

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

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.

MOTION RECORD OF THE APPLICANT
(motion approving sale process and extension of Stay Period)
(returnable January 29, 2015)

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

Mervyn D. Abramowitz (LSUC # 28323R)

Tel: (416) 218-5620
Fax: (416) 306-9874
mabramowitz@krmc-law.com

Philip Cho (LSUC # 45615U)

Tel: (416) 218-5494
Fax: (416) 306-9874
pcho@krmc-law.com

Lawyers for the Applicant

E SERVICE LIST

COUNSEL/PARTY	LAWYER(S)/ CONTACT PERSON(S)	PARTY REPRESENTING	E-MAIL ADDRESS
KRONIS, ROTSZTAIN, MARGLES, CAPPEL LLP 8 King Street East, #1000 Toronto, ON M5C 1B5	Mervyn Abramowitz Tel: 416-218-5620 Fax: 416-306-9874 Philip Cho Tel: 416-218-5620 Fax: 416-306-9874	Martin Ross Group Inc.	mabramowitz@krmc-law.com pcho@krmc-law.com
COLLINS BARROW TORONTO LIMITED 11 King Street West, #700 Toronto, ON M5H 4C7	Daniel Weisz Tel: 416-646-8778 Fax: 416-480-2646 Eric Corrado Tel: 647-727-3659 Fax: 416-480-2646	Monitor	dweisz@collinsbarrow.com ejcorrado@collinsbarrow.com
TORKIN MANES LLP 1500-151 Yonge Street Toronto, ON M5C 2W7	Fay Sulley Tel: 416-777-5419 Fax: 1-888-587-5769	Monitor	fsulley@torkinmanes.com
DEPARTMENT OF JUSTICE CANADA Tax Section, Exchange Tower Suite 3400, P.O. Box 36 130 King Street West Toronto, ON M5X 1K6	Diane H. A. Winters Tel: 416-973-3172 Fax: 416-973-0810		diane.winters@justice.gc.ca

COUNSEL/PARTY	LAWYER(S)/ CONTACT PERSON(S)	PARTY REPRESENTING	E-MAIL ADDRESS
MINISTRY OF REVENUE (ONTARIO) Legal Services Branch 6 th Floor, P.O. Box 627 Station A 33 King Street West Oshawa, ON L1H 8H5	Kevin O'Hara Tel: 905-433-6934 Fax: 905-436-4510		kevin.ohara@ontario.ca
SHERFAM INC. 150 Signet Drive Weston, ON M9L 1T9	Craig Baxter Tel: 416-401-7380 Fax: 1-800-609-9444		cbaxter@apotex.ca
RP HOLDINGS INC. 1 City Centre Drive Suite 620 Mississauga, ON L5B 1M2	Craig Baxter Tel: 416-401-7380 Fax: 1-800-609-9444		cbaxter@apotex.ca
DELL FINANCIAL SERVICES CANADA LIMITED-LEGAL DEPARTMENT	Daniel Murphy		Daniel_e_murphy@dell.com
FARRIS, VAUGHAN, WILLS & MURPHY LLP 25 th Floor 700 W Georgia Street Vancouver, BC V7Y 1B3	Tim Louman- Gardiner Tel: 604-661-1729 Fax: 604-661-9349	S. Vinodkumar USA, Inc., creditor	tlouman-gardiner@farris.com

INDEX

INDEX

<u>TAB</u>	<u>DOCUMENT</u>	<u>PAGE NOS.</u>
1	Notice of Motion, returnable January 29, 2015	1 - 5
2	Affidavit of Allen Shechtman, affirmed January 26, 2015	6 - 18
<u>EXHIBITS</u>		
A	Initial Order of the Honourable Justice Penny, dated August 7, 2014	19 - 33
B	Liquidation Process Order of the Honourable Justice Pattillo, dated October 17, 2014	34 - 42
C	Interim Distribution Order of the Honourable Justice Newbould, dated January 14, 2015	43 - 46
D	Form of offer and terms and conditions of sale	47 - 54
E	Cash Flow Statement for the period ending May 1, 2015	55 - 56
3	Draft Order approving sale process and extension of Stay Period	57 - 59

TAB 1

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.

**NOTICE OF MOTION
(approving sale process
and extension of Stay Period)
(returnable January 29, 2015)**

Martin Ross Group Inc. (the “**Applicant**”) will make a motion to a judge presiding over the Commercial List on Thursday, January 29, 2015 at 10:00 a.m., or as soon after that time as the motion can be heard at 330 University Avenue, 8th Floor, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An order substantially in the form of the draft order attached at Tab 3 of the Motion Record for various relief, including:
 - (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) authorizing and directing the Applicant to proceed with a revised liquidation process in respect of the Applicant's finished goods inventory as described in the Affidavit of Allen Shechtman affirmed on January 26, 2015 (the "**Inventory Liquidation Process**");
- (c) approving the Sixth Report of Collins Barrow Toronto Limited ("**CBTL**"), in its capacity as court-appointed monitor of the Applicant (the "**Monitor**") and the activities of the Monitor described therein;
- (d) extending the Stay Period as defined in the Order of Justice Penny dated August 7, 2014 (the "**Initial Order**") from January 31, 2015 to May 1, 2015; and,
- (e) such further and other relief as to this Court may seem just.

