

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 MARTIN ROSS GROUP INC.
(liquidation process approval)
(returnable October 17, 2014)**

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TAB 1

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
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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
(liquidation process approval)
(returnable October 17, 2014)**

Martin Ross Group Inc. (the "**Applicant**") will make a motion to a judge presiding over the Commercial List on Friday, October 17, 2014 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 this Motion Record for various relief, including:

- (a) if necessary, abridging the time for service and validating service of this Notice of Motion and Motion Record, such that this motion is properly returnable today;
- (b) 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;

- (c) 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;
- (d) 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;
- (e) 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, as part of a further, separate liquidation process, as described in the Gillies Affidavit, such sales not to exceed \$100,000 in any one transaction or \$1,750,000 in the aggregate;
- (f) 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;

- (g) extending the Stay Period, as defined in paragraph 13 of the Initial Order of the Honourable Mr. Justice Penny granted on August 7, 2014 (the “**Initial Order**”) in these proceedings, from October 31, 2014 to January 31, 2015;
- (h) 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;
- (i) approving the fees and disbursements of the Monitor and its counsel to date;
- (j) sealing the unredacted version of the Liquidation Services Agreement pending further order of this Court; and,
- (k) such further and other relief as to this Court may seem just.

THE GROUNDS FOR THE MOTION ARE

1. The Applicant is 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, the Applicant sought and was granted protection from its creditors pursuant to the *Companies’ Creditors Arrangement Act* (the “**CCAA**”);
3. Pursuant to the Initial Order, CBTL was appointed as Monitor of the Applicant;
4. The Stay Period (as defined in the Initial Order) has been extended on two occasions, such that the Stay Period is now set to expire on October 31, 2014;

5. On September 11, 2014, the Honourable Justice Newbould granted an order (the “**Sale Process Order**”) approving a sale process (the “**Sale Process**”) which Sale Process ended on September 30, 2014;
6. Only one non-material offer was received through the Sale Process;
7. The Applicant, in consultation with the Monitor, has determined that a liquidation of all of the Applicant’s assets, excluding its accounts receivables, is the best way to realize value for its stakeholders;
8. The Applicant has specific types of assets which would each benefit from different liquidation processes in order to realize the greatest value in the circumstances;
9. In particular, the Applicant proposes to use an experienced professional jewellery liquidator to sell certain finished goods inventory via a retail liquidation sale;
10. In that regard, the Applicant intends to enter into an agreement with a jewellery liquidator (the “**Liquidator**”), subject to court approval, pursuant to which the Liquidator will conduct an on-site liquidation of the finished goods inventory, and with a portion of the inventory to be sold on a consignment basis at other liquidation sales conducted by the Liquidator;
11. With respect to its inventory of loose diamonds, the Applicant proposes a different type of liquidation sale, namely one undertaken by the Applicant, with a brief inspection period and a closed bidding process;
12. With respect to its inventory of gold and other precious metals, the Applicant proposes to liquidate its inventory by sale to a refinery, substantially at prevailing market prices;

13. With respect to its remaining assets, including the inventory of its coloured stones, certain surplus finished goods, fixed assets and other smaller assets, the Applicant proposes to sell those assets without further Court approval given that these transactions are expected to be less than \$100,000 each and \$1,750,000 in the aggregate;
14. The Liquidation Service Agreement contains commercially sensitive information which may have an impact on the realizations of the Applicant's assets should the Liquidation Service Agreement not be completed or the transaction not close, or is not approved by this Court;
15. The Applicant's updated cash flow statement projects that the Applicant will have sufficient funding to continue operations until at least January 31, 2015;
16. Based on the information available, the Applicant's creditors will not be materially prejudiced by the relief sought by the Applicant;
17. 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;
18. 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;
19. The Monitor supports the relief sought herein by the Applicant;
20. Section 11.02(2) of the CCAA;
21. Section 36 of the CCAA;
22. Rules 2.03, 3.02, 16.08 and 37 of the Rules of Civil Procedure; and

23. 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 Cameron Gillies, sworn October 15, 2014 and the exhibits thereto;
2. The Second and Third Reports of the Monitor; and,
3. Such further and other evidence as the lawyers may advise and this Court may permit.

October 15, 2014

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TAB 2

Court File No. CV-14-1065500CL

ONTARIO
SUPERIOR COURT OF JUSTICE
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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 CAMERON GILLIES

(Sworn October 15, 2014)

I, CAMERON GILLIES, of the City of Toronto, in the Province of Ontario, MAKE
OATH AND SAY:

1. I am the President and Chief Operating Officer of the Applicant, Martin Ross Group Inc. (“MRG”), and as such have personal knowledge and information with respect to the matters to which I hereinafter depose. Where matters are based on information, I state the source of such information and I verily believe them to be true.

2. I swear this affidavit in support of a motion by MRG for an order, among other things:

(a) approving a liquidation services agreement (the “**Liquidation Services Agreement**”) between MRG and Silverman Chapman & Reese Consulting Ltd., and the transaction contemplated therein, and in particular, the liquidation of certain of MRG’s finished goods inventory;

- (b) authorizing and directing MRG to conduct a separate liquidation process in respect of its loose diamonds inventory (the “**Loose Diamonds Liquidation Process**”), as described below;
- (c) authorizing and directing MRG to liquidate its inventory of gold and other precious metals, on a continuing basis, by selling them to a refinery;
- (d) authorizing and directing MRG 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, as part of a further, separate liquidation process, as described in the Gillies Affidavit, such sales not to exceed \$100,000 in any one transaction or \$1,750,000 in the aggregate;
- (e) vesting all of MRG’s right, title and interest in and to the assets sold in accordance with this Order, free and clear of any and all encumbrances of any kind, in and to the applicable purchasers;
- (f) extending the Stay Period, as defined in paragraph 13 of the Initial Order of the Honourable Mr. Justice Penny granted on August 7, 2014 (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 MRG (the “**Monitor**”) and the actions and activities of the Monitor described therein;
- (h) approving the fees and disbursements of the Monitor and its counsel; and,

(i) sealing the unredacted version of the Liquidation Services Agreement.

3. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in my previous affidavit in the proceedings sworn August 5, 2014 (the “**First Gillies Affidavit**”), the text of which is attached hereto as **Exhibit “A”**.

4. Attached to this affidavit and marked as **Exhibit “B”** for reference is the text of my affidavit in these proceedings sworn on September 5, 2014 (the “**Second Gillies Affidavit**”) in support of the Sale Process Order (as defined below).

INTRODUCTION

5. As described in the First Gillies Affidavit, MRG is a manufacturer and wholesaler of fine jewellery, with an emphasis on products that have been mined and manufactured within Canada.

6. 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 “C”**.

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

8. On August 27, 2014, the Honourable Mr. Justice Hainey granted an order briefly extending the Stay Period from September 6, 2014 to September 11, 2014. Attached hereto and marked as **Exhibit “D”** is a copy of Justice Hainey’s Order.

9. On September 11, 2014, the Honourable Mr. Justice Newbould granted an order (the “**Sale Process Order**”) extending the Stay Period from September 11, 2014 to October 31, 2014

and approving a sale process (the “**Sale Process**”) which Sale Process ended on September 30, 2014. Attached hereto and marked as **Exhibit “E”** is a copy of the Sale Process Order.

10. On October 8, 2014, the Honourable Mr. Justice Pattillo granted an order (the “**Eligible Employee Payment Order**”), among other things, approving the payment and distribution of certain amounts (the “**Eligible Employee Payment**”) by 2436768 Ontario Inc. to MRG for distribution to certain employees (the “**Eligible Employees**”) of MRG, which distribution is anticipated to begin on or before October 17, 2014. Attached hereto and marked as **Exhibit “F”** is a true copy of the Eligible Employee Payment Order.

11. The Sale Process referred to above did not result in any offers to purchase the business on an ongoing basis; indeed only one, non-material offer was received. As a result, and as described in this Affidavit, MRG has determined, in consultation with the Monitor, that it is appropriate in the circumstances to liquidate the assets of MRG, excluding its accounts receivables, which MRG continues in its efforts to collect, with a view to maximizing value for its stakeholders.

12. MRG proposes to liquidate its assets in accordance with the following proposed liquidation process, which comprises four distinct liquidation processes:

- (a) First, by engaging the services of a professional jewellery liquidator to conduct a retail liquidation of most of MRG’s inventory of finished goods, and to sell some of the surplus finished goods inventory by way of consignment through the liquidator’s national network of those third-party jewellery retailers who have also contracted for their liquidation services;

- (b) Second, by conducting a modified bidding process for MRG's inventory of loose diamonds, such process to be conducted by MRG;
- (c) Third, by selling MRG's inventory of gold and other precious metals to a refinery, at market prices substantially in accordance with indices such as the London Gold Fix, the Platinum London Fix, as appropriate; and
- (d) Fourth, through a series of smaller, discrete liquidation transactions by MRG for additional asset groups where it is more appropriate and efficient for MRG to sell these directly.

13. My affidavit will deal with the following matters:

- (a) the steps taken by MRG since the granting of the Sale Process Order and the results of the Sale Process;
- (b) the assets to be liquidated;
- (c) the selection of the liquidator and the liquidation services agreement in respect of finished goods;
- (d) the proposed sale by MRG of its inventory of loose diamonds;
- (e) MRG's proposal to sell its inventory of gold and other precious metals;
- (f) MRG's proposal to sell its remaining assets, including coloured stones, any additional surplus finished goods, fixed assets and other assets; and,
- (g) the extension of the Stay Period to January 31, 2015.

STEPS TAKEN BY MRG SINCE THE GRANTING OF THE SALE PROCESS ORDER AND THE RESULTS OF THE SALE PROCESS

14. Since the granting of the Sale Process Order, MRG has continued its efforts to collect on its accounts receivables. In addition, MRG continued its efforts to recall consigned inventory, or to require that such inventory be purchased by the consignee. There remain a number of consignees who have failed or refused to return or purchase such consigned goods at this time. MRG will, within a reasonable time, invoice these consignees for the goods in their possession and attempt to collect such amounts as accounts receivable.

15. MRG has also been in discussions with one of its major customers with respect to a sale transaction for certain finished goods and jewellery moulds and associated designs specific to the product lines supplied to the customer. The consideration for this transaction is less than \$100,000 and could therefore be completed without Court approval, pursuant to the Initial Order. Although not completed at this time, MRG expects that this transaction will be completed over the next few weeks.

16. Further, following the granting of the Sale Process Order, the Monitor conducted the Sale Process. I understand that the Monitor will address this in its Third Report to the Court.

17. MRG also assisted the Monitor, as required, in implementing the Sale Process, by, among other things, providing to the Monitor contact information of various potential purchasers of the business.

18. The Monitor advised MRG that it distributed Confidential Information Memorandums to 16 potential purchasers.

19. The deadline for submitting offers under the Sale Process Order was September 30, 2014. I understand from the Monitor that, as of that date, the Monitor only received one offer for a non-material and discrete portion of MRG's assets relating to a particular product line and that no offers were received to purchase the business or MRG's operations on a going concern basis.

20. MRG has engaged with the one potential purchaser in an effort to obtain a better price for the particular assets. However, to date, the parties have not entered into a binding agreement of purchase and sale.

21. Once again, as the amount for this potential transaction being contemplated is below the \$100,000 threshold set out in the Initial Order, and MRG would be permitted to, and may therefore, complete the transaction without requiring Court approval.

ASSETS TO BE LIQUIDATED

22. As a result of the absence of any significant offers for MRG's assets from the Sale Process, on a going concern basis, or otherwise, MRG, in consultation with the Monitor, has determined that MRG's assets ought to be liquidated in order to realize the best results for its stakeholders.

23. As noted above, MRG continues to collect on its accounts receivables and at this time, has no intention to sell these accounts as part of the contemplated liquidation process. Rather, MRG believes that greater value will be realized for its stakeholders if MRG collects its accounts receivable itself.

24. With respect to the assets that MRG does intend to liquidate, MRG has specific and distinct types of assets that, in our view, ought to be marketed and sold in different ways in order

to maximize value and minimize costs where appropriate. These distinct types of assets can be categorized as follows:

- (a) Finished goods, consisting of finished jewellery products, such as rings, necklaces, and earrings;
- (b) Loose diamonds, which are diamonds that have been cut and polished, but have not been set into any piece of jewellery;
- (c) Gold and other precious metals;
- (d) Coloured stones, both precious and semi-precious stones;
- (e) Fixed assets, including certain manufacturing equipment; and
- (f) Other miscellaneous assets.

FINISHED GOODS INVENTORY

25. As mentioned above, finished goods consist of finished jewellery products, such as, rings, necklaces, and earrings. In my view, the best way to realize value for this type of asset is to sell the finished goods to consumers in a retail outlet. The finished goods inventory will also benefit from the upcoming Christmas retail season, particularly if MRG can commence the marketing efforts now, in advance of the Christmas retail season.

26. As MRG is a manufacturer and wholesaler, it is not in a position to sell to the retail market. Thus, MRG proposes to retain a professional jewellery liquidator to conduct a retail liquidation sale of most of MRG's finished goods.

Offers to Liquidate Inventory

27. To date, MRG has received two expressions of interest from jewellery liquidators who offered their services to liquidate the finished goods:

- (a) One from a local, Toronto-based jewellery retailer (the “**Local Retailer**”) to conduct a liquidation of all of the inventory, including work-in-progress and unset gems; and,
- (b) One from a North American jewellery sales consultant (the “**North American Consultant**”) based in Saskatchewan, with affiliated offices in South Carolina and New York, to conduct a liquidation of some or all of the inventory of finished goods.

28. On September 24, 2014, the Local Retailer submitted an offer to the Monitor offering to conduct a liquidation sale of all of MRG’s inventory, which the Monitor provided to MRG for consideration.

29. By contrast, the North American Consultant has been working with MRG since July 2014, providing consulting services with respect to MRG’s restructuring efforts. The North American Consultant also submitted an offer to provide liquidation services to MRG.

30. The two offers are not materially different in respect of the specific liquidation services to be provided, namely to conduct a retail liquidation sale, such sale to be conducted on MRG’s premises, with a commission charged to MRG for each sale. Neither of the offers provides for any net minimum guarantee.

31. The offer from the Local Retailer provides for a considerably lower commission rate to be charged to MRG on sales. However, despite the lower commission rate, MRG, after consultation with the Monitor, and with the secured creditors, determined that the North American Consultant's offer constitutes the offer that MRG proposes to accept based on the following main factors:

- (a) MRG has a genuine concern that the Local Retailer may have a potential conflict of interest if it is chosen as the successful liquidator. Specifically, the Local Retailer advised that it would be running another liquidation sale, in competition with MRG, during the key Christmas selling season and that, as a result, it would be better to stagger the two liquidation sales. MRG is therefore concerned that the Local Retailer may not, in the circumstances, give sufficient attention to MRG's inventory and interests;
- (b) The North American Consultant has a broader presence and has the ability to sell surplus and unsold finished goods inventory, and to source supplementary inventory from, across Canada through its network of other liquidation sales that it is conducting, and potentially through its affiliates in the U.S., whereas the Local Retailer appears to be focused in the GTA;
- (c) The North American Consultant has a better understanding of MRG's product lines, as it has been working closely with MRG since July, whereas the Local Retailer has never worked with MRG and will have only general knowledge of MRG's product lines;

- (d) The North American Consultant is affiliated with a U.S. based business that was established in 1945, specializing in jewellery liquidations; and,
- (e) The North American Consultant has advised that it also has the capacity to collect MRG's accounts receivables, should MRG wish to retain it to do so.

