

Court File No. 35-1844150
Estate No. 35-1844150



**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAME) THURSDAY, THE 6th
JUSTICE THORBURN)
DAY OF MARCH, 2014

IN THE MATTER OF THE PROPOSAL OF
BOGDON & GROSS FURNITURE COMPANY LIMITED
OF THE TOWN OF WALKERTON
IN THE PROVINCE OF ONTARIO

ORDER

(Re: DIP Facility, Administration Charge, Factoring Charge, SISP and Extension)

THIS MOTION, made by the Bogdon & Gross Furniture Company Limited (the "**Debtor**"), pursuant to the *Bankruptcy and Insolvency Act*, R.S.C 1985, c B-3, as amended (the "**BIA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Adam Hofmann sworn March 5, 2014 and the Exhibits thereto (the "**Hofmann Affidavit**") and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Debtor, Zeifman Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), counsel for the Proposal Trustee, counsel for TCE Capital Corporation ("**TCE**"), Bruce Community Futures Development Corporation, Saugeen Economic Development Corporation, and no one appearing for any of the other parties on the service list, although duly served as appears from the Affidavit of Service of Shallon Garrafa sworn March 5, 2014;

SERVICE

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

SUBSTITUTED SERVICE

2. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/#Commercial_List) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant 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.

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

DIP FINANCING

4. **THIS COURT ORDERS** that the Debtor is hereby authorized and empowered to obtain and borrow under one or more credit facilities (collectively, the "**DIP Facility**") granted by RPG Receivables Purchase Group Inc. (the "**DIP Lender**") to be used for the purposes described in the DIP term sheet attached as Schedule "A" hereto (the "**DIP Term Sheet**"), provided that borrowings under such credit facility shall not exceed the amount specified in the DIP Term Sheet between the Debtor and the DIP Lender dated as of March 5, 2014, filed, unless permitted by further Order of this Court.

5. **THIS COURT ORDERS** that the DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet.

6. **THIS COURT ORDERS** that the Debtor is authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents,

guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Debtor is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Debtor’s current and future properties, assets and undertakings of every nature and kind whatsoever and wheresoever situate including all proceeds thereof, including the real property of the Debtor (the “**Property**”), which DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraphs 17 to 21 hereof, provided that in the event that the DIP Lender enforces the DIP Lender’s Charge, the DIP Lender shall first pursue its recourses in respect of classes of collateral other than equipment for a period of ninety (90) days before enforcing the DIP Lender’s Charge in respect of the equipment. For greater certainty, the Property does not include pre-filing (i.e. pre-March 4) accounts receivable and related inventory of the Debtor, all of which pre-filing accounts receivable have been purchased by TCE under its now terminated factor facility for the Debtor. TCE shall be allowed to continue to receive payments from account debtors and shall account to the Debtor, the DIP Lender and the Proposal Trustee for all receipts and shall pay over to the Debtor all proceeds on account of post-filing accounts receivable, using commercially reasonable efforts. The Debtor and the DIP Lender shall account to TCE and the Proposal Trustee for any payments or returns from account debtors and pay over to TCE all proceeds on account of pre-filing accounts receivable, using commercially reasonable efforts.

8. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order or the BIA (including sections 69 and 69.1):

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

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

9. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any proposal filed by the Debtor under the BIA with respect to any advances made pursuant to the DIP Term Sheet, the Factoring Facility or the Definitive Documents.

10. **THIS COURT ORDERS** that the Debtor is authorized and empowered to enter into a factoring facility (the "**Factoring Facility**") with the DIP Lender in respect of accounts receivable that have not previously been factored, on terms acceptable to TCE Capital Corporation, Saugeen Economic Development Corporation, Bruce Community Futures Development Corporation and the Proposal Trustee.

11. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**Factoring Charge**") on the Property, to secure any shortfall under the Factoring Facility. The Factoring Charge shall have the priority set out in paragraphs 17 to 21 hereof, provided that in the event that the DIP Lender enforces the Factoring Charge, the DIP Lender shall first exhaust its recourses in respect of classes of collateral other than equipment before enforcing the Factoring Charge in respect of the equipment.

12. **THIS COURT ORDERS, AUTHORIZES AND DIRECTS**, subject to the terms of the DIP Term Sheet and the Definitive Documents, the Debtor to pay the amounts payable to its employees in respect of outstanding salaries and wages arising prior to March 4, 2014, to an aggregate maximum of \$75,000.

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

ADMINISTRATION CHARGE

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

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

16. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and the Debtor’s counsel shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$75,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of

this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 17 to 21 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

17. **THIS COURT ORDERS** that the priorities of the Administration Charge, the DIP Lender's Charge and the Factoring Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$75,000); and

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

Third – Factoring Charge (to the maximum amount of \$150,000).

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

19. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any individual, firm, corporation, governmental body or agency (except statutory deemed trusts that, at law, rank in priority to all other charges), or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**").

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

21. **THIS COURT ORDERS** that the Charges, the DIP Term Sheet and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the

chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (i) the pendency of these proceedings and the declarations of insolvency made herein; (ii) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (iii) the filing or deemed filing of any assignments for the general benefit of creditors made pursuant to the BIA; (iv) the provisions of any federal or provincial statutes; or (v) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Debtor, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet, the Factoring Facility or the Definitive Documents shall create or be deemed to constitute a breach by the Debtor of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Debtor entering into the DIP Term Sheet, the Factoring Facility, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Debtor pursuant to this Order, the DIP Term Sheet, the Factoring Facility or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

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

THE SISP

23. **THIS COURT ORDERS** that the sale and investment solicitation process in the form attached hereto as Schedule “B”) (the “**SISP**”) is approved.

EXTENSION

24. **THIS COURT ORDERS** that the Debtor may apply to this Court at a 9:30 am chambers attendance for an Order approving an extension of the time by which B&G must file a Proposal with the Official Receiver once the Proposal Trustee has approved the Cash Flow Projections (as defined in the Notice of Motion) and filed its Report thereon, on four (4) days' notice to the Service List, provided that no party objects to the extension.

GENERAL

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

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

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



Thurbin J.

SCHEDULE "A"

DIP FACILITY TERM SHEET

Dated March 4, 2014

WHEREAS, on March 3, 2014 a Notice of Intention to make a Proposal was lodged with the Official Receiver pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") in respect of Bogdon & Gross Furniture Company Limited (the "**Borrower**");

AND WHEREAS, the Borrower has requested that the DIP Lender (as defined below) provide it funding in order to assist with certain of its restructuring obligations in accordance with the terms set out herein;

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

DIP BORROWER:	Bogdon & Gross Furniture Company Limited
DIP LENDER:	RPG Receivables Purchase Group Inc. (the " DIP Lender ").
PURPOSE / USE OF PROCEEDS:	To provide for the (i) liquidity needs of the Borrower; and (ii) Restructuring Costs (as defined below).
MAXIMUM AMOUNT	The maximum aggregate amount available under this super priority credit facility (the " DIP Facility ") is \$300,000 (" Maximum Amount ").
MATURITY DATE	<p>The "Maturity Date" shall be the date that is the earliest of: (i) sixty (60) days from the date the Court enters the DIP Order (as defined below), and (ii) such earlier date upon which repayment is required due to the occurrence of an Event of Default (as defined below). The Maturity Date may be extended at the request of the Borrower and with the consent of the DIP Lender for additional periods of not more than 30 days and upon payment of any applicable Extension Fee (as defined below), and on such additional terms and conditions as the Borrower and DIP Lender may agree.</p> <p>The commitment in respect of the DIP Facility shall expire on the Maturity Date and all amounts outstanding under the DIP Facility shall be repaid in full no later than the Maturity Date without the DIP Lender being required to make demand upon</p>

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

The Borrower may prepay amounts outstanding under the DIP Facility at any time without notice, bonus or penalty.

