

Court File 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**

**TRUSTEE'S FIRST REPORT TO COURT
Pursuant to Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (Canada)**

December 20, 2016

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INTRODUCTION

1. This report (this "**First Report**") is filed by Collins Barrow Toronto Limited ("**CBTL**") in its capacity as proposal trustee (in such capacity, the "**Proposal Trustee**") in connection with a Notice of Intention to Make a Proposal ("**NOI**") filed on December 14, 2016 (the "**Filing Date**") by BG Furniture Ltd. ("**BG**" or the "**Company**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**").
2. 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 same facility since 1938. The affidavit of Adam Hofmann, President of BG, sworn on December 19, 2016 (the "**Hofmann Affidavit**") and filed in connection with the Company's NOI proceedings (the "**Proceedings**")

describes, *inter alia*, the Company's background, including the rationale for the requested relief.

3. This First Report is submitted by the Proposal Trustee in conjunction with BG's motion for an order (the proposed "**Order**") to, amongst other things:
 - a) approve the proposed DIP Commitment Letter included as Exhibit "R" in the Hofmann Affidavit (the "**DIP Commitment Letter**") between 2544311 Ontario Limited or its nominee (the "**DIP Lender**") and BG and implementation of the interim financing facility contemplated thereby (the "**DIP Facility**") in the maximum principal amount of \$300,000.00, grant the DIP Charge (as defined below) in the amount of \$300,000.00 and authorize certain payments from advances under the DIP Facility;
 - b) approve a charge in the amount of \$25,000 to indemnify BG's officers and directors in respect of certain post-filing liabilities that they may incur in such capacities (the "**D&O Charge**");
 - c) approve a Sale and Investment Solicitation Process ("**SISP**");
 - d) approve the execution by BG of the proposed Stalking Horse Investment Term Sheet included as Exhibit "T" in the Hofmann Affidavit (the "**Stalking Horse Term Sheet**") to be executed by 2544311 Ontario Limited or its nominee (the "**Stalking Horse Investor**") and BG for the acquisition of new shares to be issued by BG to the Stalking Horse Investor for consideration of a minimum amount of \$800,000 in the context of BG's restructuring proposal;

- e) approve and ratify the Stalking Horse Investment Term Sheet and the transaction contemplated therein;
- f) grant the Administration Charge (as defined below) in the amount of \$150,000.00; and
- g) extend the stay of proceedings granted upon the filing of the NOI on December 14, 2016 for 45 days to and including February 5, 2017.

PURPOSE OF THIS FIRST REPORT

- 4. The purpose of this First Report is to provide the Court with further information related to the relief sought by the Company. This First Report specifically provides:
 - a) information regarding the Company's financial position;
 - b) the Proposal Trustee's comments and report on the Company's cash flow projections (the "**Cash Flow Statement**");
 - c) information concerning the DIP Commitment Letter, which is the proposed mechanism by which the Company's operations are to be funded during these Proceedings;
 - d) a discussion of the proposed SISP and Stalking Horse Investment Term Sheet;
 - e) a discussion of the rationale for a first-ranking \$150,000.00 charge on the Company's assets to secure the fees and disbursements of the Proposal

Trustee, the Proposal Trustee's counsel (Aird & Berlis LLP) and the Company's counsel (Fogler, Rubinoff LLP) (the "**Administration Charge**");

f) a discussion of the proposed Administration Charge, DIP Charge and the D&O Charge and such charges' impact on the various stakeholder groups; and

g) a discussion of the Company's request for an extension of the stay of proceedings to February 5, 2017.

5. Detailed background information concerning the Company and its stakeholders is provided in the Hofmann Affidavit, which has been filed with the Court, and the Proposal Trustee has not repeated such information in this First Report.

RESTRICTIONS AND TERMS OF REFERENCE

6. In preparing this First Report and making the comments herein, the Proposal Trustee has relied upon unaudited financial information, the Company's records, the Hofmann Affidavit, financial information and projections and discussions with the Company's management (collectively, the "**Information**"). Certain of the information contained in this First Report may refer to, or is based on, the Information. As the Information has been provided by other parties, or obtained from documents filed with the Court in this matter, the Proposal Trustee has relied on the Information and, to the extent possible, reviewed the Information for reasonableness. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance

Standards pursuant to the CPA Canada Handbook ("GAAS") or International Financial Reporting Standards ("IFRS") and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the Information.

