,

BETWEEN:

BG FURNITURE LTD.
(the "Corporation")

- and -

GRENVILLE STRATEGIC ROYALTY CORP.
(the "Purchaser")

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

THE PARTIES agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

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

1.2 Certain Rules of Interpretation

In this Agreement:

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

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

1.3 Knowledge

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

1.4 Entire Agreement; Waiver

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

1.5 Disclosure Letter

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

ARTICLE 2 INSTALLMENTS AND ROYALTIES

2.1 Payment of Installments

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

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

2.2 Gross Sales Royalty

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

2.3 Minimum Monthly Amount

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

2.4 Payment Mechanism, Adjustments and Delinquent Royalty Payments

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

2.5 Payment of Royalty Payments and Buyout Amounts

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

2.6 Royalty Payments Following Termination

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

2.7 Audit Right

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

2.8 Dispute Mechanism

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

2.9 Buy-down Options and Change of Control Buyout Option

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

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

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

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

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

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

2.10 Acknowledgments and Obligations of the Corporation

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

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

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

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- (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:

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- (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

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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

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

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

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

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

3.20 Insurance

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

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

3.21 Brokers

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

3.22 No Sale Agreements

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

3.23 Compliance with Other Instruments, Laws, Etc.

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

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

3.24 Agreements Restricting Business

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

3.25 Absence of Questionable Payments

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

3.26 Change of Control

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

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

3.27 Disclosure

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

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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

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

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

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

6.2 Announcements

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

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

6.3 Facsimile/Adobe Acrobat and Counterparts

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

6.4 Further Assurances

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

6.5 Severability

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

6.6 Delays or Omissions

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

6.7 Acknowledgment re Drafting

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

6.8 Confidentiality

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

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

6.9 Assignment

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

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

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

6.10 Payment of Purchaser Expenses

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

6.11 Force Majeure

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

6.12 Tax Cooperation

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

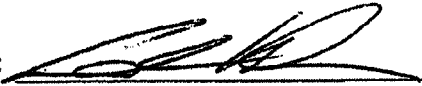
6.13 Maximum Permitted Rate

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

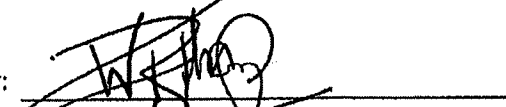
[Signature Page Follows]

IN WITNESS WHEREOF each Party has duly executed this Agreement.

BG FURNITURE LTD.

By: 
Name: ADAM HOFMANN
Title: PRESIDENT.

**GRENVILLE STRATEGIC ROYALTY
CORP.**

By: 
Name: Williamthrop
Title: CEO/Director

SCHEDULE "A"

DEFINED TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Insiders" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Technology" means:

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

"Transaction" means the transactions contemplated in this Agreement.

Schedule "B"

SAMPLE CALCULATION OF THE CHANGE OF CONTROL BUYOUT

EXAMPLE 1

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

Equity Method

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

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

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

OR

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

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

EXAMPLE 2

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

Equity Method

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

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

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

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

\$960,000 payment

OR

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

Therefore, the \$960,000 payment takes precedence

THIS SECURITY AGREEMENT is made the 2nd day of September, 2015.

BETWEEN:

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

2.

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.

3.

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.

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

5.

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;

6.

- (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;
- (k) 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

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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

8.

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

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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

12.

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.

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28.0

ANNOUNCEMENTS

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

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

BG FURNITURE LTD.

By: 

Name: Adam Hofmann
Title: President

BG FURNITURE LTD.

By: 

Name: Dirk Nielsen
Title: V.P. Manufacturing

SCHEDULE "A"

DESCRIPTION OF EQUIPMENT

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

#	Description	Manufacturer	Model	Serial
1	Chop saw deck/conveyor	in-house		
41	Condensate tank			
41	2 air storage tanks			
41	Air Compressor - 75HP Variable Disp	Quincy	QS 370i	
118	Fire system - electric 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

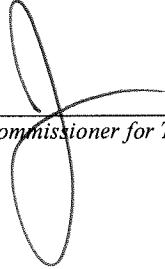
75 Ridout Street, Box 1240
Walkerton, Ontario N0G 2V0

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

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

TAB E

This is Exhibit "E" referred to in the Affidavit of Donnacha Rahill
sworn January 10, 2017



