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.

SIXTH REPORT OF THE MONITOR

January 28, 2015

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Appendices

I. Introduction

1. This is the sixth report (the **"Sixth 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 Sixth Report are as defined in the Initial Order, and in the first five reports of the Monitor.

II. Purpose of Report

4. The purpose of this Sixth Report is to:

   a) provide the Court with an update on the Company's interim distribution to the Company's secured lenders, RP Holdings Inc. (**"RP"**) and Sherfam Inc. (**"Sherfam"**);

   b) comment on the status of the inventory liquidation activities to date, including its sale of: loose diamonds (the **"Loose Diamonds Liquidation Process"**), gold and other precious metals (the **"Precious Metals Refinery Sale"**), remaining assets (the **"Remaining Assets"**) and the retail liquidation of its finished goods (the **"Retail Inventory Liquidation Process"**);

c) comment and provide the Court with a recommendation on the Company's proposed revised liquidation process (the **"Inventory Liquidation Process"**);

d) provide information on the updated Cash Flow Statement filed by the Company; and

e) comment and provide the Court with a recommendation on the Company's motion for an extension of the stay of proceedings until May 1, 2015.

III. Terms of Reference

5. In preparing this Sixth 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 Sixth 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. Interim Distribution to Secured Lenders

7. As set out in the Monitor's report to the Court dated January 12, 2015 (the **"Fifth Report"**), the Company sought an order approving its proposed interim distribution to its secured lenders, RP and Sherfam in the amounts of $3.4 million (CDN) and $1.8 million (USD), respectively (the **"Interim Distribution"**). A copy of the Fifth Report, without appendices, is attached hereto as Appendix **"B"**.

8. On January 14, 2015, the Court granted an order (the **"Interim Distribution Order"**) which, among other things, approved and authorized the Company to pay the Interim Distribution. A copy of the Interim Distribution Order is attached as Exhibit C to the affidavit of Allen Shechtman affirmed January 26, 2015 (the **"Shechtman Affidavit"**). These amounts have now been paid by the Company to RP and Sherfam. As set out in the Shechtman Affidavit, there continue to be funds outstanding and owing to Sherfam on a secured basis, and Sherfam and the Company are working together to confirm the balance owing to Sherfam.

V. Inventory Liquidation Process

Loose Diamonds Liquidation Process and Precious Metals Refinery Sale

9. As set out in the Fifth Report, the Loose Diamonds Liquidation Process was concluded on or about December 9, 2014.

10. With reference to the Company's gold and precious metals, the Company has arranged to sell additional quantities of gold and precious metals to refineries for approximately $106,000.

Remaining Assets

11. As set out in the Fifth Report, the Company sold certain assets of its "Persona" and "My First Diamond" branded inventory to First Jewelry Limited. The sales proceeds for this inventory were to be paid in three installments with the final installment to be paid on February 1, 2015. Upon conclusion of the sale, the Monitor will execute and issue its certificate in respect of this sale.

12. In addition to its remaining inventory, as set out in the Shechtman Affidavit, the only significant assets remaining are MRG's fixed assets and accounts receivable. The Company has been unable to find anyone interested in purchasing the fixed assets in conjunction with a lease or sale of the premises and, as a result, will solicit bids from equipment liquidators/auctioneers to conduct a liquidation auction of the fixed assets.

13. With respect to the accounts receivable, for the period October 6, 2014 to January 16, 2015, the Company reports its accounts receivable collections at $2,853,000 compared to projected collections of $3,920,000, representing the projected collections set out in the Cash Flow Statement filed with the Court in support of the Company's motion for the extension of the stay of proceedings to January 31, 2015. As set out in the Shechtman Affidavit, the Company will continue to collect the outstanding accounts as it has been doing. The Monitor notes that the Company continues through its own efforts to settle accounts, or through its referral of certain accounts to legal counsel for collection.

Retail Inventory Liquidation Process and Inventory Liquidation Process

14. As set out in the Fifth Report, the results of the Company's Retail Inventory Liquidation Process were materially below forecast amounts. Detailed results of the Retail Inventory Liquidation Process and reasons for the poor results are set out in the Shechtman Affidavit.