32. Thus, despite the higher commission rate to be charged by the North American Consultant, MRG anticipates that it is in a better position to, and will, achieve greater value for MRG's stakeholders.

33. Both the Monitor and MRG's secured creditors are supportive of MRG's choice of liquidator as well.

The Liquidation Services Agreement

34. As a result of all of the above, MRG has entered into a Liquidation Services Agreement with Silverman Chapman & Reese Consulting Ltd. (hereafter the "**Liquidator**"), subject to court approval. A redacted copy of the Liquidation Services Agreement is attached to my Affidavit and marked as **Exhibit "G"**. The key financial terms have been redacted from the Liquidation Services Agreement in the event that the Court does not approve the transaction contemplated therein. An unredacted copy of the Liquidation Services Agreement will be filed separately with the Court, with a request that it be sealed until the completion of the liquidation sale.

35. The Liquidation Services Agreement provides, among other things, that:

- (a) it is effective upon obtaining court approval, and in particular, will commence on October 23, 2014;
- (b) the Liquidator will act as MRG's exclusive agent for the purpose of conducting a sale of MRG's finished goods from MRG's premises;
- (c) the Liquidator will sell and advertise the sale using the MRG's trade names and trademarks;
- (d) the Liquidator will take steps to sell certain surplus finished goods by placing such finished goods on a consignment basis at other liquidation sales that the Liquidator is conducting across Canada;
- (e) in addition, the Liquidator will, at its discretion, be entitled to supplement the sale of MRG's finished goods inventory with merchandise on consignment, sourced from its network of other liquidation sales, to be sold in conjunction with MRG's own inventory; and
- (f) the Liquidator will be entitled to a commission on completed sales.

36. MRG anticipates gross realizations from this retail liquidation sale of approximately \$6,780,000 (inclusive of HST), as set out in the company's updated cash flow statement ("**Cash Flow Statement**"), a true copy of which is attached hereto and marked as **Exhibit "H"**.

Consignment of Surplus Finished Goods Inventory

37. As mentioned above, another factor that supported the selection of the Liquidator was its ability to leverage its network of third-party jeweller retailers across Canada who have

also retained the Liquidator to conduct liquidation sales. The Liquidator is able to utilize this network to assist in MRG's liquidation process, specifically in respect of surplus finished goods.

38. MRG is anticipated to have some surplus inventory that it would not expect the Liquidator to be able to sell in the retail environment. In some cases, this is because the quantities may be too large to sell in one location; in other cases, it may be because the particular items would benefit from being offered for sale in another geographic location. The question of what part of the finished goods inventory will be classified as surplus inventory will depend, in large part, on the progress of the liquidation sale and will be determined in consultation with the Liquidator. As discussed above, the Liquidator will take steps to sell some of the surplus finished goods inventory by way of consignment through its network of third-party retailers across Canada who have also contracted for liquidation services.

LOOSE DIAMONDS LIQUIDATION PROCESS

39. MRG also has an inventory of loose diamonds. Based on MRG's experience, only diamond dealers, many of whom are familiar to MRG, will be interested in purchasing, and have the means to purchase, sufficient quantities of loose diamonds for the purpose of liquidating the loose diamonds inventory in an efficient manner so as to benefit MRG's stakeholders.

40. However, typically, diamond dealers will only purchase quantities of diamonds once they have had an opportunity to inspect the quality and characteristics of the diamonds. Thus, in anticipation of selling these loose diamonds to diamond dealers, MRG has begun to package and categorize its inventory of loose diamonds in accordance with industry standards, by size, cut, clarity and colour. This will enable MRG to make its inventory of these diamonds available for prospective purchasers to physically inspect the quality and characteristics of the loose

diamonds. MRG expects that it will require a period of an additional two weeks to complete this process.

41. I believe that MRG is best situated to perform this work, thus maximizing value for its stakeholders, and minimizing costs, because, among other things:

- (a) MRG has existing relationships with a number of diamond dealers in Ontario, in New York City and elsewhere;
- (b) MRG, as someone who bought and dealt with loose diamonds, has the necessary experience and expertise, such that it can conduct this process without the need to engage a third party agent; and,
- (c) MRG has existing physically secure facilities from which to conduct the viewing, inspection and sales for these purposes.

42. However, in order to ensure proper control and oversight of the bidding process, MRG also proposes to involve the Monitor in this process.

43. Thus, MRG proposes to liquidate the inventory of its loose diamonds in accordance with the following process (the “**Loose Diamonds Liquidation Process**”):

- (a) by October 31, 2014, complete the organization of the inventory of loose diamonds into specific lots, in accordance with industry standards;
- (b) beginning November 3, 2014, contact and advise certain diamond dealers that may be interested in purchasing loose diamonds of the opportunity to inspect and submit bids for specific lots of MRG’s loose diamonds;

- (c) between November 3, 2014 and November 21, 2014, permit interested diamond dealers to attend MRG's premises to inspect the lots of loose diamonds available for purchase;
- (d) provide prospective purchasers with specific terms and conditions of sale (substantially in the form attached to my Affidavit and marked as **Exhibit "I"**) and bid sheets allowing bids to be made on specific lots;
- (e) provide for sealed bids to be delivered to the Monitor until November 24, 2014 at 5:00 pm, together with an amount equal to 10% of the aggregate bid price specified on the offer certified cheque or bank draft payable to "Collins Barrow Toronto Limited, Court-Appointed Monitor of Martin Ross Group Inc." (the "**Cheque**");
- (f) the bids must be irrevocable until December 8, 2014;
- (g) the bids will be opened by MRG in the presence of the Monitor and the acceptance of any bids by MRG will be subject to the approval of the Monitor;
- (h) beginning on December 8, 2014, MRG will notify those persons whose bids have been accepted and make arrangements to complete the transaction;
- (i) 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,

(j) upon receipt of payment of the Purchase Price, MRG will provide to the Purchaser a bill of sale for the items set out in the Offer on an “as-is” basis. MRG will not 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.

44. In my view, the Loose Diamonds 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.

45. MRG anticipates gross realizations from the Loose Diamonds Liquidation Process will be approximately \$2,350,000, as set out in the company’s updated Cash Flow Statement.

GOLD AND OTHER PRECIOUS METALS

46. MRG also proposes to liquidate its inventory of gold and other precious metals, including silver, platinum and palladium. A portion of this inventory is in the form of jewellery components (such as chains, settings, and clasps), precious metal scrap, as well as filings and gold dust. Some of this inventory will need to remain on hand during the proposed retail liquidation, in case any jewellery repairs are necessary. However, as the liquidation of the finished goods proceeds, MRG will be in a position to liquidate this inventory of gold and other precious metals as well.

47. I believe that MRG is able to liquidate this inventory of gold and precious metals in a more efficient manner by selling to refineries that are able to purchase the precious metals at prevailing market prices. Given that these precious metals are commodities traded on markets,

there is a prevailing market price at any particular moment that will form the basis for any transactions (e.g. the London Gold Fix, the Platinum London Fix). Accordingly, in my view, there would be no benefit to marketing or engaging in a separate sale process with respect to these particular assets.

COLOURED STONES AND SURPLUS FINISHED GOODS

48. MRG also has an inventory of coloured stones, both precious and semi-precious. The market for coloured stones is distinct from that for loose diamonds, in that purchasers of large quantities of coloured stones do not require a similar amount of time to inspect such stones, as would a purchaser of loose diamonds. As a result, potential purchasers of coloured stones are anticipated to attend MRG's premises and purchase quantities of coloured stones "on the spot", based on a quicker, simpler visual inspection. In our view and experience, the most appropriate way to sell these types of stones will also be to personally contact and approach jewellers and dealers who are likely to purchase these items in bulk.

49. MRG also intends to make some of its surplus inventory of finished goods (not placed on consignment with the Liquidator) available for purchase by other wholesalers and retailers. While wholesale pricing may be less than what can be achieved on a retail basis, in the circumstances, it would be more advantageous to sell any surplus inventory at a wholesale price than to let such inventory remain unsold beyond December.

50. Thus, MRG proposes to invite prospective purchasers (dealers, wholesalers and retailers) of coloured stones and finished goods, from its network of contacts in the industry, to view and make offers to purchase quantities of the coloured stones and the finished goods from the surplus inventory.

51. For the same reasons described above with respect to the Loose Diamond Liquidation Process, I believe that MRG is best situated to maximize value for its stakeholders, and minimize costs, with respect to the sale of coloured stones and the surplus inventory.

52. Further, given that the market for coloured stones and the surplus inventory is distinct from that for loose diamonds, I do not believe that MRG or its stakeholders will benefit from a bidding process such as that suggested with respect to loose diamonds. Rather, as mentioned above, most purchasers will be in a position and will expect to make an offer on the spot and complete the transaction immediately, similar to a retail transaction. It is unlikely that any such transaction will exceed \$100,000.

53. Therefore, MRG seeks approval of this court at this point to proceed as described and be permitted to complete any resulting sales directly and without further approval of this Court, provided that each individual sale transaction does not exceed \$100,000, and that, together with the sale of the fixed assets and other assets described below, all transactions do not exceed \$1,750,000 in the aggregate.

FIXED ASSETS

54. MRG's more significant fixed assets include manufacturing equipment that has been hard-engineered into the specific premises, making it more difficult to remove and transport it to another facility. As a result, in my view, it would be best to try to sell these fixed assets to potential persons who may be interested in taking over the premises, either by way of lease or purchase, and purchasing the existing equipment. MRG, in cooperation with the landlord, is currently in discussions with two such interested persons. However there are no firm offers at this time.

55. If MRG is able to conclude such a transaction, it will return to seek the Court's approval. However, in the event that MRG is unable to find such a purchaser within a reasonable amount of time, MRG intends to simply sell the equipment by liquidation auction from the premises, together with the balance of the fixed assets, including its computers, office furniture and other smaller items.

OTHER ASSETS

56. MRG also has certain intangible assets, including trademarks and industrial designs, for the jewellery products that it manufactured and sold. In addition, MRG has certain moulds and models used in the manufacturing process.

57. Given that the expected realizations with respect to these assets will not be significant, it is reasonable in the circumstances, in my view, to permit MRG to sell these assets directly, also without further approval of the Court, provided that each sale transaction is less than \$100,000, and together with the sale of the coloured stones, surplus inventory and fixed assets, all transactions do not exceed \$1,750,000 in the aggregate.

FACTORS SUPPORTING ORDER SOUGHT BY MRG

58. MRG considers the above-described, multi-faceted, liquidation process to be the most advantageous manner in which to realize value for the benefit of its various stakeholders, while minimizing the costs of doing so.

59. To summarize, MRG seeks to:

- (a) retain the Liquidator to conduct a retail liquidation sale of the finished goods inventory, and to place with the Liquidator certain surplus finished goods on consignment;
- (b) conduct a sale of the loose diamonds inventory, utilizing the Loose Diamonds Liquidation Process;
- (c) sell to refineries, at prevailing market prices, MRG's inventory of gold and other precious metals;
- (d) sell directly to prospective purchasers, where each sale transaction is anticipated to be less than \$100,000 each, and less than \$1.75 million in the aggregate, MRG's:
 - i. inventory of coloured stones;
 - ii. surplus inventory of finished goods;
 - iii. fixed assets, if no suitable purchaser willing to take over the lease or purchase the property can be found within a reasonable time; and
 - iv. remaining intangible property, moulds and models.

60. It is our expectation that through the proposed liquidation process described above, not only will the secured creditors be paid in full, but there will be funds left over to repay a portion of the indebtedness owing to the unsecured creditors as well.

61. MRG has consulted with the Monitor with respect to the above-described liquidation process. As I understand, the Monitor supports the liquidation process described above.

62. Further, MRG has communicated throughout this process with its major secured creditor and largest single creditor, Sherfam Inc., and has apprised it on an ongoing basis of MRG's intentions and actions and specifically, the liquidation process described herein. Sherfam Inc. has advised MRG that it also supports the liquidation process described above.

EXTENSION OF THE STAY PERIOD

63. The Stay Period is currently set to expire on October 31, 2014. MRG requests an extension of the Stay Period to January 31, 2015 so that it can carry out the above-described liquidation process and then report back to the Court.

64. MRG has prepared a further Cash Flow Statement for the period ending January 31, 2015, a true copy of which is attached to this affidavit and marked as Exhibit "H". 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. Thus, in my view, the Cash Flow Statement is accurate.

65. Further, as indicated in the Cash Flow Statement, MRG continues to expect to have sufficient cash available to continue operating and to conduct and complete the liquidation process through to January 31, 2015 and beyond.

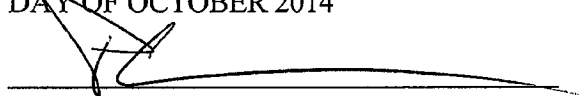
66. The Monitor has indicated that it supports an extension of the Stay Period until January 31, 2015, by which time, it is anticipated that MRG will have liquidated most of its

assets, whereupon it can then consider what is the most appropriate course of conduct at that time.

67. 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 January 31, 2015. Rather, in my view, the extension of the Stay Period will enable MRG to liquidate a large portion of its assets unhindered, thus resulting in greater realizations for the creditors.

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

SWORN BEFORE ME AT THE CITY)
OF TORONTO, IN THE PROVINCE)
OF ONTARIO, THIS 15th)
DAY OF OCTOBER 2014)

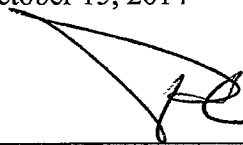

Philip Cho
A Commissioner, etc.



CAMERON GILLIES

TAB A

This is Exhibit "A" referred to in the Affidavit of Cameron Gillies
sworn October 15, 2014

A handwritten signature in black ink, consisting of a stylized 'P' and 'C' followed by a long horizontal line extending to the right.

Commissioner for Taking Affidavits (or as may be)

PHILIP CHO

Court File No.

**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 CAMERON GILLIES

(Sworn August 5, 2014)

I, Cameron Gillies, of the City of Toronto, in the Province of Ontario, MAKE
OATH AND SAY:

1. I am the President and Chief Operating Officer of the Applicant, Martin Ross Group Inc. ("MRG"), and as such have personal knowledge and information with respect to the matters to which I hereinafter depose. Where matters are based on information, I state the source of such information and I verily believe them to be true.

2. I swear this affidavit in support of an application by MRG pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA") in which it seeks an Initial Order that provides for, among other things, (a) a stay of proceedings preventing MRG's creditors from commencing or continuing any proceedings or enforcement processes against MRG; and (b) the appointment of Collins Barrow Toronto Limited ("Collins Barrow") as Monitor of MRG.

INTRODUCTION

3. MRG is a manufacturer and wholesaler of fine jewellery, with an emphasis on products that have been mined and manufactured entirely within Canada.

4. For reasons that are discussed below, MRG has had significant financial difficulties, and, as a result of recent events, is now also having difficulty obtaining the raw materials necessary to continue production of its products.

5. MRG has already taken a number of steps over the past several months, described below, to try to address its financial difficulties. To date, however, these steps have not been successful in placing MRG on a firm financial footing.