7. Some of the information used in preparing this First Report consists of financial projections, including the Cash Flow Statement. The Proposal Trustee cautions that these projections are based upon assumptions about future events and conditions that are not ascertainable. The Company's actual results may vary from the Cash Flow Statement, even if the hypothetical and probable assumptions contained therein materialize, and the variations could be significant. The Proposal Trustee's review of the future-oriented information used to prepare this First Report did not constitute an audit of such information under Generally Accepted Accounting Principles, GAAS or IFRS.
8. The Proposal Trustee also bases this First Report on the Company's cash flow projections and underlying assumptions. The Proposal Trustee's review and commentary thereon was performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Trustee's Report on Cash Flow Statement).
9. In the course of its mandate, the Proposal Trustee has assumed the integrity and truthfulness of the information and explanations presented to it by the Company and its management, within the context in which such information was presented. To date, nothing has come to the Proposal Trustee's attention that would cause it

to question the reasonableness of these assumptions. The Proposal Trustee has requested that management bring to its attention any significant matters which were not addressed in the course of the Proposal Trustee's specific inquiries. Accordingly, this First Report is based solely on the information (financial or otherwise) made available to the Proposal Trustee by the Company.

10. This First Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company. Accordingly, the reader is cautioned that this First Report may not be appropriate for any other purpose. The Proposal Trustee will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this First Report contrary to the provisions of this paragraph.
11. All references to dollars are in Canadian currency unless otherwise noted.
12. Capitalized terms not defined in this First Report have the meanings ascribed to them in the Hofmann Affidavit.

FINANCIAL POSITION OF THE COMPANY

13. The Proposal Trustee has reviewed certain of BG's financial information from fiscal 2014 onwards. For the eight-month period ended August 31, 2016, the Company incurred a net loss of approximately \$877,000, and for the year ended December 31, 2015, the Company incurred a net loss of approximately \$1,424,000.

14. As set out in the Hofmann Affidavit, on October 7, 2016, the Company ceased ordinary course operations and laid off its employees, and, as of December 19, 2016, the Company has approximately \$470,000 in back orders. The Proposal Trustee's understanding is that the Company requires financing going forward to re-commence manufacturing operations as well as to fund these Proceedings. The Company's current circumstances are that it has no liquidity with which to satisfy ongoing obligations.

15. As at August 31, 2016, representing the last date set out on the internal financial statements provided to the Proposal Trustee by the Company, BG's primary assets included the following:
 - a) accounts receivable (book value of \$213,263);
 - b) inventory (book value of \$608,188);
 - c) equipment and software (book value of approximately \$924,000);
and
 - d) land and buildings (book value of approximately \$1.163 million).

16. The Company's assets are substantially encumbered. In particular:
 - i) the land and buildings are encumbered by: (a) charges in favour of Platinum Investment Group Inc. totaling a principal amount of \$587,500 (Platinum is owed approximately \$622,000); and (b) Saugeen Economic Development Corporation ("**SEDC**") and Bruce Community Futures Development Corporation ("**Bruce**"), which

jointly registered a charge in the amount of \$624,000 (SEDC and Bruce are owed approximately \$664,000);

- ii) the non-real property assets are encumbered by general security agreements, including in favour of: (a) Grenville Strategic Royalty Corp., which is owed an aggregate minimum amount of approximately \$1,289,000; (b) SEDC and Bruce, as described above; (c) 2110785 Ontario Inc./Adam Hofmann/Dirk Nielson, which are owed approximately \$836,000; (d) 2544311 Ontario Limited, which is owed approximately \$41,200; and/or (e) leases in favour of CNH Capital Canada Ltd., Blue Chip Leasing Corporation and Xerox Canada Ltd.

- 17. The Proposal Trustee has not at this time reviewed the above security for their validity and enforceability.
- 18. In addition to the above, the Company also: (i) has approximately \$420,000 in unsecured liabilities to trade creditors; (ii) is indebted to Canada Revenue Agency in an amount of approximately \$49,983 in respect of unremitted employee source deductions; and (iii) owes an amount of approximately \$250,222 in unpaid wages to its employees.
- 19. As the Company's primary assets are illiquid, based on the quantum of the Company's liabilities, the Company is unable to pay its obligations as they become due.

