

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

**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.**

**REPORT OF THE MONITOR TO THE CREDITORS  
ON THE PLAN OF COMPROMISE OR ARRANGEMENT OF  
MARTIN ROSS GROUP INC.**

**(Dated as of February 25, 2016)**

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## PURPOSE OF THIS REPORT

1. This report (the “**Report**”) has been prepared by Collins Barrow Toronto Limited (“**CBTL**”), in its capacity as Monitor in the *Companies’ Creditors Arrangement Act* (“**CCAA**”) proceedings of Martin Ross Group Inc. (“**MRG**” or the “**Company**”). This Report has been prepared pursuant to the Order of the Court dated February 9, 2016 (the “**Plan Filing Order**”), a copy of which is attached hereto.
2. The purpose of this Report is to provide to Affected Creditors of MRG:
  - a. an overview of the Company’s CCAA proceedings to date;
  - b. a summary description of the Plan of Compromise or Arrangement (the “**Plan**”);
  - c. information with respect to MRG’s current financial position;
  - d. information to assist them in deciding how to vote at the meeting of creditors called to consider the Plan; and
  - e. the Monitor’s comments and recommendations with respect to the Plan.

## EXECUTIVE SUMMARY

3. The potential distributions available to Affected Creditors if the Plan is accepted by the Company’s creditors and approved by the Court are set out in paragraphs 37-41 of this Report.
4. In the event the Plan is not accepted by the Affected Creditors or approved by the Court, as set out in paragraphs 42-43 of the Report, it is likely that funds available to Affected Creditors will be significantly less than if the Plan is accepted.

## INTRODUCTION

5. By Order of the Honourable Justice Penny (the “**Initial Order**”) dated August 7, 2014, CBTL was appointed Monitor (the “**Monitor**”) of MRG under the CCAA Proceeding.

6. This Report is being provided to Affected Creditors who have previously filed claims with the Monitor in accordance with the Order of the Court dated May 1, 2015 (the “**Claims Procedure Order**”), and which claims have been accepted and are now considered Proven Claims in connection with MRG's meeting of creditors currently scheduled for March 23, 2016. The purpose of the Meeting is to consider and vote on the Plan which was accepted for filing with the Court on February 9, 2016.
  
7. In preparing the 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, MRG’s counsel and information from other third-party sources (collectively, the “**Information**”). As the Information included in the Report has been provided by MRG 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.

All dollar amounts identified in this report are expressed in Canadian dollars, unless otherwise specified. Capitalized terms used in this report and not otherwise defined herein have the meanings given to them in the Initial Order, the Claims Procedure Order, or the Plan. Creditors can access these documents, and other publicly available information, at the Monitor's website at [www.collinsbarrow.com/en/toronto-ontario/martin-ross-group](http://www.collinsbarrow.com/en/toronto-ontario/martin-ross-group).

## **SUMMARY OF MRG’S PLAN OF COMPROMISE OR ARRANGEMENT**

8. The following is intended to provide creditors with a summary of the Plan. **In the event of any inconsistency between this summary and the Plan, the terms of the Plan shall govern.** A copy of the Plan, which includes a summary of the key terms of the Plan, is enclosed with this Report. Creditors are encouraged to read the Plan in its entirety.

9. The Plan provides for a coordinated restructuring and compromising of Affected Claims (as defined in the Plan). Affected Claims are Proven Claims that have been accepted in accordance with the Plan Filing Order.
10. The Plan is offered to one class of creditors, being Affected Creditors, who will be permitted to vote on the Plan. The Plan also provides for one sub-class of Affected Creditors, Convenience Creditors, being creditors with Proven Claims not exceeding \$1,000 (“**Convenience Creditors**”).
11. Certain creditors of MRG are said to be Unaffected Creditors. They are creditors with Unaffected Claims and will not be permitted to vote on the Plan. Unaffected Creditors comprise: (i) Administrative Fees and Expenses, including the fees of the Monitor and its counsel; (ii) the claim of Sherfam Inc.; and (iii) claims that arose after August 7, 2014.
12. Secured creditors of the Company have previously been paid in full by the Company or have had their equipment returned to them, based on the validity and enforceability of their security. They will not be entitled to vote on the Plan either.
13. For the Plan to become effective,
  - a. A majority in number of Affected Creditors, representing at least two thirds in dollar value of the Proven Claims of Affected Creditors, voting at the Meeting (in person, by voting letter or by proxy), must vote in favour of the Plan; and
  - b. Prior to May 13, 2016, an order sanctioning the Plan must have been granted by the Court (the “**Sanction Order**”), in form and substance reasonably satisfactory to the Company, be entered in the court records, and all appeal periods in respect of the Sanction Order must have expired.
14. All Convenience Creditors will be deemed to have voted in favour of the Plan.
15. Sherfam Inc. (“**Sherfam**” or the “**Plan Sponsor**”), MRG’s largest creditor, will subordinate \$24,850,000, being approximately 75%, of its Proven Claim to all other

Affected Claims (the “**Plan Sponsor Contribution**”). The benefit to Affected Creditors of the subordination of a portion of the Plan Sponsor’s claim is discussed later in this Report.

16. On the Implementation Date:

- i) MRG will pay any outstanding Administrative Fees and Expenses and deliver a retainer of \$50,000 (or such other amount as the Company, the Monitor, and the Plan Sponsor may agree) to the Monitor (the “**Retainer Amount**”);
- ii) MRG will pay the Convenience Creditors (all creditors with Proven Claims not exceeding \$1,000.00) 100% of their Proven Claims (the “**Convenience Claim Amounts**”), inclusive of any interim distributions made by MRG earlier in the CCAA Proceeding; and
- iii) All funds held by MRG, after paying any outstanding Administrative Fees and Expenses, the Retainer Amount and the Convenience Claim Amounts, and reserving a reasonable amount for MRG’s ongoing costs and expenses to seek approval of and for the implementation of the Plan, are to be paid to the Monitor and will comprise a fund for distribution in accordance with the Plan (the “**Fund**”).

17. The Monitor, within 30 Business Days of the Implementation Date or as soon as practicable thereafter, is to distribute the Fund to Affected Creditors and the Plan Sponsor (in respect of the unsubordinated portion of the Plan Sponsor’s Claim).

18. All Affected Creditors, who are not Convenience Creditors, are to receive a payment of \$1,000 plus payment of the pro-rated amount of the balance of their Proven Claims based on a ratio where the numerator is the amount of such Creditor’s Proven Claim and the denominator is equal to the total value of Proven Claims less the Plan Sponsor Contribution and less the value of the Proven Claims of the Convenience Creditors. The

Plan Sponsor is also to receive a distribution of \$1,000 plus payment of a prorated amount based on the unsubordinated amount of the Plan Sponsor's Claim.

19. The payment, compromise or other satisfaction of any Affected Claim under the Plan, when sanctioned and approved by the Court, will be binding on such Affected Creditor.