6. Indeed, at this stage, MRG is not able to meet its liabilities generally as they come due, and the value of its liabilities exceeds the value of its assets. MRG is therefore insolvent. Its debts are well in excess of \$5 million.

7. MRG wishes to consider its options regarding a restructuring of its business. To do that, it needs to be able to focus and concentrate on that task. MRG wishes to continue to operate its business, manufacture additional product for sale and try to address its cash position. MRG also wishes to communicate with its customers, who are largely jewellery retailers, about its current situation and its restructuring efforts, so that they and MRG can plan now for the upcoming Christmas retail season, and the customer and consumer needs.

8. As a result, MRG needs protection from its creditors in the short term and has therefore reluctantly brought the within application.

9. This application has been authorized by a resolution of the sole director of MRG, Allen Shechtman. Attached hereto and marked as **Exhibit "A"** to this my affidavit is a true copy of the resolution.

10. In the paragraphs that follow, my affidavit will address the following matters:

- (a) The background and MRG's business;
- (b) The causes and effects of MRG's financial difficulties;
- (c) MRG's efforts to restructure its business;
- (d) MRG's current financial situation; and
- (e) Why MRG requires protection pursuant to the CCAA.

BACKGROUND AND MRG'S BUSINESS

MRG's Products

11. MRG is a manufacturer and wholesaler of fine jewellery, including rings, earrings and necklaces. Many of MRG's products contain various precious stones, with a significant portion containing diamonds. MRG emphasizes as part of its marketing that its jewellery is manufactured in Canada and contains gold from the Royal Canadian Mint and diamonds that are mined in Canada. This is an attractive feature for many of our retail partners.

Corporate Structure

12. MRG is a corporation incorporated pursuant to the laws of Ontario. Allen Shechtman and I are the only officers of MRG and Mr. Shechtman is the sole director. MRG

now comprises two divisions - Libman and Master Design, each of which offers different styles of jewellery and operates largely independently of the other. Libman's products typically include more traditional jewellery designs, while Master Design's products often have more contemporary designs.

13. Master Design is both a manufacturer and a wholesaler of jewellery. As a manufacturer, Master Design purchases raw materials, including gold, diamonds and other precious stones, and manufactures jewellery that can be sold to Master Design's retailer customers, who in turn sell to the public. As a wholesaler, Master Design also purchases jewellery that has been manufactured by others, and resells it to various retailers.

14. By contrast, Libman is solely a manufacturer of jewellery, and does not wholesale any jewellery.

MRG's Customers

15. MRG sells its products in Canada, the United States, the United Kingdom and the Caribbean. It sells these products to a variety of large, well-known retailers, including Zale's (one of the largest vendors of jewellery in the United States, who in turn operates several chains of jewellery stores in Canada, including Mappins and People's) and, until recently, Walmart, Zellers and Sears. MRG also sells its products to numerous smaller retailers.

16. In most cases, MRG sells its products on credit terms, which terms vary among customers.

17. However, MRG also supplies some of its products on consignment. In those cases, MRG provides its products to the retailers, who then display the products and offer them

for sale. When the products are sold, the retailer pays MRG, again on terms. In some cases, the consignment can last 6 months or more.

MRG's Suppliers.

18. MRG deals with approximately 50 suppliers in the ordinary course on credit terms, including suppliers of finished goods, precious stones and jewellery components such as clasps and chains.

19. MRG acquires virtually all of its gold directly from the Royal Canadian Mint, who requires payment in advance of delivery.

20. The one exception is that MRG has borrowed 1500 ounces of gold from Umicore Precious Metals, which will either need to be returned to Umicore or paid for. MRG's indebtedness related to this gold is included in MRG's financial statements at more than \$2 million.

21. Further, MRG acquires Canadian diamonds from HRA Group Holdings Ltd. and its related company, Crosswork Manufacturing Ltd. (collectively referred to hereinafter as "HRA"), as HRA dominates the supply of Canadian diamonds.

22. Unfortunately, there are no other suppliers of Canadian diamonds who could provide a sufficient number of Canadian diamonds to permit MRG to continue its operations.

MRG's Employees

23. MRG currently employs approximately 83 full time, non-unionized employees, 13 of whom are currently on temporary layoff.

24. MRG does not provide a registered pension plan for its employees.

MRG's Landlord and Premises

25. MRG operates out of leased premises at a single location on Canarctic Drive in Toronto, Ontario (the "Premises").

26. The landlord of the Premises is Sherfam Inc. ("Sherfam"), who is also MRG's largest creditor, its majority shareholder, and a secured creditor.

MRG's Creditors

Secured Creditors

27. As noted above, Sherfam is MRG's largest creditor. As of July 31, 2014, MRG owed Sherfam approximately \$32 million, or more than 75% of MRG's indebtedness. Part of this debt is secured and part is unsecured.

28. Sherfam has always acted, and continues to act, as MRG's principal lender. As a result, MRG has usually not needed to resort to financing from traditional lenders such as banks. MRG currently has no outstanding indebtedness to any traditional lenders.

29. MRG also owes another lender, RP Holdings Inc. ("RP"), a party that is related to Sherfam, a further \$3.4 million.

30. MRG also owes Dell Financial Services Canada Limited ("**Dell**") approximately \$30,000 in respect of certain computer equipment and peripherals that MRG leased from Dell.

31. Aside from Sherfam, RP and Dell, MRG has no other secured creditors. Attached hereto and marked as **Exhibit "B"** to this my affidavit is a true copy of a Personal Property Security Registration System Enquiry Response Certificate (the "PPSA Certificate") for MRG, dated August 5, 2014 which shows the security registrations for each of the above-noted secured creditors and their respective priorities.

Unsecured Creditors

32. MRG owes its suppliers approximately \$2 million. Each of those suppliers supplied to MRG on credit and therefore any claims they have are unsecured.

33. MRG is also aware of one contingent unsecured claim at this time. In April 2014, MRG terminated several employees as part of its cost cutting efforts. One of those employees has since commenced a legal proceeding against MRG for wrongful dismissal. Attached hereto and marked as **Exhibit "C"** to this my affidavit is a true copy of the Statement of Claim in the said proceeding.

34. A Statement of Defence is due by August 8, 2014. MRG wishes to avoid having to deal with this and any other potential legal actions while it considers its options with respect to restructuring its business. This is another reason why a stay of proceedings is being sought in this application.

THE CAUSES AND EFFECTS OF MRG'S FINANCIAL DIFFICULTIES

35. As noted above, MRG has experienced financial difficulties. There are several reasons for this.

36. First, certain of MRG's large customers, including Zellers and Sears, have recently experienced financial problems of their own. For Zellers, its liquidation resulted in a loss of sales for MRG. For Sears, MRG decided it was no longer practical to supply Sears after Sears decided to dramatically downsize its jewellery department.

37. Second, some of MRG's consignment programs have not been successful, resulting in the fact that larger than normal amounts of inventory have remained at certain vendors for longer than normal periods of time. Further, as a result of those programs, MRG allocated resources to the manufacture and acquisition of jewellery product, and the shipment of the products to the customers, with revenues only to be realized once the sales were completed, and even then, on the credit terms agreed to with the customers.

38. As a result, MRG has had to generate significant amounts of inventory without achieving a commensurate increase in sales.

39. The above-noted problems have resulted in a reduction in sales and cash payments to MRG, both overall, and in terms of a lag in cash flows from the lower turnover on consigned goods. This has made it difficult for MRG to fulfil its financial obligations to its suppliers and lenders.

40. This has resulted in two recent, serious problems that have had a major impact upon MRG and threaten MRG's ability to operate as a going concern. These are:

- (a) Sherfam's decision not to extend any further credit to MRG; and
- (b) HRA's decision, based on pressure it was receiving from its own lender, to cease to supply MRG with any further Canadian diamonds.

Sherfam's decision not to provide additional credit

41. I am advised by Allen Shechtman that Sherfam has been a lender to MRG since MRG's incorporation in 1993.

42. Since that time, Sherfam has provided additional credit and advanced funds on numerous occasions, including on prior occasions where MRG experienced temporary financial difficulties. This has resulted in the outstanding indebtedness to Sherfam, as referred to above in paragraph 27.

43. In or around November 2013, MRG realized that Sherfam would be taking a new approach as regards MRG when they suggested to MRG that it ought to consider the orderly sale of its business and indicated to MRG that it may not be prepared to provide MRG with any additional credit. This had never been suggested to us before and we were surprised by this new approach.

44. Then, in or around March of 2014, Sherfam advised MRG that it wanted MRG to demonstrate its ability to continue without further credit, and indicated that it was unlikely to advance further credit.

45. As described below, MRG did then take steps to address Sherfam's concerns, but again, it signalled a new approach that has had the effect of straining MRG's cash flow and impeding its ability to meet its day-to-day obligations, including its ability to secure the ongoing supply of raw materials for production and other jewellery for MRG's wholesaling operations.

46. In or around June 2014, Sherfam advised MRG that it would not advance any additional credit to MRG.

47. Further, in or around mid-July 2014, I understand that RP retained Collins Barrow as a consultant to, among other things, review MRG's cash flow projections, developed using certain assumptions, to assess options that may be available to RP.

HRA ceases to supply MRG

48. Without additional injections of capital and new financing, MRG has been unable to keep its accounts with its suppliers current.

49. Based on the fact that HRA is the dominant supplier of Canadian diamonds on the market, MRG is heavily dependant on its being able to secure an ongoing supply of diamonds for its products from HRA.

50. Due to the financial difficulties described above, MRG has been unable to pay its trade creditors, including HRA, in full or on time.

51. As a result, HRA recently advised MRG that it was not prepared to supply additional diamonds to MRG unless MRG brought its account into good standing.

52. Simply put, MRG did not have the approximately US\$2.2 million needed to bring its account with HRA into good standing.

53. Further, until recently, HRA was a secured creditor of MRG. In its capacity as a secured creditor, HRA put considerable pressure on MRG for repayment

54. HRA is no longer a secured creditor of MRG, as Sherfam recently acquired HRA's secured position. However, MRG has been operating under considerable pressure from one of its secured creditors and key suppliers until mere days ago.

55. Further, despite Sherfam's acquisition of HRA's secured position, at this time HRA has not indicated its willingness to resume its supply of Canadian diamonds to MRG.

56. Given the lack of large alternative suppliers of Canadian diamonds, MRG is currently unable to secure a steady supply, and therefore faces the prospect of being unable to fulfill orders for many of its products. Indeed, MRG recently had to:

- (a) return a significant quantity of diamonds to HRA in order to help reduce the amount owing to HRA; and
- (b) decline certain orders that it was not in a position to fulfill, including key orders for the upcoming Christmas retail season.

MRG's EFFORTS TO RESTRUCTURE ITS BUSINESS

57. Based on the financial circumstances described above, MRG determined that it needed to take steps in order to try to recover from its difficult financial position.

58. As a result, MRG did take certain steps, including seeking alternate financing, cutting costs, discussing the possible sale of MRG's business with certain outside advisors, and recalling and melting inventory. Each of these steps is described below.

Efforts to Obtain Alternate Financing

59. Upon learning that Sherfam would not advance further credit or funds, MRG sought alternate financing from both Business Development Bank of Canada ("BDC") and Export Development Canada ("EDC").

60. MRG did not contact more traditional lenders as it believed, based on past dealings, that those lenders would be unwilling to advance funds to MRG in light of MRG's business structure and its ongoing financial difficulties.

61. MRG contacted EDC, which provides exporters with financing, as MRG considered trying to further expand into jewellery markets in the United States and United Kingdom as a means to address the challenging sales environment it had been experiencing in Canada.

62. However, EDC advised MRG that its lending practices involve guaranteeing loans by major banks to borrowers, rather than advancing funds itself. Given our scepticism about the banks' willingness to lend to us, we were of the view that borrowing in this manner was not a viable option for MRG.

63. MRG also contacted BDC, who advised that BDC was not prepared to lend against inventory and/or accounts receivable. As those two asset categories comprise the vast majority of MRG's assets, it became clear that borrowing from BDC was not a realistic option either.

64. To date, MRG has not secured any additional financing and it appears doubtful that it will be able to do so without restructuring its affairs.

Potential sale of MRG

65. MRG also took steps to see if a possible sale or merger of the business would be a viable option. In March, 2014, MRG contacted an investment bank and a business broker about the possibility of a sale of all or part of MRG's business operations. MRG was advised that a

sale might be possible despite MRG's poor financial performance. However, it was also made clear that MRG would likely need to be re-organized before being offered for sale.

Cost Cutting Measures

66. MRG has also taken a number of steps in the last number of months to reduce its costs, and try to improve its financial position.

67. First, MRG recently terminated 4 employees and temporarily laid off 13 others, effectively reducing its staffing costs by 20%.

68. Second, MRG ceased supplying those customers, including Walmart and Sears, for whom its costs – and particularly its inventory costs to support consignment – were judged to be too high.

69. Third, MRG reduced the number of product lines it offered to its customers, thereby reducing overhead and simplifying its operations.

70. Fourth, MRG reduced various marketing and advertising costs.

Recalling and Melting Inventory

71. MRG has also taken the step of “melting” jewellery, which enables MRG to recover and reuse the gold and any precious stones.

72. MRG has melted certain finished goods inventory from discontinued product lines and has also recalled certain consigned goods that can be melted.

73. By melting the jewellery, MRG is able to increase raw materials that can be used in the production of new products, reduce non-performing inventory and reduce MRG's need to purchase additional raw materials.

74. One downside of this process is that the value of any labour component in the making of the melted jewellery is lost.

MRG'S CURRENT FINANCIAL POSITION

75. Attached hereto and marked as **Exhibits "D", "E", and "F"** are true copies of the unaudited financial statements of MRG, prepared on a Notice to Reader basis, for the years ending June 30, 2011, June 30, 2012 and June 30, 2013.

76. Attached hereto and marked as **Exhibit "G"** is a true copy of MRG's internal, unaudited financial statements for the 11-month period ending May 31, 2014, the most recent period for which such statements are currently available.

Assets

77. As noted on MRG's balance sheet at Exhibit G, accounts receivable and inventory comprise approximately 90% of the value of MRG's assets.

78. To maximize realizations, it will be necessary for MRG to collect on its accounts receivable, sell more inventory, and recall and melt any poorly performing products that are on consignment.

Accounts Receivable

79. Attached hereto and marked as **Exhibit "H"** to this my affidavit is an aged listing of MRG's accounts receivable.

80. It is my view that the accounts receivable are largely collectible, as many accounts are owed by reliable customers and are relatively current. Indeed, one third of MRG's accounts receivable are not yet due. Further, our ability to collect on these receivables is enhanced by MRG's excellent ongoing relationships with these customers, even during this difficult period. I am also of the view that collections will be preserved if MRG continues its operations, which may not be the case if MRG is liquidated outright.

Inventory

81. Attached hereto and marked as **Exhibit "I"** to this my affidavit is a detailed listing of MRG's inventory.

82. MRG's inventory includes approximately:

- (a) \$9.4 million worth of raw materials that can be used for future production;
- (b) \$3 million of inventory that has been consigned to MRG's customers; and
- (c) \$3.8 million of inventory relating to discontinued products, all of which can be either be sold or melted and used for future production.