DIP FACILITY:

The DIP Facility shall be a non-revolving credit facility up to the Maximum Amount, and shall be available subject to and upon the terms and conditions set out in this term sheet (the “**Term Sheet**”). DIP Advances (as defined below) shall be deposited into the Borrower’s existing accounts with • (the “**Borrower’s Accounts**”) and withdrawn strictly in accordance with (i) the terms hereof; (ii) the Restructuring Court Orders (as defined below); and (iii) reasonably consistent with the Cash Flow Projections attached hereto as Schedule “A” (the “**Projections**”).

Funding Conditions:

After (i) a Judge of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) enters an order approving the terms of the DIP Facility (in form and substance acceptable to the DIP Lender in its sole and absolute discretion) (the “**DIP Order**”), and (ii) the satisfaction of the additional conditions precedent noted below, the DIP Lender shall fund DIP Advances (as defined below) on the terms and conditions set out in this Term Sheet (the “**DIP Funding**”); *provided, however*, that the DIP Lender shall not be obligated to provide any DIP Funding or further DIP Funding if any one or more of the following occurs: (a) the DIP Order has been vacated, stayed or otherwise caused to become ineffective or is amended in a manner not acceptable to the DIP Lender (such consent not to be unreasonably withheld), (b) a Default or Event of Default has occurred and is continuing under the DIP Facility, or (c) the Court has not entered the DIP Order on or before March 7, 2014.

**ADVANCES AND
AVAILABILITY:**

The DIP Facility is to operate as a non-revolving loan facility and the amount of any loan advance under the DIP Facility (a “**DIP Advance**”) and

together with more than one DIP Advance, “**DIP Advances**”) that is repaid may not be re-borrowed except as expressly prescribed below in the Mandatory Prepayments section. The aggregate amount of DIP Advances outstanding shall not exceed the Maximum Amount.

All DIP Advances are to be paid to or to the benefit of the Borrower by payment into the Borrower’s Account. The Borrower will provide at least two (2) Business Days’ written notice in respect of any proposed request for a DIP Advance.

INTEREST RATE AND PAYMENTS:

Interest at the DIP Rate (as defined below) shall be payable monthly, in arrears, on the first Business Day of each month on the principal balance from time to time outstanding under the DIP Facility and on any overdue interest, both before and after maturity, default or judgment, and the DIP Lender is authorized to deduct such amount as a DIP Advance under the DIP Facility.

Interest shall be calculated daily and compounded monthly for the actual number of days elapsed in the period during which it accrues based on a year of 365 or 366 days, as applicable.

FACILITY FEE:

The Borrower shall pay to the DIP Lender an amount equal to 1.0% of the Maximum Amount borrowed under the DIP Facility, and the DIP Lender is authorized to deduct such amount as a DIP Advance under the DIP Facility.

EXTENSION FEE:

One-half of a percent (0.5%) of the amount then-outstanding shall be payable to the DIP Lender upon the DIP Lender’s consent to an extension of the Maturity Date (the “**Extension Fee**”), *provided, however*, there shall be no Extension Fee payable to the DIP Lender in respect of the DIP Lender’s consent (if granted) to a first extension of the Maturity Date.

DIP SECURITY:

The DIP Facility shall be secured by a first super priority charge over all present and after acquired property, assets and undertakings of the Borrower ahead of and senior to all other creditors, interest holders, lien holders, and claimants of any kind

whatsoever (other than a court ordered administration charge in a maximum amount equal to the Administration Charge (as defined in the DIP Order) (the “**DIP Priority Charge**”), as the same may be increased from time to time, *provided however* that in the event the DIP Lender enforces the DIP Priority Charge, the DIP Lender shall first pursue its recourses in respect of all classes of collateral other than equipment for a period of ninety (90) days before enforcing its DIP Priority Charge in respect of the equipment.