#### **DOCUMENTS TO BE COMPLETED BY AFFECTED CREDITORS**

20. Affected Creditors of the Company with Proven Claims may vote for, or against, acceptance of the Plan by attending the meeting of creditors scheduled for March 23, 2016 (see **Paragraphs 21 and 31**) (the "**Meeting**") or by having someone else attend on their behalf.
21. Enclosed with this mailing is a Proxy form which must be completed by any Affected Creditors that are corporations that wish to have someone attend and vote, in person, on behalf of the corporation, or by any Affected Creditors who are individuals but wish to have someone else attend in person in their place and vote on their behalf. Completed Proxy forms must be provided to the Monitor prior to the Meeting so that the Monitor may know who is to be admitted to the Meeting.
22. Affected Creditors who wish to vote on the Plan but who will not be attending the Meeting in person or by proxy must complete and submit to the Monitor the Voting Letter enclosed with this mailing, which Voting Letter must be received by the Monitor by 5:00 PM on March 22, 2016 (Toronto time).

#### **BACKGROUND AND CAUSES OF FINANCIAL DIFFICULTIES**

23. On August 7, 2014, the Company made an application to the Court for protection from its creditors, including a stay of proceedings, under the CCAA which was approved by the Court and the Initial Order was issued.

24. Background information on MRG, including MRG's financial difficulties, are set out in the Application Record dated August 5, 2014, filed by MRG in support of its application for the stay of proceedings under the CCAA. The Application Record, as well as the Monitor's ten reports filed with the Court to date which provide details of the Company's CCAA Proceeding, are posted on the Monitor's website at <http://www.collinsbarrow.com/en/toronto-ontario/martin-ross-group>.

### **MRG's Current Financial Position**

25. During the CCAA Proceeding, MRG obtained Court approval to, among other things, conduct two inventory liquidation processes and make three interim distributions to its creditors.
26. MRG ceased operating, disclaimed its lease and vacated the premises from which it was operating effective July 1, 2015.
27. MRG currently has approximately \$1.4 million in its bank account, and expects that, if the Plan is approved, after payment of Administrative Fees and Expenses, and other costs and expenses to seek approval of and for the implementation of the Plan, there will be approximately \$1.3 million remaining that will comprise the Fund and be available for distribution to the creditors after the Implementation Date.

## **CLAIMS AND THE CLAIMS PROCEDURE**

### **Secured Creditors**

28. The Company previously returned equipment that was subject to the claims of secured creditors or obtained authorization from the Court to pay its secured creditors in full and as such, there are presently no creditors who have secured claims against MRG.

### **Unsecured Creditors**

29. Subsequently and pursuant to the Claims Procedure Order, MRG conducted a Claims Procedure to solicit claims to confirm the amount owed to unsecured creditors.



30. In accordance with the Claims Procedure, the Monitor admitted as Proven Claims, 51 claims totaling \$34,695,210, including Sherfam's claim.

## **MEETING OF CREDITORS AND OUTCOME OF PLAN**

### **Meeting of Creditors, Voting Letter and Proxy**

31. The Meeting of Creditors will take place on March 23, 2016 at 10:30 a.m. (Toronto time) at the offices of Collins Barrow Toronto Limited, located at:
- Collins Barrow Place  
11 King Street West, Suite 700  
Toronto, Ontario  
M5H 4C7
32. An officer of the Monitor, or a person designated by the Monitor, will act as chairperson at the Meeting and is authorized by the Court to decide all matters relating to the procedures at, and the conduct of, the Meeting.
33. Affected Creditors are entitled to vote in respect of the Plan. All Convenience Creditors will be deemed to have voted in favour of the Plan.
34. Affected Creditors with Proven Claims, including the holders of proxies, and counsel to these creditors, are entitled to attend the Meeting and vote on the Plan. MRG and its officers, directors, and legal counsel, the Plan Sponsor and its legal counsel, and the Monitor and its legal counsel, are also entitled to attend the meeting.
35. Alternatively, and as noted above, those Affected Creditors with Proven Claims that are unable to, or do not wish to, attend the Meeting in person or by proxy can complete and provide to the Monitor, in advance of the Meeting, a voting letter.
36. Proxy forms and voting letters are attached to the information provided to Affected Creditors together with this Report.

### **Outcome if Creditors Vote In Favour of the Plan**

37. If the required majorities of the Affected Creditors vote in favour of the acceptance of the Plan, the Company will then make an application to the Court for an order sanctioning and approving the Plan (“**Sanction Order**”).
  
38. If the Sanction Order is granted by the Court and entered, the Plan will be said to be implemented. Provided the Company makes the payments provided for in the Plan, as described earlier, the distribution (the “**Final Distribution**”) to the Affected Creditors of the Company will be as follows:
  - a. All Convenience Creditors will receive an additional payment representing the balance of their Proven Claims, after interim distributions made in the CCAA Proceeding.
  - b. All Affected Creditors who are not Convenience Creditors will receive, up to a maximum of their Proven Claims, an additional payment of \$1,000.00 plus a prorated amount of the balance of their Proven Claims, based on a ratio where the numerator is the amount of such Creditor’s Proven Claim and the denominator is equal to the total value of Proven Claims less the Plan Sponsor Contribution, and less the value of the Proven Claims of the Convenience Creditors. The amount of this payment will be net of interim distributions previously paid by MRG during the CCAA Proceeding.
  - c. The Plan Sponsor will receive an additional distribution of \$1,000.00 plus payment of a prorated amount based on the unsubordinated amount of the Sherfam Claim less interim distributions previously paid by MRG during the CCAA Proceeding.
  
39. Based on the above, and assuming a Fund of \$1,300,000, the Monitor estimates that the Final Distribution will be:
  - a. to Convenience Creditors, an amount equal to the balance remaining, after interim distributions, of 100% of their Proven Claim;

- b. to Affected Creditors who are not Convenience Creditors, approximately \$0.15 per dollar of Proven Claim; and
- c. to the Plan Sponsor in respect of the unsubordinated portion of its Claim, an amount representing approximately \$0.03 per dollar of its Proven Claim.

40. The calculation of the amount payable to Affected Creditors is set out below. The amount payable to the Plan Sponsor on account of its unsubordinated claim is the difference between the amount available for distribution to non-Convenience Creditors and the amount payable to Affected Creditors.