20. Paragraphs 3 to 27 of the Hofmann Affidavit provide further details of the Company's business and its obligations, including details of the Company's secured and unsecured debt obligations.

CASH FLOW STATEMENT

21. In order to satisfy section 50.4(2)(a) of the BIA, the Company has prepared the Cash Flow Statement, on a weekly basis, for the thirteen weeks ending March 19, 2017. The Cash Flow Statement together with the Company's Report on the Cash Flow Statement dated December 19, 2016 and the Proposal Trustee's Report on the Cash Flow Statement dated December 19, 2016, are collectively attached hereto as **Appendix "1"**. The Cash Flow Statement has been prepared by the Company's management using probable and hypothetical assumptions set out therein.
22. The Proposal Trustee makes the following comments on the Cash Flow Statement:
- a) receipts are comprised primarily of: (i) funds from the proposed DIP Facility, as the Company requires an interim financing facility in order to meet its cash flow requirements over the period covered by the Cash Flow Statement; and (ii) funds received in respect of the Company's accounts receivable;
 - b) expenses appear to be consistent with the level of operations contemplated by Company management and relate primarily to the costs required for manufacturing operations in the ordinary course,

selling and administrative expenses and the professional costs related to the Proceedings; and

- c) the Cash Flow Projection does not contemplate making payments to the Company's secured creditors other than on account of lease payments.

23. The Proposal Trustee's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to the Proposal Trustee by management of the Company. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to such assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposal Trustee has also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow Statement. Based on the Proposal Trustee's review, nothing has come to its attention that causes it to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
- b) as at the date of this First Report, the probable assumptions developed by management are not suitably supported and consistent with the Company's plans or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or

c) the Cash Flow Statement does not reflect the probable and hypothetical assumptions.

24. The Cash Flow Statement prepared by the Company projects that it will, subject to the approval of the Court of, amongst other things, the DIP Facility and associated relief, have sufficient funds on hand to maintain its operations throughout the period of the Cash Flow Statement.

DIP COMMITMENT LETTER

25. As the Company anticipates requiring an interim financing facility of \$300,000.00 in order to meet its cash flow needs for the thirteen weeks covered by the Cash Flow Statement, the Company proposes to, subject to Court approval, enter into the DIP Commitment Letter, which, in the Proposal Trustee's view, is not excessive in the circumstances.

26. The Proposal Trustee understands that the DIP Lender, who is also the Stalking Horse Investor, is prepared to provide interim financing in these Proceedings conditional on, *inter alia*, obtaining the DIP Charge (ranking behind only the Administration Charge). This financing is necessary to fund the Company while the proposed SISF is being conducted. A copy of the DIP Commitment Letter is attached as Exhibit "R" to the Hofmann Affidavit. A summary of the key terms and conditions of the DIP Commitment Letter are as follows:

a) maximum credit amount: \$300,000.00 to be funded in increments of \$50,000;

b) interest rate: 6% per annum;

- c) arrangement or funding fee: none; and
 - d) maturity date: on the earlier of the occurrence of an Event of Default (as defined in the DIP Commitment Letter) or May 1, 2017.
27. As noted above, the DIP Commitment Letter is conditional upon a super-priority charge over all the assets of the Company (ranking behind only the Administration Charge) in favour of the DIP Lender as security for payment of all present and future indebtedness owing to the DIP Lender in respect of the proposed DIP Facility (the "DIP Charge").
28. The Proposal Trustee is familiar with other interim financing arrangements in the context of recent insolvency proceedings and is of the view that the terms and conditions of the proposed DIP Facility and DIP Charge are consistent with (and in the case of the proposed rates and fees, generally less costly than) the terms and conditions of other interim financing arrangements approved by various courts in other insolvency proceedings.
29. The Proposal Trustee has reviewed the DIP Commitment Letter and is of the view that, in light of the nature of the assets, operations and financial position of the Company, the terms and conditions of the proposed DIP Facility and DIP Charge are reasonable in the circumstances.
30. Without the DIP Facility, it is questionable whether the Company would be in a position to recommence operations. The continued cessation of the Company's operations would continue to, in the Proposal Trustee's view, result in the ongoing diminution of the potential realizable value of the Company's assets.