83. As noted above, MRG will also have to consider its options with respect to the consigned inventory as that has placed a strain on MRG's resources, both from a production and a cash-flow perspective.

Liabilities

84. Details regarding MRG's creditors are set out at paragraphs 27-34.
85. MRG's balance sheet at Exhibit G shows that MRG's total indebtedness exceeds \$41.1 million, of which more than 75% of that indebtedness is owed to Sherfam.
86. It is also significant that MRG's total liabilities exceed its total assets by nearly \$9 million.
87. Except as described above, to date, none of MRG's current secured creditors have expressed an intention to enforce on their security or to commence legal proceedings against MRG. However, this is largely because most of MRG's secured debt is owed to Sherfam and RP, which is related to Sherfam.
88. By contrast, several of MRG's unsecured creditors have been enquiring about the company's financial position and payment of its outstanding accounts. In particular, several trade creditors have advised that, unless they receive payment in the next short while, they will likely take steps to recover the amounts owing to them.

Net Losses

89. As indicated in the company's income statement included at Exhibits D, E, F and G to my affidavit, MRG has been struggling to be profitable for a number of years. For the recent fiscal period ending May 31, 2014, MRG incurred a loss of approximately \$2.75 million, while cumulative losses total almost \$9 million. Without further capital injections, MRG must restructure its business if it hopes to become profitable.

90. For the reasons described above, MRG is clearly insolvent and has debts in excess of \$5 million.

THE NEED FOR AN INITIAL ORDER

91. Although MRG has suffered a number of setbacks in its efforts to operate its business profitably, in my view, it is possible for MRG to be reorganized to the point where it may be able to become profitable or at least sold on a going concern basis.

92. MRG has, among other things, valuable inventory, a strong reputation among jewellers in (and to a lesser extent, outside of) Canada, good brand recognition in the Canadian market, and excellent relationships with its customers.

93. At the time of the signing of this affidavit, MRG continues to operate and hopes to be able to continue production to be able to supply its customers with product until such time as it can be determined how to restructure the company, and thereby maximize value for the company's creditors and numerous stakeholders.

94. MRG currently estimates that it will have sufficient funds and sufficient raw materials on hand to be able to continue operations through to October 31, 2014. Attached hereto and marked as **Exhibit "J"** to this my Affidavit is a true copy of a cash flow forecast prepared for MRG, on a weekly basis for the three-month period ending October 31, 2014, as well as a Report on the cash flow statement.

95. I was involved in the preparation of the cash flow statement and believe that the statement is reasonable and that the cash generated from new sales and the collection of accounts receivable will be sufficient to permit MRG to continue to operate for the period indicated.

96. Thus, MRG has not requested, and does not anticipate at this time requiring, any external interim or debtor in possession ("DIP") financing over the course of the three-month period ending October 31, 2014.

97. Thus, MRG is not seeking any DIP charge at this time either.

98. Further, neither MRG, nor its current officers and director, seek any charge in respect of their continued service for the company if this court sees fit to grant an Initial Order under the CCAA. MRG expects to be able to cover any liabilities or make alternate arrangements in respect of any matters that may arise in that regard.

99. MRG therefore requests an Initial Order and a stay of proceedings under the CCAA so that it can continue its operations while also considering its options, and preparing a plan that will hopefully maximize realizations and generate the greatest good for all of MRG's stakeholders.

100. In particular, in my view, an Initial Order, in the form submitted with this Affidavit will benefit all of MRG's stakeholders, in that:

- (a) the operations of MRG will continue over the short term;
- (b) MRG's employees will continue to be employed, with the possibility that some may be recalled from lay-off;
- (c) MRG will be able to pay its suppliers for any purchases on a go-forward basis;
- (d) MRG will be able to supply its customers with additional product;

- (e) MRG will be able to plan with its customers and suppliers with respect to the upcoming Christmas retail season, thus permitting greater stability within the marketplace;
- (f) Collection of accounts receivable will likely be preserved along with other recovery and realization strategies; and,
- (g) Without it, the assets of MRG will likely have to be liquidated, likely resulting in lower realizations and recoveries for all creditors.

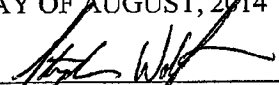
THE MONITOR

101. Collins Barrow has consented to act as Monitor (the "Monitor") of MRG in the CCAA proceedings, should this Court see fit to grant the Initial Order and appoint Collins Barrow to act as Monitor. To the best of my knowledge, Collins Barrow has not previously acted for MRG in any capacity prior to these proceedings, but has acted as a consultant to RP, as noted above.

SWORN BEFORE ME AT THE CITY)
 OF TORONTO, IN THE PROVINCE)
 OF ONTARIO, THIS 5TH)
 DAY OF AUGUST, 2014)



 CAMERON GILLIES



 Stephen Wolpert
 A Commissioner, etc.

TAB B

This is Exhibit "B" referred to in the Affidavit of Cameron Gillies
sworn October 15, 2014



Commissioner for Taking Affidavits (or as may be)

PHILIP CHO

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 CAMERON GILLIES

(Sworn September 5, 2014)

I, CAMERON GILLIES, of the City of Toronto, in the Province of Ontario, MAKE
OATH AND SAY:

1. I am the President and Chief Operating Officer of the Applicant, Martin Ross Group Inc. ("MRG"), and as such have personal knowledge and information with respect to the matters to which I hereinafter depose. Where matters are based on information, I state the source of such information and I verily believe them to be true.

2. I swear this affidavit in support of a motion by MRG for an order, among other things:

(a) approving a marketing and sale process of MRG's assets (the "Sale Process") to be implemented and run by Collins Barrow Toronto Limited ("CBTL"), in its capacity as court-appointed monitor of the Applicant (the "Monitor");

(b) extending the Stay Period, as defined in the Order of the Honourable Mr. Justice Penny granted on August 7, 2014 (the “**Initial Order**”) in these proceedings to October 31, 2014; and,

(c) approving the First Report of the Monitor and the actions and activities of the Monitor described in the First Report.

3. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in my previous affidavit in the proceedings sworn August 5, 2014 (the “**First Gillies Affidavit**”), the text of which is attached hereto as **Exhibit “A”**.

INTRODUCTION

4. On August 7, 2014, MRG sought and was granted protection from its creditors under 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 “B”**.

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

6. On August 27, 2014, the Honourable Mr. Justice Hainey granted an order briefly extending the Stay Period from September 6, 2014 to September 11, 2014. Attached hereto and marked as **Exhibit “C”** is a copy of Justice Hainey’s Order.

7. In this affidavit, I will:

(a) provide the Court with an update of the steps that MRG has taken since the Initial Order was granted;

(b) describe the basis for, and an overview of, MRG’s proposed Sale Process; and,

- (c) explain why it is appropriate that the Stay Period be extended to October 31, 2014.

STEPS TAKEN BY MRG SINCE THE INITIAL ORDER WAS GRANTED

8. As described in the First Gillies Affidavit, MRG is a manufacturer and wholesaler of fine jewellery, with an emphasis on products that have been mined and manufactured within Canada.

Working with the Monitor

9. Since obtaining the Initial Order, MRG has worked with the Monitor to try to come up with a plan that makes the most sense for all of MRG's stakeholders, including its creditors and its employees. MRG has provided the Monitor with information as requested and responded to the Monitor's enquiries.

10. MRG has also had discussions with the Monitor regarding MRG's intention to offer the business for sale via a coordinated sale process. I describe this in greater detail below.

Continuing to manufacture finished goods

11. MRG has continued to manufacture finished goods from its inventory of raw materials in the ordinary course. As described in the First Gillies Affidavit, MRG already had some raw materials with which to manufacture new products.

12. Further, MRG has continued to provide notices to some of its customers requiring them to either purchase any consignment goods outright, or to return the goods to MRG. Where

appropriate, MRG is continuing to melt under-performing inventory to extract raw materials for manufacturing into finished goods.

13. The resulting finished goods will have greater value than the existing inventory or raw materials. MRG expects that this can provide greater recovery for MRG's stakeholders, particularly as the Christmas retail season approaches.

14. By continuing the manufacturing process, MRG also anticipates being able to fulfil those customer orders that MRG accepted both prior to, and after, the granting of the Initial Order.

15. In this way, MRG hopes to reduce any negative impact on its customer relationships that may arise from the CCAA proceedings, thereby maintaining the value of MRG's business for the benefit of its stakeholders.

16. Further, as MRG engages in the inventory recall and manufacture process, it requires sufficient human resources to carry out its operations. Accordingly, on August 13, 2014, MRG recalled thirteen employees who had previously been laid off, so that these employees could assist with the anticipated increase in the manufacture of finished goods. Of these thirteen employees, eleven have returned to work at MRG, while two others had found alternate employment.

Notices of termination provided to employees

17. On August 7, 2014, following the granting of the Initial Order, and in accordance with the anticipated plans and cash-flow statement, MRG provided notice of termination of employment to substantially all of MRG's employees, effective October 3, 2014.

18. During the 8-week working notice period provided, MRG's employees will continue to receive wages and benefits and will be available to assist MRG in its efforts to melt recalled inventory and manufacture finished products as described above.

19. However, upon the effective termination date of the employees, MRG expects to cease operating, thereby reducing its operating costs significantly. In fact, from that point forward, MRG will only employ two individuals – Morris Robinson, MRG's controller, and me. If circumstances change and MRG requires additional people to assist with its operations, MRG will then offer temporary employment to some of its former employees on an "as needed" basis.

Responses to enquires of potential purchasers

20. Since the granting of the Initial Order, at least eight parties have contacted MRG, its lawyers, and the Monitor inquiring as to the sale of MRG's business and assets. Parties who executed confidentiality agreements were provided with an opportunity to inspect MRG's business and assets.

PROPOSED SALE PROCESS

21. As regards the business itself, having reviewed the available options, MRG, in consultation with the Monitor, its major secured creditors and its shareholders, have concluded that the current business situation is not sustainable. Rather, MRG's stakeholders would benefit more if the business was sold, preferably as a going concern.

22. As a result, MRG has consulted with the Monitor to develop the Sale Process, where all or substantially all of MRG's business and assets would be sold. A summary of the proposed Sale Process is attached as Schedule "A" to the draft Order at Tab 3 of MRG's Motion Record.

The Role of the Monitor

23. The proposed Sale Process will be implemented and carried out by the Monitor. The Monitor has agreed to run the Sale Process, if approved, and has assisted in developing the Sale Process. MRG believes that this will provide assurances to all of MRG's stakeholders as well as potential bidders that the Sale Process will be conducted in a fair and reasonable manner by a court officer acting objectively with a view to maximizing value for all stakeholders.

The Assets for Sale

24. The proposed Sale Process contemplates the marketing and sale of all of MRG's assets *en bloc*, or in separately defined parcels. One of these parcels is for one of MRG's operating divisions that will be offered for sale as a going concern. MRG believes that the marketing of assets in this manner is likely to attract the greatest number of potential purchasers, while retaining maximum value.

25. The parcel being offered for sale on a going concern basis is a unique division of MRG known as "Libman & Company" (the "Libman Division"). The Libman Division is a well-established, Canadian-based, supplier of fine gold and diamond jewellery products. The Libman Division also has a well-established customer base and a wide geographic footprint, encompassing hundreds of independently-owned retailers.

26. If the Libman Division can be sold on a going concern basis, a potential purchaser may offer employment to MRG's employees which would provide additional stakeholder benefits.

27. MRG's other assets available for sale include trademarks and trade names, machinery, equipment and furniture, raw materials and finished goods inventory and accounts receivable.

Marketing of Assets

28. The proposed Sale Process contemplates MRG working with the Monitor to prepare a list of potential purchasers, based on MRG's experience and contacts in the jewellery industry, including those who have already expressed an interest. These potential purchasers will be contacted directly and provided with an information overview document with respect to the sale of MRG's assets.

29. In addition to the targeted marketing effort described above, the proposed Sale Process contemplates placing an advertisement in the national edition of the Globe and Mail newspaper, so as to expose MRG's assets to a broader audience of potential purchasers.

30. Those potential purchasers who sign a confidentiality agreement will be provided with a Confidential Information Memorandum containing detailed information regarding the offering process and the assets available for sale.

31. I am advised by Philip Cho, a lawyer with the law firm of Kronis Rotsztain Margles Cappel LLP, the lawyers for MRG, that new legislation, commonly referred to as Canada's Anti-Spam Legislation ("CASL"), recently came into force. I am advised that any electronic communications, including email messages to potential purchasers, may constitute a "commercial electronic message" ("CEM") within the meaning of CASL. I am further advised that unless MRG has prior consent to send these CEMs to the persons involved, this could

constitute a breach of the statute. MRG does not have prior consent to send CEMs to these potential purchasers.

32. I am advised by Mr. Cho that if a court makes an order authorizing and permitting the sending of CEMs, this would not infringe the law. Accordingly, MRG seeks an order of the Court authorizing and permitting MRG and the Monitor to send CEMs to potentially interested parties as part of the proposed Sale Process.

Short Marketing Period

33. The proposed Sale Process provides for a relatively short marketing period and requires that offers be submitted by September 30, 2014 (being 19 days after the date of the anticipated Sale Process approval order). There are several factors in this particular case that make the short marketing period reasonable and appropriate.

34. First, MRG's customers are jewellery retailers and as a result, the upcoming Christmas retail season is very important to the businesses of both MRG and its customers. In order to acquire sufficient inventory for the Christmas retail season, retailers have already begun to place orders with their suppliers. If the marketing period and the time to submit offers extend into October, it will be difficult for any purchaser to take advantage of the upcoming Christmas retail season. Therefore, the potential for an *en bloc* sale may be negatively affected by a longer marketing and sale process.

35. Secondly, as described above, MRG has provided notice of termination to its employees, effective as of October 3, 2014. A lengthier marketing and sale process, which extends past October 3, 2014, is unlikely to produce greater value (particularly in respect of the

Libman Division) as many of MRG's employees may have sought and found alternate employment by that time. The shorter marketing period contemplated by the proposed Sale Process will provide a greater chance that some or all of MRG's employees may be offered employment by a purchaser, resulting in the non-interruption of employment for some or all of these employees.

36. Finally, as noted above, several prospective purchasers have already contacted MRG, as well as its lawyers and the Monitor, with respect to their interest in MRG's business and assets. In addition, many participants in the jewellery industry are already familiar with MRG's business and the nature of the assets that will be available. As such, it is my view that a lengthier marketing process is unlikely to produce greater interest or value.

37. Accordingly, in my view, a lengthier sale process is not likely to produce a better result, and indeed, the opposite may be true. Moreover, it will be advantageous for all of MRG's stakeholders to complete the process as far in advance of the Christmas retail season as is possible.

38. Therefore, MRG believes that the timelines under the proposed Sale Process are reasonable and appropriate in the circumstances.

EXTENSION OF THE STAY PERIOD

39. The Stay Period expires on September 11, 2014. MRG requires an extension of the Stay Period to October 31, 2014 so that it can implement and complete the Sale Process.

40. MRG filed a three-month cash flow statement as Exhibit "J" to the First Gillies Affidavit (the "**Cash Flow Statement**"). Attached hereto and marked as **Exhibit "D"** is a further

copy of the Cash Flow Statement. MRG has prepared a statement showing the forecast, the actuals and the variances for the period August 1 – August 29, a copy of which statement is attached hereto and marked as **Exhibit “E”**.