Commissioner for Taking Affidavits (or as may be)

TORKIN MANES LLP

PERSONAL PROPERTY SECURITY ACT SEARCH SUMMARY

Details of Searches conducted on **BG Furniture Ltd.** are as follows:

A. PPSA SEARCH RESULTS – Currency Date: November 1, 2016

A	Accounts (formerly known as “Book Debts”)	I	Inventory	O	Other	
CG	Consumer Goods	E	Equipment	MV	Motor Vehicle	
<i>Secured Party</i>	<i>Debtor</i>	<i>Reference File No.</i>	<i>Registration No.</i>	<i>Collateral</i>	<i>General Collateral Description</i>	<i>Expiry Date</i>
CNH Industrial Capital Canada Ltd.	BG Furniture Ltd.	697507524	20140627 1040 1529 8606	E, MV	2013 Horst 7 Inch Otherag, Serial 13LA36302 2013 Caseih L735 Loaders, Serial YCWLE5584 2013 Horst Pallet Horst Pallet Forks, Serial NSN 2013 HLA 3800 Blade, Serial 147047	Jun 27/19
RPG Receivables Purchase Group Inc.	BG Furniture Ltd.	697884291	20140710 1314 1531 3258	I, E, A, O, MV		Jul 10/18
Amendment: Amend Debtor Address from 75 Rideout Street, Box 140, Walkerton, ON N0G 2V0 to 75 Rideout Street, Box 1240 Walkerton, ON N0G 2V0		697884291	20140710 1949 1531 6203			

<i>Secured Party</i>	<i>Debtor</i>	<i>Reference File No.</i>	<i>Registration No.</i>	<i>Collateral</i>	<i>General Collateral Description</i>	<i>Expiry Date</i>
Saugeen Economic Development Corporation Bruce Community Futures Development Corporation	BG Furniture Ltd.	698259708	20140723 1319 1862 7063	A, O	Includes but not limited to the scientific research & experimental development program tax credit administered by the federal government and the investment tax credit program as administered by the province of Ontario	Jul 23/20
Amendment: to amend the general collateral description in the original registration by removing the words "includes but not"		698259708	20140926 1306 2227 4480		Limited to the scientific research & experimental development program tax credit administered by the federal government and the investment tax credit program as administered by the province of Ontario	
Manorhouse Limited	BG Furniture Ltd.	699347934	20140828 1637 6083 7593	I, E, A, O	Amount Secured: \$250,000.00	Aug 28/19
Amendment: to include security consumer goods and motor vehicles				CG, MV		
Xerox Canada Ltd.	BG Furniture Ltd. Adam Hofmann	701243604	20141103 1703 1462 9616	E, O		Nov 3/20
Blue Chip Leasing Corporation	BG Furniture Ltd. Dirk P. Nielson Dirk Nielson Adam Hofmann	706716855	20150603 1033 8077 3122	E, O		Jun 3/18


<i>Secured Party</i>	<i>Debtor</i>	<i>Reference File No.</i>	<i>Registration No.</i>	<i>Collateral</i>	<i>General Collateral Description</i>	<i>Expiry Date</i>
Amendment: Amend General Collateral amend Debtor from Adam Michael Hofmann 247 4 th St Cres Hanover, ON, N4N3S9 (DOB 10 Mar 1964) to Adam M Hofmann 257 4 th St Cres Hanover, ON, N4N3S9	Adam M Hofmann				1 – Omega Double (two head) Mitre Saw, with vertical clamps, horizontal clamps and all carpentry equipment of every nature of kind described in lease number 40116 (40636) between the secured party, as lessor, and the debtor, as lessee, as amended from time to time, together with all attachments, accessories, substitutions and all proceeds in any form derived directly or indirectly from any dealing with the collateral or proceeds thereof	
Platinum Investment Group Inc.	BG Furniture Ltd.	709217757	20150821 1712 6083 5601	CG, I, E, A, O	Amount Secured: \$287,500.00 Second charge/mortgage on the property located at 75 Rideout Street, Walkerton, Ontario	Aug 21/17
Amendment: change collateral classification to just "Other"		709217757	20150901 1705 6083 5849	O		
Grenville Strategic Royalty Corp.	BG Furniture Ltd.	709508421	20150901 0815 1590 2566	I, E, A, O, MV		Sep 1/25
Adam Hofmann Dirk Peter Nielson 2110785 Ontario Inc.	BG Furniture Ltd.	712901835	20151224 1045 2350 0073	CG, I, E, A, O	Amount Secured: \$1,500,000.00 Accounts, equipment, documents, agreements, goodwill, licenses, chattels, inventory, leases, shares	Dec 24/20