31. It is the Proposal Trustee's view that the proposed DIP Facility and DIP Charge are necessary if the Company is to be allowed to carry out the SISP and attempt to make a viable proposal to its creditors.

THE SISP AND THE STALKING HORSE INVESTMENT TERM SHEET

32. As set out in the Hofmann Affidavit, the restructuring of BG to be undertaken under the BIA will involve an investment in or sale of BG's business. It is anticipated that the SISP will allow BG to explore all options available to maximize value for its creditors.
33. In tandem with the SISP, BG is seeking authorization to enter into the Stalking Horse Investment Term Sheet with the Stalking Horse Investor, who is also the proposed DIP Lender, to assist in stabilizing the Company's business. The SISP, through the Stalking Horse Investment Term Sheet, sets a floor value to be given for BG's business and assets and provides for, subject to Court approval, the business continuing to operate after these Proceedings are concluded. A copy of the Stalking Horse Investment Term Sheet is attached as Exhibit "T" to the Hofmann Affidavit. Details of the SISP and the Stalking Horse Investment Term Sheet are set out in the Hofmann Affidavit at paragraphs 36 to 45.
34. The SISP provides for interested parties to submit offers by no later than 5:00 p.m. (E.S.T.) on February 10, 2017. In light of the holiday season, the Proposal Trustee is of the view that the sales process will only start in earnest during the first week of January 2017. The Proposal Trustee believes that the timeline set out to conduct the SISP, being over four weeks as of the first week of January 2017, is

adequate to provide interested parties with the time to submit offers for an investment in or sale of BG's business.

35. The SISP contemplates the placement of an advertisement in the Globe and Mail newspaper. The advertisement will expose the opportunity to parties who are not identified by BG. The Proposal Trustee will work with the Company to identify the other parties that should be approached in respect of the SISP.
36. A copy of the proposed SISP is attached as Exhibit "S" to the Hofmann Affidavit.
37. The Proposal Trustee supports the SISP and Stalking Horse Investment Term Sheet.

ADMINISTRATION CHARGE

38. The Company is seeking a first-ranking super-priority administration charge in the amount of \$150,000.00 over all the Company's assets in respect of the fees and expenses of the Proposal Trustee, the Proposal Trustee's legal counsel and the Company's legal counsel. A charge of such nature is common in restructuring proceedings. The Proposal Trustee is of the view that the Administration Charge is appropriate in the present case due to the existing encumbrances on the Company's assets. The professionals covered by the Administration Charge require the benefit of the Administration Charge to secure payment of their fees and expenses.

D&O CHARGE

39. The Company is seeking the D&O Charge in the amount of \$25,000 (ranking in priority behind the Administration Charge and the DIP Charge) to indemnify BG's officers and directors in respect of post-filing liabilities that they may incur in such capacities, except to the extent that, with respect to any officer or director, the liability is incurred as a result of such officer's or director's gross negligence or wilful misconduct. The Company's officers and directors would only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is denied or insufficient.
40. A charge of such nature to the D&O Charge is common in restructuring proceedings. The Proposal Trustee is of the view that the D&O Charge is appropriate in the present case due to the existing encumbrances on the Company's assets. The directors and officers covered by the D&O Charge require the benefit of the D&O Charge to secure the liabilities they may incur as directors and officers subsequent to the Filing Date.

IMPACT OF THE PROPOSED CHARGES

41. In the Proposal Trustee's view, the Secured Creditors and unsecured creditors will all be affected by the Administration Charge, the DIP Charge and the D&O Charge, if granted.
42. The Secured Creditors were served with the Company's motion materials. The proposed Stalking Horse Investment Term Sheet provides for the Investment

Amount (as defined in the proposed Stalking Horse Investment Term Sheet) to be used to, among other things, fund a proposal by BG to its secured creditors, preferred creditors and unsecured creditors, and, together with the SISP, sets a floor for a competitive bidding process. Should the DIP Commitment Letter/DIP Charge, the D&O Charge and the Administration Charge not be approved, the Proposal Trustee believes that the Company would be unable to proceed with its restructuring.