41. For the period ending August 29, 2014, there is a negative variance of \$171,000.00 from the projected cash balance in the Cash Flow Statement. This variance is primarily attributable to three factors:

- (a) MRG’s collections of accounts receivable have not been as timely as anticipated and actual recoveries are \$131,000 less than forecast;
- (b) MRG expended \$137,000 to purchase gold to fulfil an unanticipated order from one of its larger customers that will produce sales in excess of \$300,000; and,
- (c) MRG has not yet paid professional fees but expects to do so shortly.

42. Despite the variance noted above, MRG’s cash position is not substantially affected and MRG continues to expect to have sufficient cash available to continue operating and to conduct and complete the Sale Process through to October 31, 2014.


43. The Monitor has indicated that it supports an extension of the Stay Period until October 31, 2014, by which time, it is anticipated that MRG will return to court for approval of one or more asset sales.

44. 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 October 31, 2014.

45. As a result, I believe it is appropriate to extend the Stay Period to October 31, 2014.

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

SWORN BEFORE ME AT THE CITY)
OF TORONTO, IN THE PROVINCE)
OF ONTARIO, THIS 5th)
DAY OF SEPTEMBER 2014)



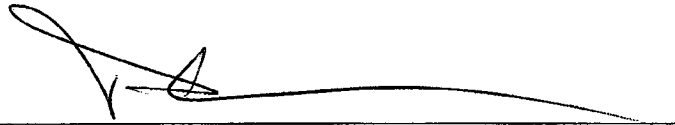
A Commissioner, etc.
PHILIP CHAD



CAMERON GILLIES

TAB C

This is Exhibit "C" referred to in the Affidavit of Cameron Gillies
sworn October 15, 2014

A handwritten signature in black ink, consisting of a large, stylized initial 'P' followed by a long horizontal line that tapers to the right.

Commissioner for Taking Affidavits (or as may be)

PHILIP CHO

Court File No. CV-14-10655-001

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

THURSDAY, THE 7TH
DAY OF AUGUST, 2014

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

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

INITIAL ORDER

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

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

SERVICE

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

APPLICATION

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

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

RESTRUCTURING

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

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

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

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

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

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

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

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

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION

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

APPOINTMENT OF MONITOR

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

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

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

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

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

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

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

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

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

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

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

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

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

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

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

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

SERVICE AND NOTICE

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

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

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

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

GENERAL

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

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

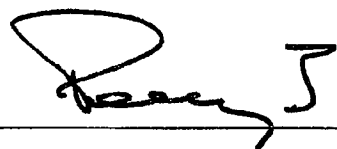
39. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give

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

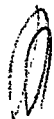
40. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and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

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

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



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



AUG 7 2014

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MARTIN ROSS GROUP INC.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

INITIAL ORDER

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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 Cameron Gillies
sworn October 15, 2014

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

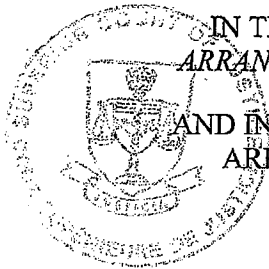
Commissioner for Taking Affidavits (or as may be)

PHILIP CHO

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE) WEDNESDAY, THE 27TH
JUSTICE HAINES)
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.

ORDER

(Stay Period extension to September 11, 2014)

THIS MOTION, made by the Applicant, for an Order extending the Stay Period, as defined in paragraph 13 of the Initial Order of the Honourable Mr. Justice Penny granted on August 7, 2014 (the "Initial Order") in these proceedings, from September 6, 2014 to September 11, 2014, was read, in chambers, this day at 330re University Avenue, 8th Floor, Toronto, Ontario.

ON READING the draft Notice of Motion for an order extending the Stay Period and approving a sale process, returnable September 11, 2014, and on hearing the submissions of the lawyers for the Applicant and the Monitor,

1. THIS COURT ORDERS that the Stay Period be and is hereby extended from September 6, 2014 to September 11, 2014.

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

AUG 27 2014

Haines J

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

(Stay Period extension to September 11, 2014)

KRONIS, ROTSZTAIN, MARGLES, CAPPEL LLP
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Tel: (416) 225-8750

Fax: (416) 306-9874

Lawyers for the Applicant, Martin Ross Group Inc.

TAB E

This is Exhibit "E" referred to in the Affidavit of Cameron Gillies
sworn October 15, 2014

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

Commissioner for Taking Affidavits (or as may be)

PHILIP CHO



THE HONOURABLE

JUSTICE *NEUBOLD*

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

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

) THURSDAY, THE 11TH
)
) DAY OF SEPTEMBER, 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

(Sale process approval and Stay extension)

THIS MOTION, made by the Applicant for an Order, among other things:

- (a) Approving the sale process ("**Sale Process**"), attached as Schedule "A" to this Order;
- (b) Extending the Stay Period, as defined in the Initial Order of the Honourable Mr. Justice Penny granted on August 7, 2014 (the "**Initial Order**") in these proceedings, from September 11, 2014 to October 31, 2014; and,
- (c) Approving the First Report 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,

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

ON READING the affidavit of Cameron Gillies sworn September 5, 2014 and the Exhibits thereto, the First 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 September 5, 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.

SALE PROCESS

2. THIS COURT ORDERS that the Sale Process, attached as Schedule "A" to this Order, be and is hereby approved.

3. THIS COURT ORDERS that the Applicant and the Monitor be and are hereby authorized and directed to perform their obligations under and take such steps as they consider necessary or desirable in carrying out the Sale Process and any step taken by the Applicant or the Monitor in connection with the Sale Process prior to the date hereof be and is hereby approved and ratified.

4. THIS COURT ORDERS that the Monitor shall have no personal or corporate liability in connection with the Sale Process, including, without limitation:

- (a) by advertising the Sale Process, including, without limitation, the opportunity to acquire all or a portion of the Applicant's assets (the "Assets");
- (b) by exposing the Assets to any and all parties, including, but not limited to, those parties who have made their interests known to the Monitor;

- (c) by responding to any and all requests or inquiries in regards to due diligence conducted in respect of the Applicant or the Assets;
- (d) by disclosing any and all information regarding the Applicant or the Assets arising from, incidental to, or in connection with, the Sale Process; and,
- (e) in respect of any and all offers received by the Applicant in accordance with the Sale Process; and,
- (f) in respect of any agreements entered into by the Applicant in respect of the sale of any of the Assets of the Applicant's business.

5. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Applicant and the Monitor are authorized and permitted to disclose personal information of identifiable individuals to prospective purchasers or bidders and to their advisors but only to the extent desirable or required to negotiate and attempt to complete one or more sale transactions (each, a "Transaction"). Each prospective purchaser or bidder to whom such information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall: (i) return all such information to the Applicant or the Monitor; (ii) destroy all such information; or, (iii) in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so.

6. 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 and the Monitor are 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 Sale Process.

STAY EXTENSION

7. THIS COURT ORDERS that the Stay Period be and is hereby extended from September 11, 2014 to October 31, 2014.

APPROVAL OF THE FIRST REPORT AND MONITOR'S ACTIVITIES

8. THIS COURT ORDERS that the First Report of the Monitor, and the actions and activities of the Monitor as described therein, be and are hereby approved.

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

SEP 11 2014

MB

9. THIS COURT FURTHER ORDERS that the Confidential Information Memorandum attached as Appendix I to the First Report of the Monitor be sealed pending further order of this Court.

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

SEP 11 2014

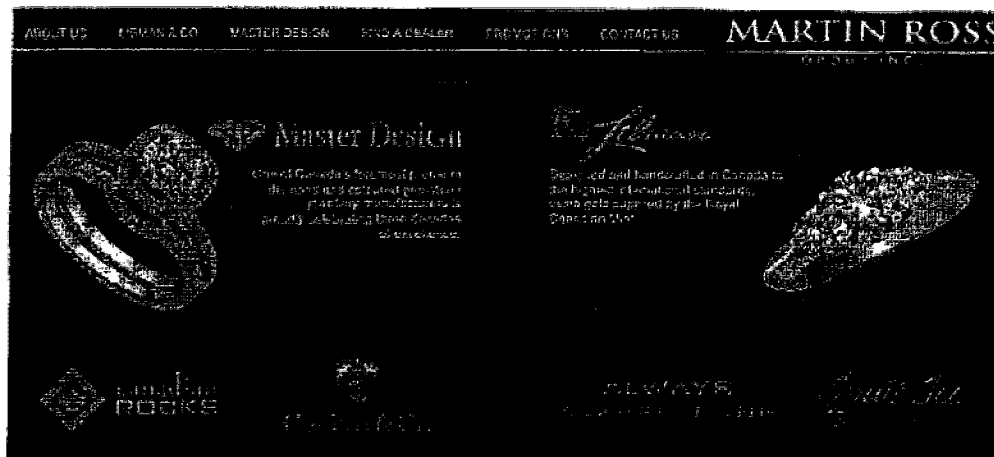
21mm J.

APPENDIX A



Prime opportunity to purchase the assets of a well-established fine gold and diamond jewellery manufacturer

**For Sale – Assets of Martin Ross Group Inc.
250 Canartic Dr., North York, ON**



HIGHLIGHTS

- Opportunity to purchase a going concern business
- Large selection of finished goods inventory
- Raw materials inventory including gold, diamonds, emeralds, rubies and other coloured stones
- Well-recognized trademarks and trade names
- State-of-the-art manufacturing equipment
- Sophisticated CAD/CAM technology

THE OPPORTUNITY

Martin Ross Group Inc. ("**MRG**" or the "**Company**") is a manufacturer and wholesaler of fine jewellery, including rings, earrings and necklaces.

On August 7, 2014, MRG sought and obtained an Order of the Ontario Superior Court of Justice pursuant to the Companies Creditors Arrangement Act and in which, Collins Barrow Toronto Limited ("**CBTL**"), was appointed to act as the monitor (the "**Monitor**"). CBTL, solely in its capacity as Monitor, was appointed to implement and conduct the process for the marketing and sale of all of the current and future assets, undertakings and properties (collectively the "**Property**") of MRG.

The Monitor will receive offers to purchase up to and including 12:00 PM on September 30, 2014.

OVERVIEW OF THE COMPANY

MRG is one of Canada's dominant, domestic manufacturers of fine-gold and diamond jewellery specializing in Canadian diamonds. In 2005, it acquired the assets of Master Design Jewellery Limited and in 2010 it acquired the assets of Libman & Company Ltd., which was originally founded in 1934. It currently operates these two divisions as separate units, emphasizing as part of marketing that its jewellery is manufactured in Canada and contains gold from the Royal Canadian Mint and precious stones that are mined in Canada.

OVERVIEW OF THE ASSETS FOR SALE

The assets available for sale include:

Parcel A: MRG's Libman & Company ("**Libman**") division, to be sold on a going concern basis. Libman offers a full line of rings, pendants, and earrings, which are primarily positioned to appeal to the middle market of the jewellery industry, and are designed to fulfill the essential inventory requirements of its customers. This parcel includes Libman's models and molds, trademarks and trade names, and marketing materials. If needed, skilled, non-unionized employees are available for hire

Parcel B: Trademarks and trade names not included in Parcel A. MRG owns well-recognized trade names which would be highly attractive to a buyer seeking to establish or enhance its presence in North America. In Canada, products have been marketed up to 80 years under the trade names of *Columbia*, *GoldMaster*, and *Syndicate Designs*.

Parcel C: Machinery, equipment and furniture. The Company's extensive and technologically advanced manufacturing equipment produce a full line of rings, pendants, and earrings. The Company also maintains its own in-house refinery which converts scrap karat gold back to fine gold at the rate of approximately 300 ounces per week.

Parcel D: All of MRG's property (Parcels A-C), including raw materials inventory, finished goods inventory, and accounts receivable. Raw materials inventory consists of gold, diamonds, sapphires, emeralds, rubies and other coloured stones. Finished goods inventory consists primarily of rings, earrings, pendants, etc. Accounts receivable represents amounts due from large, well-recognized customers, cooperatives composed of many smaller independent members, and small, independent retailers.

PLEASE NOTE THAT PREFERENCE WILL BE GIVEN TO EN BLOC OFFERS FOR ALL THE ASSETS.

LOCATION

The subject Company and related assets for sale are located in Toronto, Ontario.

TRANSACTION AND COMPETITIVE BIDS PROCESS

To receive additional information including the Confidential Information Memorandum, interested parties must execute the enclosed Confidentiality Agreement and return a copy to the Monitor via e-mail to ejcorrado@collinsbarrow.com or by facsimile at (416) 480-2646, attention Mr. Eric Corrado.

The information contained in this document is based on information made available to the Monitor by the Company. The information is intended for informational purposes only. The Monitor has not verified the information and does not represent, warrant or guarantee the accuracy, correctness and completeness of the information. The Monitor does not accept or assume any responsibility or liability of any kind in connection with the information and the recipient's reliance upon the information. The recipient should take such steps as it may deem necessary to verify the information prior to placing any reliance upon it. The information may change and any property described in the information may be withdrawn from the market at any time without notice or obligation to the recipient from the Monitor.

APPENDIX B

CONFIDENTIALITY AGREEMENT**Martin Ross Group Inc.**

BETWEEN:

Martin Ross Group Inc.

A corporation amalgamated pursuant to the laws of the Province of Ontario (the "**Company**")

- and -

Collins Barrow Toronto Limited

Solely in its capacity as the Court-Appointed Monitor
of Martin Ross Group Inc. and not in its personal capacity

- and -

(hereinafter, the "**Recipient**")

WHEREAS:

- A. The Company is a corporation amalgamated pursuant to the laws of the Province of Ontario. The Company is a manufacturer and wholesaler of fine jewelry.
- B. The Company sought and obtained on August 7, 2014 protection pursuant to the provisions of the Companies Creditors Arrangement Act. Pursuant to the Order of the Ontario Superior Court of Justice (the "**Court**") dated August 7, 2014 (the "**Initial Order**"), Collins Barrow Toronto Limited was appointed as the Monitor of the Company (the "**Monitor**").
- C. The Recipient has expressed an interest in potentially acquiring (the "**Potential Transaction**") certain, or all, of the right, title and interest, if any, in and to the assets of the Company ("the **Property**").
- D. The Company and/or the Monitor intend to provide certain confidential information pertaining to the Company and the Property to the Recipient for its review and consideration in connection with the Potential Transaction.