MANDATORY PREPAYMENTS: DIP Advances to the Borrower shall be repaid and the Maximum Amount shall be permanently reduced upon a sale of any of the property, assets or undertakings of the Borrower out of the ordinary course of business, in an amount equal to the net cash proceeds (for greater certainty, net of a one-time cash reserve on account of the Administration Charge, reasonable costs and closing adjustments), unless agreed otherwise with the prior written consent of the DIP Lender or unless the amount in question in any one transaction or series of transactions is less than \$10,000 and in all such transactions is less than \$25,000, in which event only the excess shall be subject to a permanent reduction as aforesaid.

CONDITIONS PRECEDENT: The Lender shall have no obligation to make any DIP Advance under the DIP Facility unless and until the following conditions have been satisfied (or waived), in each case to the satisfaction of the DIP Lender:

1. The Court shall have issued the DIP Order in form and substance satisfactory to the DIP Lender, which order shall, without limitation, include:

(i) provisions approving this Term Sheet and the DIP Facility created herein and the execution and delivery by the Borrower of such other loan and security documents as the DIP Lender deems necessary or

appropriate, acting reasonably (collectively, the “**Additional DIP Documents**”);

(ii) provisions granting to the DIP Lender the DIP Priority Charge;

(iii) provisions authorizing the DIP Lender to effect registrations, filings and recordings wherever in their discretion they deem appropriate regarding the DIP Priority Charge; and

(iv) provisions providing that the DIP Priority Charge shall be valid and effective to secure all of the obligations of the Borrower to the DIP Lender without the necessity of the making of any registrations or filings and whether or not any other documents are executed by the Borrower and the DIP Lender pursuant hereto; and

2. The DIP Lender shall be satisfied that the Borrower has complied with and is continuing to comply in all material respects with all applicable laws, regulations and policies in relation to its business.

3. The DIP Lender and the Borrower shall have entered into a factoring facility in respect of unfactored accounts receivable, on terms satisfactory to the DIP Lender in its sole discretion.

**REPRESENTATIONS AND
WARRANTIES:**

The Borrower represents and warrants to the DIP Lender, upon which the DIP Lender relies in entering into this Term Sheet, that:

(a) the transactions contemplated by this Term Sheet, including the DIP Priority Charge:

(i) are within the powers of the Borrower;

(ii) have been duly authorized by all necessary corporate and, if required, shareholder approval;

(iii) have been duly executed and delivered by or on behalf of the Borrower;

(iv) upon the granting of the DIP Order,

constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms;

- (v) upon the granting of the DIP Order, do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings which may be made to register or otherwise record the DIP Priority Charge; and
 - (vi) will not violate the charter documents or bylaws of the Borrower or any applicable law relating to such party; and
- (b) no commissions or other payments shall be due to any broker, consultant or other third-party in connection with the DIP Facility.

AFFIRMATIVE COVENANTS:

The Borrower covenants and agrees to do the following:

1. Allow the DIP Lender full access to the books and records of the Borrower on reasonable notice and during normal business hours and cause management thereof to fully co-operate with the DIP Lender.
2. Provide to the DIP Lender a weekly status update and plan regarding the restructuring process (including reports on the progress of any sale or investment process and information which may otherwise be confidential subject to same being maintained as confidential, by the DIP Lender, subject to usual exceptions).
3. Use reasonable efforts to keep the DIP Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Borrower.
4. Deliver to the DIP Lender the reporting and other information from time to time reasonably requested by the DIP Lender, at the reasonable times requested and in form and substance satisfactory to the DIP Lender.

