
Court File No. CV-14-10655-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
*R.S.C. 1985, c. C-36, AS AMENDED***

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MARTIN ROSS GROUP INC.**

**FIFTH REPORT OF THE MONITOR
January 12, 2015**

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I. Introduction

1. This is the fifth report (the “**Fifth Report**”) prepared by Collins Barrow Toronto Limited (the “**Monitor**”), in its capacity as the Monitor of Martin Ross Group Inc. (“**MRG**” or the “**Company**”) appointed pursuant to section 11.7 of the *Companies’ Creditors Arrangement Act* by an Order of Mr. Justice Penny dated August 7, 2014 (the “**Initial Order**”). The Initial Order stayed all proceedings against the Company until September 6, 2014 (the “**Stay Period**”). A copy of the Initial Order is attached hereto as Appendix “**A**”. The Stay Period was subsequently extended by further Orders of the Court, and the Stay Period expires on January 31, 2015.
2. The Initial Order, Monitor’s reports and other documents filed in these proceedings have been posted on the Monitor’s website at www.collinsbarrow.com/en/toronto-ontario/martin-ross-group. The Monitor will continue to post to its website documents in accordance with the E-service Protocol for the Commercial List in the Toronto region.
3. Capitalized terms not otherwise defined in the Fifth Report are as defined in the Initial Order, and in the first four reports of the Monitor.

II. Purpose of Report

4. The purpose of this Fifth Report is to:
 - i) provide the Court with an update on the Company’s liquidation process (the “**Liquidation Process**”), which was approved by the Court on October 17, 2014, including:

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- a) the results of the retail inventory liquidation (the “**Retail Inventory Liquidation Process**”);
 - b) the results of the loose diamond inventory liquidation (the “**Loose Diamonds Liquidation Process**”); and
 - c) the liquidation of certain of MRG’s remaining assets, which exclude those assets subject to a liquidation services agreement (the “**Liquidation Services Agreement**”) with Silverman Chapman & Reese Consulting Ltd. (“**SCR**”), the Loose Diamonds Liquidation Process, the liquidation of gold and other precious metals, and its accounts receivable;
- ii) provide the Court with an update on the transaction between the Company and First Jewelry Limited (“**FJL**”) (the “**FJL Transaction**”), which was approved by the Court on December 2, 2014;
 - iii) provide the Court with an update on the transaction between the Company and Corona Jewellery Company Ltd. (“**Corona**”) (the “**Corona Transaction**”), which was approved by the Court on December 2, 2014;
 - iv) provide the Court with information on the Company’s proposed interim distribution to the Company’s secured lenders, RP Holdings Inc. (“**RP**”) and Sherfam Inc. (“**Sherfam**”), and the Monitor’s position concerning same;
 - v) provide information on the Monitor’s activities since the Monitor’s report dated November 28, 2014 (the “**Fourth Report**”);
 - vi) seek an Order approving the Monitor’s activities and Monitor Invoices # 4 and 5 for the period November 1, 2014 to December 31, 2014; and
 - vii) seek an Order approving the accounts of Torkin Manes LLP for the period October 2, 2014 to December 23, 2014.

III. Terms of Reference

5. In preparing this Fifth Report and making the comments herein, the Monitor has relied upon unaudited financial information prepared or provided by the Company, discussions with management of the Company, the Company's counsel and information from other third-party sources (collectively, the "**Information**"). As the Information included in this Fifth Report has been provided by the Company or other parties, the Monitor has relied on the Information and, to the extent possible, reviewed the Information for reasonableness. However, the Monitor 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 and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.
6. All references to dollars are in Canadian currency unless otherwise noted.

IV. Inventory Liquidation Process

7. The Company proposed the Liquidation Process, which was approved by the Court on October 17, 2014 pursuant to an order issued that day ("**Liquidation Process Order**"), details of which were set out in the Third Report. A copy of the Third Report is attached hereto, without appendices, as Appendix "**B**". MRG's Liquidation Process included the Retail Inventory Liquidation Process, which included executing the Liquidation Services Agreement with SCR that provided for the retail liquidation of a significant portion of the Company's finished goods inventory, the Loose Diamonds Liquidation Process, the liquidation of gold and other precious metals and the liquidation of the Company's remaining assets which exclude accounts receivable and those assets subject to the liquidation processes mentioned above (the "**Remaining Assets**").

Retail Inventory Liquidation Process

8. As set out in the Fourth Report, a copy of which is attached hereto, without appendices, as Appendix “**C**”, MRG conducted a retail liquidation sale of the majority of its finished goods inventory from MRG’s premises, which sale commenced on October 23, 2014 and ended on December 24, 2014 (the “**Sale Period**”).
9. Based on information provided to date by the Company to the Monitor, the retail sales for the Sale Period were materially below forecast. As set out in the Company’s weekly cash flow statement projection for the period October 6, 2014 to January 31, 2015, which was filed with the Company’s motion materials returnable October 17, 2014, MRG set out that sales from the Retail Inventory Liquidation Process were forecast to be approximately \$6.0 million net of harmonized sales tax (“**HST**”) of \$780,000. Actual results for the sale period were below \$2 million, net of HST, resulting in an unfavourable variance of approximately \$4 million.
10. As set out in the affidavit of Allan Shechtman sworn on January 12, 2015 in support of the Company’s motion for an interim distribution to RP and Sherfam (the “**Shechtman Affidavit**”), the Company is presently cataloguing the significant quantity of its remaining finished goods inventory and will assess its options for the sale of the remaining finished goods inventory and the Remaining Assets so as to realize further value for the Company’s stakeholders.

Loose Diamonds Liquidation Process

11. As described in the Fourth Report, offers in respect of the Loose Diamonds Liquidation Process were to be received by the Monitor on or before November 24, 2014, 12:00 pm Eastern Standard Time (the “**Offer Deadline**”), together with an amount equal to 10% of the aggregate bid price (the “**Deposit**”). The Company, as permitted by the Liquidation Process Order, subsequently extended the Offer Deadline to November 25, 2014 at 5:00 pm. The offers were opened by the Monitor, in the presence of the Company, at that time.

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12. The Monitor received 12 offers from the 16 potential purchasers that attended MRG's premises to inspect the loose diamonds available for sale of which 8 were for the entire loose diamond inventory and 4 were for specific lots only. The Company advised that it was considering 3 offers received (the "**Offers of Interest**") as they were for the entire loose diamond inventory and the amounts offered exceeded other offers received by a significant amount.
 13. After receipt of the offers, the Company advised that one lot in the loose diamond inventory offered for sale consisted of diamonds branded with the Forevermark logo (the "**Forevermark Lot**") and that these diamonds could only be sold to authorized Forevermark dealers.
 14. On December 2, 2014, the Company contacted the 3 prospective purchasers that made the Offers of Interest to provide them with the opportunity to increase their offers, and to notify them of the circumstances surrounding the Forevermark Lot and if they were not authorized Forevermark dealers, to request that they revise their offers to exclude this lot.
 15. Based on the revised offers and correspondence received from the three prospective purchasers contacted by the Company, as set out in the Shechtman Affidavit, the Company has completed the sale of the loose diamond inventory, except for the Forevermark Lot, to SimplexDiam Inc., for a purchase price of \$2,503,333.30 USD which has been paid to MRG.
 16. On December 8, 2014, the Company informed all other potential purchasers that their bids were unsuccessful (the "**Unsuccessful Purchasers**"). On that same day, the Monitor returned, via courier, to Unsuccessful Purchasers deposits paid to the Monitor in connection with the offers submitted.
 17. As referred to in the Shechtman Affidavit, the Company was in the process of concluding a sale of the Forevermark Lot to HRA Group Holdings Limited for proceeds of \$35,000 USD. The sale has now been concluded and on January 9,

2014, the Monitor forwarded to the Company the \$35,000 USD bank draft that HRA had provided to the Monitor.

Liquidation of Remaining Assets

18. As set out in the Fourth Report, the Company was in negotiations with potential purchasers for some of the Remaining Assets, resulting in the FJL Transaction and the Corona Transaction. An update on each of the FJL Transaction and Corona Transaction is set out below.

V. FJL Transaction

19. As part of its motion, returnable on December 2, 2014 (the “**December 2nd Motion**”), the Company sought approval for the FJL Transaction that provided for the purchase and sale of certain of the Company’s “Persona” and “My First Diamond” branded inventory (the “**FJL Assets**”).
20. As set out in the Fourth Report, the Company sought an approval and vesting order (the “**FJL AVO**”) from the Court for the second portion (the “**Excess Portion**”) of the FJL Transaction, which portion exceeded the \$100,000 threshold limit for an individual sale before an Order of the Court was required. On December 2, 2014, the Court granted the FJL AVO, with the condition that the FJL Assets would vest absolutely in the purchaser, free and clear of and from any and all security interests upon the delivery of a Monitor’s certificate (the “**FJL Certificate**”).
21. In accordance with the terms of the agreement with FJL, the purchase price for the FJL Assets was to be paid in three instalments, with the final balance to be paid 60 days following delivery of the Excess Portion to FJL.
22. As set out in the Shechtman Affidavit, the Company has received post-dated cheques for the balance of the purchase price, the last of which is dated

February 1, 2015. Upon conclusion of the sale, the Monitor will execute and issue the FJL Certificate.

VI. Corona Transaction

23. As further set out in the December 2nd Motion, the Company sought approval for the Corona Transaction, which contemplated the sale of assets of MRG's Libman Division (the "**Libman Assets**") to Corona.
24. As set out in the Fourth Report, the Company sought an approval and vesting order (the "**Corona AVO**") from the Court for the sale of the Libman Assets to Corona. The Court granted the Corona AVO on December 2, 2014, with the condition that the Libman Assets would vest absolutely in the purchaser, free and clear of and from any and all security interests upon the delivery of a Monitor's certificate (the "**Corona Certificate**").
25. On or about December 8, 2014, Corona paid to the Company the balance of the purchase price for the Libman Assets. The Company has provided the Monitor with its representation that all conditions to closing have been satisfied or waived with regard to the transaction; however, Corona has not yet done so. The Monitor is waiting for Corona to provide, in writing, its confirmation that all conditions to closing have been fulfilled. Upon receipt of that confirmation, the Monitor will be in a position to issue the Corona Certificate.

VII. Proposed Distribution to Secured Lenders

26. As set out in the Shechtman Affidavit, the Company is seeking to repay \$3.4 million CDN to RP and \$1.8 million USD to Sherfam both of which parties are secured creditors of MRG.
27. The Monitor sought an opinion on the validity and enforceability of RP's security from Loopstra Nixon LLP, independent counsel retained by the Monitor.

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28. On January 9, 2015, the Monitor received an opinion from Loopstra Nixon LLP that subject to the assumptions and qualifications therein, the security interest granted in the General Security Agreement to RP, as concerns personal property situated in Ontario, is valid and enforceable against a trustee in bankruptcy of the Company as of the date of the security opinion. A copy of Loopstra Nixon LLP's opinion is attached as Appendix "D".
 29. The Monitor sought an opinion on the validity and enforceability of Sherfam's security from Torkin Manes LLP, counsel retained by the Monitor.
 30. On January 9, 2015, the Monitor received an opinion from Torkin Manes LLP that subject to the qualifications set out therein, the security held by Sherfam (which was assigned to Sherfam by HRA Group Holdings Limited) (the "**Sherfam Security**") has been validly perfected under the PPSA and constitutes a valid and binding obligation of the Company in favour of Sherfam and is enforceable by Sherfam in accordance with its terms against a Trustee. A copy of the opinion is attached as Appendix "E".
 31. As set out in the Shechtman Affidavit, Sherfam has advised the Company that in respect of the security held by Sherfam, Sherfam is owed \$2,303,643 USD based on amounts owing by MRG to HRA Group Holdings Ltd. and two of its related companies, Crossworks Manufacturing Ltd. and Worldwide Diamond Trademarks Limited at the time the Sherfam Security was assigned to Sherfam. The Shechtman Affidavit further states that the Company acknowledges that at least \$1.8 million USD is secured by the Sherfam Security.
 32. Attached as Appendix "F" is a letter from Sherfam to MRG (included in the Shechtman Affidavit) advising that Sherfam is owed \$2,303,643 USD and \$2,783.48 CDN (in addition to other amounts owing to Sherfam which are not secured by the Sherfam Security). Also attached as Appendix "F" is a schedule included in the Shechtman Affidavit which sets out that the Company's indebtedness to HRA is \$1,886,995.48 USD, which supports the \$1.8 million USD the Company is proposing to pay to Sherfam. The Monitor has reviewed for

reasonableness documentation provided by the Company to support this outstanding balance.

33. Included in Exhibit “E” to the Shechtman Affidavit is a copy of an account statement provided by Torkin Manes LLP showing the advance of \$3.4 million to MRG. Attached as Appendix “G” is a letter from RP dated January 12, 2015 confirming that the \$3.4 million is still outstanding.

MRG’s Remaining Assets

34. The Company reported its cash balances to the Monitor as at January 2, 2015, which totalled approximately \$7.9 million CDN. The Monitor has verified these balances by reviewing the Company’s bank statements as at January 2, 2015. The cash balance of \$7.9 million is comprised of \$2.7 million USD (converted to CDN at \$1.15 USD/CDN) and \$4.8 million CDN.
35. In addition to its cash balance, the Company has advised the Monitor that it currently has inventory with an estimated cost value of approximately \$6.5 million and outstanding accounts receivable of approximately \$3.9 million.

Proposed Distribution

36. Based on the Company’s cash balances as at January 2, 2015, there are currently sufficient funds available to pay the proposed distribution of \$1.8 million USD and \$3.4 million CAD to Sherfam and RP, respectively. Assuming payment of these amounts, MRG will then have cash balances of approximately \$900,000 USD and \$1.4 million CDN, plus the accounts receivable and inventory referred to above, available for the remaining unpaid secured indebtedness of Sherfam of approximately \$500,000 USD based on the Sherfam letter included in Appendix “F”, unpaid priority payables, including the Monitor and its counsel’s fees and expenses and the fees and expenses of the Company’s counsel.
37. The Company has advised the Monitor that Canada Revenue Agency (“CRA”) conducted a payroll audit in the last quarter of 2014 and that the Company’s

source deductions payments are current. The Company utilizes the services of a third-party payroll service provider and payroll is funded on a gross basis.

38. The Company further advises that CRA is in the process of conducting two harmonized sales tax (“HST”) audits. MRG does not anticipate any material reassessments as a result of these audits.
39. Based on the forgoing, there is sufficient liquidity for the Company to continue with its limited operations and there are significant assets remaining, which are available to meet any unforeseen liabilities that may arise.
40. Based on the above, the Monitor supports the Company’s request to make a distribution to its secured creditors as described herein.