FOR GOOD AND VALUABLE consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. The Company and/or the Monitor shall furnish to the Recipient certain information pertaining to the Company and the Property that is either non-public, confidential or proprietary in nature, including, but not limited to, property, financial and operating information, trade secrets, business methods and plans, customer information and an information memorandum. All such information furnished to the Recipient, its directors, officers, employees, agents or representatives, including, without limitation, its lawyers, accountants, consultants or financial and other advisers (collectively "**Representatives**") by the Company and/or Monitor, and all analyses, compilations, data, studies, derivative works or other documents prepared by the Recipient or its Representatives containing or based upon, in whole or in part, any such furnished information is herein referred to as the "**Information**". Information includes, but is not limited to, information about identifiable individuals ("**Personal Information**").
2. The Information will be kept confidential by the Recipient and its Representatives and will not, without the prior written consent of the Company and the Monitor, be disclosed by the Recipient or its Representatives, in any manner whatsoever, in whole or in part, and will not be used by the Recipient or its Representatives, directly or indirectly, for any purpose other than in connection with the evaluation and possible completion of the Potential Transaction and not in any way that is, directly or indirectly, detrimental to the interests of the Company or the Monitor.
3. The Recipient acknowledges that the Information is being furnished to the Recipient solely to assess the Potential Transaction. The Recipient acknowledges that neither the Company nor the Monitor makes any express or implied representation or warranty as to the accuracy, sufficiency or completeness of the Information and agrees that neither the Company nor the Monitor shall have any liability, direct or indirect, to the Recipient or its Representatives relating to or resulting from the Information or the use by the Recipient or its Representatives thereof, errors therein, or omissions therefrom, except in accordance with any specific representation or warranty made in any definitive agreement entered into in respect of the Potential Transaction.
4. The Recipient agrees to furnish the Information only to those Representatives who need to know the Information for the purpose of evaluating the Potential Transaction and who are informed by the Recipient of the confidential nature of the Information and who agree in writing to be bound by the terms of this Agreement. The Recipient further agrees to be responsible for any breach of this Agreement by any of its Representatives. The Recipient will make all reasonable, necessary and appropriate efforts to safeguard the Information and prevent its disclosure to anyone other than as permitted hereby.
5. Without the prior written consent of the Company and the Monitor, the Recipient will not, and will direct its Representatives not to disclose to any other person that the Information has been made available, that this Agreement has been entered into, that discussions or negotiations are taking place concerning the Potential Transaction, or any of the terms, conditions or other facts with respect to the Potential Transaction, unless and only to the extent that in the opinion of its counsel disclosure is required to be made under applicable laws or regulations or as required by any competent governmental, judicial or other authority, provided that the Recipient will advise the Company and the Monitor prior to such disclosure concerning the Information the Recipient proposes to disclose so the

Company and/or the Monitor may seek a protective order or other appropriate remedy. The Recipient shall co-operate with the Company and / or the Monitor on a reasonable basis to obtain such protective order or other appropriate remedy. In any event, the Recipient or the Representatives will only furnish such part of the Information which is required by law to be furnished or disclosed and will use reasonable effort to obtain reliable assurances that confidential treatment will be accorded to all the Information.

6. The Recipient shall keep a record of each location of the Information and its Representatives to whom the Information is provided and provide the Company and the Monitor with such information forthwith upon request. If the Recipient determines not to enter into an offer to purchase the Property, or if an offer to purchase the Property is not concluded, the Recipient shall promptly (a) notify the Monitor of that decision, if applicable, and (b) destroy all physical and electronic copies of the Information and all notes prepared by the Recipient or any of its Representatives, including electronic back-ups of the foregoing in a manner that ensures that such data may not be retrieved or undeleted. Without limiting the generality of the foregoing, the Recipient shall not retain for any longer than necessary, and shall destroy or make anonymous, any records pertaining to Personal Information in accordance with applicable law. Further, no reproduction or extracts of the Information will be retained, and all notes, analyses, compilations, studies, summaries and other materials prepared by Recipient or the Recipient's Representatives containing or based on, in whole or in part, any of the Information will be destroyed. The Recipient will cause each of its Representatives to comply with the foregoing requirements.
7. The Recipient shall store the Personal Information properly and securely and ensure that appropriate technical and organizational means are in place to protect the Personal Information against unauthorized or unlawful processing and against accidental loss, destruction or damage, including taking reasonable steps to ensure the reliability of any person permitted by the Recipient to have access to the Personal Information.
8. Save and except with respect to Personal Information, this Agreement shall be inoperative as to such portions of the Information which: (a) are or become generally available to the public other than as a result of the disclosure by the Recipient or its Representatives; (b) become available to the Recipient or its respective Representatives from a source other than the Company or the Monitor, provided that such source, so far as the Recipient is aware, is not bound by a confidentiality agreement with the Company or the Monitor or otherwise prohibited from transmitting the Information to the Recipient by a contractual or legal obligation; or (c) were known to the Recipient prior to their disclosure to the Recipient by the Company or the Monitor, as evidenced by the Recipient's written records.
9. The Recipient's right to receive information hereunder may be terminated by the Company or the Monitor at any time upon written notice to the Recipient whereupon the Recipient shall destroy, without any cost to the Company or the Monitor, the Information and all notes and writings in respect thereof, which the Recipient or its Representatives may have in their possession at that time and provide evidence of same upon request.
10. The Recipient hereby agrees to indemnify the Company and the Monitor against any damages, liability or expense (including legal fees and disbursements) caused to the Company and/or the Monitor, or their respective agents and arising from any breach by the Recipient of its obligations under the terms of this Agreement.

11. The Recipient acknowledges that it has not been introduced to the Property through any registered intermediary and agrees to work directly through the Company and the Monitor with respect to any purchase of the Property. The Recipient and its Representatives will not communicate directly with any of the Company's suppliers or customers or with any officer or employee of the Company in connection with the valuation or completion of the Potential Transaction or any other matter relating to the Information without the prior written consent of the Monitor and the Company. The foregoing shall expire when the Potential Transaction is completed.
12. The Recipient acknowledges that the Information encompasses proprietary confidential information and business secrets of the Company and that disclosure of the Information and breach of this Agreement would cause the Company and the Monitor irreparable harm for which damages would not be an adequate remedy. The Recipient agrees that the Company will be entitled to an injunctive relief to prevent breaches of this Agreement and will specifically enforce the terms and conditions of this Agreement in addition to any other remedy to which the Company may be entitled at law or in equity.
13. No failure or delay by any party hereto in exercising any right, power or privilege under this Agreement will operate as a waiver thereof, nor will any single or partial exercise preclude any other or further exercise of any right, power or privilege under this Agreement.
14. The Recipient acknowledges that disclosure of the Information or other breach of this Agreement would cause serious and irreparable damage and harm to the Company and the Monitor and that remedies at law would be inadequate to protect against breach of this Agreement, and each party agrees in advance to the granting of injunctive relief in favour of the Company and/or the Monitor for any breach of the provisions of this Agreement and to the specific enforcement of the terms of this Agreement, without proof of actual damages, in addition to any other remedy to which the Company and/or the Monitor would be entitled.
15. No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party hereto, shall be binding unless executed in writing by the party to be bound thereby.
16. The confidentiality and non-use obligations described in this Agreement shall terminate two (2) years from the date of this Agreement.
17. This Agreement shall not be assigned without the prior consent of the Company, the Monitor and the Recipient.
18. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
19. This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

DATED at Toronto this ____ day of _____ 2014.

Martin Ross Group Inc., a corporation
amalgamated under the laws of the Province of
Ontario

Per: _____

Name:

Title:

Collins Barrow Toronto Limited, solely in its
capacity as Court-Appointed Monitor of Martin
Ross Group Inc. and not in its personal capacity

Per: _____

Name:

Title:

NAME OF RECIPIENT

Per: _____

Name:

Title:

APPENDIX C

Ontario Superior Court of Justice
Court File No. CV-14-10655-00CL

Martin Ross Group Inc.

Request for Offers

Martin Ross Group Inc. ("MRG") is a manufacturer and wholesaler of fine jewellery including rings, earrings and necklaces, a significant portion of which contain diamonds and precious stones.

On August 7, 2014, MRG sought and obtained an order of the Ontario Superior Court of Justice ("Court") pursuant to the Companies' Creditors Arrangement Act ("CCAA"). Collins Barrow Toronto Limited was appointed as Monitor ("Monitor") in the CCAA proceedings. Pursuant to a further order of the Court dated September 11, 2014, the Court approved a process to be conducted by the Monitor for the marketing and sale of all of MRG's assets.

The assets available for sale include:

- i) The Libman & Company division of MRG available for purchase on a going concern basis
- ii) Various trademarks and trade names
- iii) Machinery, equipment and furniture
- iv) All of the above items as one package

All of the above items are for sale together as one package or as separate packages, and all as described in greater detail in a Confidential Information Memorandum (CIM) prepared by the Monitor and MRG. Pursuant to the Terms and Conditions of Sale approved by the Court, all offers for the assets of MRG are required to be submitted to the Monitor by (insert date). To obtain a copy of the Confidential Information Memorandum, please contact the Monitor at:

COLLINS BARROW TORONTO LIMITED
Solely in its capacity as Monitor of Martin Ross Group Inc.,
and not in its personal capacity
11 King Street West, Suite 700, PO Box 27
Toronto, ON M5H 4C7
Attn: Mr. Eric Corrado, CPA, CA
Telephone: (647) 727-3659
Facsimile: (416) 480-2646
E-mail: ejcorrado@collinsbarrow.com



APPENDIX D

TERMS AND CONDITIONS OF SALE

1. Collins Barrow Toronto Limited, solely in its capacity as the Monitor (the "**Monitor**") of Martin Ross Group Inc. (the "**Vendor**"), appointed pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated August 7, 2014, shall be supervising and conducting a sale process (the "**Sale Process**") pursuant to the Order of the Court dated September 11, 2014, of all of the current and future assets, undertakings and properties of the Vendor of every nature and kind whatsoever, and wherever situate, including all proceeds thereof.
2. Pursuant to these Terms and Conditions of Sale, the Vendor, through the Sale Process being conducted by the Monitor, is offering for sale the Vendor's right, title and interest, if any, in the Property as defined in the Confidential Information Memorandum (the "**CIM**") dated September 5, 2014.
3. A listing of the various items comprising the Property is contained in the CIM. All information contained in the CIM, including without limitation, the lists and descriptions of 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 are 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 Monitor's representative identified below to arrange for an appointment:

Mr. Eric Corrado, CPA, CA
Telephone: 647-727-3659
E-mail: ejcorrado@collinsbarrow.com
5. The Monitor and the Vendor will consider offers for individual parcels or assets within parcels. The parcels available for sale are:

<u>Parcel</u>	<u>General Description of Parcel</u>
A	The Libman & Company division of the Vendor, to be sold as a going concern
B	Trademarks and trade names that are not part of the Libman & Company division of the Vendor
C	Machinery, equipment and furniture
D	All of the Vendor's property (Parcel A-C)

6. To submit an offer for all or part of the Property, a completed sealed offer marked "Offer — Martin Ross Group Inc." shall be delivered or mailed, postage prepaid, to 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 12:00 noon, Eastern Daylight Time, on September 30, 2014 (the "**Offer**")

Date"). The Monitor reserves the right to extend the Offer Date at any time for any reason.

7. The Monitor 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 Monitor which are not in such form may be rejected. Offers shall be opened by the Monitor in the presence of, and reviewed with, representatives of the Vendor. No Offeror shall be entitled to be present for the opening of offers.
9. The Vendor and Monitor 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;
 - (v) has not been delivered to and received at the offices of the Monitor 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 and Monitor from taking any of the foregoing steps if, in their sole and unfettered discretion, they decide to do so; however the taking of any such step shall not constitute a waiver by the Vendor or Monitor of the provisions of this paragraph or an obligation on the part of the Vendor or Monitor to take any further or other steps referred to above with the same or any other Offeror. The Vendor or Monitor 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 Monitor the following:
 - (a) an amount equal to 10% of the purchase price specified in the Offer by certified cheque or bank draft drawn on or issued by a Schedule 1 Canadian chartered bank or trust company, which shall be held in a non-interest bearing account by the Monitor. If the Offer is accepted by the Vendor and Monitor said cheque shall be deemed to be a cash deposit (the "**Deposit**") to be applied against the aggregate offered purchase price (the "**Purchase Price**") and, subject to Court approval of the Offer, the Offeror (hereinafter called the "**Purchaser**") under an Approved Sale Agreement (as defined below) shall

- pay the balance of the Purchase Price to the Vendor, by certified cheque or bank draft drawn on or issued by a Schedule 1 Canadian chartered bank or trust company on the Closing Date as defined below of the transaction under the Approved Sale Agreement;
- (b) an executed copy of the template agreement of purchase and sale prepared by the Vendor ("**Template Sale Agreement**"), amended to reflect matters specific to the Offer (the Template Sale Agreement as amended, the "**Offeror Sale Agreement**"), which shall be binding and irrevocable until October 9, 2014;
 - (c) a comparison of the Template Sale Agreement to the executed and amended Offeror Sale Agreement;
 - (d) a representation of the Offeror that the Offeror has, and written evidence satisfactory to the Monitor and Vendor of, available cash and/or a commitment for financing to evidence the Offeror's ability to close the proposed transaction as the Vendor may reasonably request;
 - (e) a copy of a resolution of the Offeror's board of directors or similar document demonstrating the Offeror's authority to make an irrevocable Offer and to execute the transaction contemplated by the Offeror Sale Agreement; and
 - (f) disclosure of the identity of each entity (including its ultimate beneficial shareholders) that has submitted the Offer.
11. Following the Offer Date, the Vendor specifically reserves its right to negotiate with one or more Offerors with respect to any provision of the offer or to request or agree to any changes in any such Offer. The Vendor and Monitor each may choose to take such steps with respect to one or more Offers but the Vendor and Monitor each shall have no obligation to negotiate identical terms with, or extend identical terms to each Offeror. The Vendor and Monitor each 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 and Monitor 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. If the Vendor and Monitor accept an offer and the subject Offeror Sale Agreement, the Vendor and Monitor shall seek Court approval of such Offeror Sale Agreement as soon as reasonably possible. Any Offeror Sale Agreement accepted by the Vendor and Monitor and approved by the Court is referred to herein as an "**Approved Sale Agreement**".
 13. If the Vendor and Monitor accept an offer but the terms of that offer or the Offeror Sale Agreement are not approved by the Court then the Vendor and Monitor may, in their sole and unfettered discretion, terminate the proposed transaction and any Offeror Sale Agreement accepted by the Vendor and Monitor, whereupon the Deposit shall forthwith be returned to the Offeror without credit for any accrued interest thereon and the Vendor and Monitor may then accept any other offer to purchase the Property.
 14. Notwithstanding any other provision contained in these Conditions of Sale, nothing

herein shall constitute an assignment or attempted assignment of any of the Property subject to an Approved Sale Agreement ("**Purchased Assets**") which is not assignable without the consent of any person if such consent is not obtained by the Purchaser. It shall be the Purchaser's sole responsibility to obtain, at its own expense, any consents, approvals or any further documentation or assurances which may be required to carry out the terms of the sale of the Purchased Assets, including, without limitation, any approvals with respect to the assignment of any of the Purchased Assets not assignable without the consent or action of a third party or parties. Specifically, and without limiting the generality of the foregoing, by submitting an Offer, an Offeror acknowledges that it has conducted its own investigations with respect to any licences, approvals or third party consents which are necessary to purchase any of the Property, to develop or construct improvements upon lands or any other activity utilizing or in connection with any of the Property.