<i>Secured Party</i>	<i>Debtor</i>	<i>Reference File No.</i>	<i>Registration No.</i>	<i>Collateral</i>	<i>General Collateral Description</i>	<i>Expiry Date</i>
Her Majesty in Right of Ontario Represented by the Minister of Finance	BG Furniture Ltd.	716991237	20160526 0952 1031 3970	I, E, A, O	Amount Secured: \$20,994.00	May 26/21

35594.0002/9456707_1

TAB F

This is Exhibit "F" referred to in the Affidavit of Donnacha Rahill
sworn January 10, 2017



Commissioner for Taking Affidavits (or as may be)

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

PROPERTY REMARKS:

ESTATE/QUALIFIER:
FEE SIMPLE
LT CONVERSION QUALIFIED

RECENTLY:
DIVISION FROM 33198-0285

PIN_CREATION_DATE:
2011/06/30

OWNERS' NAMES:
BG FURNITURE LTD.

CAPACITY SHARE

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

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

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

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



PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

LAND
REGISTRY
OFFICE #3

33198-0287 (LT)

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

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

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

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

TAB G

This is Exhibit "G" referred to in the Affidavit of Donnacha Rahill
sworn January 10, 2017

A handwritten signature consisting of a large, stylized loop that crosses itself, positioned above a horizontal line.

Commissioner for Taking Affidavits (or as may be)

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

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

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

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

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

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

Relief Sought

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

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

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

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

Background

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

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

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

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

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

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

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

Assets

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

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

Secured Creditors & Other Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Purpose of Proceedings

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

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

Cash Flow Forecast

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

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

The DIP Facility

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

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

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

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

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

SISP

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

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

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

Stalking Horse Bid

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Administration Charge

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

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

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

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

D&O Charge

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

Extension of Time for Proposal

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


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

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

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

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


Commissioner for Taking Affidavits


ADAM HOFMANN

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

AFFIDAVIT OF ADAM HOFMANN
(Sworn December 19, 2016)

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

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

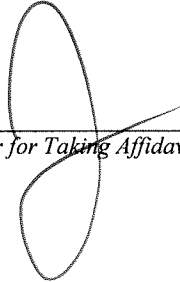
Stephanie DeCaria (LSUC# 68055L)
Email: sdecaria@foglers.com

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

Lawyers for the Moving Party, BG Furniture Ltd.

TAB H

This is Exhibit "H" referred to in the Affidavit of Donnacha Rahill
sworn January 10, 2017

A handwritten signature in black ink, consisting of a large, stylized loop that crosses itself, positioned above a horizontal line.

Commissioner for Taking Affidavits (or as may be)

Torkin Manes LLP
Barristers & Solicitors
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Our File No: 35594.0002

An international
member of
AllyLaw

Torkin | Manes
Barristers & Solicitors

January 10, 2017

**PERSONAL AND CONFIDENTIAL
VIA COURIER AND VIA REGISTERED MAIL**

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

**Attention: Adam M. Hofmann and Dirk P. Nielsen
Directors of BG Furniture Ltd.**

Re: Grenville Strategic Royalty Corp. loans to BG Furniture Ltd. ("BG Furniture")

We are counsel to Grenville Strategic Royalty Corp. ("**Grenville**") to whom BG Furniture is indebted pursuant to a Royalty Purchase Agreement it entered into with Grenville, as well as certain promissory notes issued by BG Furniture to and in favour of Grenville. We write to you with respect to your indebtedness to Grenville as set out below (the "**Indebtedness**").

Grenville has determined, as a result of the company's recent financial issues, that it no longer wishes to continue the lending relationship and has chosen to exercise its right to require repayment of the outstanding balance, advanced pursuant to the existing credit facilities.

Grenville hereby demands repayment in full of all Indebtedness (as defined below) owed to it.

