

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
Box 27
Toronto, ON M5H 4C7**

E SERVICE LIST

COUNSEL / PARTY	LAWYER(S) CONTACT PERSONS(s)	PARTY REPRESENTING	E-MAIL ADDRESS
KRONIS, ROTSZTAIN, MARGLES, CAPPEL LLP 8 King Street East, Suite 1000 Toronto, Ontario M5C 1B5	Mervyn D. Abramowitz Tel: (416) 218-5620 Fax: (416) 306-9874 Philip Cho Tel: (416) 218-5620 Fax: (416) 306-9874	Martin Ross Group Inc.	mabramowitz@krmc-law.com pcho@krmc-law.com
TORKIN MANES LLP 151 Yonge Street, Suite 1500 Toronto, ON M5C 2W7	S. Fay Sulley Tel: 416-777-5419 Fax: 1-888-587-5769	Monitor, Collins Barrow Toronto Limited	fsulley@torkinmanes.com
COLLINS BARROW TORONTO LIMITED 11 King Street West, #700 Toronto, ON M5H 4C7	Daniel Weisz Tel: 416-646-8778 Fax: 416-480-2646 Eric Corrado Tel: 647-727-3659 Fax: 416-480-2646	Monitor	dweisz@collinsbarrow.com ejcorrado@collinsbarrow.com
DEPARTMENT OF JUSTICE CANADA Tax Section, Exchange Tower Suite 3400, P.O. Box 36 130 King Street West Toronto, ON M5X 1K6	Diane H. A. Winters Tel: 416-973-3172 Fax: 416-973-0810		diane.winters@justice.gc.ca
BORDEN LADNER BERVAIS LLP 4400 – 40 King St. West Toronto, ON M5H 3Y4	Roger Jaipargas Tel: 416-367-6266 Fax: 416-361-7067	Purchaser Corona Jewellery Company Ltd.	rjaipargas@blg.com
MINISTRY OF REVENUE (ONTARIO) Legal Services Branch 6th Floor, P.O. Box 627, Station A 33 King Street West Oshawa, ON L1H 8H5	Kevin O'Hara Tel: 905-433-6934 Fax: 905-436-4510		kevin.ohara@ontario.ca

SHERFAM INC. 150 Signet Drive Weston, ON M9L 1T9	Craig Baxter Tel: 416-401-7380 Fax: 1-800-609-9444		cbaxter@apotex.ca
RP HOLDINGS INC. 1 City Centre Drive Suite 620 Mississauga, ON L5B 1M2	Craig Baxter Tel: 416-401-7380 Fax: 1-800-609-9444		cbaxter@apotex.ca
DELL FINANCIAL SERVICES CANADA LIMITED 155 Gordon Baker Road Suite 501 Toronto, ON M2H 3N5	Daniel Murphy		daniel_e_murphy@dell.com
FARRIS, VAUGHAN, WILLS & MURPHY LLP 25 th Floor 700 W Georgia Street Vancouver, BC V7Y 1B3	Tim Louman-Gardiner Tel: 604-661-1729 Fax: 604-661-9349	S. Vinodkumar USA, Inc., creditor	tlouman-gardiner@farris.com
FIRST JEWELRY LIMITED 43 Lesmill Road Toronto, ON M3B 2T8	Neil Travis Tel: 1-888-925-9925	Purchaser First Jewelry Limited	ntravis@first-jewelry.com

INDEX

INDEX	PAGE
I. INTRODUCTION	1
II. PURPOSE OF REPORT.....	2
III. TERMS OF REFERENCE.....	3
IV. INVENTORY LIQUIDATION PROCESS.....	3
V. CORONA TRANSACTION.....	8
VI. MRG’S ACTUAL RESULTS.....	9
VII. THE MONITOR’S FEES AND DISBURSEMENTS.....	9
VIII. RECOMMENDATION AND REQUEST OF THE COURT.....	10

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).

-
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 “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.