**Calculation of Pro-rata Distribution Amount**

Estimate of funds available for distribution at Implementation Date	\$ 1,300,000.00
Less: Amount payable to Convenience Creditors	(4,831.53)
Less: Payment of \$1,000 to non-Convenience Creditors	(42,000.00)
<b>Amount available for pro-rata distribution to non-Convenience Creditors</b>	<b><u>\$ 1,253,168.47</u></b>

**Calculation of Return to Creditors**

<u>Description</u>	<u>Payments to Convenience Creditors</u>	<u>Payment of First \$1,000</u>	<u>Pro-rata Final Distribution Amount</u>	<u>Total Final Distribution</u>	<u>Total Proven Claims</u>	<u>Approximate Average Return to Creditors From Final Distribution</u>
Affected Creditors (Note 1)	\$ 4,831.53	\$ 41,000.00	\$ 216,422.72	\$ 262,254.25	\$ 1,746,347.93	0.15
Sherfam claim, net of Plan Sponsor Contribution					\$ 8,098,862.32	
Plan Sponsor Contribution					24,850,000.00	
Sherfam Proven Claim	\$ -	\$ 1,000.00	\$ 1,036,745.75	\$ 1,037,745.75	\$ 32,948,862.32	0.03
<b>Total</b>	<b><u>\$ 4,831.53</u></b>	<b><u>\$ 42,000.00</u></b>	<b><u>\$ 1,253,168.47</u></b>	<b><u>\$ 1,300,000.00</u></b>	<b><u>\$ 34,695,210.26</u></b>	

Note 1: The Pro-rata Final Distribution Amount payable to Affected Creditors is calculated as follows:

Total Proven Claims of Affected Creditors	\$ 1,746,347.93
Less: Payment of First \$1,000	(41,000.00)
Less: Convenience Creditor Claims	(6,135.57)
<b>Numerator (A)</b>	<b><u>\$ 1,699,212.36</u></b>
Total Proven Claims of All Creditors	\$ 34,695,210.26
Less: Plan Sponsor Contribution	(24,850,000.00)
Less: Convenience Creditor Claims	(6,135.57)
<b>Denominator (B)</b>	<b><u>\$ 9,839,074.69</u></b>
Amount available for pro-rata distribution to non-Convenience Creditors (C)	<b><u>\$ 1,253,168.47</u></b>
Pro-rata Final Distribution Amount Payable to Affected Creditors (A/BxC)	<b><u>\$ 216,422.72</u></b>

41. Taking into account the interim distributions paid to date by MRG of approximately \$0.2125 per dollar of Proven Claim, after payment of the Final Distribution, the total

distribution to Affected Creditors in the CCAA Proceeding would be approximately \$0.3625 per dollar of Proven Claim if the Affected Creditors voted in favour of the Plan. As stated previously, Convenience Creditors would receive 100% of their Proven Claim.

**Likely Outcome if Creditors Vote Against the Plan**

42. If Affected Creditors vote against the Plan, there will be no Plan Sponsor Contribution and the CCAA Proceeding may be terminated. In that event, a bankruptcy of MRG may occur and any remaining assets would vest in the trustee appointed to administer the bankruptcy of MRG. The estimated Final Distribution to Creditors in this scenario is approximately \$0.04 per dollar of Proven Claim, calculated as follows:

*[remainder of page left blank intentionally]*

**Calculation of Pro-rata Distribution Amount**

		<u>Notes</u>
Estimate of funds in bank account at date of bankruptcy	\$ 1,300,000.00	1
Add: Estimate of additional accounts receivable collections	125,000.00	2
Add: Estimate of additional amounts paid by Wal-Mart for consignment inventory	-	3
Total available for distribution, prior to professional fees of a trustee in bankruptcy and administration costs	<u>\$ 1,425,000.00</u>	
Estimate of professional fees and costs of administration for a bankruptcy proceeding	<u>(50,000.00)</u>	4
Estimated amount available for distribution before Superintendent of Bankruptcy levy	<u>\$ 1,375,000.00</u>	
Less: Superintendent of Bankruptcy levy	<u>(54,687.50)</u>	
Amount distributable to creditors	<u>\$ 1,320,312.50</u>	

**Notes:**

1. For the purposes of this calculation, we have assumed that the remaining cash in the bank account of the Company is the same in a bankruptcy scenario as it would be at the Implementation Date (if creditors voted in favour of the Plan).
2. The affidavit of Allen Shechtman, which was affirmed on February 2, 2016 (the "**Affidavit**"), set out that the face value of remaining outstanding accounts receivable totaled \$495,000 and that the realizable value of same was approximately \$125,000. For the purposes of this calculation, we have assumed that a trustee in bankruptcy could collect the full amount of the realizable value of accounts receivable estimated by MRG.
3. The Affidavit set out that the only remaining inventory was product that was consigned to Wal-Mart and that Wal-Mart had advised that it was unable to locate any remaining inventory. For the purposes of this calculation, we have assumed that no further amounts are collectible from Wal-Mart and that no further inventory will be returned by Wal-Mart.
4. We have assumed that professional fees of a trustee and costs of administration of a bankruptcy proceeding will be approximately \$50,000.

**Calculation of Return to Creditors**

<u>Description</u>	<u>Pro-rata Final Distribution Amount</u>	<u>Total Proven Claims</u>	<u>Approximate Return to Creditors From Final Distribution</u>
Affected Creditors	\$ 66,456.58	\$ 1,746,347.93	\$ 0.04
Sherfam	1,253,855.92	32,948,862.32	\$ 0.04
Total pro-rata distribution	<u>\$ 1,320,312.50</u>	<u>\$34,695,210.26</u>	

43. Taking into account the interim distributions paid to date by MRG of approximately \$0.2125 per dollar of Proven Claim, the estimated total distribution to Affected Creditors will be approximately \$0.2525 per dollar of Proven Claim in this scenario.

## **MONITOR'S RECOMMENDATION**

44. Based on the Plan and the information provided to the Monitor and contained in this Report, the Monitor is of the view that acceptance of the Plan by the Affected Creditors would allow the Affected Creditors and the Convenience Creditors to maximize their return from MRG's indebtedness to them.
45. Accordingly, the Monitor recommends that the Affected Creditors vote in favour of the Plan.

**COLLINS BARROW TORONTO LIMITED**  
in its capacity as Monitor of Martin Ross Group Inc.  
and not in its personal capacity

Per: \_\_\_\_\_

  
Daniel R. Weisz, CPA, CA, CIRP, LIT  
Senior Vice-President

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

THE HONOURABLE ) TUESDAY, THE 9TH DAY  
JUSTICE *HAINES* )  
 ) OF FEBRUARY, 2016

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.



**ORDER**

**(Plan filing, creditor meeting and extension of Stay Period)**

THIS MOTION, made by Martin Ross Group Inc. (the "**Applicant**") for an order:

- (a) if necessary, abridging the time for service and filing of the Motion Record, and validating service of the Motion Record, such that this motion is properly returnable today;
- (b) accepting the Plan of Compromise or Arrangement in respect of the Applicant dated February 2, 2016, in the form attached as Schedule "A" hereto (the "**Plan**"), for filing;
- (c) authorizing the Applicant to call, hold and conduct a meeting of the Affected Creditors (as defined in the Plan) to consider and vote on a resolution to approve the Plan;

- (d) approving the procedures to be followed with respect to the calling and conduct of the Meeting (as defined herein);
- (e) setting the date for the hearing of motion seeking sanction of the Plan;
- (f) extending the Stay Period (as defined herein) to April 18, 2016;
- (g) approving the Tenth Report of Collins Barrow Toronto Limited, in its capacity as court-appointed monitor of the Applicant (the “**Monitor**”) and the activities of the Monitor described therein; and,
- (h) approving the fees and disbursements of the Monitor and its legal counsel, Torkin Manes LLP, to date;

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Affidavit of Allen Shechtman affirmed February 2, 2016 (the “**Shechtman Affidavit**”) and the Tenth Report of the Monitor including the affidavits of Daniel Weisz and of S. Fay Sulley (the “**Fee Affidavits**”), and on hearing the submissions of the lawyers for the Applicant and the Monitor, no one appearing for any other person on the service list, although properly served as appears from the affidavits of service of Kelly Barrett sworn February 3, 2016 and Janice Chen sworn February 4, 2016, filed,



**SERVICE**

1. THIS COURT ORDERS that the time for service and filing of the Motion Record and the Tenth Report is hereby abridged, and service of the Motion Record and the Tenth Report is hereby validated, such that this Motion is properly returnable today and hereby dispenses with further service thereof.