15. There is a significant quantity of finished goods inventory remaining due to the results achieved from the Retail Inventory Liquidation Process and this finished goods inventory is currently being catalogued and categorized into lots.

16. The Company has proposed the Inventory Liquidation Process to sell the balance of its finished goods inventory. The Inventory Liquidation Process involves contacting certain wholesalers and liquidators and advising them of the opportunity to inspect and submit bids for specific lots of MRG's finished goods.

17. Details of the Inventory Liquidation Process are set out in the Shechtman Affidavit, including exhibits. Set out below is a summary of the timeline proposed by MRG for the Inventory Liquidation Process:

Description	Date
Completion of cataloguing and categorizing of finished goods inventory into lots	February 13, 2015
Contact of certain wholesalers and liquidators to advise of the opportunity	Commencing February 18, 2015
Inspection period for potential purchasers	February 23 to March 11, 2015
Date by which offers are to be submitted	March 12, 2015
Opening of offers	March 12, 2015
Notification to successful purchasers of acceptance of their offers and make arrangements to close transaction(s)	Commencing March 20, 2015
Completion of purchase	March 27, 2015

18. Significant terms of the Inventory Liquidation Process include:

a) Bids (**"Offers"**) are to be provided to the Company on a specific form of offer and are subject to specific terms and conditions set out in Exhibit "D" of the Shechtman Affidavit;

b) A deposit (the **"Deposit"**) in the amount of 10% of the purchase price is required to be provided with any offer (9% if the Deposit is provided in USD) in the form of a bank draft payable to Martin Ross Group Inc.;

c) Offers and Deposits are to be delivered to the offices of the Monitor at 700-11 King Street West, Toronto, ON M5H 4C7, Attention: Daniel Weisz;

d) If an Offer is accepted, the Deposit shall be deemed to be a cash deposit without interest against the aggregate offered purchase price; and

e) All sales are to be on an "as is, where is" basis with no representation or warranty expressed or implied as to title, merchantability, conditions, description, fitness for purpose, quality, quantity or any other matter or thing whatsoever.

19. For the reasons set out in the Shechtman Affidavit, namely that the Inventory Liquidation Process provides for the exposure of the inventory to potential purchasers and permits a reasonable time for inspection and thereafter bids by potential purchasers, the Monitor is of the view that the Inventory Liquidation

Process is reasonable, taking into account that the Company has already conducted a retail sale of its finished goods inventory.

VI. Extended Cash Flow Projection

20. As was described in the Fifth Report, the results of the retail liquidation sale were significantly below projected amounts. This has caused the actual net cash flow for the period ending January 16, 2015 to be significantly below the amounts projected in the materials previously filed with the Court.

21. Attached hereto as Appendix **"C"** is MRG's cash flow projection for the period February 2, 2015 to May 1, 2015 (the **"Extended Cash Flow Projection"**) that is included in the Shechtman Affidavit. The Monitor has reviewed the Extended Cash Flow Projection and the assumptions included therein.

22. 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 is set out below:

    a) the Company's opening cash balance is estimated to be $3.15 million;
    b) total receipts and disbursements for the period of the Extended Cash Flow Projection are forecast to be $3.3 million and $725,000 respectively with net cash flow of approximately $2.6 million; and
    c) the Company's closing cash balance is forecast to be $5.75 million.

23. 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 provides no assurances that the Extended Cash Flow Projection will be achieved.

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

24. The Stay Period, pursuant to the Order of the Court dated October 17, 2014 (the **"October 17 Order"**) expires on January 31, 2015. A copy of the October 17 Order is attached hereto as Appendix **"D"**.

25. The Company wishes to extend the Stay Period in order to (i) undertake the Inventory Liquidation Process, (ii) continue its efforts to liquidate the Company's remaining assets, and (iii) have sufficient time to review the results and then report back to the Court. The Company also expects to be able to proceed with a form of claims process to be able to distribute the balance of the funds in its hands to MRG's creditors.

26. The Monitor is of the view that the Company is continuing to proceed in good faith and diligently during these proceedings and that the Company's request for an extension of the stay period to May 1, 2015 is appropriate and reasonable in the circumstances. Accordingly, the Monitor recommends to the Court that it grant the requested extension.