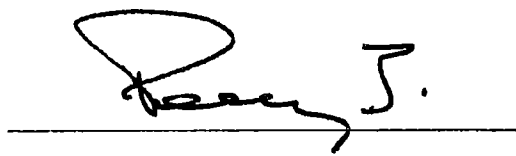
39. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give

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

KRONIS, ROTSZTAIN, MARGLES, CAPPEL LLP
Barristers and Solicitors
8 King Street East, Suite 1000
Toronto ON M5C 1B5

Mervyn D. Abramowitz (LSUC # 28323R)
mabramowitz@krmc-law.com

Philip Cho (LSUC #456125U)
pcho@krmc-law.com

Stephen Wolpert (LSUC # 57609Q)
swolpert@krmc-law.com

Tel: (416) 225-8750
Fax: (416) 306-9874

Lawyers for the Applicant, Martin Ross Group Inc.

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
Box 27
Toronto, ON M5H 4C7**

E SERVICE LIST

COUNSEL / PARTY	LAWYER(S) CONTACT PERSONS(s)	PARTY REPRESENTING	E-MAIL ADDRESS
KRONIS, ROTSZTAIN, MARGLES, CAPPEL LLP 8 King Street East, Suite 1000 Toronto, Ontario M5C 1B5	Mervyn D. Abramowitz Tel: (416) 218-5620 Fax: (416) 306-9874 Philip Cho Tel: (416) 218-5620 Fax: (416) 306-9874 Stephen Wolpert Tel: (416) 218-5763 Fax: (416) 306-9874	Martin Ross Group Inc.	mabramowitz@krmc-law.com pcho@krmc-law.com swolpert@krmc-law.com
TORKIN MANES LLP 151 Yonge Street, Suite 1500 Toronto, ON M5C 2W7	S. Fay Sulley Tel: 416-777-5419 Fax: 1-888-587-5769	Monitor, Collins Barrow Toronto Limited	fsulley@torkinmanes.com
COLLINS BARROW TORONTO LIMITED 11 King Street West, #700 Toronto, ON M5H 4C7	Daniel Weisz Tel: 416-646-8778 Fax: 416-480-2646 Eric Corrado Tel: 647-727-3659 Fax: 416-480-2646	Monitor	dweisz@collinsbarrow.com ejcorrado@collinsbarrow.com
DEPARTMENT OF JUSTICE CANADA Tax Section, Exchange Tower Suite 3400, P.O. Box 36 130 King Street West Toronto, ON M5X 1K6	Diane H. A. Winters Tel: 416-973-3172 Fax: 416-973-0810		diane.winters@justice.gc.ca
MINISTRY OF REVENUE (ONTARIO) Legal Services Branch 6th Floor, P.O. Box 627, Station A 33 King Street West Oshawa, ON L1H 8H5	Kevin O'Hara Tel: 905-433-6934 Fax: 905-436-4510		kevin.ohara@ontario.ca
BLANEY MCMURTRY LLP 2 Queen Street East, Suite 1500 Toronto, ON M5C 3G5	Eric Golden Tel: 416-593-1221 Fax: 416-593-5437	Sherfam Inc. 2436768 Ontario Inc.	egolden@blaney.com ckopach@blaney.com

RP HOLDINGS INC. 1 City Centre Drive Suite 620 Mississauga, ON L5B 1M2	Craig Baxter Tel: 416-401-7380 Fax: 1-800-609-9444		cbaxter@apotex.ca
DELL FINANCIAL SERVICES CANADA LIMITED 155 Gordon Baker Road Suite 501 Toronto, ON M2H 3N5	Daniel Murphy		daniel_e_murphy@dell.com
FARRIS, VAUGHAN, WILLS & MURPHY LLP 25 th Floor 700 W Georgia Street Vancouver, BC V7Y 1B3	Tim Louman-Gardiner Tel: 604-661-1729 Fax: 604-661-9349	S. Vinodkumar USA, Inc., creditor	tlouman-gardiner@farris.com

INDEX	PAGE
I. INTRODUCTION	1
II. SALE PROCESS	4
III. MRG's ACTIVITIES	5
IV. ELIGIBLE EMPLOYEES	6
V. LIQUIDATION OF ASSETS	6
VI. EXTENDED CASH FLOW PROJECTION	12
VII. THE COMPANY'S REQUEST FOR AN EXTENSION OF THE STAY OF PROCEEDINGS.....	14
VIII. THE MONITOR'S FEES AND DISBURSEMENTS	14
IX. REQUESTS OF THE COURTS	15