VIII. The Monitor’s Fees and Disbursements

41. The Monitor has maintained detailed records of its professional fees and disbursements during the course of these proceedings.
42. The Monitor’s accounts for the period ending October 31, 2014 have been approved by the Court. For the period November 1, 2014 to December 31, 2014, the Monitor’s account totals \$65,712.35 consisting of \$54,966.50 in fees, \$3,186.02 in disbursements plus HST of \$7,559.83 (the “**Monitor’s Accounts**”). Copies of the Monitor’s Accounts, together with a summary of the accounts, the total billable hours charged per the accounts, and the average hourly rate charged per the accounts, is set out in the Affidavit of Daniel Weisz sworn January 12, 2015 that is attached hereto as Appendix “H”.
43. The accounts of the Monitor’s counsel, Torkin Manes LLP for the period ending September 30, 2014 have been approved by the Court. The accounts of Torkin Manes LLP for the period October 2, 2014 to December 23, 2014 total \$23,225.00 in fees, \$536.70 in disbursements and \$3,089.02 in HST for a total of \$26,850.72 (the “**Torkin Accounts**”). A copy of the Torkin Accounts, together

with a summary of the personnel, hours and hourly rates described in the Torkin Accounts, supported by the Affidavit of Stewart Thom sworn January 9, 2015, is attached hereto as Appendix "I".

IX. Monitor's Recommendations and Requests

44. For the reasons set out above, the Monitor supports the Company's motion to make the payments to RP and Sherfam described herein.
45. The Monitor requests that the Court grant an Order that approves:
- a) the Fifth Report and the Monitor's activities described herein;
 - b) the fees and disbursements of the Monitor to December 31, 2014; and
 - c) the fees and disbursements of Torkin Manes LLP to December 23, 2014.

All of which is respectfully submitted to this Court as of this 12th day of January, 2015.

COLLINS BARROW TORONTO LIMITED
in its capacity as the Monitor appointed in
the CCAA proceedings of Martin Ross Group Inc.,
and not in its personal capacity



Per: Daniel R. Weisz, CPA, CA, CIRP
Senior Vice President

APPENDIX A

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE Mr.)
JUSTICE Penny)

THURSDAY, THE 7TH
DAY OF AUGUST, 2014

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF MARTIN ROSS GROUP INC. (the
"Applicant")

INITIAL ORDER

THIS APPLICATION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Cameron Gillies sworn August 5, 2014 and the Exhibits thereto, 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 Applicant, no one appearing for Sherfam Inc., RP Holdings Inc., or Dell Financial Services Canada Limited, although duly served as appears from the affidavit of service of Stephen Wolpert affirmed August 5, 2014 and on reading the consent of Collins Barrow Toronto Limited to act as the Monitor,

SERVICE

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

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges:

6. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order.

7. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

8. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("Rent"), for the period

commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

9. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

10. THIS COURT ORDERS that the Applicant shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$1,000,000 in the aggregate
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "Restructuring").

11. THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of

the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

12. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

13. THIS COURT ORDERS that until and including September 6, 2014, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

14. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the

Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. THIS COURT ORDERS that during the Stay Period, 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 Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant 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 Business or the Applicant, 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 Applicant, and that the Applicant shall be entitled to the continued use of its current premises, 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 Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or

licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION

19. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

APPOINTMENT OF MONITOR

20. THIS COURT ORDERS that Collins Barrow Toronto Limited is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

21. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicant in its preparation of the Applicant's cash flow statements which information shall be reviewed with the Monitor;
- (d) advise the Applicant in its development of the Plan and any amendments to the Plan;
- (e) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (h) perform such other duties as are required by this Order or by this Court from time to time.

22. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

23. THIS COURT ORDERS that nothing herein contained shall require the Monitor 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 Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor'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.

24. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

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

26. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a monthly basis and, in addition, the Applicant is hereby authorized

to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amount[s] of \$50,000 , respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time

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

28. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and the Applicant'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 \$500,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor 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 paragraph30 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

30. THIS COURT ORDERS that the Administration Charge (as constituted and defined herein) shall constitute a charge on the Property and such charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

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

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

- (a) the creation of the Administration Charge shall not create or be deemed to constitute a breach by the Applicant 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 creation of the Administration Charge; and
- (c) the payments made by the Applicant pursuant to this Order, and the granting of the Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

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

SERVICE AND NOTICE

34. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in The National Post a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly

available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

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

36. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are 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 Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant 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

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

38. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

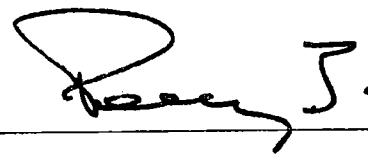
39. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give

effect to this Order and to assist the Applicant, the Monitor 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 Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

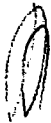
40. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor 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.

41. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) 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.

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



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:



AUG 7 2014

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MARTIN ROSS GROUP INC.

Court File No. CV-14-10655-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

INITIAL ORDER

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APPENDIX B

Court File No. CV-14-10655-00CL

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED***

**AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF MARTIN ROSS GROUP INC.**

**THIRD REPORT OF THE MONITOR,
COLLINS BARROW TORONTO LIMITED**

October 16, 2014

**COLLINS BARROW TORONTO LIMITED
11 King St. W., Suite 700
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Appendix "A"	Initial Order of The Honourable Mr. Justice Penny, dated August 7, 2014
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Appendix "C"	Sale Process Approval and Second Stay Extension Order of The Honourable Mr. Justice Newbould, dated September 11, 2014
Appendix "D"	Eligible Employee Payment Order of The Honourable Justice Pattillo, dated October 8, 2014
Appendix "E"	First Report (without appendices) of the Monitor, Collins Barrow Toronto Limited, dated September 5, 2014
Appendix "F"	Second Report (without appendices) of the Monitor, Collins Barrow Toronto Limited, dated October 6, 2014
Appendix "G"	Extended Cash Flow Projection
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CONFIDENTIAL APPENDICES
(FILED SEPARATELY AND SUBJECT TO A REQUEST FOR A SEALING ORDER)

Appendix "1" Second Liquidator

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
*R.S.C. 1985, c. C-36, AS AMENDED***

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MARTIN ROSS GROUP INC.**

**THIRD REPORT OF THE MONITOR
October 16, 2014**

1. Introduction

1. This is the Third Report prepared by Collins Barrow Toronto Limited (the "**Monitor**"), in its capacity as the Monitor of Martin Ross Group Inc. ("**MRG**" or the "**Company**") appointed pursuant to section 11.7 of the *Companies' Creditors Arrangement Act* (the "**CCAA**") by an Order of Mr. Justice Penny dated August 7, 2014 (the "**Initial Order**"). A copy of the Initial Order is attached hereto as Appendix "**A**".
2. On August 27, 2014, the Company sought and obtained from the Court an Order extending the stay period to September 11, 2014 ("**First Stay Extension Order**"). A copy of the First Stay Extension Order is attached hereto as Appendix "**B**".
3. On September 11, 2014, the Company sought and obtained from the Court an Order extending the stay period to October 31, 2014, as well as an Order authorizing and directing the Monitor to conduct the sale process attached as Schedule "A" to that Order ("**Sale Process Approval and Second Stay Extension Order**"). A copy of the Sale Process Approval and Second Stay Extension Order, without appendices, is attached hereto as Appendix "**C**".

-
4. On October 8, 2014, the Company sought and obtained an Order providing for the payment of \$947,679.38 by 2436768 Ontario Inc. ("**2436768**") to the Company for the sole purpose of making payments to Eligible Employees, and the appropriate withholdings related thereto to Canada Revenue Agency, ("**Eligible Employee Payment Order**") as more fully described therein. A copy of the Eligible Employee Payment Order is attached hereto as Appendix "**D**".
 5. The First Report of the Monitor dated September 5, 2014 (the "**First Report**"), which was used in support of the Company's motion on September 11, 2014, was filed with the Court on September 8, 2014. A copy of the First Report, without appendices, is attached hereto as Appendix "**E**".
 6. The Second Report of the Monitor dated October 6, 2014 (the "**Second Report**"), which was used in support of 2436768's motion on October 6, 2014, was filed with the Court on October 7, 2014. A copy of the Second Report, without appendices, is attached hereto as Appendix "**F**".
 7. The purpose of this Third Report is to:
 - i) provide the Court with an update on the Sale Process approved by the Court on September 11, 2014, and the results thereof;
 - ii) provide information on the Company's activities since the Second Report;
 - iii) comment on the Company's proposed liquidation processes (the "**Liquidation Process**") of its various assets, including its:
 - a. finished goods inventory and the liquidation services agreement (the "**Liquidation Services Agreement**") therefor with Silverman Chapman & Reese Consulting Ltd. ("**SCR**");
 - b. loose diamond inventory (the "**Loose Diamonds Liquidation Process**");
 - c. gold and other precious metals; and

-
- d. its remaining assets, excluding those assets subject to the Liquidation Services Agreement and the Loose Diamonds Liquidation Process, gold and other precious metals and its accounts receivable;
 - iv) comment on MRG's request to increase the aggregate threshold for sales not requiring Court approval to \$1,750,000 and for the Court to issue an order vesting the Company's right, title and interest in and to the assets sold in accordance with the requested Order, in and to the applicable purchasers;
 - v) provide information on the updated Cash Flow Statement filed by the Company;
 - vi) comment, and provide a recommendation to the Court, on the Company's motion for an extension of the stay of proceedings to January 31, 2015;
 - vii) provide information on the Monitor's activities to September 30, 2014 and to seek an Order approving the Monitor's activities and Monitor Invoices # 1 and #2; and
 - viii) request the Court order the sealing of the expression of interest to liquidate the Company's inventory received from a second party pending further order of the Court.
8. In preparing this Third Report and making the comments herein, the Monitor has relied upon unaudited financial information prepared or provided by the Company, discussions with management of the Company, the Company's counsel and information from other third-party sources (collectively, the "Information"). As the Information included in this Third Report has been provided by the Company or other parties, the Monitor has relied on the Information and, to the extent possible, reviewed the Information for reasonableness. However, the Monitor 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 and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.

9. Capitalized terms not defined in this Third Report are as defined in the Initial Order, the First Stay Extension Order, the Sale Process Approval and Second Stay Extension Order, and the Eligible Employee Payment Order. All references to dollars are in Canadian currency unless otherwise noted.
10. The Monitor has to date posted to its website the Application Record dated August 5, 2014, the Initial Order, the First Report, the First Stay Extension Order, the Sale Process Approval and Second Stay Extension Order, the Second Report, the Eligible Employee Payment Order and Endorsement, the Company's motion record dated October 15, 2014 for the approval of a liquidation process and stay extension, a list of the Company's creditors, a notice sent to the Company's creditors, and the Service List. The Monitor's website is found at <http://www.collinsbarrow.com/en/toronto-ontario/martin-ross-group>. The Monitor will continue to post to its website documents in accordance with the E-service Protocol for the Commercial List in the Toronto region.

II. **Sale Process**

11. The Company proposed a sale process (the "**Sale Process**"), to be conducted by the Monitor, for its assets, details of which are set out in the First Report. The Sale Process was approved by the Court on September 11, 2014 and the Court issued the Sale Process Approval and Second Stay Extension Order.
12. The Monitor, in accordance with the Sale Process, sent out an information overview document ("**Flyer**") and then proceeded to send out a confidential information memorandum ("**CIM**"), including proprietary details of the Company's business, to those interested parties that had signed a confidentiality agreement ("**NDA**").

13. Offers under the Sale Process were to be received by the Monitor on or before September 30, 2014 (the “Sale Process Deadline”). A summary of the results of the Sale Process as at the Sale Process Deadline are set out below:

Description	#
Flyers sent	25
NDA's signed and CIM's issued	18
Parties that accessed the Company's data room	3
Interested parties with additional enquiries	2
Offers received	1

14. As set out in the above table, only one offer (a non-material offer for certain of the Company's assets) was received. The Monitor subsequently followed up with parties which had received the CIM, to confirm that those parties did not intend to provide the Monitor with offers for the Company's assets.
15. The Monitor notes that it was advised by parties interested in making offers for the Company's inventory, that it was difficult for them to do so, as the components of the inventory were changing on a daily basis due to ongoing production. The Monitor suggested to those parties that they submit their offer based on the category of inventory, with the purchase price to be determined based on a physical count of that inventory as at the date of sale. No offers were received on that basis.
16. Subsequent to September 30, 2014, MRG entered into negotiations with the party that submitted the offer. The Monitor was advised by the Company on October 15, 2014 that the parties have reached an agreement and that the Monitor is to forward the deposit received pursuant to the Sale Process to the Company upon the closing of the transaction.

III. MRG's Activities

17. MRG's activities since the granting of the Sale Process and Approval Order are set out in the affidavit of Cameron Gillies sworn on October 15, 2014. (the

"Gillies Affidavit"), which affidavit is attached to the motion materials of the Applicant. Based on the information in the Gillies Affidavit and the Monitor's interaction with the Company and its counsel, it appears to the Monitor that MRG is acting in good faith and with due diligence.

IV. Eligible Employees

18. The Second Report sets out that 2436768 had provided \$947,679.38 to the Company for the sole purpose of paying amounts to Eligible Employees. As set out in the affidavit of Allen Shechtman sworn on October 6, 2014 in these proceedings, there were 76 Eligible Employees.
19. The Monitor was advised by counsel to 2436768 on October 15, 2014 that to date, seventy (70) of the Eligible Employees had signed the Acknowledgement and Release.
20. The Monitor has, pursuant to the terms of the Eligible Employee Payment Order, agreed to extend to November 15, 2014 (for two employees) and to January 15, 2015 (for one employee) the date upon which the Eligible Employee Payment has to be made.

V. Liquidation of Assets

21. As a result of the lack of any significant offers for MRG's assets and the decision, set out in the First Report, of MRG's principal lender to not advance any additional credit to the Company, the Company is proposing to liquidate its assets. The assets being liquidated are primarily its inventories using a multi-faceted approach, which is necessitated by the unique nature of the different components of the Company's inventory.
22. The Company's proposed liquidation approach is described in detail in the Gillies Affidavit, and is set out below:

Nature of Asset	Proposed Method of Liquidation
Finished goods inventory	Retail liquidation utilizing the services of SCR
Surplus finished goods inventory	Consignment sale of goods through SCR's network of third party jeweller retailers across Canada
Loose diamonds inventory	Loose Diamonds Liquidation Process
Gold and other precious metals inventory	Sale to refineries at prevailing market prices
Coloured stones and surplus finished goods inventory	Bulk sales to jewellers, dealers, retailers and wholesalers
Fixed assets	Attempt to sell to parties who may be interested in taking over the Company's leased premises or by liquidation auction
Other assets	Any interested party

Finished Goods Inventory

23. As set out in the Gillies Affidavit, the Company's view is that the best manner in which to liquidate its finished goods inventory is through a retail liquidation sale in advance of the upcoming Christmas retail season.
24. The Company received expressions of interest from two parties, one of which was from SCR, to conduct the liquidation of the Company's inventory. Both offers were on a commission basis and did not include any form of net minimum guarantee. An unredacted copy of the Company's agreement with SCR was filed with the Company's Motion Record in connection with the within Application, a redacted version of the expression of interest from the second party (the "**Second Liquidator**") is being filed with the Court by the Monitor as "**Confidential Appendix 1**".
25. Paragraph 31 of the Gillies Affidavit sets out the Company's analysis of the two expressions of interest. Based on that analysis, the Company has given careful consideration to the two expressions of interest, including taking into account that the commission rate to be charged by the Second Liquidator is "considerably lower" than the rate to be charged by SCR. Based on that analysis, the

Company determined that SCR's offer constitutes the offer that the Company proposes to accept.