COMPANY'S REQUEST FOR AN EXTENSION

43. The Company is seeking an extension of the time to file a proposal with the Official Receiver to February 5, 2017. The Proposal Trustee notes that based on the timing as set out in the SISP, the Company will likely seek, at the end of January or beginning of February 2017, a further extension of the time to file a proposal with the Official Receiver.
44. The Proposal Trustee supports the Company's request for the following reasons:
 - a) The original stay period is scheduled to expire on or about January 13, 2017. Taking into account the holiday season and the SISP, the Company would be required to make a motion to the Court for a further extension of the time to file a proposal with the Official Receiver prior to January 13, 2017, which would result in additional professional costs;
 - b) the Company is acting in good faith and with due diligence;

- c) it will allow the Company and the Proposal Trustee the opportunity to advance the SISP and a proposal with a view to maximizing the return to the Company's creditors; and
- d) no creditor would be materially prejudiced if the extension being applied for is granted.

CONCLUSION AND RECOMMENDATION

- 45. The Proposal Trustee supports the relief sought by BG.
- 46. If the Company is provided with the relief sought, it will create a stabilized environment for BG to advance the SISP and make a proposal to its creditors. Should the relief not be granted, it is questionable whether the Company will be able to recommence operations and it is the Proposal Trustee's preliminary view that the recovery to unsecured creditors would be nominal, if any, given the nature of the Company's assets and the encumbrances over the Company's assets.

All of which is respectfully submitted,

COLLINS BARROW TORONTO LIMITED,
in its capacity as Trustee under a Notice of Intention to
Make a Proposal filed by BG Furniture Ltd.,
and not in its personal capacity



Per: Daniel Weisz, CPA, CA, CFF, CIRP, LIT
Senior Vice-President

TAB 1

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

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
BG Furniture Ltd.
of the Town of Walkerton
in the Municipality of Brockton

The attached statement of projected cash flow of BG Furniture Ltd., as of the 19th day of December 2016, consisting of a 13-week cash flow for the period December 19, 2016 to March 19, 2017, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

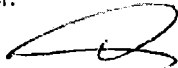
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 19th day of December 2016.

Collins Barrow Toronto Limited

Per:




Daniel Weisz - Licensed Insolvency Trustee
11 King Street W., Suite 700, Box 27
Toronto ON M5H 4C7
Phone: (416) 480-0160 Fax: (416) 480-2646

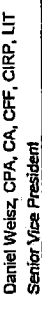
BG Furniture Cash Flow Projections
Updated Dec 19, 2016

Category	Last Week (actual)	2016												Total					
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12		Week 13				
Total Shipments	-	100,000	-	50,000	-	50,000	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	67,500	67,500	275,000
Loan Advances (DIP)	-	-	-	50,000	-	50,000	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	67,500	698,500
Funds from AR lending (net of freight/taxes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Receipt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts:	-	100,000	-	100,000	-	100,000	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	67,500	981,500
Operating Cost	-	9,557	17,910	28,111	37,758	29,878	39,637	43,621	39,194	39,194	43,778	51,574	51,574	51,574	51,574	51,574	51,574	51,574	441,521
Materials Cost	-	27,232	7,090	19,464	36,881	21,020	26,467	29,116	21,020	21,020	19,526	23,791	23,791	23,791	23,791	23,791	23,791	23,791	307,539
Other Cost	-	5,470	1,600	500	1,135	2,321	3,765	500	2,700	500	1,165	3,266	3,266	3,266	3,266	3,266	3,266	3,266	26,710
Marketing	-	4,330	-	-	-	2,165	2,165	-	2,165	-	2,165	-	-	-	-	-	-	-	15,156
Office Supplies & Admin	-	1,140	1,600	500	1,135	155	1,600	500	535	535	1,155	1,100	1,100	1,100	1,100	1,100	1,100	1,100	10,565
Total Operating Cash Disbursements:	-	42,259	26,600	48,075	75,774	53,219	69,869	73,239	62,914	62,914	64,459	78,630	78,630	78,630	78,630	78,630	78,630	78,630	774,870
Other Non Operating Costs	-	-	-	24,000	4,000	4,000	4,000	14,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	140,000
Uncategorized (contingency provision)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees (Trustee & Trustee Legal)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	-	42,259	26,600	72,075	79,774	57,219	73,869	87,239	66,914	66,914	68,459	102,630	102,630	102,630	102,630	102,630	102,630	102,630	914,870
out of balance (debt amt)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow	-	57,741	(26,600)	27,925	(17,274)	(14,719)	38,631	(24,739)	(4,414)	(4,414)	36,681	(14,459)	(10,130)	(10,130)	(10,130)	(10,130)	(10,130)	(10,130)	46,630
Opening Cash	0	57,741	31,141	59,067	41,793	27,074	65,705	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966
Closing Cash	57,741	31,141	59,067	41,793	27,074	65,705	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966	40,966