Appendices

Appendix "A"	Initial Order of The Honourable Mr. Justice Penny, dated August 7, 2014
Appendix "B"	First Stay Extension Order of The Honourable Mr. Justice Haaney, dated August 27, 2014
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
Appendix "H"	Monitor's Accounts
Appendix "I"	Torkin Accounts

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**

I. 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 the 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

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

**THIRD REPORT OF THE MONITOR, COLLINS
BARROW TORONTO LIMITED
OCTOBER 16, 2014**

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

APPENDIX “C”

**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 November 28, 2014)**

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"** is a detailed invoice (the "**Invoice**") 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 October 1, 2014 and October 31, 2014 (the

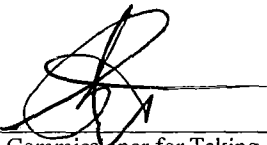
"Appointment Period"). The total fees charged by CBTL to the Company during the Appointment Period were \$39,935.00 plus disbursements of \$47.87, plus HST of \$5,197.77 totaling \$45,180.64.

3. The Invoice is 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 invoice 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
November 28, 2014

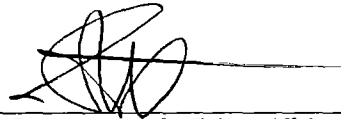


Commissioner for Taking Affidavits
(or as may be)



DANIEL WEISZ

This is Exhibit "A" referred to in the Affidavit of Service of Daniel Weisz, sworn November 28, 2014

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Commissioner for Taking Affidavits (or as may be)

EXHIBIT "A"

Detailed Invoice



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 November 13, 2014

Client File 112096
Invoice 3
No. 6500121

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**") of Martin Ross Group Inc. ("**Martin Ross**" or the "**Company**") for the period ending October 31, 2014.

Date	Professional	Description
10/01/2014	Weisz, Daniel	Discussion with B. Tannenbaum regarding conference call yesterday and status; telephone call with M. Robinson on status.
10/01/2014	Tannenbaum, Bryan	Receipt and review of emails regarding summary of call with lawyers on results of sales process; email summary of call with M. Robinson.
10/01/2014	Corrado, Eric	Emails to parties regarding the sales process and forwarding of the Confidential Information Memorandum (" CIM "); NDA tracking.
10/02/2014	Weisz, Daniel	Review email from an interested party; review correspondence from E. Golden of Blaney McMurtry LLP (" Blaney "); send email to M. Robinson to enquire regarding status of offer received; discussion with F. Sulley of Torkin Manes LLP (" Torkin Manes ") on various matters.
10/05/2014	Weisz, Daniel	Review and respond to emails; review draft notice of motion.
10/06/2014	Weisz, Daniel	Review email exchanges, telephone call with F. Sulley regarding motion to court on Wednesday; attend conference call with Torkin Manes, Blaney, Kronis, Rotsztain, Margles, Cappel LLP (" KRMC ") and B. Tannenbaum regarding motion scheduled for Wednesday; draft Monitor's second report to court; telephone call with F. Sulley on same; circulate draft report, incorporate changes received and finalize; review draft release and draft form of Court Order and provide comments to Blaney; telephone call with M. Abramowitz of KRMC on payment of amounts.
10/06/2014	Tannenbaum, Bryan	Receipt and review of emails regarding employee payments; discussion regarding same with D. Weisz.
10/06/2014	Tannenbaum, Bryan	Attend conference call with E. Golden, F. Sulley, M. Abramowitz regarding Motion to approve payment to employees.
10/06/2014	Tannenbaum, Bryan	Review second report to court.