VIII. Monitor's Recommendations and Request

27. The Monitor recommends that:

a) the Court approve the Inventory Liquidation Process; and

b) the Stay Period be extended to May 1, 2015.

28. The Monitor requests that the Court grant an Order approving the Sixth Report and the Monitor's activities described herein.

All of which is respectfully submitted to this Court as of this 28th day of January, 2015.

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

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

APPENDIX A

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE Mr.	)	THURSDAY, THE 7TH
JUSTICE Penny	)	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 paragraph**30** 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 À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

AUG 7 2014

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

INITIAL ORDER

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APPENDIX B

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

FIFTH REPORT OF THE MONITOR
January 12, 2015

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Appendices

I. Introduction

1. This is the fifth report (the **"Fifth Report"**) prepared by Collins Barrow Toronto Limited (the "**Monitor**"), in its capacity as the Monitor of Martin Ross Group Inc. ("**MRG**" or the "**Company**") appointed pursuant to section 11.7 of the *Companies' Creditors Arrangement Act* by an Order of Mr. Justice Penny dated August 7, 2014 (the "**Initial Order**"). The Initial Order stayed all proceedings against the Company until September 6, 2014 (the **"Stay Period"**). A copy of the Initial Order is attached hereto as Appendix **"A"**. The Stay Period was subsequently extended by further Orders of the Court, and the Stay Period expires on January 31, 2015.

2. The Initial Order, Monitor's reports and other documents filed in these proceedings have been posted on the Monitor's website at www.collinsbarrow.com/en/toronto-ontario/martin-ross-group. The Monitor will continue to post to its website documents in accordance with the E-service Protocol for the Commercial List in the Toronto region.

3. Capitalized terms not otherwise defined in the Fifth Report are as defined in the Initial Order, and in the first four reports of the Monitor.

II. Purpose of Report

4. The purpose of this Fifth Report is to:

   i) provide the Court with an update on the Company's liquidation process (the **"Liquidation Process"**), which was approved by the Court on October 17, 2014, including:

a) the results of the retail inventory liquidation (the **"Retail Inventory Liquidation Process"**);

b) the results of the loose diamond inventory liquidation (the **"Loose Diamonds Liquidation Process"**); and

c) the liquidation of certain of MRG's remaining assets, which exclude those assets subject to a liquidation services agreement (the **"Liquidation Services Agreement"**) with Silverman Chapman & Reese Consulting Ltd. (**"SCR"**), the Loose Diamonds Liquidation Process, the liquidation of gold and other precious metals, and its accounts receivable;

ii) provide the Court with an update on the transaction between the Company and First Jewelry Limited ("**FJL**") (the "**FJL Transaction**"), which was approved by the Court on December 2, 2014;

iii) provide the Court with an update on the transaction between the Company and Corona Jewellery Company Ltd. ("**Corona**") (the "**Corona Transaction**"), which was approved by the Court on December 2, 2014;

iv) provide the Court with information on the Company's proposed interim distribution to the Company's secured lenders, RP Holdings Inc. (**"RP"**) and Sherfam Inc. (**"Sherfam"**), and the Monitor's position concerning same;

v) provide information on the Monitor's activities since the Monitor's report dated November 28, 2014 (the **"Fourth Report"**);

vi) seek an Order approving the Monitor's activities and Monitor Invoices # 4 and 5 for the period November 1, 2014 to December 31, 2014; and

vii) seek an Order approving the accounts of Torkin Manes LLP for the period October 2, 2014 to December 23, 2014.

III. Terms of Reference

5. In preparing this Fifth Report and making the comments herein, the Monitor has relied upon unaudited financial information prepared or provided by the Company, discussions with management of the Company, the Company's counsel and information from other third-party sources (collectively, the "**Information**"). As the Information included in this Fifth Report has been provided by the Company or other parties, the Monitor has relied on the Information and, to the extent possible, reviewed the Information for reasonableness. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the CPA Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.

6. All references to dollars are in Canadian currency unless otherwise noted.

IV. Inventory Liquidation Process

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

Retail Inventory Liquidation Process

8. As set out in the Fourth Report, a copy of which is attached hereto, without appendices, as Appendix **"C"**, MRG conducted a retail liquidation sale of the majority of its finished goods inventory from MRG's premises, which sale commenced on October 23, 2014 and ended on December 24, 2014 (the **"Sale Period"**).