26. The Company has entered into the Liquidation Services Agreement with the Liquidator and a redacted copy of the Liquidation Services Agreement has been attached to the Gillies Affidavit. A complete version of the Liquidation Services Agreement has been filed with the Court by the Company with a request that it be sealed until completion of the liquidation sale.
27. Based on the foregoing, the Monitor concurs with the Company's decision to engage SCR to conduct the liquidation of the Company's finished goods inventory as set out herein. The Monitor agrees that the unredacted version of the Liquidation services Agreement should be sealed until further order of this Court.

Loose Diamonds Liquidation Process

28. As set out in the Gillies Affidavit, based on MRG's experience, only diamond dealers, many of whom are familiar to the Company, have the means to purchase sufficient quantities of loose diamonds that will result in the loose diamond inventory being liquidated in an efficient manner. In this regard, Paragraph 41 of the Gillies Affidavit sets out Mr. Gillies' rationale as to why MRG is best situated to perform this liquidation.
29. A summary of the process, including timeline, proposed by the Company for the Loose Diamonds Liquidation Process is set out below:

Description	Timeline
Complete organization of loose diamond inventory, in accordance with industry standards	By October 31, 2014
Contact and advise certain diamond dealers of opportunity to inspect and submit bids for specific lots of MRG's loose diamonds	Beginning November 3, 2014
Permit inspection of loose diamond inventory by interested parties	November 3 – 21, 2014
Provision of specific terms and conditions of sale and bid sheets to interested parties	Up to November 24, 2014
Sealed bids, together with 10% of the aggregate bid price as a deposit	On or before 5:00 pm on November 24, 2014
Bids to be opened in the presence of the Monitor and to be considered by the Company and the Monitor	November 25, 2014 to December 8, 2014
Successful bidders notified and arrangements to close transactions to be made	December 8, 2014

30. Additional salient terms and conditions of any offer made by an interested party are proposed to be that: (i) all bids are irrevocable until December 8, 2014; and (ii) a bill of sale, on an "as is, where is" basis, will be issued to purchasers after payment in full of the purchase price has been made.
31. The Monitor notes that while it will not be conducting the Loose Diamonds Liquidation Process, offers pursuant thereto are to be delivered to the Monitor rather than the Company.
32. Based on its review of the Loose Diamonds Liquidation Process, including the Terms and Conditions of Sale relating thereto, the Monitor considers the Loose Diamonds Liquidation Process and the Company's proposed timeline with regard to this process to be reasonable.

Gold and Other Precious Metals

33. MRG proposes to liquidate most of its inventory of gold and other precious metals, given that these inventories are primarily commodities, by selling it to refineries at prevailing market prices. Some of this inventory, in the form of jewellery components, precious metal scrap, filings and gold dust will likely have to remain on hand for jewellery repairs. On the basis that these precious metal inventories are commodities and trade on the open markets at prevailing market prices, the Company does not propose in engaging in a separate sales process for them.
34. The Monitor considers the Company's approach with regard to the liquidation of gold and other precious metal inventories reasonable as sales will be on the open market at prevailing prices for these commodities.

Coloured Stones and Surplus Finished Goods

35. The Company has advised that the sale of coloured stones differs significantly from loose diamonds, in that interested parties will likely purchase coloured stones on the spot and in bulk without the need for a detailed inspection. Furthermore, MRG intends to make available additional surplus finished goods inventories that are not consigned by SCR to potential purchasers of coloured stones and other retailers and wholesalers.
36. MRG proposes to invite prospective purchasers of these inventories from its network of contacts to make offers to purchase coloured stones and surplus finished goods in bulk without further approval of this Court, provided that each individual sale transaction does not exceed \$100,000 or, together with the sale of fixed assets and other assets does not in aggregate exceed \$1,750,000.

-
37. Based on the nature of the contemplated inventory and the likelihood that coloured stones and surplus finished goods will be sold in bulk, the Company's approach to liquidating this type of inventory is not unreasonable.

Fixed Assets

38. As set out in the Gillies Affidavit, MRG's fixed assets are highly specialized and are "hard-engineered" into the specific premises. The Company's proposed method of sale, being identification of an interested party that would be amenable to leasing or purchasing the premises from which MRG operates, is the ideal manner in which to sell the subject fixed assets as it would eliminate significant removal and other costs.
39. MRG advises that if it is unable to sell the fixed assets in-situ within a reasonable amount of time, it will have to proceed to an auction from the premises. Although realizations may not be maximized through the conduct of an auction, there may be no alternative.
40. Based on the forgoing, the Monitor considers MRG's approach to selling its fixed assets practical.

Other Assets

41. The Company owns certain intangible assets such as trademarks and industrial designs and moulds and models for products that it manufactured and sold. It is not expected that the market for these assets will be extensive and it is not expected that any given sale transaction for these types of assets will exceed \$100,000 or \$1,750,000, in aggregate.
42. The Monitor agrees with the Company's view with regard to the sale of these types of assets and recommends that the Court approve MRG's request that it be allowed to sell the assets directly without further Order of the Court, provided that any individual transaction and all transactions, in aggregate, do not exceed \$100,000 and \$1,750,000 respectively.

Accounts Receivable

43. As set out in the Gillies Affidavit, MRG continues to collect its accounts receivable and is not intending on selling the accounts receivable as part of the contemplated liquidation process. MRG believes that greater value will be realized for its stakeholders if MRG collects its accounts receivable itself.
44. As of September 26, 2014, the Company reported to the Monitor that accounts receivable collections were \$1,893,000 compared to a projected amount of \$2,040,000, representing a negative variance of approximately 7%.

Vesting Order

45. The Company has requested that the Court issue an Order vesting all of MRG's right, title and interest in and to the assets sold in accordance with the Order being sought, free and clear of any and all encumbrances of any kind, in and to the applicable purchasers.
46. In light of the nature of the inventory, likely volume of transactions and the Company's knowledge of the industry, including potential transaction values, the Monitor believes that the Company's request is practical and reasonable in the circumstances.

VI. Extended Cash Flow Projection

47. Attached hereto as Appendix "G" is MRG's cash flow projection for the period October 6, 2014 to January 31, 2015 (the "**Extended Cash Flow Projection**") that was filed by the Company with its motion for an extension to the stay of proceedings (the "**Stay**") to January 31, 2015. The Monitor has reviewed the Extended Cash Flow Projection and the assumptions therein.
48. As set out in the Extended Cash Flow Projection, the significant facts that are evidenced in and were considered in preparing the Extended Cash Flow Projection include:

-
- manufacturing operations ceased on October 3, 2014; and
 - 21 staff members have been offered continuing employment to assist with the Liquidation Process – 4 until October 17, 2014, 1 until October 31, 2014, 6 until November 30, 2014 and 10 until December 31, 2014 and beyond.
49. The Extended Cash Flow Projection sets out that the Company will generate sufficient cash to fund operations and pay its debts as they generally come due for the period of the Extended Cash Flow Projection. A summary of the projected results for the period of the Extended Cash Flow Projection are set out below:
- a. accounts receivable collections are projected to total \$3.9 million;
 - b. retail sales by the liquidator are estimated to total \$6.8 million, inclusive of harmonized sales tax (“HST”);
 - c. consignment inventory sales through the Liquidator are forecast to be \$1 million;
 - d. loose diamond inventory sales are estimated to total \$2.4 million;
 - e. other inventory liquidation realizations are expected to be \$536,000;
 - f. significant disbursements include: HST (\$782,000), payroll and commissions (\$495,000), commissions to SCR (\$600,000) and professional fees (\$200,000);
 - g. total receipts and disbursements for the period of the Extended Cash Flow Projection are forecast to be \$14.6 million and \$2.7 million respectively with net cash flow of approximately \$11.9 million; and
 - h. the Company’s closing cash balance is forecast to be \$12.9 million.
50. Based on the Monitor’s review of the Extended Cash Flow Projection, nothing has come to the Monitor’s attention that causes the Monitor to believe that, in all material respects, the assumptions developed by the Company are not suitably

supported and consistent with the Company's plan or do not provide a reasonable basis for the Extended Cash Flow Projection. Since the Extended Cash Flow Projection is based on assumptions regarding future events, actual results may vary from the information presented, and such variations may be material. Accordingly, the Monitor can provide no assurances that the Extended Cash Flow Projection will be achieved.

VII. The Company's Request for an Extension of the Stay of Proceedings

51. The stay of proceedings pursuant to the Sale Process Approval and Second Stay Extension Order expires on October 31, 2014.
52. The Company wishes to extend the stay period such that the Liquidation Process may be carried out. The Monitor believes the Liquidation Process as described in the Gillies Affidavit is fair and reasonable and will maximize realizations for the Company's creditors.
53. The Monitor is of the view that the Company is proceeding in good faith and diligently during these proceedings and the Company's request for an extension of the stay period to January 31, 2015 is appropriate and reasonable in the circumstances and the Monitor recommends such extension.

VIII. The Monitor's Fees and Disbursements

54. The Monitor and its counsel have maintained detailed records of their professional fees and disbursements during the course of these proceedings.
55. The Monitor's accounts total \$54,823.50 in fees, \$1,831.82 in disbursements plus HST of \$7,365.19 for a total amount of \$64,020.51 from July 28, 2014 to September 30, 2014 (the "**Monitor's Accounts**"). A copy of the Monitor's Accounts, together with a summary of the accounts, the total billable hours charged per account, and the average hourly rate charged per account, is set out in the Affidavit of Daniel Weisz sworn October 16, 2014 that is attached hereto as Appendix "H".

56. The accounts of the Monitor's counsel, Torkin Manes LLP, total \$17,000.00 in fees, \$414.10 in disbursements and \$2,261.75 in HST for a total of \$19,675.85 (the "Torkin Accounts") for the period ending September 30, 2014. A copy of the Torkin Accounts, together with a summary of the personnel, hours and hourly rates described in the Torkin Accounts, supported by the Affidavit of Stewart Thom sworn October 14, 2014 is attached hereto as Appendix "I".

IX. Requests of the Court

57. The Monitor requests that the Court grant an Order approving:
- a. the Second Report and the Third Report and the Monitor's activities described therein;
 - b. the fees and disbursements of the Monitor and its counsel to September 30, 2014; and
 - c. sealing the expression of interest received from the Second Liquidator until further order of this Court.

All of which is respectfully submitted to this Court as of this 16th day of October, 2014.

COLLINS BARROW TORONTO LIMITED
in its capacity as the Monitor appointed in
the CCAA proceedings of Martin Ross Group Inc.,
and not in its personal capacity



Per: Daniel R. Weisz, CPA, CA, CIRP
Senior Vice President

APPENDIX C

Court File No. CV-14-10655-00CL

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED***

**AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF MARTIN ROSS GROUP INC.**

**FOURTH REPORT OF THE MONITOR
COLLINS BARROW TORONTO LIMITED**

November 28, 2014

COLLINS BARROW TORONTO LIMITED
11 King St. W., Suite 700
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E SERVICE LIST

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APPENDICES

Appendix "A"	Initial Order of The Honourable Mr. Justice Penny, dated August 7, 2014
Appendix "B"	Third Report (without appendices) of the Monitor, Collins Barrow Toronto Limited, dated October 16, 2014
Appendix "C"	Monitor's Account

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
*R.S.C. 1985, c. C-36, AS AMENDED***

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MARTIN ROSS GROUP INC.**

**FOURTH REPORT OF THE MONITOR
November 28, 2014**

I. Introduction

1. This is the fourth report (the "**Fourth Report**") prepared by Collins Barrow Toronto Limited (the "**Monitor**"), in its capacity as the Monitor of Martin Ross Group Inc. ("**MRG**" or the "**Company**") appointed pursuant to section 11.7 of the *Companies' Creditors Arrangement Act* by an Order of Mr. Justice Penny dated August 7, 2014 (the "**Initial Order**"). The Initial Order stayed all proceedings against the Company until September 6, 2014 (the "**Stay Period**"). A copy of the Initial Order is attached hereto as Appendix "**A**". The Stay Period was subsequently extended by further Orders of the Court, and the Stay Period expires on January 31, 2015.
2. The Initial Order, Monitor's reports and other documents filed in these proceedings have been posted on the Monitor's website at www.collinsbarrow.com/en/toronto-ontario/martin-ross-group. The Monitor will continue to post to its website documents in accordance with the E-service Protocol for the Commercial List in the Toronto region.
3. Capitalized terms not otherwise defined in the Fourth Report are as defined in the Initial Order, and in the first three reports of the Monitor.

II. Purpose of Report

4. The purpose of this Fourth Report is to:

- i) provide the Court with an update on the Company's liquidation process (the "**Liquidation Process**"), which was approved by the Court on October 17, 2014, including:
 - a) the retail inventory liquidation (the "**Retail Inventory Liquidation Process**");
 - b) the loose diamond inventory liquidation (the "**Loose Diamonds Liquidation Process**");
 - c) the liquidation of the Company's gold and other precious metals; and
 - d) the liquidation of MRG's remaining assets, which exclude those assets subject to a liquidation services agreement (the "**Liquidation Services Agreement**") with Silverman Chapman & Reese Consulting Ltd. ("**SCR**"), the Loose Diamonds Liquidation Process, the liquidation of gold and other precious metals, and its accounts receivable;
- ii) provide the Court with a recommendation regarding the Company's motion for an Order that, upon completion of the sale of certain assets pursuant to an agreement between the Company and First Jewelry Limited ("**FJL**") (the "**FJL Transaction**"), vests all of the Company's right, title and interest in and to certain surplus inventory free and clear of any and all encumbrances, in FJL;
- iii) provide the Court with a recommendation in respect of the Company's motion for an Order that, upon completion of the sale of certain assets pursuant to an agreement between the Company and Corona Jewellery

Company Ltd. ("**Corona**") (the "**Corona Transaction**"), vests all of the Company's right, title and interest in and to those assets, free and clear of any and all encumbrances, in Corona;

- iv) provide the Court with certain information regarding the results of the Company's operations to November 15, 2014 compared to amounts projected by the Company; and
- v) provide information on the Monitor's activities since the Monitor's report dated October 16, 2014 (the "**Third Report**") and to seek an Order approving the Monitor's activities and Monitor Invoice # 3.

III. Terms of Reference

- 5. In preparing this Fourth Report and making the comments herein, the Monitor has relied upon unaudited financial information prepared or provided by the Company, discussions with management of the Company, the Company's counsel and information from other third-party sources (collectively, the "**Information**"). As the Information included in this Fourth Report has been provided by the Company or other parties, the Monitor has relied on the Information and, to the extent possible, reviewed the Information for reasonableness. However, the Monitor 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 and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.
- 6. All references to dollars are in Canadian currency unless otherwise noted.