This statement of projected cash-flow of the Debtor, prepared in accordance with Section 501(b)(6) of the Bankruptcy and Insolvency Act, should be read in conjunction with the notes attached hereto and the Debtor's Statement on Projected Cash-Flow and the Trustee's Report on the Statement of Projected Cash-Flow.

COLLINS BARROW TORONTO LIMITED
Solely in its capacity as Trustee acting in re the Proposal of BG Furniture Ltd.

Per: 
Adam Kimmann
President

Per: 
Daniel Weisz, CPA, CA, CFP, CIRP, LIT
Senior Vice President

BG Furniture Ltd.
Notes to the Cash Flow Statement

Hypothetical

1. The company files a Notice of Intention to Make a Proposal, is able to continue normal operations and to obtain an order for DIP financing.

Probable

1. Loan Advances: The DIP Lender will provide funds as required up to a maximum of \$300,000.
2. Funds from AR lending: Based on orders being shipped and accounts receivable being factored at 100% of invoiced shipment amount. The company may make arrangements for funding through A/R lending instead of A/R factoring.
3. Sales – Shipments: Confirmed orders on hand of \$460,000 will be shipped and new orders will be booked and shipped.
4. Operating costs are comprised of payroll, remittance of HST payable, utilities, maintenance and repairs, capital lease payments, commissions on sales, insurance, and interest costs on accounts receivable.
 - a. The projections include payment of approximately one week of wage arrears and the corresponding government and statutory remittances.
 - b. The weekly payroll cost includes employee and employer source deductions, EHT and WSIB. The government and statutory remittances will be moved to a separate bank account for holding and budget purposes to coincide with the payment of wages and then remitted as they come due.
 - c. The projections do not include payment of property tax.
 - d. The lease payments include regular monthly payments and two catch-up payments on leases for equipment.
 - e. Other operating costs are projected based on historical averages or anticipated expenses to be incurred.
5. Materials costs include lumber, hardware, finishing, packaging, glass, and freight. Materials costs are projected based on historical averages.
6. Other costs are comprised of marketing, office supplies and administrative costs. Other costs are projected based on historical averages or anticipated expenses to be incurred. The projected marketing costs include three catch-up lease payments for the Showroom.
7. Professional fees are comprised of the fees of the trustee and trustee's counsel.
8. The projections include a contingency provision of \$40,000 in respect of any unforeseen or hypothetical expenses.

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

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
BG Furniture Ltd.
of the Town of Walkerton
in the Municipality of Brockton

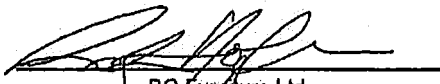
I, BG Furniture Ltd., have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 19th day of December 2016, consisting of a 13-week cash flow for the period December 19, 2016 to March 19, 2017.

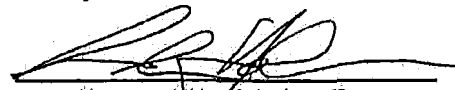
The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