9. Based on information provided to date by the Company to the Monitor, the retail sales for the Sale Period were materially below forecast. As set out in the Company's weekly cash flow statement projection for the period October 6, 2014 to January 31, 2015, which was filed with the Company's motion materials returnable October 17, 2014, MRG set out that sales from the Retail Inventory Liquidation Process were forecast to be approximately $6.0 million net of harmonized sales tax (**"HST"**) of $780,000. Actual results for the sale period were below $2 million, net of HST, resulting in an unfavourable variance of approximately $4 million.

10. As set out in the affidavit of Allan Shechtman sworn on January 12, 2015 in support of the Company's motion for an interim distribution to RP and Sherfam (the "**Shechtman Affidavit**"), the Company is presently cataloguing the significant quantity of its remaining finished goods inventory and will assess its options for the sale of the remaining finished goods inventory and the Remaining Assets so as to realize further value for the Company's stakeholders.

Loose Diamonds Liquidation Process

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

12. The Monitor received 12 offers from the 16 potential purchasers that attended MRG's premises to inspect the loose diamonds available for sale of which 8 were for the entire loose diamond inventory and 4 were for specific lots only. The Company advised that it was considering 3 offers received (the **"Offers of Interest"**) as they were for the entire loose diamond inventory and the amounts offered exceeded other offers received by a significant amount.

13. After receipt of the offers, the Company advised that one lot in the loose diamond inventory offered for sale consisted of diamonds branded with the Forevermark logo (the **"Forevermark Lot"**) and that these diamonds could only be sold to authorized Forevermark dealers.

14. On December 2, 2014, the Company contacted the 3 prospective purchasers that made the Offers of Interest to provide them with the opportunity to increase their offers, and to notify them of the circumstances surrounding the Forevermark Lot and if they were not authorized Forevermark dealers, to request that they revise their offers to exclude this lot.

15. Based on the revised offers and correspondence received from the three prospective purchasers contacted by the Company, as set out in the Shechtman Affidavit, the Company has completed the sale of the loose diamond inventory, except for the Forevermark Lot, to SimplexDiam Inc., for a purchase price of $2,503,333.30 USD which has been paid to MRG.

16. On December 8, 2014, the Company informed all other potential purchasers that their bids were unsuccessful (the **"Unsuccessful Purchasers"**). On that same day, the Monitor returned, via courier, to Unsuccessful Purchasers deposits paid to the Monitor in connection with the offers submitted.

17. As referred to in the Shechtman Affidavit, the Company was in the process of concluding a sale of the Forevermark Lot to HRA Group Holdings Limited for proceeds of $35,000 USD. The sale has now been concluded and on January 9,

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

Liquidation of Remaining Assets

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

V. FJL Transaction

19. As part of its motion, returnable on December 2, 2014 (the **"December 2nd Motion"**), the Company sought approval for the FJL Transaction that provided for the purchase and sale of certain of the Company's "Persona" and "My First Diamond" branded inventory (the "**FJL Assets**").

20. As set out in the Fourth Report, the Company sought an approval and vesting order (the **"FJL AVO"**) from the Court for the second portion (the **"Excess Portion"**) of the FJL Transaction, which portion exceeded the $100,000 threshold limit for an individual sale before an Order of the Court was required. On December 2, 2014, the Court granted the FJL AVO, with the condition that the FJL Assets would vest absolutely in the purchaser, free and clear of and from any and all security interests upon the delivery of a Monitor's certificate (the **"FJL Certificate"**).

21. In accordance with the terms of the agreement with FJL, the purchase price for the FJL Assets was to be paid in three instalments, with the final balance to be paid 60 days following delivery of the Excess Portion to FJL.

22. As set out in the Shechtman Affidavit, the Company has received post-dated cheques for the balance of the purchase price, the last of which is dated

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

VI. Corona Transaction

23. As further set out in the December 2nd Motion, the Company sought approval for the Corona Transaction, which contemplated the sale of assets of MRG's Libman Division (the **"Libman Assets"**) to Corona.