IV. Inventory Liquidation Process

- 7. The Company proposed the Liquidation Process, details of which were set out in the Third Report. A copy of the Third Report is attached hereto, without appendices, as Appendix "**B**". MRG's Liquidation Process included the Retail

Inventory Liquidation Process, which included executing the Liquidation Services Agreement with SCR that provided for the retail liquidation of a significant portion of the Company's finished goods inventory, the Loose Diamonds Liquidation Process, the liquidation of gold and other precious metals and the liquidation of the Company's remaining assets which exclude accounts receivable and those assets subject to the liquidation processes mentioned above (the "**Remaining Assets**"). As previously stated, the Liquidation Process was approved by the Court on October 17, 2014 pursuant to an Order issued that day (the "**Liquidation Process Order**"). A copy of the Liquidation Process Order is attached to the affidavit of Cameron Gillies, sworn November 25, 2014 (the "**Gillies Affidavit**"), which affidavit is included in the Company's motion materials.

Retail Inventory Liquidation Process

8. As set out in the Gillies Affidavit, SCR and MRG are currently conducting a retail liquidation sale of the majority of MRG's finished goods inventory from MRG's premises. The retail liquidation sale commenced on October 23, 2014 and is contemplated to continue until December 24, 2014. The Monitor has periodically attended at MRG's premises to observe the retail sale and is of the view that the retail inventory liquidation sale is being carried out reasonably and in accordance with the Liquidation Services Agreement.
9. Based on information provided to the Monitor, the retail sales to date are materially below the Company's projections. The Monitor has met with the Company and the liquidator, who have advised the Monitor of the following:
 - a) the Company will increase its advertising spending for the sale in an effort to increase the number of people who attend at the sale;
 - b) a portion of the negative variance in sales may be due to timing issues, which may be reversed in part during the month of December 2014 when sales are expected to increase; and

-
- c) the retail method of disposition of the finished goods inventory remains the best way to maximize realizations for the benefit of the Company's creditors.
10. Based on the forgoing, the Monitor is of the view that notwithstanding the results to date, the retail sale should continue since the selling prices for the inventory are expected to be maximized. The Monitor will, in a future report, provide the Court with additional information on the retail sale, including the final results of the retail sale.

Loose Diamonds Liquidation Process

11. As described in the Gillies Affidavit, the Company permitted interested diamond dealers to attend MRG's premises between November 3, 2014 and November 21, 2014 to inspect the loose diamonds available for purchase, in accordance with the Loose Diamonds Liquidation Process. The Company contacted approximately 70 potential purchasers of loose diamonds, 16 of which attended at MRG's premises and inspected the loose diamonds available for purchase. The inspections of the loose diamond inventory by interested parties were conducted in a controlled room having glass walls and under the surveillance of a security camera. The Monitor was present for many of the loose diamond inventory inspections.
12. Offers under the Loose Diamonds Liquidation Process were to be received by the Monitor on or before November 24, 2014, 12:00 pm Eastern Daylight Time (the "**Offer Deadline**"), together with an amount equal to 10% of the aggregate bid price. The Company, as permitted by the Liquidation Process Order, subsequently extended the Offer Deadline to November 25, 2014 at 5:00 pm. The offers were opened by the Monitor, in the presence of the Company on November 25, 2014 after 5:00 pm. As provided for in the Liquidation Process Order, beginning December 8, 2014, the Company will notify those persons whose bids have been accepted and make arrangements to complete the respective transaction(s).

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13. The Monitor will, in a future report, provide the Court with additional information on the Loose Diamonds Liquidation Process, including the results of that process.

Liquidation of Gold and Other Precious Metals

14. The Company has delivered a quantity of gold and other precious metals inventory to a refinery for sale. The refinery has completed the refining process for a portion of the precious metals delivered and on November 17, 2014, MRG received approximately \$318,000, net of expenses, in respect of this inventory. The Monitor obtained supporting documentation for the proceeds and verified they were deposited to the Company's bank account. Based on the Gillies Affidavit, the refinery was expected to complete the refining process on or about November 25, 2014, at which time, MRG expected to receive payment for the value of the remaining portion of the precious metals delivered. The Monitor confirmed that on November 27, 2014 the Company received from the refinery approximately \$152,000 in respect of this inventory and obtained supporting documentation therefor.
15. MRG also has additional quantities of gold and precious metals that will be sold to the refinery at a later date. The Monitor understands the source of this additional gold and precious metals are debris kept in the refinery, gold kept on hand to facilitate repairs of finished goods inventory and any surplus finished goods inventory not sold in the retail liquidation.

Liquidation of Remaining Assets

16. The Company has engaged in negotiations with potential purchasers for some of the Remaining Assets, resulting in the FJL Transaction and Corona Transaction, details for which are set out below.

V. FJL Transaction

17. The Company is seeking approval for the FJL Transaction that provides for the purchase and sale of certain of the Company's "Persona" and "My First Diamond" branded inventory (the "**FJL Assets**").
18. The Gillies Affidavit sets out that the selling price of FJL Assets that were to be sold to FJL exceeds \$100,000, representing the threshold limit for an individual sale before an Order of the Court was required. However, in view of the Company not being able to obtain a Court date before December 2, 2014, and FJL's requirement that a significant portion of the inventory be provided to it prior to that date in order for the inventory to be available to FJL for sale as soon as possible in light of the holiday season, the sale was structured into two smaller and separate transactions. The Company is presently seeking approval for the second transaction relating to the sale of the FJL Assets which is for sales proceeds that are less than \$100,000 (the "**FJL Transaction**"), since the total selling price of the inventory being purchased by FJL exceeds \$100,000.
19. The price per unit of the FJL Assets contained in the agreement with FJL is greater than the value ascribed to them by the liquidator. The Monitor understands that evidence of this will be provided to the Court by the Company. In addition, as set out in the Gillies Affidavit, FJL Assets are products in respect of which FJL has exclusive distribution rights, such that it is not possible for MRG to sell the FJL Assets to another wholesaler.
20. On November 26, 2014, the Monitor met with the Company's counsel to discuss the terms of the FJL Transaction. Based on information provided to the Monitor at that meeting, which the Monitor understands is included in the materials being sought to be sealed by the Company, the Monitor considers the FJL Transaction to be reasonable.
21. The Monitor was advised late in the afternoon of November 26, 2014, that the first transaction with FJL was completed and that payment was provided to the

Company in accordance with the terms of the agreement between FJL and the Company.

VI. Corona Transaction

22. The Company is seeking approval for the Corona Transaction contemplated in an agreement dated November 20, 2014 (the "**Corona Agreement**") for the purchase and sale of certain assets described as the Libman Collection (the "**Libman Assets**"). The Libman Assets include models and molds, marketing materials, display booths, samples and various intellectual property associated with the Libman jewellery collection, as more particularly set out in the Corona Agreement.
23. MRG received two offers in respect of the Libman Assets, one of which was from Corona. Copies of both offers were provided to the Monitor by the Company. As set out in the Gillies Affidavit, the Corona Transaction is preferred by MRG for the following reasons:
- a) The consideration offered by Corona is greater than the consideration offered by BHJ;
 - b) Corona provided a 50% deposit as part of its' offer, whereas BHJ provided only a 13% deposit;
 - c) The BHJ offer is conditional on BHJ having an opportunity to inspect the Libman Assets whereas the Corona offer is not subject to any prior inspection.
24. The Monitor also notes that as set out in the Third Report, the assets of the Libman Division comprised one of the parcels of assets that were included in the sales process that took place earlier in these proceedings. As previously reported to the Court, no material offers were received for those assets.
25. Based on the above, the Monitor considers the Corona Transaction to be reasonable.

VII. MRG's Actual Results

26. As described earlier in this report, the proceeds from the liquidation sale are materially lower than the amounts that were included in the Company's projected cash flow statement that was filed with the Court. As a result, the Company's actual cash position as at November 15, 2014, representing the last date for which actual results versus projected results were provided to the Monitor, is materially below the amount projected.
27. Notwithstanding this variance, the Monitor is of the view that the CCAA proceedings should continue for the following reasons:
- a) the retail method of disposition of the finished goods inventory remains the best way to maximize realizations for the benefit of the Company's creditors;
 - b) the Company is in the process of completing the loose diamonds liquidation process which could result in higher proceeds to the Company than would be achieved in a receivership or bankruptcy scenario; and
 - c) the Monitor has been advised by the Company's primary secured lenders that they support the continuation of the CCAA proceedings.

VIII. The Monitor's Fees and Disbursements

28. The Monitor has maintained detailed records of its professional fees and disbursements during the course of these proceedings.
29. The Monitor's accounts for the period ending September 30, 2014 have been approved by the Court. For the period October 1, 2014 to October 31, 2014, the Monitor's account totals \$45,180.64, consisting of \$39,935.00 in fees, \$47.87 in disbursements plus HST of \$5,197.77 (the "**Monitor's Account**"). A copy of the Monitor's Account, together with a summary of the account, the total billable hours charged per the account, and the average hourly rate charged per the

account, is set out in the Affidavit of Daniel Weisz sworn November 28, 2014 that is attached hereto as Appendix "C".

IX. Recommendation and Request of the Court

30. For the reasons set out herein, the Monitor is of the view that the FJL Transaction and the Corona Transaction are reasonable and the Monitor recommends the approval of those transactions by the Court.
31. The Monitor requests that the Court grant an Order that approves:
- a) the Fourth Report and the Monitor's activities described herein; and
 - b) the fees and disbursements of the Monitor to October 31, 2014.

All of which is respectfully submitted to this Court as of this 28th day of November, 2014.

COLLINS BARROW TORONTO LIMITED
in its capacity as the Monitor appointed in
the CCAA proceedings of Martin Ross Group Inc.,
and not in its personal capacity



Per: Daniel R. Weisz, CPA, CA, CIRP
Senior Vice President

APPENDIX D



LOOPSTRA NIXON LLP

BARRISTERS AND SOLICITORS

January 9, 2015

VIA EMAIL (dweisz@collinsbarrow.com)

COLLINS BARROW TORONTO LIMITED

Collins Barrow Place
11 King Street West
Suite 700, PO Box 27
Toronto, ON
M5H 4C7

Attention: Daniel Weisz

Dear Mr. Weisz:

RE: *Review of security granted to RP Holdings Inc. ("RP") by Martin Ross Group Inc. (the "Company")*

At your request, we have reviewed the security granted to RP by the Company in connection with a loan by RP to the Company that we understand to be made pursuant to a demand promissory note dated June 2, 2010 (the "Note"). Per your request, we have undertaken our review with a view to forming an opinion as to the enforceability of such security. Our review was limited to enforceability as against personal property situated in the Province of Ontario.

The security interest granted to RP consists of a general security interest in personal property granted by way of a general security agreement executed by the Company on June 2, 2010 (the "GSA"). We have been provided with, and reviewed, a photocopy of the GSA. Pursuant to the GSA, as continuing security for the payment of all past, present and future indebtedness, and for the payment and performance of all other present and future obligations of the Company to RP, whether direct or indirect, contingent or absolute, mature or unmatured, the Company grants to RP a security interest in the existing and future undertaking, property and assets of the Company and in all goods, chattel paper, instruments, intangibles and securities owned or subsequently owned or acquired by the Company or on behalf of the Company, and in all proceeds and renewals thereof, accretions thereto and substitutions therefor.

We assume that the GSA has been signed by the appropriate persons, within the scope of the authority of such persons, and represents a valid and subsisting obligation of the Company to RP.

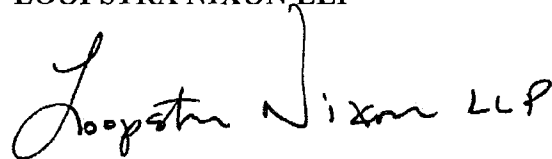
We have obtained and reviewed a *Personal Property Security Act* (Ontario) (the "PPSA") certificate in respect of the debtor, with a file currency date of January 7, 2014. Such certificate indicates that RP registered a notice of security in respect of the Company on May 21, 2010 under registration number 201,00521 0918 1590 3327 against the collateral classifications Inventory, Equipment, Accounts, Other and Motor Vehicle Included.

We assume that information contained in the PPSA search certificate is correct, accurate and complete, and that the loan amount reflected in the Note was advanced by RP to the Company such that the Company acquired value from RP, such that the security interest attached and is perfected under prevailing laws.

Accordingly, subject to the assumptions and qualifications above and those set out in the attached security review memorandum, it is our opinion that the security interest granted in the GSA by the Company to RP, as concerns personal property situated in Ontario, is valid and enforceable as against a trustee in bankruptcy of the Company as of the date hereof.

Yours very truly,

LOOPSTRA NIXON LLP

A handwritten signature in black ink that reads "Loopstra Nixon LLP". The signature is written in a cursive, flowing style.

Encl.



LOOPSTRA NIXON LLP
BARRISTERS AND SOLICITORS

MEMORANDUM

To: Daniel Weisz
Collins Barrow Toronto Limited

Date: January 9, 2015

From: Loopstra Nixon LLP

Client: Collins Barrow Toronto Limited

Matter: CCAA of Martin Ross Group Inc. (Security Review)

**RE: REVIEW OF SECURITY OF
RP HOLDINGS INC.**

The following is the report on our review of the security granted to RP Holdings Inc. ("RP") by Martin Ross Group Inc. (the "Company").

SCOPE OF REVIEW

This report is limited to the laws of Ontario and the laws of Canada applicable therein. The matters reported on in this memorandum relate only to property and assets situated in the Province of Ontario. Save as expressly stated in this report, we offer no views on priority of security and this report is subject to the assumptions and qualifications expressed herein and in Appendix "A" hereto.

This report is provided solely for the benefit of Collins Barrow Toronto Limited, in its capacity as court-appointed monitor of the Company, and may not be used or relied upon by any other person or for any other purpose without our prior express written consent.

CONCLUSION

Based on our review, we have concluded that the security interest granted to RP discussed herein is valid and enforceable as against a trustee in bankruptcy in Ontario as of the date of this review, subject to the assumptions and qualifications expressed herein and in Appendix "A" attached hereto.

OUR REPORT

For the purposes of this memorandum, we have reviewed the following security document (the "Security Document"):

- (a) a photocopy of a general security agreement executed by the Company in favour of RP on June 2, 2010 (the "GSA").

For the purposes of this memorandum, we have also reviewed the following documents (the "Documents"):

- (a) a photocopy of resolutions of the sole director of the Company dated June 2, 2010;
- (b) a photocopy of a demand promissory note in the principal amount of \$3,400,000 dated June 2, 2010, executed by the Company in favour of RP (the "Note"); and
- (c) a photocopy of a subordination agreement in favour of RP dated June 2, 2010, executed by Sherfam Inc. and acknowledged by the Company (the "Subordination Agreement").