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


BG Furniture Ltd.
Debtor


Name and title of signing officer
ADAM HOFMANN, PRESIDENT

Name and title of signing officer

BG Furniture Cash Flow Projections
 Updated Dec 19, 2016

Category	Last Week (actual)	2016													Total		
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13			
year	week	19-Dec	24-Dec	28-Dec	31-Dec	2-Jan	7-Jan	14-Jan	21-Jan	28-Jan	4-Feb	11-Feb	18-Feb	25-Feb	4-Mar	11-Mar	18-Mar
week starting	week ending	2016.52	2016.53	2017.01	2017.02	2017.03	2017.04	2017.05	2017.06	2017.07	2017.08	2017.09	2017.10	2017.11	2017.11	2017.11	2017.11
Total Shipments		100,000	-	-	-	50,000	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	67,500
Loan Advances (DIP)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funds from AR lending (net of freight/taxes)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Receipt		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Cost		9,557	17,910	28,111	37,758	29,878	39,637	43,621	39,194	30,354	43,778	51,574	51,574	25,000	-	-	-
Materials Cost		27,252	7,090	19,464	36,681	21,020	26,467	29,118	21,020	25,866	19,526	23,791	23,791	67,500	67,500	67,500	67,500
Other Cost		5,470	1,600	500	1,135	2,321	3,765	500	2,700	600	1,165	3,265	3,265	-	-	-	-
Marketing		4,330	-	-	-	2,165	2,165	-	2,165	-	-	-	-	-	-	-	-
Office Supplies & Admin		1,140	1,600	500	1,135	155	1,600	500	535	600	1,155	1,100	1,100	-	-	-	-
Total Operating Cash Disbursements:		42,259	26,600	48,075	75,774	53,219	69,869	73,239	62,914	56,819	64,459	78,530	78,530	24,000	24,000	10,000	10,000
Other Non Operating Costs		-	-	-	-	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Uncategorized (contingency provision)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees (Trustee & Trustee Legal)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements		42,259	26,600	48,075	75,774	57,219	73,869	87,239	66,914	60,819	68,459	102,530	102,530	32,000	32,000	14,000	14,000
Net Cash Flow		57,741	(26,600)	(27,926)	(17,274)	(14,719)	(38,631)	(24,739)	(4,414)	36,681	(14,459)	(10,130)	(10,130)	4,000	4,000	10,000	46,530
Opening Cash		0	57,741	31,141	59,067	41,793	27,074	65,705	40,966	36,552	73,233	58,773	48,643	48,643	50,794	46,530	46,530
Closing Cash		57,741	31,141	59,067	41,793	27,074	65,705	40,966	36,552	73,233	58,773	48,643	48,643	50,794	46,530	46,530	46,530

Total Receipts:

LP
 AR
 CR

Operating Cost
 Materials Cost
 Other Cost
 Marketing
 Office Supplies & Admin

Total Operating Cash Disbursements:
 Other Non Operating Costs
 Uncategorized (contingency provision)
 Professional Fees (Trustee & Trustee Legal)
 Loan Payments
 Total Disbursements

out of balance (data error)
 Net Cash Flow
 Opening Cash
 Closing Cash

This statement of projected cash-flow of the Debtor, prepared in accordance with Section 50(6)(a) of the Bankruptcy and Insolvency Act, should be read in conjunction with the notes attached hereto and the Debtor's Statement on Projected Cash-Flow and the Trustee's Report on the Statement of Projected Cash-Flow.

COLLINS BARRON TORONTO LIMITED

Solely in its capacity as Trustee acting in re the Proposal of BG Furniture Ltd.

Per:

Daniel Weisz, CFA, CA, CFP, CRRP, LIT
 Senior Vice President

BG Furniture Ltd.

Per:



Adam Hoffmann
 President

BG Furniture Ltd.
Notes to the Cash Flow Statement

Hypothetical

1. The company files a Notice of Intention to Make a Proposal, is able to continue normal operations and to obtain an order for DIP financing.

Probable

1. Loan Advances: The DIP Lender will provide funds as required up to a maximum of \$300,000.
2. Funds from AR lending: Based on orders being shipped and accounts receivable being factored at 100% of invoiced shipment amount. The company may make arrangements for funding through A/R lending instead of A/R factoring.
3. Sales – Shipments: Confirmed orders on hand of \$460,000 will be shipped and new orders will be booked and shipped.
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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
Estate No. 35-2199056

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

Proceedings commenced at Toronto

FIRST REPORT OF THE PROPOSAL TRUSTEE

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*Lawyers for Collins Barrow Toronto Limited, in its capacity as
Proposal Trustee of BG Furniture Ltd.*