24. As set out in the Fourth Report, the Company sought an approval and vesting order (the **"Corona AVO"**) from the Court for the sale of the Libman Assets to Corona. The Court granted the Corona AVO on December 2, 2014, with the condition that the Libman Assets would vest absolutely in the purchaser, free and clear of and from any and all security interests upon the delivery of a Monitor's certificate (the **"Corona Certificate"**).

25. On or about December 8, 2014, Corona paid to the Company the balance of the purchase price for the Libman Assets. The Company has provided the Monitor with its representation that all conditions to closing have been satisfied or waived with regard to the transaction; however, Corona has not yet done so. The Monitor is waiting for Corona to provide, in writing, its confirmation that all conditions to closing have been fulfilled. Upon receipt of that confirmation, the Monitor will be in a position to issue the Corona Certificate.

VII. Proposed Distribution to Secured Lenders

26. As set out in the Shechtman Affidavit, the Company is seeking to repay $3.4 million CDN to RP and $1.8 million USD to Sherfam both of which parties are secured creditors of MRG.

27. The Monitor sought an opinion on the validity and enforceability of RP's security from Loopstra Nixon LLP, independent counsel retained by the Monitor.

28. On January 9, 2015, the Monitor received an opinion from Loopstra Nixon LLP that subject to the assumptions and qualifications therein, the security interest granted in the General Security Agreement to RP, as concerns personal property situated in Ontario, is valid and enforceable against a trustee in bankruptcy of the Company as of the date of the security opinion. A copy of Loopstra Nixon LLP's opinion is attached as Appendix "**D**".

29. The Monitor sought an opinion on the validity and enforceability of Sherfam's security from Torkin Manes LLP, counsel retained by the Monitor.

30. On January 9, 2015, the Monitor received an opinion from Torkin Manes LLP that subject to the qualifications set out therein, the security held by Sherfam (which was assigned to Sherfam by HRA Group Holdings Limited) (the "**Sherfam Security**") has been validly perfected under the PPSA and constitutes a valid and binding obligation of the Company in favour of Sherfam and is enforceable by Sherfam in accordance with its terms against a Trustee. A copy of the opinion is attached as Appendix "**E**".

31. As set out in the Shechtman Affidavit, Sherfam has advised the Company that in respect of the security held by Sherfam, Sherfam is owed $2,303,643 USD based on amounts owing by MRG to HRA Group Holdings Ltd. and two of its related companies, Crossworks Manufacturing Ltd. and Worldwide Diamond Trademarks Limited at the time the Sherfam Security was assigned to Sherfam. The Shechtman Affidavit further states that the Company acknowledges that at least $1.8 million USD is secured by the Sherfam Security.

32. Attached as Appendix "**F**" is a letter from Sherfam to MRG (included in the Shechtman Affidavit) advising that Sherfam is owed $2,303,643 USD and $2,783.48 CDN (in addition to other amounts owing to Sherfam which are not secured by the Sherfam Security). Also attached as Appendix "F" is a schedule included in the Shechtman Affidavit which sets out that the Company's indebtedness to HRA is $1,886,995.48 USD, which supports the $1.8 million USD the Company is proposing to pay to Sherfam. The Monitor has reviewed for

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

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

MRG's Remaining Assets

34. The Company reported its cash balances to the Monitor as at January 2, 2015, which totalled approximately $7.9 million CDN. The Monitor has verified these balances by reviewing the Company's bank statements as at January 2, 2015. The cash balance of $7.9 million is comprised of $2.7 million USD (converted to CDN at $1.15 USD/CDN) and $4.8 million CDN.

35. In addition to its cash balance, the Company has advised the Monitor that it currently has inventory with an estimated cost value of approximately $6.5 million and outstanding accounts receivable of approximately $3.9 million.

Proposed Distribution

36. Based on the Company's cash balances as at January 2, 2015, there are currently sufficient funds available to pay the proposed distribution of $1.8 million USD and $3.4 million CAD to Sherfam and RP, respectively. Assuming payment of these amounts, MRG will then have cash balances of approximately $900,000 USD and $1.4 million CDN, plus the accounts receivable and inventory referred to above, available for the remaining unpaid secured indebtedness of Sherfam of approximately $500,000 USD based on the Sherfam letter included in Appendix "**F**", unpaid priority payables, including the Monitor and its counsel's fees and expenses and the fees and expenses of the Company's counsel.