**PLAN OF COMPROMISE OR ARRANGEMENT**

2. THIS COURT ORDERS that, except where otherwise defined, defined terms in this Order shall have the meanings assigned in the Plan.

3. THIS COURT ORDERS that the Plan is hereby accepted for filing, and the Applicant is hereby authorized to seek approval of the Plan from the Affected Creditors in the manner set forth herein.

4. THIS COURT ORDERS that the Applicant be and is hereby authorized to modify, amend or supplement the Plan (each a "**Plan Modification**") by way of a supplementary or amended plan or plans of compromise or arrangement at any time or from time to time prior to the Meeting, in which case, any such supplementary or amended plan of compromise or arrangement shall, for all purposes, be and are deemed to be a part of and incorporated into the Plan.

5. THIS COURT ORDERS that after the Meeting (and both prior to and subsequent to the obtaining of any Sanction Order), the Applicant may at any time, and from time to time, with the consent of the Plan Sponsor and the Monitor, effect a Plan Modification (a) pursuant to an

Order of the Court or (b) where such Plan Modification concerns a matter, which in the opinion of the Applicant and the Monitor, is of an administrative nature required to better give effect to the implementation of the Plan or the Sanction Order or to cure any error, omissions or ambiguities, and in either circumstance is not materially adverse to the financial or economic interests of the Affected Creditors. The Monitor shall forthwith post on the Case Website (as defined in the Initial Order) any such Plan Modification, with notice of such posting forthwith provided to the Service List (as defined in the Initial Order).

### **MEETING OF CREDITORS**

6. THIS COURT ORDERS that the Applicant is hereby authorized to call, hold and conduct the Meeting for the purpose of considering, and if deemed advisable, passing, with or without variation, a resolution to approve the Plan.

7. THIS COURT ORDERS that on or before February 29, 2016, the Monitor shall send by prepaid ordinary mail, courier, fax transmission or electronic mail to each Affected Creditor who has filed a proof of claim in accordance with the Claim Procedure Order to the address set forth on the Proof of Claim filed by the Affected Creditor:

- (a) A copy of this Order (without attachments);
  - (b) A copy of the Plan;
  - (c) A summary of the Plan substantially in the form attached as Schedule "B";
  - (d) A form of proxy and voting letter substantially in the form attached as Schedule "C";
- and,

- (e) A report prepared by the Monitor with respect to the relevant Plan, which report shall describe the Plan and include the Monitor's recommendation with respect to acceptance of the Plan.

8. THIS COURT ORDERS that the Meeting of Affected Creditors shall be held on March 23, 2016 at 10:30 a.m. (Toronto time) at the offices of the Monitor at 11 King Street West, Suite 700, Toronto, Ontario and the Applicant is hereby authorized to adjourn the Meeting to such time and place as it deems necessary or desirable.

9. THIS COURT ORDERS that a representative of the Monitor shall preside as the chair of the Meeting (the "Chair") and shall decide all matters relating to the rules and procedures at, and the conduct of, the Meeting.

10. THIS COURT ORDERS that, for the purposes of voting to approve the Plan, there shall be one class of Affected Creditors, as set forth in the Plan.

11. THIS COURT ORDERS that Affected Creditors of the Applicant shall be entitled to attend and vote at the Meeting in person, by proxy, or by voting letter.

12. THIS COURT ORDERS that the Chair be and is hereby authorized to accept and rely upon proxies and voting letters in such form as are acceptable to the Chair.

13. THIS COURT ORDERS that the only persons entitled to attend the Meeting are (a) the Affected Creditors, including proxy holders and their legal counsel; (b) the Plan Sponsor and its legal counsel; and (c) the Monitor and its legal counsel; and (d) the Applicant and its representatives, officers, directors and legal counsel.

14. THIS COURT ORDERS that the quorum required at the Meeting shall be any one Affected Creditor present in person, by voting letter or by proxy.

15. THIS COURT ORDERS that the quantum of the claim that each Affected Creditor is entitled to vote at the Meeting shall be as established in accordance with the Claims Procedure Order.

16. THIS COURT ORDERS that, subject to further Order of the Court, where the Claim of an Affected Creditor has not become a Proven Claim by the Meeting Date, the value of that Affected Creditor's Claim, for the purpose of voting on the Plan only, shall be the greater of the allowed portion of the Claim, if any, and 50% of the Claim set out in the Proof of Claim filed pursuant to the Claims Procedure Order.

17. THIS COURT ORDERS that the Chair shall direct a vote with respect to a resolution to approve the Plan under consideration at the Meeting and containing such other related provisions as the Applicant may consider appropriate.

18. THIS COURT ORDERS that, following the vote at the Meeting, the Chair shall tally the vote and determine whether the Plan under consideration at such Meeting has been accepted by the majority required by section 6 of the *Companies' Creditors Arrangement Act* (Canada).

19. THIS COURT ORDERS that if the Plan is accepted by the required majority of Affected Creditors, the Applicant may bring a Motion seeking an Order sanctioning the Plan returnable on April 14, 2016, or such later date as the Court may order.

**FURTHER AND OTHER ORDERS**

20. THIS COURT ORDERS that the Applicant or the Monitor may, from time to time, apply to this Court for directions in the discharge of their powers and duties hereunder or in respect of the proper execution of this Order.

21. THIS COURT ORDERS that the Applicant and the Monitor shall use reasonable discretion as to the adequacy of compliance with respect to the manner in which any forms hereunder are completed and executed and the time in which they are submitted and may waive strict compliance with the requirements of this Order including with respect to the completion, execution and time of delivery of required forms.

**STAY EXTENSION**

22. THIS COURT ORDERS that the Stay Period be and is hereby extended until April 18, 2016.

**APPROVAL OF MONITOR'S TENTH REPORT AND FEE APPROVAL**

23. THIS COURT ORDERS that the Tenth Report and the activities of the Monitor as described therein, be and are hereby approved.

24. THIS COURT ORDERS that the professional fees of the Monitor and its legal counsel, as set out in the Fee Affidavits, be and are hereby approved.