THE GROUNDS FOR THE MOTION ARE

1. The Applicant was a manufacturer and wholesaler of fine jewellery, with an emphasis on products that have been mined and manufactured within Canada;
2. On August 7, 2014, MRG sought and was granted protection from its creditors under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to the Initial Order;
3. Pursuant to the Initial Order, CBTL was appointed as Monitor of MRG;
4. The Stay Period (as defined in the Initial Order) has been extended on three occasions, such that the Stay Period is now set to expire, unless extended further, on January 31, 2015;

5. On October 17, 2014, the Honourable Justice Pattillo granted an order (the “**Liquidation Process Order**”) approving a liquidation process to conduct a liquidation of all of the Applicant’s assets, excluding its accounts receivables;
6. As part of the Liquidation Process Order, the Applicant entered into a liquidation services agreement with Silverman Chapman & Reese Consulting Ltd. (the “**Liquidator**”) for the purpose of conducting a retail liquidation sale of the Applicant’s finished goods inventory (the “**Retail Liquidation Sale**”);
7. On December 24, 2014, the Retail Liquidation Sale concluded and there remains a significant amount of finished goods inventory;
8. The Applicant is in the process of cataloguing and categorizing its finished goods inventory into specific lots based on style and quality;
9. The Applicant proposes to sell the remaining finished goods inventory through a revised liquidation process, undertaken by the Applicant, with an inspection period and a closed bidding process;
10. The Applicant will continue to liquidate its other assets in accordance with the Liquidation Process Order;
11. The Applicant’s updated cash flow statement projects that the Applicant will have sufficient funding to continue operations until at least May 1, 2015;
12. Based on the information available, the Applicant’s creditors will not be materially prejudiced by the relief sought by the Applicant;

13. An extension of the Stay Period is necessary to permit the Applicant to liquidate its assets as contemplated, with a view to maximizing value for its stakeholders;
14. The Applicant has acted, and continues to act, in good faith and with due diligence, and circumstances exist that make granting an extension of the Stay Period appropriate;
15. The Monitor supports the request for the relief sought herein;
16. The Applicant's remaining senior secured creditor supports the request for the relief sought herein;
17. Section 11.02(2) of the CCAA;
18. Section 36 of the CCAA;
19. Rules 2.03, 3.02, 16.08 and 37 of the Rules of Civil Procedure; and
20. Such further and other grounds as the lawyers may advise.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the Motion:

1. The Affidavit of Allen Shechtman affirmed January 26, 2015 and the exhibits thereto;
2. The Sixth Report of the Monitor; and,
3. Such further and other evidence as the lawyers may advise and this Court may permit.

January 26, 2015

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

Mervyn D. Abramowitz (LSUC # 28323R)
Tel: (416) 218-5620
mabramowitz@krmc-law.com

Philip Cho (LSUC # 45615U)
Tel: (416) 218-5494
pcho@krmc-law.com

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

Lawyers for the Applicant

TAB 2

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.

**AFFIDAVIT OF ALLEN SHECHTMAN
(affirmed January 26, 2015)**

I, ALLEN SHECHTMAN, of the City of Toronto, in the Province of Ontario, DO
SOLEMNLY AFFIRM:

1. I am the Chief Executive Officer and sole director of the Applicant, Martin Ross Group Inc. (“MRG” or the “Applicant”), and as such, have personal knowledge and information with respect to the matters to which I hereinafter depose. Where matters are stated to be based on information, I state the source of such information and I verily believe them to be true.
2. I make this affidavit in support of a motion by MRG for an order, among other things:
 - (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) authorizing and directing the Applicant to proceed with a revised liquidation process in respect of the Applicant's finished goods inventory as described below (the "**Inventory Liquidation Process**");
- (c) approving the Sixth Report of Collins Barrow Toronto Limited ("**CBTL**"), in its capacity as court-appointed monitor of the Applicant (the "**Monitor**") and the activities of the Monitor described therein;
- (d) extending the Stay Period as defined in the Order of Justice Penny dated August 7, 2014 (the "**Initial Order**") from January 31, 2015 to May 1, 2015; and,
- (e) such further and other relief as to this Court may seem just.

3. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the prior affidavits of Cameron Gillies filed in these proceedings and sworn August 5, 2014 (the "**First Gillies Affidavit**"), September 5, 2014 (the "**Second Gillies Affidavit**"), October 15, 2014 (the "**Third Gillies Affidavit**") and November 25, 2014 (the "**Fourth Gillies Affidavit**"), respectively, and in my affidavit sworn on January 12, 2015 (the "**First Shechtman Affidavit**").

INTRODUCTION

4. As described in the First Gillies Affidavit, MRG was a manufacturer and wholesaler of fine jewellery, with an emphasis on products that were mined and manufactured within Canada.

5. On August 7, 2014, MRG sought and was granted protection from its creditors pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA"). A copy of the Initial Order granted by the Honourable Justice Penny is attached hereto and marked as **Exhibit "A"**.

6. Pursuant to the Initial Order, CBTL was appointed as Monitor of MRG.

7. The Stay Period (as defined in the Initial Order) has been extended on a number of occasions, and most recently by the Order of the Honourable Justice Pattillo, dated October 17, 2014, such that the Stay Period currently will expire, unless extended further, on January 31, 2015.

8. On October 17, 2014, the Honourable Justice Pattillo granted an order (the "**Liquidation Process Order**") approving a liquidation process to conduct a liquidation of all of MRG's assets, excluding its accounts receivables. Attached hereto and marked as **Exhibit "B"** is a copy of the Liquidation Process Order.