Date	Professional	Description
10/07/2014	Weisz, Daniel	Discussion with E. Corrado regarding test checking inventory; review email regarding test results; review updated draft order and email to F. Sulley on same; telephone call with M. Abramowitz on same and on the status of an offer received; telephone call with an interested party regarding proposals submitted; review letters and forward to M. Robinson.
10/07/2014	Corrado, Eric	Telephone call with M. Robinson regarding inventory count and review of emailed inventory listing, inventory count of loose diamonds and finished goods; email to B. Tannenbaum and D. Weisz regarding same and test count results.
10/08/2014	Weisz, Daniel	Review final form of Court order and discuss with C. Kopach on amendments thereto; prepare for and attend at Court regarding application for payment of Eligible Employees; email to M. Robinson regarding Company position on offer and liquidation proposal received; arrange for documents to be posted to the Monitor's website; review email from an interested party and email to M. Robinson on same.
10/08/2014	Corrado, Eric	Review signed NDA from an interested party, send copy of CIM to that party and advise status of sales process; draft results worksheet from the test counts performed on October 7 th .
10/09/2014	Weisz, Daniel	Prepare for and attend meeting at KRMC to discuss the Company's status and proposed courses of action; telephone call with an interested party regarding interest in assets and refer him to M. Robinson; discussion with E. Corrado regarding report required; begin review of summary of activities.
10/09/2014	Corrado, Eric	Send copy of NDA and introductory letter as requested by M. Robinson; review voicemail from a creditor and return call regarding CCAA proceeding.
10/10/2014	Weisz, Daniel	Telephone call with C. Baxter of RP Holdings Inc. on the status of the CCAA proceedings; review email regarding employee payments; discussion with E. Corrado on work to be done; review summary of activities.
10/10/2014	Corrado, Eric	Discussion with D. Weisz regarding Third Report of the Monitor; return telephone call to Isobel Fraser of CIT Canada regarding stay period; review of summary of activities and discussion with D. Weisz regarding same.
10/14/2014	Weisz, Daniel	Review draft notice of motion, affidavit of C. Gillies and draft order; various discussions with F. Sulley regarding same and exchange of emails re same.
10/14/2014	Tannenbaum, Bryan	Receipt and review of emails regarding application to Court, sale of loose diamonds and agreement re inventory sale,
10/14/2014	Weisz, Daniel	Discussion with A. Dhanani on file, documents to be reviewed and report required; exchange emails with KRMC, M. Robinson and F. Sulley; review documents and email to M. Robinson enclosing summary of activities; prepare fee affidavit; review form of offer regarding process for sale of diamonds; email to M. Robinson regarding deposit received by Monitor in sale process.
10/14/2014	Tannenbaum, Bryan	Meeting with D. Weisz to discuss status regarding employee payment, liquidation and continue with CCAA; review summary of activities.
10/14/2014	Dhanani, Arif	Review Monitor's first and second report with exhibits and meet with D. Weisz regarding same; review emails from KRMC and Torkin Manes regarding motion materials and affidavit.

Date	Professional	Description
10/14/2014	Corrado, Eric	Draft introduction of Third Report of the Monitor and telephone call with D. Weisz and A. Dhanani regarding same.
10/15/2014	Tannenbaum, Bryan	Review Notice of Motion, Affidavit of C. Gillies and Order; discussion with D. Weisz and review various emails regarding edits and changes.
10/15/2014	Weisz, Daniel	Review emails; discussion with P. Cho of KRMC regarding draft materials; telephone call with A. Dhanani regarding status of Receiver's reports, review liquidation agreement.
10/15/2014	Dhanani, Arif	Exchange emails with KRMC; review final C. Gillies affidavit; draft Monitor's Third Report; meet with D. Weisz regarding same; incorporate amendments provided by D. Weisz; email to F. Sulley for comments.
10/15/2014	Weisz, Daniel	Work on report to Court and discussion with A. Dhanani on same; email to KRMC regarding sales process for loose diamond sales.
10/15/2014	Corrado, Eric	Review email and voicemail from a party representing a creditor and return call regarding same on CCAA of the Company; posting of motion record to website and review of same; return voicemail to creditor.
10/16/2014	Tannenbaum, Bryan	Review, edit and discuss the Third Report of the Monitor.
10/16/2014	Weisz, Daniel	Review report; telephone call with A. Dhanani and F. Sulley regarding changes required to report; attend at Torkin Manes to finalize report and swear affidavit of fees; exchange emails with KRMC regarding various documents and review same; review cash flows results; telephone call with M. Abramowitz.
10/16/2014	Dhanani, Arif	Review Third Report of the Monitor and make amendments thereto; meet with D. Weisz to review changes; conference call with Torkin Manes regarding changes; reference draft copy of report; assemble appendices.
10/16/2014	Corrado, Eric	Review Third Report of the Monitor and provide comments to A. Dhanani and D. Weisz regarding same; posting of finalized report to website and review of same; email to M. Robinson regarding if a particular party provided a signed NDA; review cash flow results provided by M. Robinson.
10/17/2014	Corrado, Eric	Review Order and Endorsement dated October 17th and post to website; follow up and voicemail to creditor regarding CCAA proceeding.
10/17/2014	Dhanani, Arif	Discussion with D. Weisz and B. Tannenbaum regarding loose diamond inventory and attendance on October 21, 2014.
10/17/2014	Weisz, Daniel	Prepare for and attend at Court regarding the Company's application for an order approving a stay extension and the liquidation plan to dispose of its assets; email to M. Robinson regarding attendance at the premises; email to M. Robinson regarding information required; review final loose diamonds terms and conditions and call in to P. Resnick; review Order issued today; telephone call with P. Resnick, A. Dhanani and B. Tannenbaum on various matters.
10/17/2014	Tannenbaum, Bryan	General review of status and discuss with D. Weisz his memo to C. Baxter.
10/20/2014	Weisz, Daniel	Review email from representative counsel; telephone call with M. Robinson regarding liquidation process; meet with A. Dhanani to prepare for tomorrow's meeting at the Company; meet with B. Tannenbaum and C. Baxter regarding status of the CCAA proceedings.
10/20/2014	Dhanani, Arif	Review A/R roll forward and cash flow variance reports for September and October 2014; email to E. Corrado regarding monitoring; discussion with E. Corrado and D. Weisz regarding monitoring; draft monitoring template