37. The Company has advised the Monitor that Canada Revenue Agency (**"CRA"**) conducted a payroll audit in the last quarter of 2014 and that the Company's

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

38. The Company further advises that CRA is in the process of conducting two harmonized sales tax (**"HST"**) audits. MRG does not anticipate any material reassessments as a result of these audits.

39. Based on the forgoing, there is sufficient liquidity for the Company to continue with its limited operations and there are significant assets remaining, which are available to meet any unforeseen liabilities that may arise.

40. Based on the above, the Monitor supports the Company's request to make a distribution to its secured creditors as described herein.

VIII. The Monitor's Fees and Disbursements

41. The Monitor has maintained detailed records of its professional fees and disbursements during the course of these proceedings.

42. The Monitor's accounts for the period ending October 31, 2014 have been approved by the Court. For the period November 1, 2014 to December 31, 2014, the Monitor's account totals $65,712.35 consisting of $54,966.50 in fees, $3,186.02 in disbursements plus HST of $7,559.83 (the "**Monitor's Accounts**"). Copies of the Monitor's Accounts, together with a summary of the accounts, the total billable hours charged per the accounts, and the average hourly rate charged per the accounts, is set out in the Affidavit of Daniel Weisz sworn January 12, 2015 that is attached hereto as Appendix "**H**".

43. The accounts of the Monitor's counsel, Torkin Manes LLP for the period ending September 30, 2014 have been approved by the Court. The accounts of Torkin Manes LLP for the period October 2, 2014 to December 23, 2014 total $23,225.00 in fees, $536.70 in disbursements and $3,089.02 in HST for a total of $26,850.72 (the "**Torkin Accounts**"). A copy of the Torkin Accounts, together

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

IX. Monitor's Recommendations and Requests

44. For the reasons set out above, the Monitor supports the Company's motion to make the payments to RP and Sherfam described herein.

45. The Monitor requests that the Court grant an Order that approves:

a) the Fifth Report and the Monitor's activities described herein;

b) the fees and disbursements of the Monitor to December 31, 2014; and

c) the fees and disbursements of Torkin Manes LLP to December 23, 2014.

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

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

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

APPENDIX C

Martin Ross Group Inc.
Projected Cash Flow
C000's

WEEKLY CASH FLOW - FROM FEBRUARY 2, 2015 TO MAY 1, 2015

	Feb 2-6	Feb 9-13	Feb 16-20	Feb 23-27	Mar 2-6	Mar 9-13	Mar 16-20	Mar 23-27	Mar 30-Apr 3	Apr 6-10	Apr 13-17	Apr 20-24	Apr 27-May 1	TOTAL
Cash Receipts														
Receivables	280	20	120	45	30	15	15	20	60	10	10	10	25	660
Finished goods liquidations								2,500						2,500
Other inventory liquidations	16	35		10				50		50				161
Total Receipts	296	55	120	55	30	15	15	2,570	60	60	10	10	25	3,321
Cash Disbursements														
HST	170	-60			20				20				10	160
PAYROLL	28		18		18		18		18		5			105
RENT	16				16				16					48
SECURITY	4				4					4			2	14
FREIGHT/SHIPPING	1	1	1	1	1	1	1	1	1	1	1	1	1	13
UTILITIES	6	2	2	5	6	2	2	5	6	2	2	3	4	47
EMPLOYEE BENEFITS	1		1		1		1		1		1			6
REMAINING REATIL SALE EXPENSE	31													31
PROFESSIONAL FEES	90				50				50				50	240
INSURANCE	35												-14	21
DISTRIBUTION TO SECURED CREDITOR	**note**													0
OTHER Contingency	4	3	4	3	4	3	4	3	4	2	2	2	2	40
Total Disbursements	386	-54	26	9	120	6	26	9	116	9	11	6	55	725
Net Cash In / (Out)	-90	109	94	46	-90	9	-11	2,561	-56	51	-1	4	-30	2,596
Cash - Opening Balance **note**	3,153	3,063	3,172	3,266	3,312	3,222	3,231	3,220	5,781	5,725	5,776	5,775	5,779	3,153
Cash - Ending Balance	3,063	3,172	3,266	3,312	3,222	3,231	3,220	5,781	5,725	5,776	5,775	5,779	5,749	5,749

Notes: The opening balance Is estimated.
There is a final payment due to the secured creditor which has not yet been determined, but it is not expected to exceed US$505,000

APPENDIX D

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	FRIDAY, THE 17th
	)	
JUSTICE PATTILLO	)	DAY OF OCTOBER, 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.