9. Pursuant to the Liquidation Process Order, MRG was authorized and directed to conduct separate liquidation processes for certain distinct types of assets, in the following manner:

- (a) a retail liquidation sale of its finished good inventory (the "**Retail Liquidation Sale**");
- (b) a closed-bid sale process for its inventory of loose diamonds (the "**Loose Diamonds Sale Process**");

- (c) the sale of gold and other precious metals to a refinery at prevailing market prices (the “**Precious Metals Refinery Sale**”); and;
- (d) the sale of its semi-precious stones, surplus inventory and other assets (the “**Remaining Assets**”) by private sale without further approval of the court, provided that each individual sale transaction does not exceed \$100,000, and that all transactions in respect of the Remaining Assets do not exceed \$1,750,000 in the aggregate.

10. The Retail Liquidation Sale and the Loose Diamonds Sale Process have now been concluded and have resulted in realizations for, and cash receipts in the hands of, the Applicant. The Applicant has also completed a number of transactions in respect of the Remaining Assets that have resulted in realizations and cash receipts.

11. On January 14, 2015, the Honourable Justice Newbould approved an interim distribution payment to the Applicant’s major secured creditors, RP Holdings Inc., which has now been paid in full, and Sherfam Inc., to whom there are still funds owing on a secured basis. As set out in the First Shechtman Affidavit, Sherfam Inc. and the Applicant are working together to confirm the balance owing to Sherfam with a view to trying to conclude that aspect of the matter. Attached hereto and marked as **Exhibit “C”** is a true copy of the Order of Justice Newbould dated January 14, 2015.

12. Unfortunately, the Retail Liquidation Sale was not as successful as anticipated and there remains a substantial quantity of finished goods inventory. The Applicant, therefore, seeks approval of a new Inventory Liquidation Process whereby the Applicant proposes to liquidate its

remaining finished goods inventory through a revised liquidation process with an inspection period and a closed bidding process.

13. In addition, the Applicant seeks an extension of the Stay Period to continue carrying out its activities pursuant to the Liquidation Process Order, and the proposed Inventory Liquidation Process.

14. Therefore, in this affidavit, I will deal with the following matters:

- (a) an update on additional transactions pursuant to the Liquidation Process Order;
- (b) the results of the Retail Liquidation Sale;
- (c) the proposed revised Inventory Liquidation Process; and,
- (d) the extension of the Stay Period.

ADDITIONAL TRANSACTIONS PURSUANT TO LIQUIDATION PROCESS ORDER

15. Pursuant to the Liquidation Process Order, the Applicant was authorized and directed to sell gold and precious metals to refineries at market prices. Since the date of the First Shechtman Affidavit, the Applicant has arranged to sell additional quantities of gold and precious metals to refineries for approximately \$106,000.

16. Pursuant to the Liquidation Process Order, the Applicant was authorized and directed to sell the Remaining Assets without further court approval, provided that each transaction was for an amount less than \$100,000 and \$1,750,000 in the aggregate.

17. Accordingly, the Applicant sold some of its Remaining Assets, including coloured stones, gold chains, brass samples and equipment, through several discrete transactions totalling approximately \$220,000. No single transaction exceeded \$100,000. Some but not all of the transactions are complete at the time of swearing this affidavit.

18. As a result, apart from the finished goods inventory, the only significant assets remaining are the fixed assets (included in the definition of Remaining Assets) and the accounts receivables.

19. For the period October 6, 2014 to January 16, 2015, MRG has collected approximately \$2.85 million in respect of its accounts receivables, which is approximately 20% less than forecast. However, in the circumstances, MRG believes that the results are reasonable and MRG will continue to collect on the receivables as it has been doing.

20. With respect to the fixed assets, MRG canvassed some people in the industry to see if someone might be willing to purchase all of the fixed assets, in connection with a lease or sale of the premises. Much of the fixed assets is heavy equipment that is attached to the premises. Unfortunately, we have not been able to find anyone who is interested in purchasing the fixed assets in conjunction with the premises. Accordingly, MRG will solicit bids from equipment liquidators / auctioneers to conduct a liquidation auction of the fixed assets.

21. Once MRG has selected an auctioneer, MRG will work with that person to discuss the anticipated value of the fixed assets. If the value is anticipated to exceed \$100,000 or cause the aggregate value of the transactions to exceed \$1.75 million, MRG will return to the Court for approval of any proposed transaction. Otherwise, MRG will work with the selected auctioneer to

sell the fixed assets without further Court approval, as permitted by the Liquidation Process Order.

RETAIL LIQUIDATION SALE

22. As mentioned in the First Shechtman Affidavit, the Retail Liquidation Sale concluded on December 24, 2014. After conducting a final review, the total sales, exclusive of taxes, were approximately \$2.1 million. However, this amount also included \$307,000 in sales attributable to supplemental inventory supplied by the Liquidator (the Applicant received \$62,000 of this amount as its share of the profit). Thus, the sales attributable to the Applicant's inventory of finished goods totalled \$1.8 million.

23. This is significantly less than the anticipated sales of approximately \$6.0 million that had been discussed with the Liquidator prior to our proceeding with them. In short, the Retail Liquidation Sale did not result in the expected level of sales and a significant quantity of finished goods inventory remains.

24. Once all of the costs associated with the Retail Liquidation Sale are accounted for, net realizations from the Retail Liquidation Sale were only approximately \$1.276 million.