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

FEB 09 2016

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**PLAN OF COMPROMISE OR ARRANGEMENT**

in respect of

**MARTIN ROSS GROUP INC.**

**PURSUANT TO THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,**

**R.S.C. 1985; c. C-36, AS AMENDED**

February 2, 2016

## PLAN OF COMPROMISE OR ARRANGEMENT

### ARTICLE I

#### INTERPRETATION

##### Section 1.1 Definitions

In this Plan (including the Schedules hereto), unless otherwise stated or the context otherwise requires:

“**Administrative Fees and Expenses**” means the proper fees, expenses and legal fees and disbursements of the Monitor and its legal counsel relating to or incidental to the CCAA Proceeding, the negotiation, preparation, presentation, consideration and implementation of the Plan, and all proceedings and matters relating to or arising out of the Plan;

“**Affected Claims**” means all Claims other than Unaffected Claims;

“**Affected Creditors**” means all Creditors with Proven Claims;

“**Applicant**” means Martin Ross Group Inc.;

“**Business Day**” means a day that is not (a) a Saturday or a Sunday; or (b) a day observed as a holiday under the laws of the Province of Ontario or the federal laws of Canada applicable in the Province of Ontario;

“**CCAA**” means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;

“**CCAA Proceeding**” means the proceeding before the Court in respect of the Applicant in the application commenced by the Applicant pursuant to the CCAA;

“**Claim**” means any right or claim of any Person against the Applicant, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind of the Applicant, which indebtedness, liability or obligation is in existence at the Filing Date and which is not a Post-Filing Claim, and any interest that may accrue thereon in which there is an obligation to pay, and costs which such Person would be entitled to receive pursuant to the terms of any contract with such Person at law or in equity, any right of ownership of or title to property or assets or to a trust or deemed trust (statutory or otherwise) against any property or assets; whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, based in whole or in part on facts which exist prior to the Filing Date, together with any other claims that would have been claims provable in bankruptcy had the Applicant become bankrupt on the Filing Date;

“**Claims Procedure Order**” means the Order of the Honourable Justice Newbould, dated May 1, 2015, establishing the procedure for the determination of Claims;

“**Confirmation Date**” means the date that the Sanction Order is made;

“**Convenience Creditors**” means all Creditors with Proven Claims not exceeding \$1,000.00;

“**Court**” means the Ontario Superior Court of Justice (Commercial List);

“**Creditor**” means any Person having a Claim and, if the context requires, an assignee or transferee of a Claim or a trustee, receiver, receiver-manager or other Person acting on behalf of such Person;

“**Dollars**” or “\$” means lawful money of Canada unless otherwise indicated;

“**Filing Date**” means August 7, 2014;

“**Implementation Date**” means the first Business Day following the day when all of the conditions to the implementation of this Plan, as set forth in Section 7.7, have been waived or satisfied, as applicable;

“**Initial Order**” means the Order dated August 7, 2014, granted by the Honourable Justice Penny, pursuant to which, among other things, the Applicant was granted relief pursuant to the CCAA;

“**Meeting**” means the meeting of the Affected Creditors called for the purpose of considering and approving this Plan and includes any adjournment of such meeting;

“**Meeting Date**” means the date fixed for the Meeting by the Plan Filing Order, including any dates to which the Meeting is adjourned;

“**Monitor**” means Collins Barrow Toronto Limited, as appointed by the Initial Order, and any successor thereto appointed by any further Order;

“**Order**” means any order of the Court in connection with the CCAA Proceeding;

“**Person**” means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other juridical entity howsoever designated or constituted;

“**Plan**” means this Plan of Compromise or Arrangement, as the same may hereafter be amended or supplemented from time to time, in accordance with the terms hereof, and any Order that may be made in respect thereof;

“**Plan Filing Order**” means the Order dated February 9, 2016, inter alia, authorizing the filing of the Plan, setting the Meeting Date and establishing the procedure for the Meeting;

“**Plan Sponsor**” means Sherfam Inc.;



**“Plan Sponsor Contribution”** has the meaning set out in Section 4.1(a);

**“Post-Filing Claim”** means any Claim arising solely from or caused solely by an action taken by the Applicant after the Filing Date;

**“Proven Claim”** of a Creditor means the amount of the Claim of such Creditor as finally determined for voting and distribution purposes in accordance with the Claims Procedure Order and the Plan Filing Order;

**“Released Parties”** means the Applicant, the Monitor and each of their respective officers, directors, employees and agents;

**“Required Majority”** means a majority in number representing two-thirds in value of the Affected Creditors’ Proven Claims present and voting in person, by voting letter or by proxy at the Meeting;

**“Sanction Order”** means the Order of the Court sanctioning and approving the Plan;

**“Sherfam Claim”** means the Proven Claim, or portion thereof, of the Plan Sponsor;

**“Tax”** or **“Taxes”** shall mean any and all federal, provincial, municipal, local and foreign taxes, assessments, reassessments and other governmental charges, duties, impositions and liabilities including for greater certainty taxes based upon or measured by reference to gross receipts, income, profits, sales, capital, use and occupation, goods and services, and value added, ad valorem, transfer, franchise, withholding, custom duties, payroll, recapture, employment, excise and property taxes, together with all interest, penalties, fines and additions with respect to such amounts; and

**“Unaffected Claims”** means: (a) Administrative Fees and Expenses; (b) the Sherfam Claim; and (c) Post-Filing Claims.

## **Section 1.2 Interpretation, etc.**

For the purposes of this Plan:

- (a) any reference to a contract, instrument, release, indenture, or other agreement or documents being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (b) any reference to an Order or to an existing document or exhibit filed or to be filed means such Order, document or exhibit as it may have been or may be amended, modified, or supplemented from time to time;
- (c) any reference to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force from time to time;

- (d) unless otherwise specified, all references to Sections, Articles and Schedules are references to Sections, Articles and Schedules of or to the Plan;
- (e) the words “herein” and “hereto” refer to this Plan in its entirety rather than to a particular portion of the Plan unless otherwise required by the context;
- (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan;
- (g) where the context requires, a word or words importing the singular shall include the plural and vice versa, and a word or words importing the masculine gender shall include the feminine and neuter genders and vice versa;
- (h) the words “includes” and “including” are not limiting; and,
- (i) the word “or” is not exclusive.

### **Section 1.3 Date for Any Action**

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action shall be required to be taken by 5:00 p.m. on the next succeeding day which is a Business Day.

### **Section 1.4 Time**

All times expressed in this Plan are local time Toronto, Ontario, Canada unless otherwise stipulated.

## **ARTICLE 2**

### **PURPOSE AND EFFECT OF THE PLAN**

#### **Section 2.1 Background**

The circumstances and events leading up to this Plan are summarized in the Report of the Monitor, which will be circulated to Affected Creditors in connection with this Plan.

#### **Section 2.2 Persons Affected**

This Plan provides for a coordinated restructuring and compromising of Affected Claims. This Plan will become effective on the Implementation Date and shall be binding on and enure to the benefit of the Applicant, the Plan Sponsor and the Affected Creditors and their respective heirs, administrators, executors, legal personal representatives, successors and assigns.