SEARCHES

Corporate Matters

A corporate profile report, obtained from the Ontario Ministry of Government Services on January 7, 2015, indicates that the Company was formed out of the amalgamation of Jaltex Inc. and Artistic Jewellery Inc. under the *Business Corporations Act* (Ontario) (the "OBCA") on January 1, 2006. The profile report indicates that the Company has a single current director: namely, Allen Shechtman (a director since January 1, 2006). The profile report indicates that the Company has two current officers: namely, Allen Shechtman (registered as Secretary and Treasurer since January 1, 2006 and as CEO since January 5, 2011) and Cameron Gillies (registered as President and CEO since January 5, 2011). The registered office address of the Company is stated to be 250 Canarctic Drive, Toronto, ON M3J 2P4.

Security Interests

PPSA Search

A search of the Ontario Personal Property Security Registry for registrations made against the Company pursuant to *Personal Property Security Act* (Ontario) ("PPSA") was conducted and returned with a currency date of January 6, 2015. The PPSA search certificate discloses the registrations against the Company as set out in the table below.

Summary of PPSA Search Certificate

File No.	Registration No.	Secured Party	Collateral Classification(s)	Comments
601160958	20031120 1404 1462 4879	Sherfam Inc.	Inventory, Equipment, Accounts, Other, Motor Vehicle Included	<p>Collateral Description States: "Collateral located at 1001 Petrolia Road, Toronto, ON M3J 2X7"</p> <p>Expires (as renewed): 20 NOV 2018</p> <p>Amendment on 11 JAN 2006 20060111 1000 1462 4660 - AMEND to add name and address of new debtor name</p> <p>Amendment on 01 JAN 2006 20060105 1402 1462 3541 - AMEND debtor name to Martin Ross Group Inc.</p> <p>Amendment on 30 NOV 2006 20061130 1248 1590 6213 - RECORD subordination of this registration to PPSA File No. 630358773</p> <p>Amendment on 20 SEPT 2011 20110920 1532 1590 8312 - AMEND debtor address to 250 Canarctic Drive, Toronto, ON M3J 2P4</p> <p>Amendment on 11 OCT 2011 20111011 1451 1529 9617 - RECORD release of subordination of this registration to PPSA File No. 630358773</p>
661544325	20100521 0918 1590 3327	RP Holdings Inc.	Inventory, Equipment, Accounts, Other, Motor Vehicle Included	<p>Expires: 21 MAY 2020</p> <p>Collateral Description states: "General Security Agreement"</p> <p>Amendment on 22 SEPT 2011 20110922 1029 1590 8418 - AMEND debtor address to 250 Canarctic Drive, Toronto, ON M3J 2P4</p>

File No.	Registration No.	Secured Party	Collateral Classification(s)	Comments
680521464	20120807 1633 1590 5683	HRA Group Holdings Ltd.	Inventory, Equipment, Accounts, Other, Motor Vehicle Included	Expires: 07 AUG 2020 Amendment on 01 AUG 2014 20140801 1701 1862 7811 <ul style="list-style-type: none"> AMEND to record assignment of security to Sherfam Inc.
684687951	20130213 1111 1590 5532	Sherfam Inc.	Inventory, Equipment, Accounts, Other, Motor Vehicle Included	Expires: 13 FEB 2018
689577588	20130819 1428 8077 3275	Dell Financial Service Canada Limited	Equipment, Other	Expires: 19 AUG 2016 Collateral Description States: "All DELL and non DELL computer equipment and peripherals wherever located heretofore or hereafter leased to debtor by secured part pursuant to an equipment lease together with all substitutions, additions, accessions and replacements thereto [...]"
698150214	20140718 1514 1590 6819	Sherfam Inc.	Inventory, Equipment, Accounts, Other, Motor Vehicle Included	Expires: 18 JUL 2019 Collateral Description States: "Re-perfection of security interest previously registered as file no. 601160958" Amendment on 01 AUG 2014 20140801 1057 1590 7626 - AMEND name of debtor
69861942	20140815 1428 1862 8634	Umicore Precious Metals NJ, LLC	Inventory, Other	Expires: 15 AUG 2019

Note re: Registrations against "Motor Vehicle Included"

With respect to the "Motor Vehicle Included" collateral classification in the PPSA registration in favour of RP above, there are no motor vehicles listed in lines 11 or 12 of the respective financing statement. Section 28(5) of the PPSA provides that where a motor vehicle is sold, other than in the ordinary course of a business, a buyer will take it free from any security interest given by the seller, even though such security interest is perfected by registration, unless the vehicle identification number of the motor vehicle is set out in the designated place

on the registered financing statement or financing change statement or unless the buyer knew that the sale constituted a breach of the security agreement. Accordingly, any security interest in any motor vehicle owned by the debtor, for which such security interest is not properly registered pursuant to the PPSA (i.e., with vehicle identification numbers), will be subject to the rights of an ordinary course purchaser (if any) of such vehicle.

Bank Act Searches

A search certificate issued by the Authorized Section 427 Bank Act Registrar in respect of the Company, dated January 7, 2015, indicates that no "Notice of Intention to Give Security" under section 427 of the *Bank Act* (Canada) has been filed in respect of the Company.

Real Property Searches

The GSA makes no reference to the grant of a security interest in any real property. Accordingly, we have not conducted searches against any real property — whether under the "Land Titles" or "Registry" systems — in Ontario or elsewhere.

Insolvency Search

A search of the records of the Superintendent of Bankruptcy with Industry Canada, dated January 7, 2015, disclose no filings in respect of the Company on record with the Superintendent of Bankruptcy between 1978 and January 5, 2005. The Company is, however, subject to proceedings under the *Companies' Creditors Arrangement Act* that commenced on August 7, 2014.

Other Searches

Execution Searches

We have not conducted execution searches in respect of the Company, but can undertake to do so if requested.

Litigation Searches

We have not conducted litigation searches in respect of the Company, but can undertake to do so if requested.

CORPORATE AUTHORITY

We have been provided with a photocopy of the resolutions of the sole director of the Company, dated June 2, 2010, pursuant to which (a) the Company is authorized to borrow from RP under the Note and (b) the sole officer and director of the company is authorized execute and deliver the Note and the GSA on behalf of the Company. The resolutions appear to be signed by Allen Shechtman in his capacity as President of the Company.

The Indoor Management Rule

In the event that any signatory to the Documents or the Security Document did not have actual authority to execute such documents, Section 19(d) of the OBCA provides that a corporation, or a guarantor of an obligation of a corporation, may not assert against a person dealing with the corporation or against a person who acquired rights from the corporation that a person held out by a corporation as a director, an officer or an agent of the corporation has not been duly appointed or has no authority to exercise the powers and perform the duties that are customary in the business of the corporation or usual for a director, officer or agent (the "Indoor Management Rule"). This rule will apply except where the counterparty has or ought to have, by virtue of the signatory's position with or relationship to the corporation, knowledge to that effect. We know of no facts that would disentitle RP from relying (as necessary) on the Indoor Management Rule.

SECURITY DOCUMENTS AND DOCUMENTS

Security Document

1. GSA

The GSA appears to be executed on June 2, 2010 on behalf of the Company by Allen Shechtman (as President of the Company) and on behalf of RP by Peter Craig (as President of RP).

Pursuant to GSA, as continuing security for the payment of all past, present and future indebtedness and for the payment and performance of all other present and future obligations of the Company to RP, whether direct or indirect, contingent or absolute, mature or unmatured, the Company grants, mortgages, charges, transfers, assigns, creates to and in favour of RP, as and by way of, a fixed and specific charge and as and by way of a floating charge, a security interest in the existing and future undertaking, property and assets of the Company in all goods, chattel paper, instruments, intangibles and securities owned or subsequently owned or acquired by the Company or on behalf of the Company, and in all proceeds and renewals thereof, accretions thereto and substitutions therefor.

Documents

1. Resolutions of the Sole Director of the Company

The resolutions of the sole director of the Company are discussed under the heading "Corporate Authority" above.

2. Note

The Note appears to be executed on June 2, 2010 on behalf of the Company by Allen Shechtman (as President of the Company).

Pursuant to the Note, *inter alia*, the Company acknowledges that it is indebted to, and promises to pay, RP the principal amount of \$3,400,000 on an interest free basis. The Note provides that RP

may demand payment of the principal amount on two (2) days written notice to the Company. The Note also provides that the limitation periods under the *Limitations Act, 2002* (Ontario) shall not apply to the Note other than the ultimate fifteen (15) years limitation period contained in such legislation.

3. Subordination Agreement

The Subordination Agreement is dated June 2, 2010, and appears to be executed on behalf of the Sherfam Inc. by "M Florence" (in his or her capacity as President of Sherfam Inc.) and acknowledged on behalf of the Company by Allen Shechtman (in his capacity as President of the Company).

Pursuant to the Subordination Agreement, Sherfam Inc. acknowledges and agrees that, *inter alia*:

- (a) any and all security interests of Sherfam Inc. are postponed and subordinated in all respects to the security interest granted by the Company to RP;
- (b) all monies received by Sherfam Inc. in respect of its security shall be received and held in trust for, and unless prior written authorization from RP to the contrary will have been obtained by Sherfam Inc., will be paid over to RP upon demand from RP;
- (c) the priorities, subordinations and postponements set out in the Subordination Agreement shall apply in all events regardless of date of execution, attachment, registration or perfection any security interests, the date of advance or advances, the date of any default by the Company, the date of the crystallization of any floating charge, the taking of enforcement proceedings and any priority granted by any principal of law or any statute (including the PPSA); and
- (d) the proceeds and insurance proceeds of any collateral will be dealt with in such a way so as to give effect to the postponement and subordination of Sherfam Inc.'s security interest.

APPENDIX "A"

GENERAL ASSUMPTIONS AND QUALIFICATIONS

Assumptions

For the purposes of the views expressed in the attached reporting memorandum, we have made the following assumptions:

- (a) all signatures, including, without limitation, any electronic or digital signatures, are genuine, all documents submitted to us as originals are authentic, and all documents submitted to us as copies conform to authentic original documents;
- (b) that each of the documents provided to us was executed on the day appearing on each document as the date of the document or the date of execution;
- (c) the full legal capacity of those individuals signing the Documents and the Security Document at all relevant times;
- (d) the due incorporation and existence of the Company and the Company's power to enter into each of the documents executed by it;
- (e) the due authorization, execution and delivery by the Company of each of the documents executed by such party;
- (f) the documents and any amendments thereto that we have reviewed have not been otherwise amended or supplemented since execution;
- (g) other than as disclosed and discussed, no further registrations by RP were required to maintain its perfected security interest in the Security Document under the PPSA as, for example, would be required in the case of a transfer of the collateral or a change of name of the debtor;
- (h) that the security interests granted by the Security Document have attached;
- (i) the conduct of the parties to the documents has complied with any requirement of good faith, fair dealing and conscionability;
- (j) there are no agreements or understandings between the parties, written or oral, and there is no usage of trade or course of prior dealing between the parties that would, in either case, define, supplement or qualify the terms of the documents;
- (k) the accuracy and completeness of the records maintained by any office of public record;
- (l) that the funds purported to be secured by the Security Document have been advanced to the appropriate parties following or, as the case may be, in advance of the granting of the Security Document and remain outstanding; and

(m) there are no facts that would disentitle RP from relying on the Indoor Management Rule (if necessary).

Qualifications

The views expressed in the attached reporting memorandum are subject to the following qualifications:

- (a) the enforceability of the Security Document may be limited by general principles of equity, and no opinion is given as to any specific remedy that may be granted, imposed or rendered (including equitable remedies such as specific performance and injunction);
- (b) without limiting the foregoing:
 - i. the rights of RP to exercise any unilateral and unfettered discretion set forth in the Security Document will not prevent a Court from requiring such discretion to be exercised reasonably;
 - ii. a certificate, determination, notification or opinion of RP as to any matter provided for in the Security Document may be held by a Court not to be conclusive if it can be shown to have been an unreasonable or arbitrary basis or in the event of a manifest error;
- (c) no opinion is expressed as to title or the beneficial interest of any person in any property;
- (d) no opinion is expressed regarding any security interests or registered or unregistered third-party claims which may rank in priority to the security interests claimed by RP;
- (e) no opinion is expressed regarding the priority of the security interests discussed herein or their relative priority as between RP and any other creditor of the Company; and
- (f) the enforcement of the Security Document and any other documents held by RP, or any judgment arising out of or in connection therewith may be limited by bankruptcy, insolvency, winding-up, reorganization, limitation of action, moratorium, fraudulent conveyance, assignments and preferences, or other laws affecting creditors' rights generally.

APPENDIX E

Torkin Manes LLP
Barristers & Solicitors
151 Yonge Street, Suite 1500
Toronto, Ontario M5C 2W7

Tel: 416-863-1188
Fax: 416-863-0305
www.torkinmanes.com



Torkin|Manes
Barristers & Solicitors

January 8, 2015

Collins Barrow Toronto Limited
11 King St. W., Suite 700
Box 27
Toronto, ON M5H 4C7

Attention: Mr. Daniel Weisz

Dear Sirs/Mesdames:

Re: MARTIN ROSS GROUP INC.

You have requested that we review and provide you with our opinion as to the validity and enforceability against a Court-appointed Receiver or a Trustee in Bankruptcy (the “**Trustee**”) of a security interest granted by Martin Ross Group Inc. (the “**Debtor**”) in favour of HRA Group Holdings Limited, which was subsequently assigned to Sherfam Inc. (the “**Creditor**”).

In forming the opinions expressed below, we have examined a photocopy of a general security agreement dated August, 2012.

We have also reviewed a *Personal Property Security Act* (Ontario) (“PPSA”) certificate with respect to the Debtor with a file currency date of August 18, 2014.

Our opinions with respect to the matters referred to below are subject to the following qualifications:

1. We have assumed that all documents were executed on the date indicated therein;
2. We have assumed the genuineness of all signatures and legal capacity of the Debtor and the conformity to the original documents of all documents submitted to us as photocopies or telefaxed copies;
3. We have assumed the accuracy and currency of the indices and filing systems maintained at the public offices where we have searched or inquired or have caused such searches or inquiries to be conducted;

4. We have assumed that the Debtor has no legal defences against the Creditor for, without limitation, absence of legal capacity, fraud by or to the knowledge of the Creditors, misrepresentation, undue influence or duress;
5. We have assumed that all security documents were delivered by the Debtor as security for the obligations of the Debtor; and
6. We have assumed that monies were in fact advanced, or value was given by the Creditor to the Debtor and that monies are in fact owing by the Debtor to the Creditor with respect to the obligations of the Debtor as of the date hereof;
7. We express no opinion as to:
 - (a) title of the Debtor to any of the collateral whatsoever;
 - (b) the enforcement of the security by the Creditor or any judgment arising out of or in connection therewith, and the priority of any rights thereunder, may be limited by any applicable bankruptcy, insolvency, moratorium or other laws of general application affecting the Creditor's rights from time to time in effect and is subject to general principles of equity including the equitable or statutory powers of the courts of Ontario and Canada to stay proceedings, stay the execution of judgment and grant relief against forfeiture; and
 - (c) the priority of the Creditor's interest vis-à-vis other creditors of the Debtor.
8. We are qualified to render opinions in this regard only as to the laws in force in the Province of Ontario and the applicable federal laws of Canada as currently applied and in force in Ontario and accordingly we render no opinion with respect to any security delivered by the Debtor or which has been registered in provinces other than Ontario;
9. We have assumed that the security interests created by the Security has, to the extent that a financing statement has been registered under the PPSA with respect to it, attached in accordance with the provisions of the PPSA in connection therewith and we are also assuming that the description of the collateral secured is sufficient to enable it to be identified within the meaning of subsection 11(1)(a) of the PPSA and that, neither the Debtor nor any other Creditor has agreed to postpone the time for attachment; and
10. This opinion is confined to statements of fact or matters set forth herein as existing as at the date of this opinion.