The particulars of the Indebtedness as of January 9, 2017 are as follows:

Royalty Investment	\$ 1,500,000.00
Promissory Notes	\$ 695,000.00
Outstanding Royalty	\$ 586,187.50
Interest Payable	\$ 43,814.44

Total Indebtedness: \$2,825,001.94

This amount does not include legal fees incurred and to be incurred.

Grenville holds a general security agreement, pursuant to which, BG Furniture pledged all of its assets in favour of Grenville as security for all Indebtedness owed to Grenville. Grenville's security interest has been registered under the *Personal Property Security Act* (Ontario) as registration no20150901 0815 1590 2566, file reference no. 709508421.

Page 2

On behalf of Grenville, we hereby declare that the Indebtedness is now immediately due and payable, including any part thereof which is not by its terms, payable until demand is made.

Please be advised that unless payment or arrangements satisfactory to Grenville for payment of the Indebtedness are made immediately, Grenville will take such further steps as it deems necessary to recover the Indebtedness.

We are enclosing with this letter a Notice of Intention to Enforce Security (“NITES”) in accordance with the provisions of Section 244(1) of the *Bankruptcy and Insolvency Act*. Please note the *Bankruptcy and Insolvency Act* provides that a debtor can waive the statutory 10 day period by consenting to a waiver in writing. We have enclosed a waiver of the 10 day period for your consideration and, if you so elect, you can execute same and return it to our office.

We expressly reserve Grenville’s right to proceed without further notice to you with the enforcement of its right at any time if Grenville becomes aware of any circumstances which might impair its position.

If you have any questions concerning the demand and or NITES we ask that you have your legal counsel contact the writer.

Govern yourself accordingly.

Yours truly,

TORKIN MANES LLP

Per



Jeffrey J. Simpson

JJS/sj

Enclosure

35594.0002/9453582_1

**NOTICE OF INTENTION TO ENFORCE SECURITY
UNDER SECTION 244 (1) OF THE *BANKRUPTCY AND INSOLVENCY ACT***

(Statutory Form 115, SOR/92-579, s. 40)

TO: BG Furniture Ltd.
75 Ridout Street
Walkerton, ONN0G 2V0

TAKE NOTICE THAT:

1. Grenville Strategic Royalty Corp., a secured creditor, intends to enforce its security on BG Furniture Ltd.'s property described below:

All property, undertaking and assets, including all equipment, fixtures, improvements, inventory, accounts receivable, customer lists, goodwill and other intangible property.
2. The security that is to be enforced is in the form of a General Security Agreement which was granted to Grenville Strategic Royalty Corp. and registered under the *Personal Property Security Act* (Ontario) as registration no. 20150901 0815 1590 2566, file reference no. 709508421.
3. The total amount of indebtedness is \$2,825,001.94 as of January 9, 2017.
4. The secured creditor will not have the right to enforce the security until after the expiry of the 10-day period following the sending of this notice, unless the insolvent person consents to an earlier enforcement.

Dated at Toronto, this 10th day of January, 2017.

GRENVILLE STRATEGIC ROYALTY CORP.

By its Solicitors

TORKIN MANES LLP

Per: _____

Jeffrey J. Simpson

**ACKNOWLEDGEMENT & CONSENT TO WAIVER
OF STATUTORY 10-DAY PERIOD**

TO: GRENVILLE STRATEGIC ROYALTY CORP.

RE: BG FURNITURE LTD.

We, BG Furniture Ltd. (the "Borrower"), hereby acknowledge receipt of a letter of demand, dated January 10, 2017, from Grenville Strategic Royalty Corp. for payment of the sum of **\$2,825,001.94** plus legal and enforcement fees incurred and to be incurred plus interest accruing on a per diem basis (the "Demand") and in addition acknowledge receipt of Notice of Intention to Enforce Security under Section 244(1) of the *Bankruptcy and Insolvency Act*, dated January 10, 2017 (the "BIA Notice").

We hereby consent to the immediate enforcement by the Bank of its rights as a secured creditor and hereby waive the ten-day notice period provided for in the BIA Notice.

DATED THIS ____ DAY OF _____, 2017, this Acknowledgment has been executed, sealed and delivered by the parties hereto.

BG FURNITURE LTD.