25. The Liquidator has advised us that the poor performance was attributable to the following factors:

- (a) the challenge of conducting a retail sale from a non-retail location, being the Applicant's manufacturing facility;
- (b) the jewellery market being very competitive with high advertising costs; and,

- (c) a generally poor Christmas retail season, as evidenced by the publically known financial difficulties experienced by other retail chains (Target, Mexx, Sony and Jacobs).

26. Given the disappointing results of the sale, MRG has not paid the final invoice to the Liquidator in respect of its fees. MRG will discuss, with the Liquidator, the appropriateness of the Liquidator's fees in light of the results.

27. The net result is that MRG has been left with a significant quantity of finished goods inventory and now needs to proceed with an alternate method to sell it. MRG is presently working to catalogue the remaining inventory into lots comprising trays of similar styles and quality of jewellery, as described below.

THE PROPOSED INVENTORY LIQUIDATION PROCESS

28. At this time, MRG has concluded that the best way to realize value for MRG's stakeholders is to sell the finished goods inventory in bulk quantities to jewellery wholesalers and liquidators. MRG has come to this conclusion having considered the following factors:

- (a) The expense of conducting a further retail sale, including the cost of advertising and enhanced staff requirements;
- (b) The fact that the type of jewellery here is not conducive for the upcoming Valentine's Day retail season, which typically involves lower priced items;
- (c) The current retail market conditions appear poor, as has been reported in the news media; and,

(d) The quantity of inventory is such that it will be difficult to sell in a timely manner.

29. MRG therefore proposes to conduct a revised liquidation process with sealed bids, similar to the process it undertook in respect of the loose diamonds.

30. MRG is well situated to undertake this process because, as a manufacturer and wholesaler of jewellery, many of these potential purchasers are already familiar to MRG. In fact, MRG intends to contact several people who have already indicated an interest in the finished goods inventory and advise them of MRG's intention to seek Court approval for the Inventory Liquidation Process.

31. In addition, MRG continues to have secure facilities from which it can conduct the sale process with little additional cost.

32. In order to ensure proper control and oversight of the bidding process, MRG also proposes to involve the Monitor as it did before, as described below.

33. MRG has already begun to catalogue and categorize its inventory into lots. Each lot will be comprised of one or more trays of product based on style and composition of the finished goods (e.g. engagement rings, engagement rings with Canadian diamonds, etc.). The lots will contain a maximum value of approximately \$250,000 based on MRG's wholesale list price for the finished goods in the particular lot. By categorizing the inventory in this manner, MRG aims to provide sufficient flexibility in the quantity and styles of jewellery on which a purchaser may wish to bid.

34. Thus, MRG proposes to liquidate its finished goods inventory in accordance with the following Inventory Liquidation Process:

- (a) by approximately February 13, 2015, MRG will complete the process of cataloguing and categorizing its finished goods inventory into lots;
- (b) beginning February 18, 2015, MRG will contact certain wholesalers and liquidators and advise them of the opportunity to inspect and submit bids for specific lots of MRG's finished goods;
- (c) between February 23, 2014 and March 11, 2015, MRG will permit potential purchasers to attend MRG's premises to inspect the lots available for purchase;
- (d) MRG will provide prospective purchasers with a specific form of offer and terms and conditions of sale (substantially in the form attached to my Affidavit and marked as **Exhibit "D"**) and bid sheets allowing them to bid on specific lots;
- (e) MRG will accept offers, expressed in Canadian dollars, until Thursday, March 12, 2015 at 4:00 pm (Toronto time), together with a deposit in an amount equal to 10% (or if the offeror wishes to provide the deposit in US funds, an amount in US funds equal to 9%) of the aggregate bid price specified on the offer by bank draft payable to "Martin Ross Group Inc." (the "**Cheque**");
- (f) Offers and the Cheque are to be delivered to the office of the Monitor;
- (g) the bids must be irrevocable until March 23, 2015;

- (h) the bids will be opened by MRG in the presence of the Monitor;
- (i) beginning on March 20, 2014, MRG will notify those persons whose bids have been accepted and make arrangements to complete the transaction;
- (j) if a bid (hereinafter the “**Offer**”) is accepted, the Cheque shall be deemed to be a cash deposit without interest (the “**Deposit**”) against the purchase price for the accepted bid (the “**Purchase Price**”), and the successful offeror (hereinafter the “**Purchaser**”) shall pay the balance of the Purchase Price to MRG, by wire transfer, certified cheque or bank draft; and,
- (k) upon receipt of payment of the Purchase Price, MRG will ship the goods by March 27, 2014, at the Purchaser’s risk and expense, and provide to the Purchaser a bill of sale for the items set out in the Offer on an “as-is” basis. Neither MRG nor the Monitor will provide any representations or warranties with regard to title, merchantability, condition, description, fitness for purposes, quality, quantity or any other matter or thing regarding the assets being sold.

35. In my view, the proposed Inventory Liquidation Process is fair and reasonable in the circumstances, as it provides for the exposure of the inventory to potential purchasers and permits a reasonable time for inspection and thereafter bids by potential purchasers.

THE EXTENSION OF THE STAY PERIOD

36. The Stay Period is currently set to expire on January 31, 2015. MRG requests an extension of the Stay Period to May 1, 2015 so that it can continue its efforts to carry out the

other activities pursuant to the Liquidation Process Order, undertake the Inventory Liquidation Process, have sufficient time to review the results, and report back to the Court.