Date	Professional	Description
		for cash flow, A/R and inventory; meet with D. Weisz regarding monitoring and attendance at the Company on October 21, 2014.
10/20/2014	Tannenbaum, Bryan	Receipt and review of several emails regarding employee payment status, invoices; meeting with C. Baxter regarding status, etc.
10/20/2014	Corrado, Eric	Review email from A. Dhanani regarding cash flow projections and telephone call on same including reporting template and other issues; return telephone call to creditor.
10/21/2014	Dhanani, Arif	Attend at Martin Ross head office; meet with D. Weisz, C. Gillies and M. Robinson; tour facility re liquidation sale to be conducted; meet with M. Robinson and document disbursements; draft memo regarding attendance, meeting and disbursements and send to D. Weisz.
10/21/2014	Weisz, Daniel	Prepare for and attend meeting at the Company with C. Gillies, M. Robinson and A. Dhanani to discuss upcoming liquidation processes regarding finished goods, loose diamonds, etc.
10/21/2014	Corrado, Eric	Telephone call and email to Euler regarding a claim for its client.
10/22/2014	Dhanani, Arif	Review October 21, 2014 memo amendments made by D. Weisz; review draft email message from D. Weisz to C. Baxter and comment thereon; review previous cash flow reporting, A/R roll forward and inventory reconciliation; email to M. Robinson regarding variances and formula error; review form of offer letter, form of offer, terms and conditions of sale and bill of sale.
10/22/2014	Weisz, Daniel	Review draft memo and update; exchange emails with P. Resnick regarding revisions to form of offer regarding loose diamond sale; discussion with A. Dhanani regarding monitoring considerations; review email from M. Robinson regarding conclusion of sale to AVS and request for Monitor to provide deposit received; email to C. Baxter regarding yesterday's attendance at the Company; review bill of sale; review documents; telephone call with M. Abramowitz regarding bill of sale.
10/23/2014	Weisz, Daniel	Discussion with A. Dhanani regarding attending at the premises today.
10/23/2014	Dhanani, Arif	Attend at the Company premises; observe liquidation sale; meet with C. Gillies.
10/24/2014	Weisz, Daniel	File organization, conference call with F. Sulley and M. Abramowitz regarding consideration for claims process.
10/24/2014	Tannenbaum, Bryan	Review emails regarding sales reporting, security during sale and D. Weisz email regarding same with comments provided; review email regarding claims process.
10/25/2014	Tannenbaum, Bryan	Attend premises to see store set up for sale and discussions with staff, etc.
10/27/2014	Dhanani, Arif	Review email from D. Weisz; draft cover letter to Martin Ross regarding AVS sale deposit; review sales results sheet for the period October 23-26, 2014.
10/27/2014	Weisz, Daniel	File organization; review sales reports; review letter from Blaney regarding releases and discussion with A. Dhanani on same.
10/27/2014	Tannenbaum, Bryan	Review of matters relating to the CCAA proceedings.
10/28/2014	Weisz, Daniel	File organization; draft email to the Company regarding counsel for accounts receivable collections; preliminary review of email from M. Abramowitz regarding proposed transaction.