15. Cheques 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 eighteen (18) days following the opening of Offers unless otherwise arranged with the Offeror.
16. The closing of the Approved Sale Agreement shall take place at the office of the Vendor's solicitor, 25 Sheppard Avenue West, Suite 1100, Toronto, Ontario or at the option of the Vendor, at the offices of the Monitor's solicitors, 151 Yonge Street, Suite 155, Toronto, Ontario at 11:00 a.m. on the 31st day after approval by the Court of the Approved Sale Agreement (the "**Closing Date**") or such other date as the Vendor and the Purchaser may agree.
17. Upon closing of the sale of the Purchased Assets contemplated by the Approved Sale Agreement (the "**Closing**"), the Purchaser shall be entitled, upon receipt by the Vendor of the Purchase Price, to possession of the Purchased Assets and to such bills of sale or assignments as may be considered necessary by the Vendor to convey the Purchased Assets to the Purchaser provided that the Purchaser shall remain liable under the Approved Sale Agreement. Any such deeds, bills of sale or assignments shall contain only a release of the Vendor's interest in the Purchased Assets and shall not contain any covenants.
18. The Purchaser shall pay on closing in addition to the Purchase Price all applicable federal, provincial and municipal taxes.
19. The Purchaser shall assume at the Purchaser's cost complete responsibility for compliance with all laws, municipal, provincial or federal in so far as same apply to the Purchased Assets and the use thereof by the Purchaser.
20. The Vendor shall not be required to furnish or produce any abstract of title, title deed, survey, declaration or other document or evidence as to title, other than those in its possession.
21. 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. In the event of substantial damage to the Purchased Assets

occurring on or before Closing, the Purchaser may either have the proceeds of the insurance and complete the Approved Sale Agreement or may cancel such Approved Sale Agreement and have the Deposit paid thereunder, returned without interest, costs or compensation of any kind whatsoever. Where any damage is not substantial, the Purchaser shall be obliged to complete the purchase and shall be entitled to the proceeds of insurance referable to such damage, but not to any other costs or compensation whatsoever.

22. All adjustments of such taxes and other items as are specified herein will be made as of Closing under the Approved Sale Agreement. The Purchaser shall arrange its own insurance and there shall be no adjustment with respect to insurance.
23. No adjustments will be allowed by either the Vendor or the Purchaser for changes in the condition or quantity of any of the Property comprising the Purchased Assets. The Vendor shall remain in possession of the Purchased Assets until the Purchase Price therefor has been paid in full. The Purchaser will take possession of the Purchased Assets at Closing.
24. If the Purchaser fails to comply with the Approved Sale Agreement, the Purchaser's deposit shall be forfeited to the Vendor and the Purchased Assets 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 Approved Sale Agreement 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 Approved Sale Agreement.
25. By submitting an Offer, a Purchaser acknowledges that it has inspected the Purchased Assets and 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 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. It shall be the Purchaser's sole responsibility to obtain, at its own expense, any consents to the transfer of the Purchased Assets and any further documents or assurances which are necessary or desirable in the circumstances. 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) do not apply to the sale of the Purchased Assets and have been waived by the Purchaser.
26. Each Offeror acknowledges that Collins Barrow Toronto Limited acts solely in its capacity as the court-appointed Monitor of the Vendor and shall have no personal or corporate liability in connection with the Vendor offering the Property for sale and the Monitor conducting the Sale Process, pursuant to these Terms and Conditions of Sale, the CIM or under any Offer, Offeror Sale Agreement or Approved Sale Agreement.
27. The highest or any offer will not necessarily be accepted.
28. The acceptance of any offer and any Offeror Sale Agreement entered into by the Vendor shall be subject to the condition that the sale and the terms thereof be

approved by the Court.

29. No Offeror shall be at liberty to withdraw, vary or countermand an Offer once received by the Vendor. Each Offer shall be irrevocable until October 9, 2014.
30. 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 Approved Sale Agreement but shall survive such closing and remain in full force and effect and be binding on the Purchaser thereafter.
31. These Conditions of Sale and the validity and interpretation of any offer, Offeror Sale Agreement or Approved Sale Agreement shall be governed by the laws of Ontario, and such agreement 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.
32. 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, any Offeror Sale Agreement and all other documentation relating to its offer and to the acceptance thereof to be drawn up in the English language only.
33. All stipulations as to time are strictly of the essence.
34. Any offer of documents or money hereunder may be made upon the Vendor or the Purchaser, or their respective solicitors. Money may be paid by certified cheque or bank draft drawn on or issued by a Schedule 1 Canadian chartered bank or trust company.
35. The obligations of the Vendor to complete an Approved Sale Agreement shall be relieved if, on or before the Closing of such sale, the Order of the Court approving the subject Approved Sale Agreement is subject to appeal, any of the Purchased Assets subject to the sale have been removed from the control of the Vendor by any means or process, or if any of the Purchased Assets subject to the sale is redeemed, whereupon the only obligation of the Vendor shall be to return the applicable Deposit, without interest, costs or compensation.
36. The Vendor shall not be bound to sell any of the Property until it is authorized by the Court to accept and enter into an Approved Sale Agreement. The Vendor reserves the right to enter into one or more agreements to sell any or all of the Property at any time and to withdraw any or all of the Property from the sale.

APPENDIX E

AGREEMENT OF PURCHASE AND SALE

This AGREEMENT made the [] day of [] 2014.

BETWEEN:

MARTIN ROSS GROUP INC.

A corporation amalgamated pursuant to the laws of the Province of Ontario

(the "Vendor")

and.



(the "Purchaser")

RECITALS:

- A. The Vendor is a corporation amalgamated pursuant to the laws of the Province of Ontario and is a manufacturer and wholesaler of fine jewelry.
- B. The Vendor sought and obtained on August 7, 2014 protection pursuant to the provisions of the Companies' Creditors Arrangement Act. Pursuant to the Initial Order made on August 7, 2014, Collins Barrow Toronto Limited was appointed as the monitor of the Vendor (the "Monitor").
- C. Pursuant to the Marketing Order, the Court approved the sale process proposed by the Vendor for the sale of certain assets.
- D. The Vendor desires to sell and the Purchaser desires to purchase the Purchased Assets, as more particularly set out herein, subject to the terms and conditions hereof.

FOR VALUE RECEIVED, the Parties agree as follows:


SECTION 1 - INTERPRETATION

1.1 Definitions

In this Agreement, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

- (a) "**Acceptance Date**" means the day on which this Agreement is executed by both parties hereto;
- (b) "**Agreement**" means this Agreement of Purchase and Sale;

- (c) **"Applicable Laws"** means, with respect to any person, property, transaction or event, all laws, by-laws, rules, regulations, orders, judgments, decrees, decisions or other requirements having the force of law relating to or applicable to such Person, property, transaction or event;
- (d) **"Approval and Vesting Order"** has the meaning set out in Section 4.3(a);
- (e) **"Assets"** means the right, title and interest of the Debtor in and to the assets described in Schedule "A";
- (f) **"Assignment of Leases"** means an Assignment by the Vendor without any warranties, representations and on a non-recourse basis and an Assumption by the Purchaser of the Leases, for the Lease(s) that the Purchaser elects in writing to assume;
- (g) **"Assumed Encumbrances"** means the encumbrances set out in Schedule "B" to this Agreement being assumed by the Purchaser on Closing;
- (h) **"Business Day"** means a day on which banks are open for business in the City of Toronto but does not include a Saturday, Sunday, or statutory holiday in the Province of Ontario;
- (i) **"CIM"** means the confidential information memorandum prepared by the Vendor and/or the Monitor;
- (j) **"Claim"** means any claim, demand, action, cause of action, damage, loss, cost, liability or expense, including reasonable professional fees and all costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing;
- (k) **"Closing"** means the successful completion of the Transaction;
- (l) **"Closing Date"** means the earlier of ~~the~~ or 5 business days after the granting of the Approval and Vesting Order and subject to Section 4.5, and in no event later than ~~the~~;
- (m) **"Conditions of Sale"** means the conditions of sale approved pursuant to the Marketing Order;
- (n) **"Court"** means the Ontario Superior Court of Justice (Commercial List);
- (o) **"Encumbrance"** means any mortgage, charge, pledge, hypothecation, security interest, assignment, lien (statutory or otherwise), claim, title retention agreement or arrangement, restrictive covenant, rights of way, easements, encroachments, reserves, or other encumbrance of any nature or any other arrangement or condition which, in substance, secures payment or performance of an obligation;
- (p) **"Environmental Laws"** means all Applicable Laws concerning pollution or protection of the natural environment or otherwise relating to the environment or health or safety matters, including Applicable Laws pertaining to (i) reporting, licensing, permitting, investigating and remediating the presence of Hazardous Materials, and (ii) the storage, generation, use, handling, manufacture, processing, transportation, treatment, release and disposal of Hazardous Materials;
- (q) **"ETA"** means the Excise Tax Act (Canada);

- (r) **"Government Authority"** means any person, body, department, bureau, agency, board, tribunal, commission, branch or office of any federal, provincial or municipal government having or claiming to have jurisdiction over part or all of the Assets being purchased pursuant to the Agreement, the transaction contemplated in this Agreement or one or both of the parties and shall include a board, commission, courts, bureau, agency or any quasi-governmental or private body exercising any regulatory authority including an association of insurance underwriters;
- (s) **"Hazardous Materials"** means any contaminants, pollutants, substances or materials that, when released to the natural environment, could cause, at some immediate or future time, harm or degradation to the natural environment or risk to human health, whether or not such contaminants, pollutants, substances or materials are or shall become prohibited, controlled or regulated by any Authority and any "contaminants", "dangerous substances", "hazardous materials", "hazardous substances", "hazardous wastes", "industrial wastes", "liquid wastes", "pollutants" and "toxic substances", all as defined in, referred to or contemplated in federal, provincial and/or municipal legislation, regulations, orders and/or ordinances relating to environmental, health or safety matters;
- (t) **"HST"** means all goods and services taxes and harmonized sales tax payable under the ETA;
- (u) **"Initial Order"** means the order set out in recital B herein appointing Collins Barrow Toronto Limited, as Monitor of the Company;
- (v) **"Leases"** means all subsisting offers to lease, agreements to lease, leases, and renewals of leases;
- (w) **"Marketing Order"** means the Order of the Court dated September 11, 2014 authorizing the Company and the Monitor to market and sell the Assets;
- (x) **"Monitor"** is Collins Barrow Toronto Limited appointed pursuant the provisions of the Initial Order;
- (y) **"Parties"** means the Vendor, the Purchaser and any other Person who may become a party to this Agreement. "Party" means any one of the foregoing;
- (z) **"Person"** means an individual, a corporation, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity;
- (aa) **"Project Documents"** means, the documents made available to the Purchaser including, the CIM;
- (bb) **"Purchase Price"** shall have the meaning ascribed to it in Section 2.4. For greater certainty, the Purchase Price shall be exclusive of Transfer Taxes and any other taxes payable as a result of or in connection with the Transaction;
- (cc) **"Purchased Assets"** means the Assets subject to this Agreement;
- (dd) **"Purchaser"** ;

- (ee) **"Release"** means, in addition to the meaning given to it under any applicable Environmental Laws, any release, spill, leak, pumping, pouring, emission, emptying, discharge, injection, escape, leaching, disposal, dumping, deposit spraying, burial, abandonment, incineration, seepage or placement of any Hazardous Materials;
- (ff) **"Time of Closing"** means 2.00 p.m. (EDT) on the Closing Date or such other time on the Closing Date as the Parties may mutually agree;
- (gg) **"Transaction"** means the transaction of purchase and sale and assignment and assumption contemplated by this Agreement;
- (hh) **"Transfer Taxes"** means all HST, Land Transfer Tax, sales, excise, use, transfer, gross receipts, documentary, filing, recordation, value-added, stamp, stamp duty reserve, and all other similar taxes, duties or other like charges, however denominated and by whomever levied together with interest, penalties and additional amounts imposed with respect thereto; and
- (ii) **"Vendor"** means Martin Ross Group Inc..

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof.

1.3 Extended Meanings

Words importing the singular include the plural and vice versa, words importing gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations, corporations and governmental authorities. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings.

1.4 Schedules

The following Schedules are incorporated in and form part of this Agreement;

Schedule "A"	Purchased Assets
Schedule "B"	Assumed Encumbrances
Schedule "C"	Form of Approval and Vesting Order

SECTION 2 — SALE AND PURCHASE AND ASSIGNMENT

2.1 Sale and Purchase of Assets

Subject to the terms and conditions hereof, the Vendor, exercising the powers of sale granted in the Approval and Vesting Order, shall sell to the Purchaser, and the Purchaser shall purchase, the Purchased Assets on the Closing Date. The Purchaser acknowledges that it is not purchasing any other property or assets of the Debtor other than the Purchased Assets.

2.2 "As is, Where is"

The Purchaser acknowledges and agrees that:

(a) It had access to the CIM and any other information and documentation provided by the Vendor or the Monitor or at its request by the Vendor or the Monitor and that same has been made available for informational and convenience purposes only and do not constitute any express, or implied representation or warranty by the Vendor or the Monitor, or any other representative of the Vendor or the Monitor to the Purchaser as to the contents thereof, the completeness and accuracy thereof, or otherwise and although believed to be correct, if any misstatement, error or omission is found in the particulars thereof, the Purchaser shall not be entitled to any abatement, damages, reimbursement, in respect thereof. Without limiting the generality of the foregoing, in respect of any financial data, forecasts, and any like material provided by the Vendor, the Monitor and/or described in the CIM (collectively, "**Forward Looking Information**"), it is acknowledged by the Purchaser that (i) there are uncertainties inherent in attempting to make such estimates, projections and other forecasts and plans, (ii) the Purchaser is familiar with such uncertainties, (iii) the Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of any Forward Looking Information (including the reasonableness of any underlying assumptions), and (iv) the Purchaser will have no claim against the Vendor or the Monitor, or any other parties in respect of any Forward Looking Information;

(b) It has inspected the Assets and that it is relying entirely upon its own investigations and inspections in proceeding with this transaction and has relied solely upon its own judgment therefrom and not in reliance on any information, including the Forward Looking Information provided by the Vendor or the Monitor, or any other person or entities on behalf of or at the direction of the Vendor or the Monitor;

(c) The Purchased Assets are being purchased, accepted and assumed by the Purchaser "As Is, Where Is". The term "As Is, Where Is" means in its condition or state on the date of this Agreement and Closing and without any agreement, representation or warranty, statutory or otherwise as to the suitability of the Purchased Assets, the existence of patent and latent defects and the quality of the Purchased Assets, compliance with Applicable Laws and Environmental Laws (including any environmental condition thereof arising as a result of the presence of Hazardous Materials or the Release thereof) and subject to the Permitted Encumbrances;

(d) The Vendor and the Monitor make no representation or warranties with respect to the physical condition or any other aspect of the Purchased Assets, the Forward Looking Information, or any other aspect of the transaction contemplated by this Agreement including the presence of Hazardous Materials;

(e) As part of its agreement to purchase and accept the Purchased Assets on an "As Is, Where Is" basis, and not as a limitation on such agreement, the Purchaser hereby unconditionally and irrevocably waives any and all actual or potential rights the Purchaser might have against the Vendor and the Monitor regarding any form of warranty, express or implied, of any kind or type, (including all applicable statutory warranties), such waiver is absolute, complete, total and unlimited in every way. Such waiver includes, but is not limited to, a waiver of express warranties, implied warranties, warranties of fitness for a particular use or purpose, warranties of merchantability, warranties of occupancy, all applicable statutory warranties, strict liability rights, and claims of every kind and type, including, but not limited to, claims regarding defects which might have been discoverable, claims regarding defects which were not or are not discoverable, product liability claims, product liability type claims, and all other extent or later created or conceived of strict liability or strict liability type claims and rights. The Purchaser acknowledges to the Vendor and the Monitor that the Purchaser has inspected the Purchased Assets and that the Vendor is selling the Purchased Assets on an "as is, where is" basis with all faults known,

or unknown, as they shall exist as of the date of execution of this Agreement, or on the Closing Date. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendor and the Monitor do not guarantee title to the Purchased Assets and that the Purchaser has conducted such inspections of the condition of and title to the Purchased Assets as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to any matter including, title, encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality, latent defects, cost, size, value, state of repair, environmental condition, Environmental Laws, zoning, permitted uses, permits, compliance with Applicable Laws of the Governmental Authorities, threatened claims, litigation, or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell or assign same save and except as expressly represented or warranted herein. Without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the Sale of Goods Act (Ontario) or similar legislation do not apply hereto and are hereby waived by the Purchaser. The description of the Purchased Assets contained in the Schedules hereto, and in any marketing material is for the purpose of identification only. No representation, warranty or condition has or will be given by the Vendor or the Monitor concerning completeness or the accuracy of such descriptions. The Purchaser acknowledges that it has relied entirely upon its own inspections and investigations with respect to the purchase of the Purchased Assets including the quantity, quality and value thereof. The information contained in the description of the Purchased Assets in any marketing material, and any like material delivered or made available by the Vendor or the Monitor, agents or any other party on their behalf to the Purchaser or its representatives are believed to be correct, but if any misstatement, error, inaccuracy or omission (collectively the 'Inaccuracies') is found in the particulars thereof the Purchaser shall not be entitled to any abatement, damages, reimbursement, costs or to termination of this Agreement as a result thereof and the Purchaser hereby releases the Vendor and the Monitor from any claims, damages, suits, costs, etc., the Purchaser had, has or may have as a result of such Inaccuracies.