37. MRG has prepared a further Cash Flow Statement for the period ending May 1, 2015, a copy of which is attached to this affidavit and marked as **Exhibit "E"**. The Cash Flow Statement has been prepared using the information available to MRG and is, to the best of my knowledge, information and belief, based on reasonable assumptions and projections, and is, therefore accurate.

38. Further, as indicated in the Cash Flow Statement, MRG continues to expect to have sufficient cash available to pay its current obligations, including the professional fees of MRG's counsel, the Monitor and its counsel, and to conduct and complete the liquidation processes through to May 1, 2015.

39. As mentioned in the First Shechtman Affidavit, MRG has a number of employees continuing until March 31, 2015. It is anticipated that most, if not all, of MRG's assets will have been liquidated by that time.

40. The Monitor has indicated that it supports an extension of the Stay Period until May 1, 2015, by which time, it is anticipated that MRG will have completed the liquidation process.

41. Therefore, MRG 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.

42. Based on the information available to me, I do not believe that any creditor of MRG will suffer any material prejudice if the Stay Period is extended until May 1, 2015. Rather, in my

view, the extension of the Stay Period is necessary to enable MRG to liquidate the remaining portion of its assets, thus resulting in greater realizations for the creditors.

43. Further, since the issuance of the Initial Order, MRG has acted, and continues to act, in good faith and with due diligence.


44. I understand that the Monitor will be filing its Sixth Report in these proceedings and supports the relief sought by the Applicant.

45. I am also advised that the remaining senior secured creditor, Sherfam Inc., also supports the relief sought by the Applicant.

AFFIRMED BEFORE ME AT THE CITY)
OF TORONTO, IN THE PROVINCE)
OF ONTARIO, THIS 26th)
DAY OF JANUARY 2015)



ALLEN SHECHTMAN



Philip Cho
A Commissioner, etc.

TAB A

This is Exhibit "A" referred to in the Affidavit of Allen Shechtman affirmed January 26, 2015



Commissioner for Taking Affidavits (or as may be)

PHILIP CHO

Court File No. CV-14-10655-002

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE *Mr.*)
JUSTICE *Penny*)

THURSDAY, THE 7TH

DAY OF AUGUST, 2014

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

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

INITIAL ORDER

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

ON READING the affidavit of Cameron Gillies sworn August 5, 2014 and the Exhibits thereto, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicant, no one appearing for Sherfam Inc., RP Holdings Inc., or Dell Financial Services Canada Limited, although duly served as appears from the affidavit of service of Stephen Wolpert affirmed August 5, 2014 and on reading the consent of Collins Barrow Toronto Limited to act as the Monitor,

SERVICE

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

APPLICATION

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

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

RESTRUCTURING

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

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

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

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

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

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

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

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

NO INTERFERENCE WITH RIGHTS

15. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

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

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION

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

APPOINTMENT OF MONITOR

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

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

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

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

23. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or

collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

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

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

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

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

28. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$500,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph30 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

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

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

- (a) the creation of the Administration Charge shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Administration Charge; and
- (c) the payments made by the Applicant pursuant to this Order, and the granting of the Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

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

SERVICE AND NOTICE

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

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

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

36. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

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

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

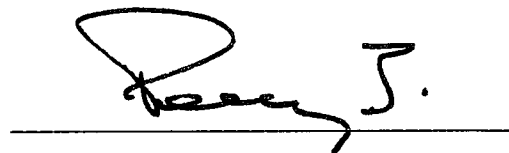
39. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give

effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

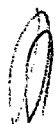
40. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

41. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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



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



AUG 7 2014

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

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

INITIAL ORDER

KRONIS, ROTSZTAIN, MARGLES, CAPPEL LLP

Barristers and Solicitors
8 King Street East, Suite 1000
Toronto ON M5C 1B5

Mervyn D. Abramowitz (LSUC # 28323R)

mabramowitz@krmc-law.com

Philip Cho (LSUC #456125U)

pcho@krmc-law.com

Stephen Wolpert (LSUC # 57609Q)

swolpert@krmc-law.com

Tel: (416) 225-8750

Fax: (416) 306-9874

Lawyers for the Applicant, Martin Ross Group Inc.

TAB B

This is Exhibit "B" referred to in the Affidavit of Allen Shechtman affirmed January 26, 2015

A handwritten signature in black ink, appearing to be 'P. Cho', written over a horizontal line.

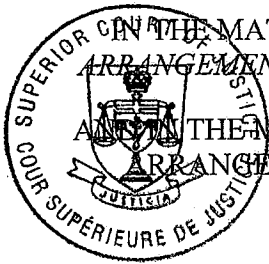
Commissioner for Taking Affidavits (or as may be)

PHILIP CHO

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

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

THE HONOURABLE)	FRIDAY, THE 17 th
)	
JUSTICE <i>PATTELLO</i>)	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.

JP

[Handwritten Signature]

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

[Handwritten Mark]

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.

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

ORDER
(liquidation process approval)

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

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

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

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

Lawyers for the Applicant, Martin Ross Group Inc.