#### **Section 2.3 Persons Not Affected**

This Plan does not affect holders of Unaffected Claims and nothing in this Plan shall impact the rights of the Creditors with Unaffected Claims against the Applicant. Nothing in this Plan shall affect any of the Applicant's rights and defences, both legal and equitable, with respect to any Affected Claims, including, but not limited to, all rights with respect to legal and equitable defences or entitlements to setoffs or recoupment against such Claims.

### **ARTICLE 3**

#### **CLASSIFICATION OF CREDITORS, VALUATION OF CLAIMS AND RELATED MATTERS**

##### **Section 3.1 Classes of Claims**

There will be one class of Creditors for the purpose of considering and voting on the Plan, being Affected Creditors.

##### **Section 3.2 Claims**

Affected Creditors shall vote in respect of the Plan and receive the rights provided for under and pursuant to this Plan. The right of Affected Creditors to vote on the Plan shall be determined in accordance with the Claims Procedure Order and the Plan Filing Order.

##### **Section 3.3 Meeting**

The Meeting shall be held and conducted in accordance with this Plan and the Plan Filing Order. The only Persons entitled to attend the Meeting are those Persons who are Affected Creditors, including the holders of proxies, entitled to vote at the Meeting and their legal counsel, the Monitor and its legal counsel, the Applicant and its officers, directors and legal counsel, and the Plan Sponsor and its legal counsel. Any other Person may be admitted on invitation of the chairperson of the Meeting. An officer of the Monitor or a person designated by the Monitor shall preside as the chairperson of the Meeting and shall decide all matters related to the conduct of the Meeting.

##### **Section 3.4 Approval by Affected Class**

The Applicant and the Plan Sponsor will seek approval of the Plan by the affirmative vote of the Required Majority in order that the Plan becomes binding on the Affected Creditors as of the Implementation Date. All Convenience Creditors will be deemed to have voted in favour of the Plan.

##### **Section 3.5 Value of Claims for Voting Purposes**

Each Affected Creditor shall be entitled to vote based on a value equal to its respective Proven Claim. Where a Claim has not become a Proven Claim by the Meeting Date as a result of a pending appeal from a revision or disallowance by the Monitor under the Claims Procedure Order, then for the purposes of voting on the Plan only, the value of such Claim shall be the

greater of the allowed portion of the Claim, if any, and 50% of the Claim set out in the Proof of Claim filed pursuant to the Claims Procedure Order.

## ARTICLE 4

### PLAN OF ARRANGEMENT

#### Section 4.1 Plan

- (a) The Plan Sponsor will subordinate the sum of \$24,850,000.00 of the Sherfam Claim (the “**Plan Sponsor Contribution**”) to all other Affected Claims.
- (b) All Convenience Creditors shall receive payment of 100% of their Proven Claims, inclusive of interim distributions made in the CCAA Proceeding.
- (c) All Affected Creditors who are not Convenience Creditors shall receive a distribution of \$1,000.00 plus payment of the prorated amount of the balance of their Proven Claims based on a ratio where the numerator is the amount of such Creditor’s Proven Claim and the denominator is equal to the total value of Proven Claims less the Plan Sponsor Contribution and less the value of the Proven Claims of the Convenience Creditors.
- (d) The Plan Sponsor shall also receive a distribution of \$1,000.00 plus payment of a prorated amount based on the unsubordinated amount of the Sherfam Claim.

#### Section 4.2 Implementation of Plan

- (a) On the Implementation Date, the Applicant shall pay any outstanding Administrative Fees and Expenses and shall deliver a retainer of \$50,000.00 (or such other amount as the Applicant, the Monitor, and the Plan Sponsor may agree) to the Monitor.
- (b) On the Implementation Date, all funds held by the Applicant, after paying the amounts in accordance with Section 4.1(b) and Section 4.2(a), and reserving such reasonable amount as determined by the Applicant and the Monitor for the Applicant’s ongoing costs and expenses to seek approval of and for the implementation of the Plan, shall be paid to the Monitor and shall comprise a fund for distribution in accordance with the Plan (the “**Fund**”).

## ARTICLE 5

### PROVISIONS GOVERNING DISTRIBUTIONS

#### **Section 5.1 Distribution to Creditors**

Subject to Articles 5.2 and 5.3, within 30 Business Days of the Implementation Date or as soon as practical thereafter, the Monitor shall distribute the Fund to the Affected Creditors and to the Plan Sponsor in accordance with paragraph 4.1 above.

#### **Section 5.2 Value of Claims for Distribution Purposes**

The value of a Claim for distribution purposes shall be determined in accordance with the procedure established by the Claims Procedure Order.

#### **Section 5.3 Reserve Pending Allowance**

If the value of an Affected Claim has not been finally determined, pursuant to the Claims Procedure Order, at the date of the proposed distribution of the Fund, then prior to any distribution of the Fund, the Monitor shall reserve from the Fund the maximum amount of any potential distribution to the Affected Creditor based on the Claim of the Affected Creditor and proceed with distribution of the balance of the Fund. Within 10 Business Days following the final determination of the value of the Affected Claims, in accordance with the Claims Procedure Order, the Monitor shall, distribute the amount payable to the Affected Creditor and return the balance, if any, to the Applicant.

#### **Section 5.4 Interest on Claims**

Unless otherwise specifically provided for in this Plan or the Sanction Order, interest shall not accrue or be paid on Affected Claims after the Filing Date.

#### **Section 5.5 Delivery of Distributions**

Distributions to Affected Creditors shall be made by prepaid ordinary mail by the Monitor: (a) to the address set forth on the Proof of Claim filed by an Affected Creditor; or (b) to the addresses set forth in any written notices of address changes delivered to the Monitor after the date of any related Proof of Claim. If any Affected Creditor's distribution is returned as undeliverable, no further distributions to such Affected Creditor shall be made unless and until the Monitor is notified of such Affected Creditor's then current address, at which time all missed distributions shall be made to such Affected Creditor without interest. All claims for undeliverable distributions must be made on or before the expiration of six (6) months following the date of the distribution, after which date the Claim of any Affected Creditor or successor of such Affected Creditor with respect to such unclaimed distributions shall be discharged, and forever barred, notwithstanding any federal or provincial laws to the contrary, and any such undeliverable distributions shall be returned to the Applicant. Nothing contained in the Plan shall require the Applicant or the Monitor to attempt to locate any Affected Creditor.

### **Section 5.6 Withholding and Reporting Requirements**

All distributions hereunder shall be subject to any withholding and reporting requirements imposed by any federal, provincial, local or foreign taxing authority, and the Monitor is authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of the Plan: (a) each Affected Creditor that is to receive a distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any governmental authority, including income, withholding and other Tax obligations, on account of such distribution; and (b) to the extent applicable, no distribution shall be made to or on behalf of any Affected Creditor pursuant to the Plan unless and until such Affected Creditor has made arrangements satisfactory to the Monitor for the payment and satisfaction of such Tax obligations. Any distributions to be distributed pursuant to the Plan shall, pending the implementation of such arrangements, be treated as an undeliverable distribution pursuant to Section 5.5 hereof. It is the Applicant's intent that distributions under the Plan to holders of Claims are in respect of, and to be applied to, principal first and then interest.