ORDER
(liquidation process approval)

THIS MOTION, made by the applicant, Martin Ross Group Inc. (the "**Applicant**") for an Order, among other things:

(a) approving a liquidation services agreement (the "**Liquidation Services Agreement**"), attached as Exhibit "G" to the Affidavit of Cameron Gillies sworn on October 15, 2014 (the "**Gillies Affidavit**"), between the Applicant and Silverman Chapman & Reese Consulting Ltd. (the "**Liquidator**"), and the transaction contemplated therein (the "**Transaction**"), and in particular, the liquidation of certain of the Applicant's finished goods inventory;

(b) authorizing and directing the Applicant to conduct a separate liquidation process in respect of its loose diamonds inventory (the "**Loose Diamonds Liquidation Process**"), as described in the Gillies Affidavit;

(c) authorizing and directing the Applicant to liquidate its inventory of gold and other precious metals, on a continuing basis, by selling them to a refinery, as described in the Gillies Affidavit;

(d) authorizing and directing the Applicant to sell its remaining assets, excluding (i) assets covered by the Liquidation Services Agreement and the Loose Diamonds Liquidation Process, (ii) inventory of gold and other precious metals, and (iii) accounts receivable (the "**Remaining Assets**"), as part of a further, separate liquidation process, as described in the Gillies Affidavit, and each such sale not to exceed $100,000 in any one transaction or $1,750,000 in the aggregate;

(e) vesting all of the Applicant's right, title and interest in and to the assets sold in accordance with this Order, free and clear of any and all encumbrances, in and to the applicable purchasers;

(f) extending the Stay Period, as defined in the Initial Order in these proceedings, from October 31, 2014 to January 31, 2015;

(g) approving the Second and Third Reports of Collins Barrow Toronto Limited ("**CBTL**"), in its capacity as court-appointed monitor of the Applicant (the "**Monitor**") and the actions and activities of the Monitor described therein;

(h) approving the fees and disbursements of the Monitor and its counsel to date; and,

(i) sealing the unredacted version of the Liquidation Services Agreement pending further order of this Court,

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

ON READING the Gillies Affidavit and the exhibits thereto, the Second and Third Reports of the Monitor, including the Affidavit of Daniel Weisz sworn on October 16, 2014 and the Affidavit of Stewart Thom sworn on October 14, 2014 (the "**Fee Affidavits**") appearing as Appendices H and I, respectively, in the Third Report of the Monitor, and on hearing the submissions of the lawyers for the Applicant and the Monitor, no one else from the Service List appearing, although properly served as appears from the affidavit of service of Kelly Barrett, sworn October 15, 2014,

SERVICE

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

LIQUIDATION SERVICES AGREEMENT

2. THIS COURT ORDERS that the Liquidation Services Agreement and the Transaction are hereby approved, and the execution of the Liquidation Services Agreement by the Applicant is hereby ratified and approved, with such minor amendments as the Applicant, Liquidator or Monitor may deem necessary. The Applicant is hereby authorized and directed to perform the Liquidation Services Agreement and complete the Transaction in accordance with the terms and conditions of the Liquidation Services Agreement, including taking such additional steps and executing such additional documents as may be necessary or desirable for the completion of the Transaction.

3. THIS COURT ORDERS that the Liquidator shall be entitled to use the Applicant's premises and shall be entitled to use the Applicant's trade names in all of its advertising and promotional activities related to the Liquidation Services Agreement.

LOOSE DIAMONDS LIQUIDATION PROCESS

4. THIS COURT ORDERS that the Applicant be and is hereby authorized and directed to conduct the Loose Diamonds Liquidation Process in respect of the Applicant's loose diamonds inventory, and that the Applicant is hereby authorized and directed to take such steps as are necessary or desirable to carry out the Loose Diamonds Liquidation Process and any step taken by the Applicant in connection with the Loose Diamonds Liquidation Process prior to the date hereof be and is hereby approved and ratified.