TAB C

This is Exhibit "C" referred to in the Affidavit of Allen Shechtman affirmed January 26, 2015



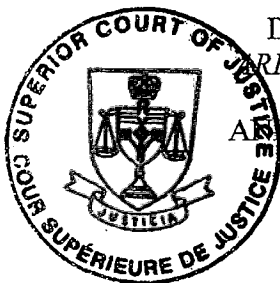
Commissioner for Taking Affidavits (or as may be)

PHILIP CHO

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

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

THE HONOURABLE)	WEDNESDAY, THE 14 TH DAY
)	
JUSTICE NEWBOULD)	OF JANUARY, 2015



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
(approving interim distribution)**

THIS MOTION, made by Martin Ross Group Inc. (the "**Applicant**") for, among other things, an order (i) approving the proposed interim distribution to secured creditors of the Applicant; (ii) approving the Fifth Report (the "**Fifth Report**") of Collins Barrow Toronto Limited ("**CBTL**") in its capacity as court-appointed monitor of the Applicant (the "**Monitor**") and the activities of the Monitor described therein, and, (iii) approving the fees and disbursements of the Monitor and its counsel, Torkin Manes, LLP, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Affidavit of Alan Shechtman affirmed on January 12, 2015 and the Fifth Report, including the fee affidavits of Stewart Thom sworn January 9, 2015 and Daniel Weisz sworn January 12, 2015 (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 and Janice Chen, filed:

1. **THIS COURT ORDERS** that the time for service and filing of the Motion Record and the Fifth Report is hereby abridged, and service of the Motion Record and the Fifth Report is

hereby validated, such that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that the proposed interim distribution (the “**Interim Distribution**”) to the major secured creditors of the Applicant, as described in the Affidavit of Allen Shechtman is hereby approved, and the Applicant is hereby authorized and directed to make the Interim Distribution as follows:

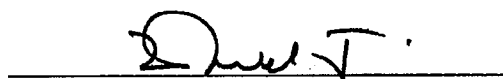
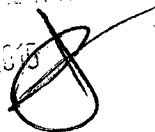
- (a) \$3,400,000 to RP Holdings Inc.; and,
- (b) \$1,800,000 USD to Sherfam Inc.

3. **THIS COURT ORDERS** that the Fifth Report of the Monitor, and the activities of the Monitor as described therein, be and are hereby approved.

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

OFFICE OF THE REGISTRAR
100 KING STREET WEST
TORONTO, ONTARIO M5X 1C5
LE/REGISTRATION SERVICES

JAN 14 2018



**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

**ORDER
(approving interim distribution)**

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

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

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

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

Lawyers for the Applicant, Martin Ross Group Inc.

TAB D

This is Exhibit "D" referred to in the Affidavit of Allen Shechtman affirmed January 26, 2015

A handwritten signature in black ink, appearing to read 'Philip Cho', is written over a horizontal line.

Commissioner for Taking Affidavits (or as may be)

PHILIP CHO

FORM OF OFFER

To: Martin Ross Group Inc. (the "Vendor")

1. _____
(Name of Offeror)

2. _____
(Address of Offeror)

3. _____
(Telephone Number) (Facsimile Number) (E-mail address)

4. We/I hereby submit this offer for the purchase of the lot(s) listed in Schedule A hereto for the total purchase price of \$ _____ (_____), excluding applicable taxes.

5. We/I agree, that in the event this offer is accepted, to be bound by the Terms and Conditions of Sale attached hereto as Schedule B, which shall form part of this offer.

6. This Offer is irrevocable and shall remain open for the consideration of the Vendor until 11:59 pm Eastern Standard Time on the 23rd day of March, 2015.

7. Enclosed is our/my bank draft payable to Martin Ross Group Inc., as a deposit in the amount of \$ _____, representing 10% of the total amount of the offer submitted herein or 9% of the total amount of the offer submitted if the bank draft is denominated in United States Dollars.

DATED at _____ this _____ day of _____, 2015.

[NAME OF OFFEROR]

Per: _____
Name:
Title:

Per: _____
Name:
Title:

We/I have authority to bind the Corporation.

SCHEDULE B

TERMS AND CONDITIONS OF SALE

1. Martin Ross Group Inc. (the "**Vendor**"), as part of its proceedings under the Companies' Creditors Arrangements Act ("**CCAA**") and specifically pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated January 29, 2015, shall be conducting a sale of its finished goods inventory (the "**Sale Process**"). Collins Barrow Toronto Limited, solely in its capacity as the Monitor (the "**Monitor**") of the Vendor, shall be supervising the sale process.
2. Pursuant to these Terms and Conditions of Sale, the Vendor, through the Sale Process, is offering for sale all of the Vendor's right, title and interest, if any, in the inventory of finished goods as described in Schedule 1 attached to these Terms and Conditions of Sale (the "**Listing**").
3. All information contained in the Listing, including without limitation, the descriptions of the finished goods (the "**Property**"), has been prepared solely for the convenience of the party submitting an offer to purchase some or all of the Property (an "**Offeror**") and is not warranted to be complete or accurate and do not form part of these Terms and Conditions of Sale.
4. The Property is available for inspection by contacting the Vendor's representative identified below to arrange for an appointment:

Alyson Teacher
 Telephone: **416-667-1800**
 E-mail: avt@martinross.ca

Appointments may be scheduled only from February 23, 2015 up to and including March 11, 2015.