Based upon and subject to the foregoing, we are of the opinion that:

- (a) Notice of the Security was validly registered under the PPSA. A search against the Debtor revealed that the Creditor has properly registered notice of its security interest and file number 680521464 was assigned thereto; and

- (b) Based upon the above, the Security has been validly perfected under the PPSA and constitutes a valid and binding obligation of the Debtor in favour of the Creditor and is enforceable by the Creditor in accordance with its terms against a Trustee.

The opinions expressed herein are provided solely for the benefit of the party to whom it is delivered and may not be relied upon or used by any other person for any reason whatsoever.

Yours truly,

Torkin Manes LLP

Torkin Manes LLP

APPENDIX F



January 12, 2015

Mr. Morris Robinson
Martin Ross Group Inc.
250 Canarctic Drive
Downsview, ON
M3J 2P4

Re: Amounts owing to Sherfam Inc. secured by PPSA registration

Dear Morris,

We hereby confirm that following amounts owed to Sherfam Inc. ("Sherfam") as at January 12, 2015, are secured by a PPSA registration over all of the assets of Martin Ross Group ("MRG):

\$ 2,303,643.00 USD & \$2,783.48 CAD.

It is important to note that Sherfam is owed additional funds which are not secured.

Sincerely,



Alex Glasenberg
Chief Financial Officer

MRG's INDEBTEDNESS TO HRA

JULY 31 2014

	C\$ 1.0833	HRA US\$
HRA's A/R - due by MRG		1,953,757.30
CR Royalty due June 30 2014	258,466.50	238,591.80
Less:		
Return July 22, 2014:ref NCM 140722HRA		-12,742.17
Libman's A/R - due by HRA		-184,702.24
Libman's A/R - due by HRA	-14,110.47	-13,025.45
MDJ's A/R due by HRA (inv S1036175 less rtn)	-12,813.10	-11,827.84
HRA's agreed share of CR marketing expenses	-37,580.11	-34,690.40
HRA's agreed share of J.Lockwood's expenses (UK rep)	-52,394.37	-48,365.52
		<u><u>1,886,995.48</u></u>

E/MRG/HRA-MRG INDEBTEDNESS JUL 31 2014

APPENDIX G

RP HOLDINGS INC.
151 Yonge Street, Suite 1500
Toronto, ON M5C 2W7

January 12, 2015

Mr. Morris Robinson
Martin Ross Group Inc.
250 Canarctic Drive
Downsview, ON
M3J 2P4

Re: Amounts owing to RP Holdings Inc. secured by a GSA and PPSA registration

Dear Morris,

We hereby confirm that Martin Ross Group's ("MRG") total indebtedness to RP Holdings Inc. ("RP") as at January 12, 2015 is \$3,400,000.00 CAD. This balance is secured by a GSA and PPSA registration over all of the assets of MRG.

Sincerely,

RP Holdings Inc.

Per: 
Jeffrey Cohen, ASO

APPENDIX H

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MARTIN ROSS GROUP INC.**

**AFFIDAVIT OF DANIEL WEISZ
(Sworn on January 12, 2015)**

I, DANIEL WEISZ, of the City of Vaughan, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am a Senior Vice-President of Collins Barrow Toronto Limited ("**CBTL**"), in its capacity as Court-appointed Monitor (in such capacity, the "**Monitor**"), of all of the assets, undertakings and properties of Martin Ross Group Inc. (the "**Company**") and, as such, I have knowledge of the matters to which I hereinafter depose. Unless I indicate to the contrary, the facts herein are within my personal knowledge and are true. Where I have indicated that I have obtained facts from other sources, I believe those facts to be true.

2. Attached hereto and marked as **Exhibit "A"** are detailed invoices (the "**Invoices**") issued to the Company by CBTL for fees and disbursements incurred by CBTL in connection with the Company's proceedings pursuant to the Companies Creditors Arrangement Act for the period November 1, 2014 and December 31, 2014 (the "**Appointment Period**"). The

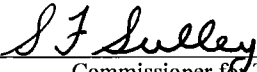
total fees charged by CBTL to the Company during the Appointment Period were \$54,966.50 plus disbursements of \$3,186.02, plus HST of \$7,559.83 totaling \$65,712.35.

3. The Invoices are a fair and accurate description of the services provided and the amounts charged by CBTL.

4. Attached hereto and marked as **Exhibit "B"** is a schedule summarizing the invoices in Exhibit "A" including the total billable hours charged, the total fees charged and the average hourly rate charged.

5. I make this affidavit in support of a motion for an Order approving the Monitor's fees and disbursements and for no other or improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, on January 12, 2015



Commissioner for Taking Affidavits
(or as may be)

}



DANIEL WEISZ

EXHIBIT “A”

Detailed Invoices

Collins Barrow Toronto Limited
 Collins Barrow Place
 11 King Street West
 Suite 700, PO Box 27
 Toronto, Ontario
 M5H 4C7 Canada

To Martin Ross Group Inc.
 250 Canarctic Drive
 Toronto, Ontario
 M3J 2N7

T. 416.480.0160
 F. 416.480.2646

www.collinsbarrow.com

Attention: Mr. Cameron Gillies, President

Date December 9, 2014

Client File 112096
Invoice 4
No. 6500131

GST/HST: 80784 1440 RT 0001

For professional services rendered with respect to the appointment of Collins Barrow Toronto Limited as Court-appointed Monitor pursuant to the Companies' Creditors Arrangement Act ("**CCAA**") proceeding of Martin Ross Group Inc. ("**Martin Ross**" or the "**Company**") for the period November 1, 2014 to November 30, 2014.

Date	Professional	Description
11/03/2014	Dhanani, Arif	Meet with C. Gillies regarding loose diamond inventory appointment and logistics; meet with H. Shanfield regarding inventory organization; reconcile sales reports for October 28 to November 2, 2014 and discuss identified error with C. Gillies; receive corrected sales reports from C. Gillies for October 23-26, 2014; review and adjust monitoring template.
11/04/2014	Dhanani, Arif	Attend at Martin Ross, meet with representatives from White Pine Trading LLC, observe diamond inspection conducted by White Pine Trading; discussions with H. Shanfield and C. Gillies; review documents for AVS Sale Offer, discuss with C. Gillies and send same via email to C. Gillies.
11/04/2014	Corrado, Eric	Review of email from prospective purchaser regarding MRG equipment and email response on same; correspond with A. Dhanani regarding inventory observation appointments for prospective loose diamond purchasers.
11/05/2014	Tannenbaum, Bryan	Prepare email regarding Dewart Gleason LLP letter on employee waivers; review email from A. Dhanani regarding status of the loose diamond visits.
11/05/2014	Corrado, Eric	Discussion with A. Dhanani regarding loose diamond inventory observations and prospective purchasers.
11/06/2014	Corrado, Eric	On site attendance for loose diamond inventory observation.
11/07/2014	Tannenbaum, Bryan	Telephone call from J. Levitt of Bearington Fine Jewelry regarding loose diamond liquidation process including control procedures, etc.; discussion with A. Dhanani as to being present at all loose diamond inspections;
11/07/2014	Weisz, Daniel	Review emails; discussion with A. Dhanani on status of sales process.
11/07/2014	Dhanani, Arif	Meet with D. Weisz and B. Tannenbaum regarding loose diamond inventory attendance; telephone call with H. Shanfield regarding update to appointments booked; email to C. Gillies regarding ensuring Monitor is updated in advance on loose diamond viewing attendances.

Date	Professional	Description
11/10/2014	Weisz, Daniel	Review sales results and discussion with A. Dhanani on same.
11/10/2014	Dhanani, Arif	Attend at Martin Ross; meet with H. Shanfield; meet with Bearington Fine Jewelry; meet with Star Rays, Inc.; discussion with E. Corrado.
11/10/2014	Corrado, Eric	On site attendance for loose diamond inventory observations.
11/11/2014	Dhanani, Arif	Meet with D. Weisz; review original Martin Ross projection for cash, A/R and inventory as at January 2015; review most recent forecast of cash, A/R and inventory balances as at January 2015 and explanations for same; email to C. Gillies regarding retail liquidation sale, results thereof and request for comments.
11/11/2014	Weisz, Daniel	Discussion with A. Dhanani regarding schedule required and review schedule provided; review summary of activities; prepare update email to C. Baxter of RP Holdings; review email from P. Cho of Kronis, Rotsztain, Margles, Cappel LLP enclosing documents regarding pending motion to approve transactions and exchange emails with P. Cho on same.
11/11/2014	Corrado, Eric	On site attendance for loose diamond inventory observations.
11/12/2014	Weisz, Daniel	Update email to C. Baxter and send; review email from C. Baxter and reply thereto, telephone call with M. Robinson.
11/12/2014	Dhanani, Arif	Review sales report for November 11, 2014 and email to C. Gillies regarding additional error on report.
11/12/2014	Weisz, Daniel	Telephone call with M. Robinson regarding various matters; discussion with B. Tannenbaum on status.
11/12/2014	Corrado, Eric	On site attendance for loose diamond inventory observations.
11/13/2014	Dhanani, Arif	Review draft Notice of Motion, Order and Monitor's Certificate regarding First Jewelry and Corona transactions and provide D. Weisz with comments thereon; emails to/from H. Shanfield regarding loose diamond inspection appointments for November 17-21; update Monitor's schedule and send same to D. Weisz and E. Corrado.
11/13/2014	Tannenbaum, Bryan	Review email from a party looking to buy Sherfam claim; review summary of activities.
11/13/2014	Weisz, Daniel	Telephone call with a party regarding his enquiry of the CCAA proceeding and the ability to buy creditor(s) claims; review P. Cho email regarding Zales transaction and discussion with F. Sulley of Torkin Manes LLP on same and other matters relating to the CCAA proceedings; discussion with P. Cho regarding Zales transaction.
11/13/2014	Corrado, Eric	Review email from a party regarding purchase of creditor claims and discussion with D. Weisz on same; discussion with A. Dhanani on attendance of inventory observations and sale process.
11/14/2014	Weisz, Daniel	Email to the Company enclosing summary of activities; email to M. Robinson regarding collection of accounts receivable; review retail liquidation tracking summary schedule and discussion with A. Dhanani on same.
11/14/2014	Dhanani, Arif	Review sales report for November 13; email C. Gillies with request for November 12 th report; enter results in liquidation sales summary.
11/14/2014	Corrado, Eric	On site attendance at Martin Ross for loose diamond inventory observation; draft fourth report of the Monitor including introduction and loose diamond liquidation process sections; review email from M. Robinson regarding creditor EBimage's request to be added to creditor listing and review of

Date	Professional	Description
		attached invoices from same; email response to D. Weisz regarding same.
11/17/2014	Tannenbaum, Bryan	Receipt and review of past emails to C. Baxter reporting on the sales process and realizations to date.
11/17/2014	Dhanani, Arif	Review and update summary of sales reports for November 12, 13, 15, 16, 2014; calculation of November 12 YTD totals and email to C. Gillies to advise of error; discussion with D. Weisz.
11/17/2014	Corrado, Eric	Email to M. Robinson regarding creditor invoices and CCAA applicability.
11/18/2014	Corrado, Eric	On site attendance for loose diamond inventory observations, including working on fourth report of the Monitor and telephone discussion with A. Dhanani and D. Weisz regarding same.
11/18/2014	Weisz, Daniel	Discussion with A. Dhanani and E. Corrado on draft report being prepared.
11/19/2014	Dhanani, Arif	Review sales reports for November 8 and 14, 2014; enter sales results in summary and reconcile differences; email to C. Gillies regarding total sales compared to forecast as at November 16, 2014 and discussion with D. Weisz on same; draft email to C. Baxter and send to D. Weisz for comments.
11/19/2014	Corrado, Eric	On site attendance at Martin Ross for loose diamond inventory observation; draft fourth report of the Monitor including sections pertaining to liquidation process.
11/19/2014	Weisz, Daniel	Discussion with A. Dhanani regarding results to date of liquidation; review cash flow projection and discuss with A. Dhanani; email to C. Gillies requesting meeting with the Company and Silverman Chapman and Reese; arrange meeting with the Company; forward draft agreements of purchase and sale to F. Sulley.
11/19/2014	Tannenbaum, Bryan	Telephone call from J. Levitt as prospective purchaser of the loose diamonds; emails with the Company regarding meeting required to review the results to date.
11/20/2014	Weisz, Daniel	Telephone discussions with representatives parties interested in purchasing diamonds regarding method of submitting deposit and telephone call with M. Robinson regarding same; telephone call with P. Resnick regarding same.
11/20/2014	Corrado, Eric	On site attendance at Martin Ross for loose diamond inventory observation; review draft affidavit of C. Gillies and incorporate into fourth report of the Monitor.
11/21/2014	Weisz, Daniel	Review emails; telephone call with F. Sulley regarding offers received for assets and proposed application to Court; discussion with E. Corrado regarding schedule required; telephone call with M. Robinson regarding the loose diamond sale process and conference call with M. Robinson and a representative of HRA; telephone call with P. Cho regarding sales to First Jewelry and Corona and discussion with F. Sulley on same.
11/21/2014	Corrado, Eric	On site attendance at Martin Ross for loose diamond inventory observations; drafting of fourth report of the Monitor including discussion with A. Dhanani on same; creating offer and inventory observation tracking schedule.
11/21/2014	Dhanani, Arif	Emails to/from H. Shanfield; telephone call with E. Corrado regarding fourth report; discussion with D. Weisz regarding retail sale results.
11/24/2014	Weisz, Daniel	Telephone call with Shimon of Dalumi Israel regarding sales process and