SALE OF GOLD AND PRECIOUS METALS

5. THIS COURT ORDERS that the Applicant be and is hereby authorized and directed to sell its inventory of gold and precious metals, from time to time, as it deems appropriate, by selling its inventory to refineries, at prices substantially in accordance with prevailing market rates.

SALE OF REMAINING ASSETS

6. THIS COURT ORDERS that the Applicant be and is hereby authorized and directed to sell its Remaining Assets as part of a further, separate liquidation process, provided that each such sale does not exceed $100,000 in any one transaction or $1,750,000 in the aggregate.

7. THIS COURT ORDERS that, pursuant to clause 3(c)(i) of the *Electronic Commerce Protection Regulations*, made under *An Act to Promote the Efficiency and Adaptability of the Canadian Economy by Regulating Certain Activities that Discourage Reliance on Electronic Means of Carrying out Commercial Activities, and to Amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act*, S.C. 2010, c. 23, the Applicant is authorized and permitted to send, or cause or permit to be sent, commercial electronic

messages to an electronic address of prospective purchasers or bidders and to their advisors but only to the extent desirable or required to provide information with respect to the Loose Diamonds Liquidation Process and the sale of the Remaining Assets.

VESTING OF TITLE

8. THIS COURT ORDERS AND DECLARES that, upon the Liquidator, pursuant to the Liquidation Services Agreement, or upon the Applicant, under the Loose Diamonds Liquidation Process or pursuant to this Order, completing the sale of any assets to a purchaser, and upon receipt of the purchase price by the Liquidator or the Applicant, as the case may be, and delivery by the Liquidator or the Applicant, as the case may be, of a bill of sale or similar evidence of purchase to the purchaser (the "**Purchaser Bill of Sale**"), all of the Applicant's right, title and interest in and to the assets described in the Purchaser Bill of Sale shall vest absolutely in such purchaser, free and clear of, and from, any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limitation: (i) any encumbrances or charges created by the Initial Order; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system.

9. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the monies payable to the Applicant, whether under the Liquidation Services Agreement or through the Loose Diamonds Liquidation Process or pursuant to this Order, from the sale of the assets shall stand in the place and stead of such assets, and that from and after

delivery of the Purchaser Bill of Sale, all Claims shall attach to the net proceeds from the sale of the assets with the same priority as they had with respect to the assets immediately prior to the sale, as if the assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

10. THIS COURT ORDERS that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicant and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of the Applicant,

the vesting of the assets in a purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicant and shall not be void or voidable by creditors of the Applicant, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

11. THIS COURT ORDERS AND DECLARES that each of the Transaction and the sale transactions contemplated by this Order are exempt from the application of the *Bulk Sales Act* (Ontario).

STAY EXTENSION

12. THIS COURT ORDERS that the Stay Period be and is hereby extended from October 31, 2014 to January 31, 2015.

FEE APPROVAL

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

APPROVAL OF THE SECOND AND THIRD REPORTS AND THE MONITOR'S ACTIVITIES

14. THIS COURT ORDERS that the Second and Third Reports of the Monitor, and the actions and activities of the Monitor as described therein, be and are hereby approved.

SEALING ORDER

15. THIS COURT ORDERS that the unredacted version of the Liquidation Services Agreement and the expression of interest from the Second Liquidator, as defined in the Third Report of the Monitor, appended as Confidential Appendix "1" to the Third Report of the Monitor shall remain sealed ~~pending~~ * until January 31, 2015 or * further order of this Court.

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

OCT 17 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. Oct 17/14

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

Oct 17/14.

M. Abramowitz

S. Fay Talley - for Monitor

Based on material filed, I am satisfied that the order requested should issue. Confidential appendices to be sealed until Jan 31/15 or further order of the court. Order as amended, signed by me.

A.A. Hainey J.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD OF MARTIN ROSS GROUP INC.
(LIQUIDATION PROCESS APPROVAL)
(RETURNABLE OCTOBER 17, 2014)

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