5. Use the proceeds of the DIP Facility only for purposes consistent with (i) the Projections, and (ii) the restrictions set out herein in all material respects.
7. Maintain all cash and cash equivalents, and deposit all proceeds of receivables with such institutions and in such accounts as may be approved in advance in writing by the DIP Lender.
8. Operate the Borrower's business in the ordinary course and to the credit limits established under the DIP Facility as set out hereunder.
9. Comply with the provisions of the court orders made in connection with the BIA proceeding (the "**Restructuring Court Orders**" and each a "**Restructuring Court Order**"); provided that if any such Restructuring Court Order contravenes this Term Sheet or the Additional DIP Documents in a manner detrimental to the DIP Lender, the same shall be an Event of Default hereunder.
10. Preserve, renew and keep in full force its respective corporate existences, its respective material licenses, etc.
11. Forthwith notify the DIP Lender of the occurrence of any Default or Event of Default, or of any event or circumstance that may constitute a material adverse change.
12. Maintain at all times acceptable insurance coverage of such type, in such amounts and against such risks as is prudent for a business of an established reputation with financially sound and reputable insurers in coverage and scope acceptable to the DIP Lender.
13. Duly and punctually pay or cause to be paid to the DIP Lender all principal, interest, fees and other amounts payable by it under this Term Sheet and under any Additional DIP Documents on the dates, at the places and in

the amounts and manner set forth herein.

14. Comply in all material respects with all applicable laws, rules and regulations applicable to their businesses, including, without limitation, environmental laws.
15. Negotiate, execute and deliver the Additional DIP Documents.

NEGATIVE COVENANTS:

The Borrower covenants and agrees not to do the following other than with the prior written consent of the DIP Lender:

1. Transfer, lease or otherwise dispose of all or any part of its property, assets or undertaking over \$10,000 at any one time or through a series of related transactions, or more than \$25,000 in the aggregate during the period of the DIP Facility (excluding dispositions in the ordinary course of business), without the prior written consent of the DIP Lender and the Court, as applicable. For greater certainty, in the case of any transfer, lease or disposition of any property, assets or undertaking of any of the Borrower, or any affiliates or subsidiaries thereof, all proceeds of such transfer, lease or disposition shall be subject to the provisions herein under “**Mandatory Repayments**” to the extent applicable.
2. Create or permit to exist indebtedness for borrowed money other than existing (pre-filing) debt and debt contemplated by this DIP Facility.
3. Enter into any transaction with any affiliate or subsidiary or any of its or their directors, officers or senior management, or enter into or assume any employment, consulting or analogous agreement or arrangement with any of its or their directors, officers or senior management, or make any payment to any of its or their directors, officers or senior management, except in respect of a transaction or agreement or arrangement which is in the ordinary course of business of

the Borrower and which is upon fair and reasonable terms no less favourable than it would obtain in a comparable arm's-length transaction or except as permitted in the Restructuring Court Order.

4. Make any payments outside the ordinary course of business or inconsistent with the Projections, subject to the Maximum Amount available under the DIP Facility.
5. Create or permit to exist any other administrative claim which is senior to or *pari passu* with the superpriority claims of the DIP Lender, other than as provided in the Restructuring Court Order including, without limitation, the Administration Charge.
6. Amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity.
7. Other than as permitted by a Restructuring Court Order, make any payments of bonuses of any kind to any directors, officers or employees of the Borrower except where there is a contractual obligation to do so, provided that the Borrower shall be permitted to pay outstanding wages to employees.