Date	Professional	Description
10/28/2014	Weisz, Daniel	Telephone call with A. Isaacs of Farber regarding party interested in inventory and refer him to the Company.
10/29/2014	Weisz, Daniel	Discussion with A. Dhanani on HST letter received; conference call with F. Sulley and A. Dhanani regarding yesterday's email from KRMC regarding proposed transaction; email to Company regarding its enquiry regarding receivable collections.
10/29/2014	Dhanani, Arif	Review of correspondence from CRA regarding HST audit; email to C. Gillies in this regard; discussion with D. Weisz and F. Sulley regarding offer received.
10/29/2014	Tannenbaum, Bryan	Receipt and review of offer received; review A. Dhanani's analysis and recommendation.
10/30/2014	Weisz, Daniel	Review and exchange emails; review email from A. Shechtman and forward to F. Sulley and M. Abramowitz.
10/30/2014	Dhanani, Arif	Email to C. Gillies regarding daily sales reports; review emails from C. Gillies; draft Liquidation Retail Sale daily summary spreadsheet and populate for the period October 23-26, 2014.
10/31/2014	Corrado, Eric	Send breakdown of parcels to C. Gillies as requested; telephone call with a party regarding an offer and discussion with D. Weisz on same.
10/31/2014	Tannenbaum, Bryan	Review of matters relating to the CCAA proceedings.
10/31/2014	Dhanani, Arif	Attend at Martin Ross and meet with C. Gillies regarding retail liquidation sale and attendance for loose diamond inventory appointments.
10/31/2014	Dhanani, Arif	Review various emails between C. Gillies and the Monitor; compare October 31, 2014 projected accounts receivable and inventory balances to actual balances as at October 10, 2014 and October 21, 2014 respectively.
		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	12.10	\$ 495	\$ 5,989.50
Daniel R. Weisz, CPA, CA, CIRP	Senior Vice President	42.30	\$ 495	20,938.50
Arif N. Dhanani, CPA, CA, CIRP	Senior Manager	32.30	\$ 350	11,305.00
Eric J. Corrado, CPA, CA	Senior Analyst	9.20	\$ 185	1,702.00
Total hours and professional fees		95.90		\$ 39,935.00
Disbursements				
Mileage			\$ 35.22	
407 Fee			12.65	
Total disbursements				47.87
Total professional fees and disbursements				\$ 39,982.87
HST @ 13%				5,197.77
Total payable				\$ 45,180.64

PAYMENT BY VISA ACCEPTED

VISA NUMBER _____ Expiry Date _____
 Name on Card _____ Amount _____

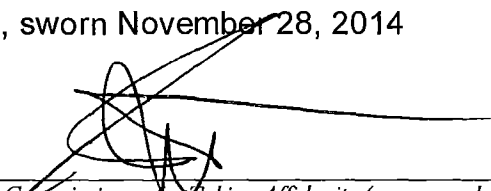
WIRE PAYMENT DETAILS

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

PLEASE RETURN ONE COPY WITH REMITTANCE

Terms: Payment upon receipt. Interest will be charged at the rate of 12% per annum (1% per month) on overdue accounts.
 The Collins Barrow trademarks are used under license.

This is Exhibit "**B**" referred to in the Affidavit of Service of Daniel Weisz, sworn November 28, 2014



Commissioner for Taking Affidavits (or as may be)

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
3	October 1, 2014 to October 31, 2014	\$39,935.00	\$47.87	\$5,197.77	95.90	\$416.42	\$45,180.64
	Total	\$39,935.00	\$47.87	\$5,197.77	95.90	\$416.42	\$45,180.64

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 NOVEMBER 28, 2014**

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

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

FOURTH REPORT OF THE MONITOR, COLLINS
BARROW TORONTO LIMITED
NOVEMBER 28, 2014

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