5. The Monitor and the Vendor will consider offers for individual lots or more than one lot. However, the Offer must list a separate purchase price for each lot bid on. Preference will be given to parties who purchase more lots and the highest price bid for a lot may not be chosen. Bids must be for entire lots and bids for part lots will not be accepted. All offers must be expressed in Canadian Dollars
6. To submit an offer for one or more lots of the Property, a completed sealed offer marked "Offer — Martin Ross Group Inc." shall be delivered or mailed, postage prepaid, to the Monitor, Collins Barrow Toronto Limited, 11 King Street West, Suite 700, PO Box 27, Toronto, Ontario M5H 4C7, to the attention of Daniel Weisz. All offers must be received by the Monitor by 4:00 pm Eastern Standard Time, on March 12, 2015 (the "**Offer Date**"). The Vendor reserves the right to extend the Offer Date at any time for any reason.
7. The Vendor reserves the right to amend or terminate the Sale Process at any time.
8. Every offer submitted should be in the form of offer attached hereto. Offers received by the Vendor which are not in such form may be rejected. Offers shall be opened by the Vendor in the presence of the Monitor, and reviewed by representatives of each party.

No Offeror shall be entitled to be present for the opening of offers.

9. The Vendor shall have no obligation, at law or in equity or otherwise, to any Offeror or any other person or party, to:
- (a) consider any offer which:
 - (i) specifies a purchase price as an amount or percentage in excess of any other offer or otherwise as a function of the purchase price offered by any other Offeror;
 - (ii) has not been fully completed and duly executed;
 - (iii) is not accompanied by the Deposit (as defined below) required hereunder;
 - (iv) is conditional on the outcome of unperformed due diligence by the Offeror; or
 - (v) has not been delivered to and received at the offices of the Vendor as required hereunder; or
 - (b) negotiate with any Offeror after the Offer Date with respect to any provision of the offer or request or agree to any changes therein,

but nothing in these Conditions of Sale shall preclude the Vendor from taking any of the foregoing steps if, in its sole and unfettered discretion, it decides to do so; however the taking of any such step shall not constitute a waiver by the Vendor of the provisions of this paragraph or an obligation on the part of the Vendor to take any further or other steps referred to above with the same or any other Offeror. The Vendor will be under no obligation to negotiate identical terms with, or extend identical terms to each Offeror.

10. The Offeror shall, with its offer (the "**Offer**"), deliver to the Vendor the following:
- (a) an amount equal to 10% of the purchase price specified in the Offer by a bank draft payable to Martin Ross Group Inc., drawn on or issued by a Schedule 1 Canadian chartered bank or trust company or if the bank draft is denominated in United States Dollars, an amount equal to 9% of the purchase price specified in the Offer. The bank draft shall be held by the Monitor. If the Offer is accepted by the Vendor, said payment shall be deemed to be a cash deposit (the "**Deposit**") to be applied against the aggregate offered purchase price (the "**Purchase Price**") and the Offeror shall pay the balance of the Purchase Price to the Vendor plus applicable taxes, by bank draft drawn on or issued by a Schedule 1 Canadian chartered bank or trust company or by wire transfer to the Vendor's bank account, details of which will be provided to the Purchaser on Closing, as defined below.
11. Following the Offer Date until March 20, 2015, the Vendor specifically reserves its right to negotiate with one or more Offerors with respect to any provision of the Offers received or to request or agree to any changes in any such Offer. The Vendor may

choose to take such steps with respect to one or more Offers but the Vendor shall have no obligation to negotiate identical terms with, or extend identical terms to each Offeror. The Vendor reserves its right to request some, but not all, Offerors to submit a revised Offer reflecting improved terms or other amendments requested by the Vendor. The Vendor will be under no obligation to provide to each Offeror the opportunity to improve the terms of any offer submitted to the Vendor following the Offer Date.

12. On March 20, 2015, the Vendor shall notify each Offeror whether its Offer was accepted partially or in its entirety. If an Offer is accepted in its entirety, then the Offeror shall be bound to complete the purchase of the finished goods inventory set out in its Offer by March 27, 2015. If an Offeror's Offer is only accepted in part, then the Offeror may complete the accepted portion of its Offer and purchase such finished goods inventory as if the entire Offer had been accepted or withdraw the Offer completely. The Offeror must decide if it is proceeding with the purchase of its partially accepted Offer by 10:00 am on March 23, 2015 and advise the Vendor.
13. Deposits accompanying Offers that are not accepted will be returned to the Offeror by registered mail addressed to the Offeror at the address set out in its Offer or made available for pick up not later than March 27, 2015, unless otherwise arranged with the Offeror.
14. Upon completion of a sale (the "**Closing**"), the Purchaser shall be entitled, upon receipt by the Vendor of the Purchase Price, to possession of the lots purchased (the "Purchased Assets") and a completed bill of sale in the form attached hereto as Schedule A, signed by the Vendor and to be signed by the Purchaser as well so each party has a signed copy of the document. Alternately, the Vendor can arrange, at the Purchaser's expense and risk, to have the purchased finished goods shipped to the Purchaser's premises. The Vendor will arrange for shipping to occur by March 27, 2015.
15. The Purchaser shall pay on closing in addition to the Purchase Price all applicable federal, provincial and municipal taxes.
16. The Vendor shall not be required to furnish or produce any abstract of title, title deed, declaration or other document or evidence as to title, other than those in its possession.
17. Prior to the Closing, the Purchased Assets shall be and remain in the possession of and at the risk of the Vendor and the Vendor will hold all policies of insurance effected thereon and the proceeds thereof in trust for the Vendor and the Purchaser as their respective interests may appear. After Closing, the Purchased Assets shall be at the risk of the Purchaser.
18. The Vendor shall remain in possession of the Purchased Assets until the Purchase Price therefor has been paid in full.
19. If the Purchaser fails to comply with the Offer, the Purchaser's deposit shall be forfeited to the Vendor and the Property may be resold by the Vendor, and the Purchaser shall pay to the Vendor (i) an amount equal to the amount, if any, by which the Purchase Price under the Offer exceeds the net purchase price received by the Vendor pursuant to such resale, and (ii) an amount equal to all costs and expenses incurred by the

Vendor in respect of or occasioned by the Purchaser's failure to comply with the accepted Offer.