EVENTS OF DEFAULT:

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

- (a) the entry of an order dismissing the BIA proceeding, lifting the stay in the cases to permit the enforcement of any security against the Borrower, or the appointment of a receiver, interim receiver or similar official or the making of a receiving order against the Borrower, other than in respect of a non-material asset not required for the operations of the Borrower's business;
- (b) the entry of an order staying, reversing, vacating or otherwise modifying the

Additional DIP Documents, any Restructuring Court Order or the entry of an order by the Court having the equivalent effect, without the prior written consent of the DIP Lender;

- (e) failure of the Borrower to comply with any negative covenants in this Term Sheet or any other Additional DIP Documents where such failure has continued for more than three Business Days after written notice thereof from the DIP Lender to the Borrower;
- (g) the Borrower ceases or threatens to cease to carry on business in the ordinary course, except where such cessation occurs in connection with a sale of all or substantially all of the assets of the Borrower or other restructuring or reorganization of the Borrower which has been consented to by the DIP Lender;
- (i) any representation or warranty by the Borrower shall be incorrect or misleading in any material respect when made and where such failure is continuing more than three Business Days after written notice thereof from the DIP Lender to the Borrower;
- (j) any steps are taken by the Borrower to challenge the validity, enforceability or priority of the DIP Priority Charge; or
- (l) borrowings under the DIP Facility exceed the Maximum Amount.

It is acknowledged that, for the purposes of subsections (a) through (l) above, written notice may be delivered by electronic mail or facsimile transmission.

REMEDIES:

Upon the occurrence of an Event of Default, the DIP Lender may (i) terminate its total DIP commitment, (ii) declare the obligations in respect of the Additional DIP Documents to be immediately due and payable, (iii) apply to a court for the appointment of an interim receiver or a receiver and manager of the undertaking, property

and assets of the Borrower, or for the appointment of a trustee in bankruptcy of the Borrower, and file the Consent with the Court in support thereof, (iv) exercise the powers and rights of a secured party under the *Personal Property Security Act* (Ontario) or any legislation of similar effect applicable to the DIP Priority Charge, and (v) exercise all such other rights and remedies available to the DIP Lender under the Additional DIP Documents and the Restructuring Court Order, *provided however* that in the event the DIP Lender enforces the DIP Priority Charge, the DIP Lender shall first pursue its recourses in respect of all classes of collateral other than equipment for a period of ninety (90) days before enforcing its DIP Priority Charge in respect of the equipment.

FURTHER ASSURANCES:

The Borrower shall at its expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the DIP Lender may reasonably request for the purpose of giving effect to this Term Sheet and the DIP Priority Charge, perfecting, protecting and maintaining the Liens created by the DIP Priority Charge or establishing compliance with the representations, warranties and conditions of this Term Sheet or any other Additional DIP Documents.

**ENTIRE AGREEMENT;
CONFLICT:**

This Term Sheet, including the Schedules hereto and the Additional DIP Documents, constitutes the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Term Sheet and any of the other Additional DIP Documents, this Term Sheet shall govern.

**AMENDMENTS, WAIVERS,
ETC.:**

No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder or under any Additional DIP Documents will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the DIP Lender.

SEVERABILITY:

Any provision in any Additional DIP Documents which is prohibited or unenforceable in any

jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

**COUNTERPARTS AND
FACSIMILE SIGNATURES:**

This Term Sheet may be executed and delivered in any number of counterparts and by email or facsimile, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Term Sheet by signing any counterpart of it.

**GOVERNING LAW AND
JURISDICTION:**

This Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Borrower irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Ontario, waives any objections on the ground of venue or *forum non conveniens* or any similar grounds, and consents to service of process by mail or in any other manner permitted by relevant law.

CANADIAN CURRENCY:

Unless otherwise provided, all dollar amounts are in Canadian currency.

ADDITIONAL DEFINITIONS:

Capitalized terms not otherwise defined herein shall have the following meanings:

“**Business Day**” means each day other than a Saturday or Sunday or a statutory or civic holiday that banks are open for business in Toronto, Ontario, Canada;

“**Default**” means an event which, with the giving of notice and/or lapse of time would constitute an Event of Default (as defined herein);

“**DIP Rate**” means the rate of interest equal to one point nine percent (1.9%) per month;

“**Liens**” means all mortgages, charges, encumbrances, hypothecs, liens and security interests of any kind or nature whatsoever; and

“Restructuring Costs” means all costs and liabilities incurred by the Borrower in connection or associated with the restructuring process including, without limitation, the fees and disbursements of the Borrower and its legal counsel, and the fees and disbursements of the Proposal Trustee and its legal counsel.