Date	Professional	Description
		<p>matters relating to the submission of an offer; review email from J. Sadowsky enclosing White Pines' offer and reply to same; review offer from While Plains; exchange emails with P. Resnick regarding request to wire transfer deposit funds and discussion with E. Corrado on same; exchange emails with M. Robinson regarding notice with respect to extension of date for offers to be received; arrange for notice to be posted to website; telephone call with Yogesh of SimplexDiam Inc. regarding loose diamonds sale process; telephone conference call with B. Tannenbaum and B. Darlington regarding loose diamonds sale process; emails with M. Robinson regarding change in venue of tomorrow meeting in light of loose diamonds sale process offer opening; email to J. Grauman regarding same.</p>
11/24/2014	Dhanani, Arif	<p>Discussion with E. Corrado regarding Monitor's fourth report; review Company motion materials and draft orders; review loose diamond terms and conditions of sale with E. Corrado; review draft of Monitor's fourth report and make amendments thereto; email to D. Weisz for comments on draft report.</p>
11/24/2014	Corrado, Eric	<p>Draft fourth report of the Monitor including discussion with D. Weisz and A. Dhanani regarding same; forward form of offer and terms and conditions of sale to prospective purchaser; email to M. Robinson regarding supporting documentation for proceeds from sale of precious metals including review of same; correspond with prospective purchasers regarding acceptable methods of providing deposit on loose diamond inventory offers and discussion with D. Weisz regarding same; review email from prospective purchaser regarding bank draft from US bank and email response to same.</p>
11/25/2014	Weisz, Daniel	<p>Review draft affidavit of C. Gillies; begin review of report; discussion with A. Dhanani regarding actual results compared to projections; prepare for and attend meeting to discuss retail liquidation sale with L. Skoworodko and B. McDonald of SCR, A. Shechtman, M. Robinson, C. Gillies, H. Shanfield and B. Tannenbaum; compile offers for loose diamond sale process; reply to emails relating thereto; attend meeting with M. Robinson, A. Shechtman, H. Shanfield, B. Tannenbaum, A. Dhanani and E. Corrado regarding opening of offers for loose diamond sale process; telephone call with F. Sulley; conference call with F. Sulley and M. Abramowitz of KRMC.</p>
11/25/2014	Dhanani, Arif	<p>Review revised affidavit of C. Gillies; amend fourth report of the Monitor and discussion with D. Weisz regarding same; review cash flow projection variance analysis to November 21, 2014 and A/R reconciliation provided by M. Robinson; discussion with D. Weisz and M. Abramowitz regarding potential material adverse change and reporting of same; preparation for and attend meeting with Company to review offers for loose diamond inventory.</p>
11/25/2014	Corrado, Eric	<p>Review of C. Gillies' final affidavit and email to D. Weisz regarding same; review offers from prospective purchasers for loose diamond inventory and discussion with D. Weisz regarding same; post Martin Ross motion for approval of two transactions to website; update fourth report of the Monitor; meeting with Martin Ross to open offers received for loose diamond inventory and updates to offer tracking schedule to reflect same.</p>
11/25/2014	Tannenbaum, Bryan	<p>Attending meeting at Collins Barrow Toronto Limited offices to review status of liquidation sale with L. Skoworodko and B. McDonald of SCR and C. Gilles, M. Robinson and A. Shechtman of Martin Ross with D. Weisz;</p>

Date	Professional	Description
		attend meeting to open offers regarding loose diamonds with A. Shechtman, M. Robinson and H. Shanfield.
11/26/2014	Dhanani, Arif	Review revised notice of motion, affidavit of C. Gillies and other related materials; discussion with D. Weisz regarding First Jewelry agreement; make further amendments to fourth report of the Monitor; review changes made to fourth report by D. Weisz.
11/26/2014	Corrado, Eric	Sort, summarize and copy offers made to date for loose diamonds and email to M. Robinson regarding same; email to prospective purchasers who did not submit offers to confirm an offer would not be submitted; telephone call with prospective purchaser regarding their concerns and other enquiries regarding Martin Ross assets for sale and email to M. Robinson.
11/26/2014	Weisz, Daniel	Discussion with B. Tannenbaum on various matters, meet with M. Abramowitz, P. Cho and F. Sulley to discuss the pending motion to Court and status of the CCAA proceedings; review documents, forward offers received for the loose diamond inventory to the secured creditors; discussion with A. Dhanani regarding status of report; review and update draft report and forward to F. Sulley.
11/27/2014	Corrado, Eric	Prepare fee affidavit for invoice #3 for the period October 1, 2014 to October 31, 2014.
11/27/2014	Weisz, Daniel	Review Company notice of motion and affidavit of C. Gillies; review agreements with First Jewelry; conference call with F. Sulley and A. Dhanani regarding draft report; telephone call with J. Grauman regarding same; telephone call with P. Cho regarding loose diamond liquidation process, update report; circulate report in draft; incorporate comments received; review draft fee affidavit; finalize report.
11/27/2014	Dhanani, Arif	Emails to/from C. Gillies; emails to/from M. Robinson regarding A/R review; review of sales reports for finished goods inventory liquidation for November 18-26 and summary of same; telephone call with F. Sulley and D. Weisz; referencing copy of fourth report and discussion with D. Weisz regarding further amendments.
11/27/2014	Tannenbaum, Bryan	Review of the third report of the Monitor.
11/28/2014	Dhanani, Arif	Make changes to report based on additional information received from M. Robinson regarding refinery proceeds and review supporting documentation for same.
11/28/2014	Weisz, Daniel	Review emails regarding diamond bidding process and information for report; review final changes to report and sign report; leave message for a party regarding his enquiry with respect to the building; attend at Torkin Manes regarding swearing of affidavit and delivering report of the Monitor.
11/29/2014	Tannenbaum, Bryan	Attend at MRG premises to view retail sale and discussions with B. McDonald.
		To all other administrative matters with respect to this engagement, including all meetings, telephone attendances, and written and verbal correspondence to facilitate the foregoing.

Fee Summary

Professional	Level	Hours	Rate	Fees
Bryan A. Tannenbaum, FCPA, FCA, FCIRP	President	5.50	\$ 495	\$ 2,722.50
Daniel R. Weisz, CPA, CA, CIRP	Senior Vice President	22.50	\$ 495	11,137.50
Arif N. Dhanani, CPA, CA, CIRP	Senior Manager	26.20	\$ 350	9,170.00
Eric J. Corrado, CPA, CA	Senior Analyst	63.00	\$ 185	11,655.00
Total hours and professional fees		117.20		\$ 34,685.00
Disbursements				
Mileage			\$ 326.52	
Total disbursements				326.52
Total professional fees and disbursements				\$ 35,011.52
HST @ 13%				4,551.50
Total payable				\$ 39,563.02

PAYMENT BY VISA ACCEPTED

VISA NUMBER _____ Expiry Date _____

Name on Card _____ Amount _____

WIRE PAYMENT DETAILS

For CA\$ Payments: For credit to the account of Collins Barrow Toronto Limited, Account No. 65-84918, Canadian Imperial Bank of Commerce
 Branch No. 00002, Commerce Court Banking Centre, Toronto, ON M5L 1G9

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Collins Barrow Toronto Limited
 Collins Barrow Place
 11 King Street West
 Suite 700, PO Box 27
 Toronto, Ontario
 M5H 4C7 Canada

To Martin Ross Group Inc.
 250 Canarctic Drive
 Toronto, Ontario
 M3J 2N7

T. 416.480.0160
 F. 416.480.2646

www.collinsbarrow.com

Attention: Mr. Morris Robinson

Date December 31, 2014

Client File 112096
Invoice 5
No. 6500140

GST/HST: 80784 1440 RT 0001

For professional services rendered with respect to the appointment of Collins Barrow Toronto Limited as Court-appointed Monitor pursuant to the Companies' Creditors Arrangement Act ("**CCAA**") proceeding of Martin Ross Group Inc. ("**Martin Ross**" or the "**Company**") for the period December 1, 2014 to December 31, 2014.

Date	Professional	Description
12/1/2014	Tannenbaum, Bryan	Receipt and review of emails on the results of the sales from the weekend; telephone call from D. Weisz regarding his meeting at the Company with respect to the sales and sale of loose diamonds.
12/1/2014	Dhanani, Arif	Meet with M. Robinson to review A/R listings and discuss issues therewith, review source documentation/support for A/R; meet with M. Robinson, A. Shechtman, H. Shanfield and D. Weisz regarding loose diamond inventory bids, next steps and other issues.
12/1/2014	Weisz, Daniel	Review emails; discussion with A. Dhanani on meeting at the Company this afternoon; reply to email regarding advertising; prepare for and attend at the Company to discuss loose diamonds liquidation process with M. Robinson, H. Shanfield, A. Dhanani and J. Grauman by telephone; subsequent meeting with A. Dhanani, M. Robinson and A. Shechtman regarding various matters.
12/2/2014	Dhanani, Arif	Review various emails regarding Martin Ross loose diamond offers and subsequent communication; discussion with D. Weisz regarding same; review sales results for November 30, 2014 and summarize same.
12/2/2014	Weisz, Daniel	Discussion with B. Tannenbaum regarding meeting yesterday at the Company; prepare for and attend motion in court for approval of two transactions; conference call with C. Baxter, J. Grauman and B. Tannenbaum on the status of various matters; exchange emails with the Company regarding email being sent to certain bidders pursuant to the loose diamonds liquidation process; review email from M. Robinson regarding inventory disposition.
12/2/2014	Corrado, Eric	Review of court orders and discussion with D. Weisz regarding same; arranging for court orders to be posted to website.

Date	Professional	Description
12/3/2014	Weisz, Daniel	Exchange emails with M. Robinson regarding information required re inventory; discussion with M. Robinson on loose diamonds liquidation process and information requested with respect to finished goods; email to a potential purchaser regarding its offer; exchange emails with a potential purchaser; review emails setting out revised offers from certain offerors, summarize same and forward to the Company; discussion with M. Robinson regarding extension of loose diamonds liquidation process.
12/3/2014	Tannenbaum, Bryan	Review revised loose diamond offers and discuss with D. Weisz.
12/3/2014	Dhanani, Arif	Review various emails from Martin Ross regarding loose diamond liquidation; email to and discussions with D. Weisz in this regard.
12/4/2014	Weisz, Daniel	Review emails regarding offers received; telephone call with P. Cho of Kronis, Rotsztain, Margles, Cappel LLP ("KRM") regarding loose diamonds liquidation process and Monitor Certificates regarding FJL and Corona transactions; discussion with M. Abramowitz of KRM re same; conference call with M. Robinson, H. Shanfield and A. Dhanani regarding results of the loose diamonds liquidation process and next steps; review email from M. Robinson to secured creditor; discussion with E. Corrado on next report to court.
12/4/2014	Dhanani, Arif	Review various emails from M. Robinson; telephone call with D. Weisz and M. Robinson; meet with E. Corrado regarding letters to unsuccessful bidders with respect to loose diamond liquidation process.
12/4/2014	Corrado, Eric	Telephone call with creditor regarding CCAA proceeding and answering questions on same; forward email of link to CBT website and CCAA information to creditor; draft letter to prospective purchasers that made unsuccessful bids for loose diamonds; draft fifth report of the Monitor including introduction and loose diamonds liquidation process sections.
12/5/2014	Weisz, Daniel	Exchange emails with C. Gillies regarding advertising; review emails on loose diamonds sale process; review and update letter; discussion with M. Robinson about payment of purchase price for diamonds and discussion with F. Sulley of Torkin Manes LLP on same; telephone call into P. Resnick, subsequent discussion with M. Robinson.
12/5/2014	Dhanani, Arif	Review retail inventory sales reports for December 3 and 4, 2014; review various emails from M. Robinson and D. Weisz; discussion with D. Weisz regarding loose diamond offer acceptance and terms and conditions of sale; review letters to be sent to unsuccessful purchasers.
12/7/2014	Weisz, Daniel	Review memo from M. Robinson regarding post December 31 period and email to M. Robinson on same.
12/8/2014	Weisz, Daniel	Email to F. Sulley regarding need for opinion on secured creditors' security; discussion with P. Resnick on closing of Corona sale; telephone call with M. Abramowitz; email to F. Sulley regarding closing of sale; exchange emails with H. Shanfield about loose diamond liquidation process; filing; review and sign letters for return of deposits with respect to loose diamonds liquidation process and discussion with A. Dhanani on same; email to the Company on same; review advertising budget request and telephone call into J. Grauman.
12/8/2014	Tannenbaum, Bryan	Email regarding loose diamond sale and security opinion required for the secured creditor to permit distribution.
12/8/2014	Tannenbaum, Bryan	Receipt and review of M. Robinson email of loose diamond offer summary

Date	Professional	Description
		and recommendation to accept offer.
12/8/2014	Dhanani, Arif	Discussion with D. Weisz regarding loose diamond inventory unsuccessful bidders and communication; discussion with an offeror; review sales results for December 6 and 7, 2014 and summarize same in tracking spreadsheet; draft update email to C. Baxter; review loose diamond offer letters and revise as necessary; send letters to H. Shanfield for release to unsuccessful parties; telephone calls with and email to unsuccessful purchasers regarding return of deposit cheques and other matters.
12/8/2014	Corrado, Eric	Review deposits made from prospective purchasers and discussion with D. Weisz regarding same; draft fifth report of the Monitor.
12/9/2014	Weisz, Daniel	Telephone call with J. Grauman regarding advertising budget request; email to the Company responding to advertising increase request; review summary of activities; review and update reporting email to C. Baxter, telephone call with M. Robinson regarding disposition plan with respect to remaining inventory following conclusion of retail sale, personnel following January 31; review information provided by M. Robinson and provide comments to M. Robinson; telephone call with BMO regarding deposit of bank drafts; review emails from C. Baxter on update memo sent; documents to BMO; telephone call with F. Sulley on same.
12/9/2014	Tannenbaum, Bryan	Review and edit email to secured creditor (C. Baxter) about current status; discussion with D. Weisz regarding finalization of email and discuss status.
12/10/2014	Weisz, Daniel	Email to M. Robinson to enquire on status of loose diamonds transaction; email to F. Sulley regarding email sent to secured creditor; email summary of activities to the Company; telephone call with M. Robinson concerning conclusion of loose diamonds transaction; attend at BMO to arrange deposit of deposit cheques; telephone call with M. Robinson and A. Dhanani about remaining inventory following conclusion of retail sale; telephone call with M. Abramowitz regarding various matters; exchange emails on repayment of secured creditor indebtedness.
12/10/2014	Tannenbaum, Bryan	Receipt and review of emails regarding the receipt of funds for the loose diamond sale.
12/10/2014	Dhanani, Arif	Meet with D. Weisz; conference call with M. Robinson regarding post retail sale process; conference call with M. Abramowitz.
12/11/2014	Tannenbaum, Bryan	Discussions with C. Baxter regarding status, results to date and plan going forward to wind up.
12/11/2014	Dhanani, Arif	Review retail sales for December 10, 2014 and include in summary; review emails from BMO regarding USD account.
12/12/2014	Dhanani, Arif	Emails to/from M. Robinson regarding loose diamond deposit cheques; review retail sales results for December 11, 2014 and summarize same; telephone call with an offeror.
12/15/2014	Dhanani, Arif	Review retail sales report for December 13 and 14, 2014 and summarize same; attend to various emails from M. Robinson and Forevermark; draft letter to BMO regarding bank draft required to pay Martin Ross deposit from sale of loose diamonds.
12/15/2014	Corrado, Eric	Work on fifth report of the Monitor.
12/15/2014	Tannenbaum, Bryan	Discussions on status and realizations to date with D. Weisz; review emails re deposit and potential interim distributions.