20. By submitting an Offer, a Purchaser acknowledges and agrees that the Purchased Assets are sold on an "as is, where is" basis at the time of Closing and that no representation, warranty or condition is expressed or implied as to title, description, fitness for purpose, merchantability, quantity, conditions or quality thereof or in respect of any other matter or thing whatsoever. Each Purchaser acknowledges and agrees that the Vendor is not required to inspect, or provide any inspection of the Purchased Assets or any part thereof and each Purchaser shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation. Without limiting the generality of the foregoing, any and all conditions, warranties and representations expressed or implied pursuant to the Sale of Goods Act (Ontario) or otherwise by statute or at law do not apply to the sale of the Purchased Assets and have been waived by the Purchaser.
21. Each Offeror acknowledges and agrees that Collins Barrow Toronto Limited acts solely in its capacity as the court-appointed Monitor of the Vendor and that Collins Barrow Toronto Limited shall have no personal or corporate liability in connection with the Vendor offering the Property for sale and the Vendor conducting the Sale Process, pursuant to these Terms and Conditions of Sale.
22. The highest or any offer will not necessarily be accepted.
23. No Offeror shall be at liberty to withdraw, vary or countermand an Offer once received by the Vendor. Each Offer shall be irrevocable until 11:59 pm Eastern Standard Time on March 23, 2015.
24. The Vendor, at its sole discretion, may waive or vary any or all of the terms and conditions hereof. The terms and conditions contained herein shall not merge on the Closing of the transaction contemplated by any accepted Offer but shall survive such closing and remain in full force and effect and be binding on the Purchaser thereafter.
25. These Conditions of Sale and the validity and interpretation of any offer and any documentation signed as part of a Closing shall enure to the benefit of and be binding upon the parties thereto, and their respective heirs, executors, administrators, successors or assigns as the case may be.
26. The submission of an offer by a resident of the province of Quebec shall be deemed to constitute the declaration and acknowledgement by the Offeror that it has requested the Conditions of Sale, the form of the offer referred to herein, and all other documentation relating to its offer, acceptance thereof and any documentation signed as part of a Closing, to be drawn up in the English language only. *Les parties aux présenter confirment leur volonté que cet acte de même que tous les documents s'y rattachant, y com pris tout avis, soient rédigés en anglais.*
27. All stipulations as to time are strictly of the essence.

SCHEDULE 1

f:\corporate\resnick\martin ross group inc\ccaa\march inventory sale\form of offer v4 (clean).doc

TAB E

This is Exhibit "E" referred to in the Affidavit of Allen Shechtman affirmed January 26, 2015



Commissioner for Taking Affidavits (or as may be)

PHILIP CHO

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	4	3	4	3	4	3	4	3	4	2	2	2	2	40
Contingency														
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

TAB 3

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

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

THE HONOURABLE
JUSTICE

)
)
)

THURSDAY, THE 29TH DAY
OF JANUARY, 2015

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
(approving inventory liquidation process
and extension of Stay Period)**

THIS MOTION, made by Martin Ross Group Inc. (the "**Applicant**") for, among other things, an order (i) approving a revised liquidation process for the liquidation of its finished goods inventory (the "**Inventory Liquidation Process**"); (ii) approving the Sixth Report (the "**Sixth Report**") of Collins Barrow Toronto Limited ("**CBTL**") in its capacity as court-appointed monitor of the Applicant (the "**Monitor**") and the activities of the Monitor described therein; and, (iii) extending the Stay Period (as defined in the Order of Justice Penny dated August 7, 2014 (the "**Initial Order**")), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Affidavit of Allen Shechtman affirmed on January 26, 2015 (the "**Shechtman Affidavit**") and the Sixth Report of the Monitor, 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 and Janice Chen, filed:

1. **THIS COURT ORDERS** that the time for service and filing of the Motion Record and the Sixth Report is hereby abridged, and service of the Motion Record and the Sixth Report

is hereby validated, such that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that the Applicant be and is hereby authorized and directed to conduct the Inventory Liquidation Process as described in the Shechtman Affidavit, and that the Applicant is hereby authorized and directed to take such steps as are necessary or desirable to carry out the Inventory Liquidation Process and any step taken by the Applicant in connection with the Inventory Liquidation Process prior to the date hereof be and is hereby approved and ratified.

3. **THIS COURT ORDERS** that the Applicant and the Monitor and their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

4. **THIS COURT ORDERS** that the Sixth Report and the activities of the Monitor as described therein, be and are hereby approved.

5. **THIS COURT ORDERS** that the Stay Period be and is hereby extended until May 1, 2015.

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

ORDER
**(approving inventory liquidation process and extension of
Stay Period)**

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

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

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

Tel: (416) 225-8750

Fax: (416) 306-9874

Lawyers for the Applicant, Martin Ross Group Inc.

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

MOTION RECORD OF THE APPLICANT

**(motion approving sale process
and extension of Stay Period)
(returnable January 29, 2015)**

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

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

Philip Cho (LSUC # 45615U)
pcho@krmc-law.com

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

Lawyers for the Applicant