IN WITNESS HEREOF, the parties hereby execute this Term Sheet as at March 4, 2014.

BOGDON & GROSS FURNITURE COMPANY LIMITED, as Borrower

By: _____
Name:
Title:

RPG RECEIVABLES PURCHASE GROUP INC., as DIP Lender

By: _____
Name:
Title:

SCHEDULE "B"

SISP SCHEDULE

	Event	Timing
1.	Motion to approve sale process and investment solicitation process (the "SISP"), extend stay of proceedings, grant administration charge and DIP charge.	March 6, 2014
2.	The Proposal Trustee and the Debtor will contact potential purchasers (as identified by the Debtor and the Proposal Trustee)	Immediately upon court approval of SISP
3.	Information pertaining to this opportunity will be posted on the Proposal Trustee's website, which will include: <ul style="list-style-type: none">• Invitation for Expressions of Interest letters from prospective offerees, and• Confidentiality Agreement.	On or before March 14, 2014
4.	The Company, with the assistance of the Proposal Trustee, will prepare and circulate information to potential offerees	On or before March 14, 2014
5.	Advertise the SISP in <i>The Globe & Mail</i> (National Edition), as well as such local, industry and other publications as considered appropriate by the Proposal Trustee	On or before March 14, 2014
6.	Deadline for submitting Expression of Interest Letters	March 24, 2014
7.	Deadline for submitting Binding Offers	April 7, 2014
8.	Selection of successful bidder and motion to seek court approval of agreement of purchase and sale and obtain a vesting order	April 21, 2014
9.	Close sale to successful purchaser(s)	On or before April 28, 2014
10.	Proposal Trustee to return all deposits other than that tendered pursuant to the successful offer	May 5, 2014

EXPRESSION OF INTEREST AND BID PROCEDURES

Below are the procedures for expressing interest and submitting bids that will be employed for the sale of substantially all of the property, assets and undertaking of Bogdon & Gross Furniture Company Limited (the “**Assets**”, and the “**Company**”, respectively).

Step 1: Expression of Interest

- The Company, with the assistance of the Proposal Trustee, will:
 - prepare a list identifying potential purchasers and investors (“**Potential Offerees**”), and
 - prepare a document (the “**Teaser Letter**”) summarizing the opportunity,
- The Company, with the assistance of the Proposal Trustee, will contact the Potential Offerees and other parties that come to its attention.
- The Teaser Letter and other information pertaining to the opportunity will be posted on the Proposal Trustee’s website [insert URL].
- A notice will be published in the national edition of *The Globe and Mail* newspaper and, at the discretion of the Company, in trade and local publications.
- A party that is interested purchasing the Assets or making an investment in the Company must deliver to the Proposal Trustee no later than 5:00 p.m. on March 24, 2014 (the “**EOI Deadline**”) a letter expressing such interest (an “**EOI**”).
- Prospective investors who deliver an EOI shall be required to identify all material terms of their proposed investment to permit evaluations of such proposal but will not be required to submit the terms and structure of their proposed investment in a predetermined prescribed format.

Step 2: Due Diligence

- A party that delivers an EOI to the Proposal Trustee on or before the EOI Deadline will be referred herein as an “**Interested Party**” and are collectively referred to as “**Interested Parties**”.
- Interested Parties who execute a confidentiality agreement (a “**CA**”) in a form satisfactory to the Company and the Proposal Trustee will have an opportunity to

perform due diligence, including reviewing information in a virtual data room and touring the Facility.

- The Company, with the assistance of the Proposal Trustee, will facilitate diligence efforts by, among other things, responding to questions and coordinating tours of the Facility.