Per: _____

Name:

Title:

I/We have the authority to bind the corporation

TAB 3

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

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

APPLICATION UNDER Subsections 47.1(1) and 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

CONSENT TO ACT AS RECEIVER

A. FARBER & PARTNERS INC. hereby consents to act as the court-appointed receiver of the Respondent for the purposes and with the powers set out in an order substantially in the form of the order enclosed with the Application Record of Grenville Strategic Royalty Corp. dated January 9, 2017.

DATED this 9th day of January, 2017.

A. FARBER & PARTNERS INC.

By:



Name: Hylton Levy, CA, CIRP, LIT, Partner

TAB 4

Court File No. 35-2199056

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

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

THE HONOURABLE)	THURSDAY, THE 12TH
)	
JUSTICE)	DAY OF JANUARY, 2017

ORDER
(Appointing Receiver)

THIS MOTION made by Grenville Strategic Royalty Corp. for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”) and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the “CJA”) appointing A. Farber & Partners Inc. as receiver (in such capacities, the “Receiver” or “Farber”) without security, of all of the assets, undertakings and properties of BG Furniture Ltd. (the “Debtor”) acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, 7th Floor, Toronto, Ontario.

ON READING the Affidavit of Donnacha Rahill sworn January 10, 2017 and the Exhibits thereto and on hearing the submissions of counsel for Grenville Strategic Royalty Corp., counsel for the Debtor, counsel for Platinum Investment Group Inc. (“Platinum”) and counsel for the Proposal Trustee and on reading the Consent of Farber to act as the Receiver,

SERVICE

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

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, Farber is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) to enter into any agreements, incur any obligations, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage auctioneers, consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or

applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property, including by way of an on-site or off-site auction of any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business:
 - (i) without the approval of the Court in respect of any on or off-site auction(s) of the equipment, inventory and raw materials, including office furniture and equipment or any other personal property of the Debtor,
 - (ii) without the approval of this Court in respect of any transaction not exceeding \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$250,000; and
 - (iii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a Purchaser or Purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to act as, or to enter into agreements with any Trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being “Persons” and each being a “Person”) shall forthwith advise the Receiver of the existence of any Property in such Person’s possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver’s request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the “Records”) in that Person’s possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege

attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. THIS COURT ORDERS nothing in this Order, or, specifically, paragraphs 10 and 11 below, shall stay or restrict the rights of Platinum to issue a Notice of Sale in respect of the real property over which it holds mortgage security, or otherwise enforce same.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

10. THIS COURT ORDERS that subject to paragraph 10 above no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence

or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

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

RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for

herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective Purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The Purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, “Possession”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “Environmental Legislation”), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER’S LIABILITY

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, save and except for the mortgage security held by Platinum, which shall not in any way be "primed" or subsequent in priority to the Receiver's Charge.

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

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

FUNDING OF THE RECEIVERSHIP

21. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may

consider necessary or desirable, provided that the outstanding principal amount does not exceed \$100,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA save and except for the mortgage security held by Platinum which shall not in any way be "primed" or subsequent in priority to the Receiver's Borrowing Charge.

22. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

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

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

GENERAL

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

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a Trustee in bankruptcy of the Debtor.

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

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

31. THIS COURT ORDERS that the Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

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

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO.

AMOUNT \$

1. THIS IS TO CERTIFY that A. Farber & Partners Inc., the receiver (the "Receiver") of the assets, undertakings and properties BG Furniture Ltd. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 12th day of January, 2017 (the "Order") made in an action having Court file number Court File No. 35-2199056, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$, being part of the total principal sum of \$ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the day of each month after the date hereof at a notional rate per annum equal to the rate of per cent above the prime commercial lending rate of Bank of from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

1. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

2. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

3. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

4. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____, day of January, 2017.

A. Farber & Partners Inc., solely in its capacity as Receiver and not in its personal capacity

Per:

Name:

Title:

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

Court File No. 35-2199056

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDING COMMENCED AT
TORONTO

ORDER
(Appointing Receiver)

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Lawyers for Grenville Strategic Royalty Corp.

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

Court /Estate File No. 35-2199056

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDING COMMENCED AT TORONTO

AFFIDAVIT DONNACHA RAHILL

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

Court File No. 35-2199056

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD
(RETURNABLE JANUARY 12, 2017)

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