## **ARTICLE 6**

### **RELEASES**

#### **Section 6.1 Plan Releases**

On the Implementation Date, the Released Parties shall, except as provided below or to the extent prohibited by the CCAA, be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, including, without limitation, any and all claims in respect of potential statutory liabilities of the former, present and future directors and officers of the Applicant, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date relating to, arising out of or in connection with the Claims, the business and affairs of the Applicant, this Plan and the CCAA Proceedings, provided that nothing herein shall release or discharge an officer or director of the Applicant with respect to the matters set out in section 5.1(2) of the CCAA, or release or discharge the Applicant from its obligations to Creditors under this Plan or under any Order and provided further that nothing therein shall release or discharge a Released Party if the Released Party is adjudged by the express terms of a judgment rendered on a final determination on the merits to have committed fraud or willful misconduct, and provided further that nothing in this section shall impact the rights of Unaffected Creditors, or release any Person including any current or former officers or directors of the Applicant, from any obligations as guarantor or surety in respect of the Applicant and all such guarantees shall remain in full force and effect.

**Section 6.2 Injunction Related to Releases**

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest released, discharged or terminated pursuant to the Plan.

**ARTICLE 7****MISCELLANEOUS****Section 7.1 Confirmation of Plan**

Provided that the Plan is approved by the Required Majority of the Affected Creditors, the Applicant will, subject to the rights of the Applicant in Section 7.10 hereof, seek the Sanction Order and, after the granting of the Sanction Order, subject only to the waiver or satisfaction, as applicable, of those conditions described in Section 7.7, the Plan will be implemented by the Applicant and the Plan Sponsor and will be binding upon the Applicant, the Plan Sponsor and all Affected Creditors.

**Section 7.2 Paramountcy**

From and after the Implementation Date, any conflict between the Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of the Applicant, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Applicant as at the Implementation Date will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which shall take precedence and priority. All Affected Creditors shall be deemed to consent to all transactions contemplated in this Plan.

**Section 7.3 Compromise Effective for all Purposes**

The payment, compromise or other satisfaction of any Affected Claim under the Plan, if sanctioned and approved by the Court, shall be binding upon such Affected Creditor and his heirs, executors, administrators, legal personal representatives, successors and assigns.

**Section 7.4 Modification of Plan**

The Applicant reserves the right, at any time and from time to time, to amend, modify and/or supplement this Plan, provided that any such amendment, modification or supplement must be contained in a written document which is filed with the Court and: (a) if made prior to the Meeting, communicated to the Creditors; and (b) if made following the Meeting, approved by the Court.

Any amendment, modification or supplement may be made following the Sanction Order by the Applicant with the consent of the Monitor, provided that it concerns a matter which, in the opinion of the Applicant and the Monitor, acting reasonably, is of an administrative nature required to better give effect to the implementation of this Plan and the Sanction Order and is not adverse to the financial or economic interests of the Affected Creditors.

Any supplementary or amended plan or plans of compromise or arrangement filed with the Court and, if required by this Section 7.4, approved by the Court, shall, for all purposes, be and be deemed to be a part of and incorporated in this Plan.

No amendment or modification to the Plan that may affect the Applicant or the Unaffected Claims may be made without the prior written consent of the relevant holder(s) of Unaffected Claim(s) or the Applicant.

### **Section 7.5 Consents, Waivers and Agreements**

As of 12:01 a.m. on the Implementation Date, each Affected Creditor shall be deemed to have consented and to have agreed to all of the provisions of this Plan as an entirety. In particular, each Affected Creditor shall be deemed:

- (i) to have executed and delivered to the Monitor and the Applicant, all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan as an entirety;
- (ii) to have waived any and all defaults then existing or previously committed by the Applicant in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale; lease or other agreement, written or oral and any and all amendments or supplements thereto, existing between any such Affected Creditor and the Applicant and any and all notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded; and
- (iii) to have agreed that, if there is any conflict between the provisions express or implied, of any agreement or other arrangement, written or oral, existing between such Affected Creditor and the Applicant as at such time (other than those entered into by the Applicant on, or with effect from, such time) and the provisions of this Plan, then the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

In this Plan the deeming provisions are not rebuttable and are conclusive and irrevocable.



### **Section 7.6 Plan Effective**

The Plan is not effective unless and until:

- (a) the Required Majority vote in favour of the acceptance of the Plan; and
- (b) prior to May 13, 2016, the Sanction Order, in form and substance reasonably satisfactory to the Applicant, is entered and all applicable appeal periods have expired.

### **Section 7.7 Conditions Precedent to Implementation of Plan**

The implementation of the Plan is subject to the following conditions precedent:

- (a) the Plan shall be effective; and,
- (b) all actions, documents and agreements necessary to implement the Plan shall have been effected or executed and delivered.

### **Section 7.8 Notices**

Any notices or communications to be made or given hereunder shall be in writing and shall refer to this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid ordinary mail or by electronic mail addressed to the respective parties as follows:

- (a) if to the Applicant:  
**Martin Ross Group Inc.**  
 c/o Kronis Rotsztain Margles Cappel LLP  
 Suite 1000 – 8 King Street East  
 Toronto, ON M5C 1B5  
 Attention: Morris Robinson  
 Email: [morob1000@gmail.com](mailto:morob1000@gmail.com)

With a copy to:

**Kronis Rotsztain Margles Cappel LLP**  
 Suite 1000 – 8 King Street East  
 Toronto, ON M5C 1B5  
 Attention: Mervyn D. Abramowitz  
 Email: [mabramowitz@krmc-law.com](mailto:mabramowitz@krmc-law.com)

(b) if to the Plan Sponsor:

**Sherfam Inc.**  
 10 Director Court  
 Woodbridge, ON L4L 7E8  
 Attention: Jonathan Grauman  
 Email: [jgrauman@sherfam.com](mailto:jgrauman@sherfam.com)

(c) if to a Creditor:

(i) to the address for such Creditor specified in the Notice of Claim or the Proof of Claim filed by a Creditor or, (ii) at the address set forth in any written notice of address changes delivered to the Monitor after the date of any related Proof of Claim.

(d) if to the Monitor:

**Collins Barrow Toronto Limited**  
 11 King St. W., Suite 700, Box 27  
 Toronto, Ontario M5H 4C7  
 Attention: Daniel Weisz  
 Email: [dweisz@collinsbarrow.com](mailto:dweisz@collinsbarrow.com)

or to such other address as any party may from time to time notify the others in accordance with this Section 7.8. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery, courier, or by electronic mail and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption, unless actually received, shall be deemed not to have been given or made. All such notices and communications shall be deemed to have been received, in the case of notice by electronic mail or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fourth Business Day following the date on which such notice or other communication is mailed. The unintentional failure by the Applicant or the Monitor to give notice contemplated hereunder to any particular Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

#### **Section 7.9 Severability of Plan Provisions**

If, prior to the Confirmation Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Applicant, shall have the power to either: (a) sever such term or provision from the balance of the Plan and provide the Applicant with the option to proceed with the implementation of the balance of the Plan as of and with effect from the Implementation Date; or (b) alter or interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, holding,

alteration or interpretation, and provided the Applicant proceeds with the implementation of the Plan, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, holding, alteration or interpretation. Notwithstanding the forgoing, no such severance, alteration or interpretation shall affect Unaffected Claims and the rights of Creditors with Unaffected Claims.