Step 3: Binding Offers

- Interested Parties must submit offers no later than 5:00 p.m. on April 7, 2014 (the “**Bid Deadline**”).
- Interested Parties seeking to acquire the assets will be able to refer to a template asset purchase agreement (“**APA**”) that will be posted in the data room. Interested Parties seeking to purchase the Assets must submit offers in the form of the APA, with any changes black-lined against the APA (a “**Bid**”).
- A Bid shall:
 - Include a refundable cash deposit in in the form of a wire transfer (to a bank account specified by the Proposal Trustee) or such other form of deposit as is acceptable to the Proposal Trustee, payable to the Order of the Proposal Trustee, in trust, in an amount equal to 10% (the “**Deposit**”) of the purchase price or investment amount. The Deposit will either (i) be applied to satisfy the purchase price; or (ii) be forfeited to the Company in the event that the Successful Bidder (defined below) breaches its obligations pursuant to the Qualified Bid or an Accepted Bid (defined below).;
 - Disclose of the identity of each entity (including its ultimate shareholders) that will be bidding for the Assets or otherwise participating in a Bid and the complete terms of any such participation;
 - Provide evidence satisfactory to the Company and the Proposal Trustee of financing sufficient to close a transaction within the timelines detailed in these procedures;
 - Be irrevocable until 45 days after the date of the Bid Deadline.
 - In the case of a Bid where the consideration payable is in the form other than cash or the assumption of liabilities of the Company, the Bidder must include a detailed description of the form of consideration as well as sufficient financial information relating thereto, to enable the Company and the Proposal Trustee to access the value and liquidity of the consideration.

- The Proposal Trustee will determine in its sole discretion if a Bid meets the above criteria. A Bid that meets the above requirements will be considered a “**Qualified Bid**” and each Bidder that submits a Qualified Bid will be considered a “**Qualified Bidder**”.
- The Company, with the assistance of the Proposal Trustee, will determine which Qualified Bid (or Qualified Bids) is (or are) successful, and the Company will enter into a binding Asset Purchase Agreement on substantially the same terms as the APA (as amended by the Bid, subject to further negotiations between the Company and the Qualified Bidder) with the Qualified Bidder (the “**Successful Bidder**”) that submitted the highest and best Bid as determined by the Company in its sole discretion (with the assistance of the Proposal Trustee) (the “**Accepted Bid**”);
- The Company shall give written notice to all Qualified Bidders of the identity of the Successful Bidder and the next highest or next best Qualified Bid (the “**Back-up Bid**”);
- The Company, with the assistance of the Proposal Trustee will have the sole right to value any non-cash consideration, including the assumption of liabilities, offered in any Bid to determine whether it represents the best or highest Bid at any time.
- The Successful Bidder agrees to do all such things as are reasonably required for the Company and the Proposal Trustee to obtain Court approval of the Accepted Bid within seven (7) days of the Company’s acceptance of the Accepted Bid.
- If the Successful Bidder fails to close a purchase transaction within ten (10) days after Court approval (or such date that may otherwise be mutually agreed upon between the Company, the Proposal Trustee and the Successful Bidder), the Proposal Trustee shall be authorized but not required to deem that (a) the Successful Bidder has breached its obligations pursuant to the Accepted Bid, and (b) has forfeited its Deposit to the Company, and (c) the Company will be authorized to enter into a transaction with a party who has submitted the Back-up Bid.
- For greater certainty, Interested Parties and Qualified Bidders shall be responsible for their own fees and costs relating to their investigation and/or closing or any transaction under these procedures.

IN THE MATTER OF THE PROPOSAL OF BOGDON & GROSS FURNITURE
COMPANY LIMITED OF THE TOWN OF WALKTERON IN THE PROVINCE OF
ONTARIO

Court File No. 35-1844150
Estate No. 35-1844150

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

ORDER

**(Re: DIP Facility, Administration Charge, Factoring
Charge, SISP and Extension)**

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