Date	Professional	Description
12/16/2014	Corrado, Eric	Discussion with A. Dhanani regarding fifth report of the Monitor.
12/16/2014	Tannenbaum, Bryan	Telephone call from M. Robinson regarding contract employee relationship for employees who may be retained for a few months after December.
12/17/2014	Dhanani, Arif	Review sales results for December 16, 2014 and summarize same.
12/19/2014	Tannenbaum, Bryan	Receipt and review of emails regarding future disposition of assets remaining from sale; discussions regarding same with D. Weisz.
12/22/2014	Weisz, Daniel	Telephone call with M. Robinson regarding finished goods retail sale and sale of remaining loose Forevermark diamonds; review email from M. Robinson and reply to same; review exchange of correspondence concerning sale of assets to Corona; telephone call with F. Sulley on same and Company request for Monitor to sign certificate; email to F. Sulley regarding status of opinion on security of secured creditors.
12/22/2014	Tannenbaum, Bryan	Receipt and review of emails on the sale of the Forevermark diamonds; receipt and review of emails on security opinion; discussion with D. Weisz on the results of sales and future action plan.
12/22/2014	Dhanani, Arif	Review various emails from M. Robinson regarding Forevermark diamonds; brief discussion with D. Weisz; review retail sale results for December 18-21, 2014 and summarize same; discussion with D. Weisz regarding secured lenders and payout of same; draft update email to C. Baxter.
12/23/2014	Corrado, Eric	Review email from M. Robinson regarding Confidential Information Memorandum, including email of same to his attention.
12/23/2014	Weisz, Daniel	Exchange emails with M. Robinson regarding Forevermark diamonds; review cash flow results provided by the Company; telephone call with F. Sulley about status of Monitor Certificate in respect of Corona transaction.
12/24/2014	Weisz, Daniel	Telephone call with M. Robinson on status and set up meeting to attend at the premises.
12/30/2014	Dhanani, Arif	Review sales for December 23 and 24, 2014 and summarize same.
12/31/2014	Tannenbaum, Bryan	Receipt and review results of sale; emails with D. Weisz regarding explanation from Silverman and costs; review email from M. Robinson.
		To all other administrative matters with respect to this engagement, including all meetings, telephone attendances, and written and verbal correspondence to facilitate the foregoing.

Fee Summary

Professional	Level	Hours	Rate	Fees
Bryan A. Tannenbaum, FCPA, FCA, FCIRP	President	7.70	\$ 495	\$ 3,811.50
Daniel R. Weisz, CPA, CA, CIRP	Senior Vice President	20.20	\$ 495	9,999.00
Arif N. Dhanani, CPA, CA, CIRP	Senior Manager	15.00	\$ 350	5,250.00
Eric J. Corrado, CPA, CA	Senior Analyst	6.60	\$ 185	1,221.00
Total hours and professional fees		49.50		\$ 20,281.50
Disbursements				
Mileage	\$ 14.79			
Couriers	126.00			
407 fees	72.47			
Newspaper ad re sale process	2,646.24			
Total disbursements				2,859.50
Total professional fees and disbursements				\$ 23,141.00
HST @ 13%				3,008.33
Total payable				\$ 26,149.33

PAYMENT BY VISA ACCEPTED

VISA NUMBER _____ Expiry Date _____

Name on Card _____ Amount _____

WIRE PAYMENT DETAILS

For CA\$ Payments: For credit to the account of Collins Barrow Toronto Limited, Account No. 65-84918, Canadian Imperial Bank of Commerce
 Branch No. 00002, Commerce Court Banking Centre, Toronto, ON M5L 1G9

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EXHIBIT "B"

Calculation of Average Hourly Billing Rates of Collins Barrow Toronto Limited for the Appointment Period

Invoice No.	Billing Period	Total Fees	Disbursements	HST	Hours	Average Hourly Rate	Total
4	November 1, 2014 to November 30, 2014	\$34,685.00	\$326.52	\$4,551.50	117.20	\$295.95	\$39,563.02
5	December 1, 2014 to December 31, 2014	\$20,281.50	\$2,859.50	\$3,008.33	49.50	\$409.73	\$26,149.33
	Total	\$54,966.50	\$3,186.02	\$7,559.83	166.70	\$329.73	\$65,712.35

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND

IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF MARTIN ROSS GROUP INC.

Court File No. CV-14-10655-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

AFFIDAVIT OF DANIEL WEISZ
DATED JANUARY 12, 2015

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

S. Fay Sulley (24257D)
fsulley@torkinmanes.com
Tel: 416-777-5419
Fax: 1-888-587-5769

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

Lawyers for the Monitor
Collins Barrow Toronto Limited

APPENDIX I

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

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS
AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF MARTIN ROSS GROUP INC.

AFFIDAVIT OF STEWART THOM

I, **STEWART THOM**, of the City of Toronto, in the Province of Ontario **MAKE OATH AND SAY AS FOLLOWS:**

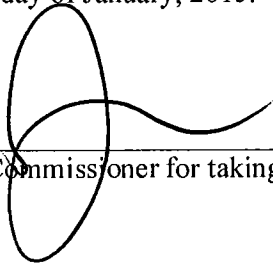
1. I am an Associate with the law firm of **TORKIN MANES LLP** ("**Torkin Manes**"), which has been engaged as independent counsel to **Collins Barrow Toronto Limited**, ("**Collins Barrow**"), in its capacity as Monitor, over all of the assets, undertakings and properties of **Martin Ross Group Inc.** ("**Martin Ross**") in this proceeding and as such have knowledge of the matters to which I hereinafter depose 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. Attached hereto as **Exhibit "A"** is a true copy of the account issued by **Torkin Manes** to **Collins Barrow**, in its capacity as Monitor in this proceeding, which includes detailed descriptions for the work performed for the period from Oct 2, 2014 to and including December 23, 2014. The total fees charged by **Torkin Manes** to **Collins Barrow** during this period were \$23,225.00 plus HST of \$3,019.25, plus disbursements of \$536.70 plus HST of \$69.77 for a total invoice of \$26,850.72.

3. I confirm that the account described above accurately reflect the services provided by Torkin Manes in this matter and the fees and disbursements claimed by it during the period described above.

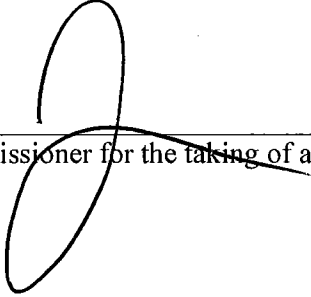
4. Additionally, attached hereto as **Exhibit "B"** is a summary of additional information with respect to the aforesaid account indicating all members of Torkin Manes who worked on this matter during the period described above, their year of call to the bar, total time charges and hourly rates, and I hereby confirm that this list represents an accurate account of such information.

SWORN before me at the City of Toronto, in the Province of Ontario, this 9th day of January, 2015.


A Commissioner for taking affidavits.


STEWART THOM

This is Exhibit "A" to the Affidavit of
Stewart Thom, sworn on January 9, 2015



A Commissioner for the taking of affidavits, etc.

Torkin Manes LLP
Barristers & Solicitors
151 Yonge Street, Suite 1500
Toronto, ON M5C 2W7

Tel: 416 863 1188
Fax: 416 863 0305
torkinmanes.com

Torkin|Manes
Barristers & Solicitors

December 31, 2014

Invoice No.: 258336

Attention: Bryan Tannenbaum
Collins Barrow Toronto Limited
11 King St. W., Suite 700
Box 27
Toronto, ON M5H 4C7

ACCOUNT FOR PROFESSIONAL SERVICES RENDERED

RE: Martin Ross Group Inc.
File No.: 34487.0001

TO PROFESSIONAL SERVICES RENDERED HEREIN AS FOLLOWS:

Oct 02 14	SFS	Review of correspondence from Danny Weisz	0.20
Oct 02 14	SFS	Telephone discussion with Mervyn Abramowitz	0.20
Oct 05 14	SFS	Review of draft materials relating to motion for employee payments; review of correspondence from counsel; correspondence to and from counsel	2.00
Oct 06 14	SFS	Review of and finalize second report of monitor; serve it on all parties	2.50
Oct 06 14	SFS	Review of and provide comments on draft order	0.50
Oct 08 14	SFS	Preparation for and attendance at motion	3.00
Oct 08 14	SFS	Review of correspondence relating to employee payments	0.70

Page 2
December 31, 2014
Our File No.: 34487.0001
Invoice # 258336

Oct 10 14	SFS	Review of first draft of Cam Gilles' affidavit; telephone discussion with client; telephone discussion with Philip Cho	1.00
Oct 11 14	SFS	Review of correspondence from Danny; correspondence to Danny	0.30
Oct 13 14	SFS	Review of and provide comments on Cam Gilles' affidavit	1.50
Oct 14 14	SFS	Review of Draft Monitor's report and comments thereon; review of liquidation agreement; review of motion materials; telephone discussion with client and telephone discussion with Mervyn Abramowitz	3.50
Oct 14 14	SFS	Review of Offer to Purchase	0.50
Oct 15 14	SFS	Review of revised liquidation agreement and motion materials prepared by company	1.00
Oct 16 14	SFS	Finalize and file the Monitor's Report	2.00
Oct 16 14	SFS	Review of revised Fee Affidavits	0.50
Oct 17 14	SFS	Preparation for and attendance at Court re Liquidation Order	2.50
Oct 22 14	SFS	Review of correspondence relating to loose diamond sales; telephone discussion with client re same	0.50
Oct 24 14	SFS	Review of correspondence from client re claims process; telephone conference with client	0.70
Oct 28 14	SFS	Review of correspondence from Mervyn Abramowitz; telephone discussion with client	0.50
Oct 30 14	SFS	Review of correspondence from client; telephone discussion with client	0.50

Page 3
December 31, 2014
Our File No.: 34487.0001
Invoice # 258336

Nov 03 14	SFS	Review of correspondence from client; telephone discussion with client	0.50
Nov 10 14	SFS	Telephone discussion with Danny Weisz	0.20
Nov 19 14	SFS	Review of Corona offer and correspondence re same; telephone discussion with Danny Weisz	0.50
Nov 20 14	SFS	Review of correspondence from Danny Weisz re wire transfers; telephone discussion with Danny Weisz	0.50
Nov 24 14	SFS	Telephone discussion with Danny Weisz re offers to purchase from First Jewellery and Corona	0.30
Nov 25 14	SFS	Review of draft affidavit of Cam Gillies; telephone discussion with Philip Cho; telephone discussion with Danny Weisz	1.50
Nov 25 14	SFS	Review of correspondence to and from Danny Weisz and Philip Cho; telephone discussion with Danny Weisz	0.50
Nov 26 14	SFS	Correspondence to and from Danny Weisz and Mervyn Abramowitz	0.30
Nov 27 14	SFS	Meeting with Mervyn Abramowitz and Danny Weisz	1.00
Nov 27 14	SFS	Review of fourth report of monitor and provide comments on same to client	1.00
Nov 28 14	SFS	Telephone discussion with Philip Cho	0.20
Nov 28 14	SDT	Correspondence with Daniel Weisz re commissioning of affidavit; organization of Affidavit and review; commissioned affidavit	0.50
Dec 01 14	SFS	Review of correspondence from Daniel Weisz and telephone discussion with Daniel Weisz	0.20

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 December 31, 2014
 Our File No.: 34487.0001
 Invoice # 258336



Dec 01 14	SFS	Review of draft or and correspondence to Phillip Cho re draft order	0.30
Dec 02 14	SFS	Telephone discussion with client; attendance at Court	2.00
Dec 04 14	SFS	Telephone discussion with Mervyn Abramowitz; telephone discussion with Daniel Weisz; correspondence to and from Daniel Weisz	0.40
Dec 08 14	SFS	Review of security opinion issues; telephone discussion with client	0.50
Dec 10 14	SFS	Review of summary re retail sale; telephone discussion with Daniel Weisz	0.70
Dec 11 14	SFS	Correspondence to and from Daniel Weisz and Mervyn Abramowitz re interim distribution; telephone discussion with Daniel Weisz	0.70
Dec 22 14	SFS	Correspondence to and from Daniel Weisz and Philip Cho re transaction with Corona and issues raised by Licensee; telephone call with Daniel Weisz; correspondence to Phillip Cho	1.20
Dec 23 14	SFS	Correspondence to and from Daniel Weisz re monitor's certificate and Corona	0.30
		Total Hours:	37.40

OUR FEE:	\$23,225.00
HST:	\$3,019.25
SUB-TOTAL:	\$26,244.25

LAWYERS' SUMMARY: FEES SUBJECT TO HST:

<u>LAWYERS AND LEGAL ASSISTANTS INVOLVED</u>	<u>HOURLY RATE</u>	<u>HOURS WORKED</u>
Stewart D. Thom	325.00	.50
Fay Sulley	625.00	36.90

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Invoice # 258336



TOTAL HOURS 37.40

DISBURSEMENTS

TAXABLE DISBURSEMENTS:

Reproduction of documents	134.70
File	150.00
Agents fees	75.00
Document Scanning	177.00
	<hr/>
	536.70

Total Disbursements	\$536.70
HST on Disbursements	\$69.77

TOTAL DISBURSEMENTS AND HST: \$606.47

TOTAL FEE, DISBURSEMENTS & HST \$26,850.72

BALANCE DUE AND OWING BY YOU \$26,850.72

TORKIN MANES LLP

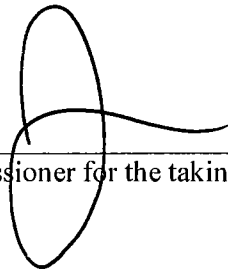
Per: F. Sulley
Fay Sulley

E. & O. E.

HST REGISTRATION NUMBER: R117245456

Payment is due upon receipt.
Interest will be charged pursuant to the Solicitors Act at the
rate of 1.3 percent per year.

This is Exhibit "B" to the Affidavit of
Stewart Thom, sworn on January 9, 2015

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 intersection.

A Commissioner for the taking of affidavits, etc.

Summary of Lawyers

Lawyer	Year of Call	Hours Billed	Hourly Rate	Total Billed
Stewart D. Thom	2008	.50	\$325.00	\$162.50
S. Fay Sulley	1984	36.90	\$625.00	\$23,062.50
TOTAL				\$23,225.00

**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED**

AND

**AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF MARTIN ROSS GROUP INC.**

Court File Number CV-14-10655-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

AFFIDAVIT OF STEWART THOM
DATED January 9, 2015

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

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Fax: 1-888-587-5769

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

Lawyers for the Monitor, Collins Barrow Toronto Limited

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED

AND AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF MARTIN ROSS GROUP INC.

Court File No. CV-14-10655-00CL

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

PROCEEDING COMMENCED AT TORONTO

**FIFTH REPORT OF THE MONITOR, COLLINS
BARROW TORONTO LIMITED
JANUARY 12, 2015**

COLLINS BARROW TORONTO LIMITED
11 King St. W., Suite 700
Box 27
Toronto, ON M5H 4C7