#### **Section 7.10 Revocation, Withdrawal, or Non-Consummation**

The Applicant reserves the right to revoke or withdraw the Plan at any time prior to the Confirmation Date or to file subsequent plans of compromise or arrangement. The Plan Sponsor reserves the right to not proceed as Plan Sponsor or make the Plan Sponsor Contribution at any time prior to the Confirmation Date. If the Applicant revokes or withdraws the Plan, or if the Plan Sponsor chooses not to proceed as Plan Sponsor or make the Plan Sponsor Contribution, or if the Sanction Order is not issued: (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void; and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall: (i) constitute or be deemed to constitute a waiver or release of any Claims by or against the Applicant or any other Person; (ii) prejudice in any manner the rights of the Applicant, the Plan Sponsor, or any other Person in any further proceedings involving the Applicant; (iii) constitute an admission of any sort by the Applicant, the Plan Sponsor, or any other Person; or (iv) give rise to any claim against the Plan Sponsor.

#### **Section 7.11 Further Assurances**

Notwithstanding that the transactions and events set out in this Plan shall occur and be deemed to occur in the order set out herein without any additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done and executed at the cost of the requesting party, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by the Applicant in order to better implement this Plan.

#### **Section 7.12 Governing Law**

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

**PLAN OF COMPROMISE OR ARRANGEMENT  
IN RESPECT OF MARTIN ROSS GROUP INC.  
SUMMARY OF KEY TERMS<sup>1</sup>**

<b>Purpose of the Plan</b>	The purpose of the Plan is to provide for the compromise of the Claims of all Affected Creditors. Affected Creditors will receive distributions under the Plan in full and final satisfaction of their Claims against Martin Ross Group Inc. (the “ <b>Applicant</b> ”).
<b>Unaffected Creditors</b>	The Plan will not impact the Claims: (a) of the Monitor and its counsel, arising before or after the Filing Date; (b) of Sherfam Inc. (the “ <b>Plan Sponsor</b> ”); and (c) that are Post-Filing Claims.
<b>Affected Creditors</b>	The Plan will compromise the claims of all of the Applicant’s unsecured creditors as of the Filing Date who are not Unaffected Creditors.
<b>Convenience Creditors</b>	All Affected Creditors with a Proven Claim not exceeding \$1,000.00 are referred to as Convenience Creditors, and are deemed to have voted in favour of the Plan
<b>Plan Sponsor</b>	Sherfam Inc. is the Plan Sponsor and will be subordinating \$24,850,000.00 of its Proven Claim (the “ <b>Plan Sponsor Contribution</b> ”) to the Affected Creditors in order to enhance the pro-rated distributions to the Affected Creditors who are not Convenience Creditors.
<b>Conditions of the Plan being Effective</b>	The Plan will not be effective unless and until: (a) a majority in number representing 2/3 in value of the Affected Creditors, present, in person or by proxy, and voting at the meeting of Affected Creditors called to consider the Plan, vote in favour of the Plan; and (b) the Court sanctions the Plan.
<b>Implementation Date</b>	The Plan will be implemented on the first Business Day following the day on which the Plan is effective, and all actions, documents and agreements necessary to implement the Plan have been effected or executed and delivered.

<sup>1</sup> This Summary is intended to provide general information only. Reference should be made to the Plan. In the event of any inconsistency between this Summary and the Plan, the Plan shall govern. All terms not otherwise defined, have the meanings assigned in the Plan.

<p><b>Distribution by Monitor</b></p>	<p>The Monitor will make all distributions to Affected Creditors with Proven Claims under the Plan, within 30 Business Days following the Implementation Date, or as soon as possible thereafter.</p> <p>Under the Plan, Convenience Creditors will receive, inclusive of interim distributions, payment of 100% of their Proven Claims.</p> <p>Under the Plan, Affected Creditors who are not Convenience Creditors, will receive, inclusive of interim distributions, a minimum distribution of \$1,000.00, and, after applying the Plan Sponsor Contribution, Affected Creditors will receive total distributions estimated to be approximately 37% of the dollar value of their Proven Claims.</p>
<p><b>Administrative Fees and Expenses</b></p>	<p>The Administrative Fees and Expenses will be paid by the Applicant, in addition to the amounts to be paid to the Affected Creditors.</p>
<p><b>Meeting</b></p>	<p>A meeting of Affected Creditors to consider the Plan will be held on March 23, 2016 at 10:30 a.m. at the offices of the Monitor. Prior to this Meeting, the Monitor will provide all Affected Creditors who have a Proven Claim against the Applicant with a report containing financial information with respect to the Applicant to assist Affected Creditors in assessing the Plan.</p>
<p><b>Further Information</b></p>	<p>Further information with respect to the Applicant is available in the Reports prepared by the Monitor, which are available on the Monitor's Case Website at <a href="http://www.collinsbarrow.com/en/toronto-ontario/martin-ross-group">www.collinsbarrow.com/en/toronto-ontario/martin-ross-group</a>.</p>

**Proxy and Voting Letter**

Court File No. CV-14-1065500CL

**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.**

**PROXY**

I/We \_\_\_\_\_  
*(name of creditor)*

a creditor of Martin Ross Group Inc. hereby irrevocably appoint

(a) Morris Robinson      or       (b) \_\_\_\_\_  
*(insert name of proxy)*

to be my/our proxy in the above matter, except as to the receipt of dividends, with power to appoint another proxy in his or her place.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016

\_\_\_\_\_  
Print Name of Creditor

\_\_\_\_\_  
Signature of Creditor, or if the Creditor is a corporation, signature of an authorized signing officer of the corporation

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**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.**

**VOTING LETTER**

**THE UNDERSIGNED** has reviewed the Plan of Compromise or Arrangement dated February 2, 2016 (the "**Plan**") and hereby instructs Collins Barrow Toronto Limited in its capacity as monitor of Martin Ross Group Inc. and chair of the meeting of creditors to record a vote in respect of the Plan as follows (*please check one of the boxes below; if neither box is checked or if both boxes are checked, your vote will be counted in favour of the Plan*):

**VOTE FOR** approval of the Plan

**VOTE AGAINST** approval of the Plan

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016

\_\_\_\_\_  
Print Name of Creditor

\_\_\_\_\_  
Signature of Creditor, or if the Creditor is a  
corporation, signature of an authorized signing  
officer of the corporation

Name: \_\_\_\_\_

Title: \_\_\_\_\_