2.3 Assumed Encumbrances

The Purchaser acknowledges that the Vendor is selling the Purchased Assets subject to the Assumed Encumbrances and that the Vendor undertakes no obligation to discharge such Assumed Encumbrances on the Closing or thereafter.

2.4 Purchase Price

The Purchase Price for the Purchased Assets shall be the sum of ~~████~~ (\$~~████~~). The Purchase Price shall be payable to Collins Barrow Toronto Limited, Monitor re Martin Ross Group Inc.

2.5 Taxes

In addition to the Purchase Price, the Purchaser shall pay all applicable Transfer Taxes exigible in connection with the purchase and sale of the Purchased Assets, including, without limitation, HST.

The Purchaser will be a HST registrant under the ETA on or before the Closing Date and will provide its registration number to the Vendor on or before the Closing Date.

If part or all of the said transaction is subject to HST and:

- (i) the Vendor is a non-resident of Canada or the Vendor would be a non-resident of Canada but for Subsection 132(2) of the ETA; and/or

(ii) the Purchaser is a "prescribed recipient" under the ETA and/or is registered under the ETA, then the Purchaser shall deliver, prior to Closing, its certificate in form prescribed by the Act or, if no such form is prescribed, then in reasonable form, certifying that the Purchaser shall be liable for, shall self-assess and shall remit to the appropriate Governmental Authority all HST payable in respect of the transaction contemplated hereunder. If sub-paragraph (a) (i) above is applicable, then the Purchaser's certificate shall also include certification of the Purchaser's prescription and/or registration as the case may be, and the Purchaser's HST registration number. If the Purchaser shall fail to deliver its certificate, then the Purchaser shall tender to the Vendor at Closing, in addition to the balance due on Closing, an amount equal to the HST that the Vendor shall be obligated to collect and remit in connection with the said transaction.

The Purchaser hereby indemnifies and holds the Vendor and the Monitor harmless from and against any liability for Transfer Taxes, including, without limitation, HST arising out of any failure to pay such taxes as and when due, together with all interest, penalties and expenses resulting from such failure.

2.6 Inspections

The Vendor will permit the Purchaser, its consultants, agents and representatives to carry out, at the Purchaser's sole expense and risk, such tests and investigations and inspections as the Purchaser, acting reasonably, may deem necessary with respect to the Assets, provided that no invasive testing shall be conducted in or under the premises where the assets are located and any other invasive testing shall require the Vendor's written approval prior to such testing and:

- (a) the Purchaser shall provide at least two Business Days' Notice to the Vendor of any such tests and inspections and the Vendor will be entitled to have a representative present during all such tests and inspections;
- (b) any damage to the Property caused by such tests and inspections will be promptly repaired by the Purchaser and the Purchaser will indemnify and save the Vendor harmless from all losses, costs, claims, third party actions, damages and expenses which the Vendor may suffer directly as a result of the said tests and inspections or any other breach of this Section by the Purchaser; and
- (c) prior to entering the Property to conduct the Purchaser's tests and investigations, the Purchaser shall deliver (or shall cause its representatives completing the Purchaser's investigations on its behalf to deliver) to the Vendor evidence of liability insurance coverage for at least \$2,000,000 from an insurer acceptable to the Vendor.

SECTION 3 — REPRESENTATIONS AND WARRANTIES

3.1 Purchaser's Representations

The Purchaser represents and warrants to the Vendor that:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Ontario;
- (b) the Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations and the execution and delivery of this Agreement and the consummation of the transactions contemplated have been duly

authorized by all necessary corporate action on the part of the Purchaser;

- (c) the Purchaser is not a party to, bound or affected by or subject to any indenture, agreement, instrument, charter or by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the performance by it of any of the terms contained herein;
- (d) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the best of the Purchaser's knowledge, threatened against or relating to the Purchaser or any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or arbitrator which, in any case, might adversely affect the ability of the Purchaser to enter into this Agreement or to consummate the transactions contemplated and the Purchaser is not aware of any existing ground on which any action, suit or proceeding may be commenced with any reasonable likelihood of success;
- (e) this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party have been or will be, as at the Time of Closing, duly and validly executed and delivered by the Purchaser and constitute or will, as at the Time of Closing, constitute legal, valid and binding obligations of the Purchaser, as the case may be, enforceable in accordance with the terms hereof or thereof;
- (f) the Purchaser is not a non-Canadian person as defined in the Investment Canada Act; and
- (g) the Purchaser is registered or will be registered on Closing under Part IX of the ETA.

3.2 Vendor's Representations

The Vendor represents and warrants to the Purchaser as follows:

- (a) the Vendor has the right to enter into this Agreement and to complete the Transaction, subject to the granting of the Approval and Vesting Order;
- (b) the Vendor is not a non-resident of Canada for purposes of Section 116 of the *Income Tax Act* (Canada).

SECTION 4—CONDITIONS AND TITLE

4.1 Conditions - Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following condition precedent being fulfilled or performed at or prior to the Time of Closing:

- (a) the Vendor shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date;

The foregoing condition is for the exclusive benefit of the Purchaser. Such condition may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing.

4.2 Conditions — Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of the Purchaser contained in this Agreement shall be true as of the Closing Date with the same effect as though made on and as of that date;
- (b) the Purchaser shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date;
- (c) no action or proceedings shall be pending or threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement; and
- (d) the Vendor shall not have lost possession or control of the Purchased Assets or any part thereof.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition may be waived by the Vendor in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing.

4.3 Approval and Vesting Order

The obligations of the Vendor and the Purchaser are subject to the conditions that:

- (a) the Approval & Vesting Order shall have been obtained, the terms of the Approval & Vesting Order shall not differ materially from the form of Order at Schedule "C" (the "**Approval & Vesting Order**"), and such Order shall not have been stayed, reversed or dismissed, and shall vest in the Purchaser all the right, title and interest of the Vendor in the Purchased Assets free and clear of any and all liabilities and encumbrances except for the Assumed Encumbrances; and
- (b) no order shall have been issued which restrains or prohibits the completion of the Transaction.

The Parties hereto acknowledge that the foregoing conditions are for the mutual benefit of the Vendor and the Purchaser.

4.4 Non-Satisfaction of Conditions

If any condition set out in this Section 4 is not satisfied or performed prior to the time specified therefore, the party for whose benefit the condition is inserted may

- (a) waive compliance with the condition in whole or in part in its sole discretion by written notice to the other party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect on written notice to the other party to terminate this Agreement before Closing.

4.5 Title Examination

SECTION 5 — CLOSING

5.1 Closing

The completion of the Transaction shall take place on the Closing Date at the Time of Closing or as otherwise determined by mutual agreement of the Parties in writing.

5.2 Purchaser's Deliveries on Closing

At or before the Time of Closing, the Purchaser shall execute or deliver as applicable, to the Vendor the following, each of which shall be in form and substance satisfactory to the Vendor, acting reasonably:

- (a) payment of the Purchase Price;
- (b) a certificate, dated the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (c) an acknowledgement dated the Closing Date, that each of the conditions precedent in Section 4.1 of this Agreement have been fulfilled, performed or waived as of the Closing Date;
- (d) an Assignment and Assumption of Leases, if applicable;
- (e) an assumption of the Assumed Encumbrances;
- (f) a certificate of the Purchaser executed by a senior officer of the Purchaser confirming that the Purchaser (or such permitted assignee of the Purchaser) is purchasing the Purchased Assets on its own account and not as agent, trustee or nominee for any other Person and that it is a registrant for HST purposes under the ETA as at the Closing Date and setting out the registration number of the Purchaser for HST purposes;
- (g) an undertaking of the Purchaser to remit to the Receiver General for Canada on a timely basis, to the extent required under the ETA, any HST exigible in connection with the transactions contemplated by this Agreement and to indemnify and hold the Vendor harmless from and against any and all Claims that may be suffered or incurred by the Vendor arising from or in respect of the Purchaser's failure to register for the purposes of the HST or to perform its obligations under the ETA in connection with the completion of the transactions contemplated by this Agreement;
- (h) certified copy of a resolution of the board of directors of the Purchaser authorizing the execution of this Agreement and performance of each of the Purchaser's obligations hereunder;
- (i) a certificate of status and certified copy of the Articles of Incorporation of the Purchaser;
- (j) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to give effect to this Agreement; and,
- (k) a corporate opinion letter from the solicitor of the Purchaser in a form satisfactory to the Vendor.

5.3 Vendor's Deliveries on Closing

At the time of Closing the Vendor shall execute and deliver to the Purchaser the following, each of

which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) Notarial copy of the Approval and Vesting Order;
- (b) an acknowledgement dated the Closing Date, that each of the conditions precedent in Section 4.2 of this Agreement have been fulfilled, performed or waived as of the Closing Date;
- (c) an Assignment and Assumption of Leases, if applicable; and
- (d) such other documents as may be reasonably requested by the Purchaser's solicitors to give effect to this Agreement.

5.4 Purchaser's Acknowledgement

The Purchaser acknowledges that the Vendor is selling its rights, title and interests in and to the Purchased Assets pursuant to the Approval and Vesting Order. The Purchaser agrees to purchase and accept the Vendor's rights, title and interests in and to the Purchased Assets pursuant to and in accordance with the terms of this Agreement, the Terms and Conditions of Sale and the Approval and Vesting Order.

5.5 Possession of Purchased Assets

On Closing, the Purchaser shall take possession of the Purchased Assets where situate at the Time of Closing. In no event shall the Purchased Assets be sold, assigned, transferred or set over to the Purchaser until the conditions set out in the Approval and Vesting Order have been satisfied and the Purchaser has satisfied all delivery requirements outlined in Section 5.2.

5.6 Risk

The Purchased Assets shall be and remain at the risk of the Vendor until Closing and at the risk of the Purchaser from and after Closing.

5.7 Termination

If either the Vendor or the Purchaser validly terminates this Agreement pursuant to the provisions of Section 4.4,

- (a) all the obligations of both the Vendor and Purchaser pursuant to this Agreement shall be at an end except as set out in this Agreement; and
- (b) neither party shall have any right to specific performance or other remedy against, or any right to recover damages or expenses from, the other.

5.8 Breach by Purchaser

If all of the conditions contained in Section 4.1 have been complied with, or waived by the Purchaser and the Purchaser fails to comply with the terms of this Agreement, the Vendor may by notice to the Purchaser elect to treat this Agreement as having been repudiated by the Purchaser. In addition, the Purchaser shall pay to the Vendor, on demand, the deficiency, if any, arising upon such resale (after deducting the expenses of resale) together with interest and all other damages or charges occasioned by or resulting from

the default by the Purchaser.

SECTION 6 - GENERAL

6.1 Further Assurances

Each of the Parties shall, from time to time after the Closing Date, at the request and expense of the other, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such documents and further assurances as may be reasonably necessary to give effect to this Agreement.

6.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered personally or transmitted by fax, addressed:

in the case of the Purchaser, as follows:

Attention:
Telephone No:
Fax No.
Email

and in the case of the Vendor, as follows:

Martin Ross Group Inc.
250 Canarctic Drive
Toronto, Ontario
M3J 2P4

Attention: Morris Robinson
Fax No.:
Email:

With a copy to:

Collins Barrow Toronto Limited, Court-Appointed
Monitor of Martin Ross Group Inc.
11 King Street West
Suite 700, PO Box 27
Toronto ON M5H 4C7

Attention: Eric Corrado, CPA, CA
Fax No.: 416-480-2646

Email: ejcorrado@collinsbarrow.com

Any such notice or other communication, if given by personal delivery, will be deemed to have been given on the day of actual delivery thereof and, if *transmitted by fax* before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on that Business Day, and if transmitted by fax after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

6.3 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors.

6.4 Currency

Except where otherwise indicated, all references herein to money amounts are in Canadian currency.

6.5 Survival

The representations and warranties of the Parties hereto contained in this Agreement shall survive Closing.

6.6 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns, provided that the Purchaser shall not assign the benefit of this Agreement without the prior written consent of the Vendor.

6.7 Entire Agreement

This Agreement and the attached Schedules constitute the entire agreement between the Parties with respect to the subject matter and supersede all prior negotiations, understandings and agreements provided, however, that the Conditions of Sale continue to bind the Parties. This Agreement may not be amended or modified in any respect except by written instrument executed by the Parties. No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the Party to be bound thereby. Subject to the Approval & Vesting Order being issued by the Court, this Agreement is intended to create binding obligations on the part of the Vendor as set forth herein and on acceptance by the Purchaser, is intended to create binding obligations on the part of the Purchaser, as set out herein.

6.8 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

6.9 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provision's validity or enforceability in any other jurisdiction.

6.10 Governing Law

This Agreement shall be governed by and construed in accordance with the Laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the courts of the Province of Ontario.

6.11 Commission

The Purchaser acknowledges that there are no agent or broker fees or other commissions payable by the Vendor on the Purchase Price or otherwise in connection with the Transaction, and the Purchaser agrees to indemnify the Vendor against any claim for compensation or commission by any third party or agent retained by the Purchaser in connection with, or in contemplation of, the Transaction.

6.12 Certain Words

In this Agreement, the words "third party" means any Person who is not a Party.

6.13 Statutory References

All references to any statute is to that statute or regulation as now enacted or as may from time to time be amended, re-enacted or replaced and includes all regulations made thereunder, unless something in the subject matter or context is inconsistent therewith or unless expressly provided otherwise in this Agreement.

6.14 Actions to be Performed on a Business Day

Whenever this Agreement provides for or contemplates that a covenant or obligation is to be performed, or a condition is to be satisfied or waived on a day which is not a Business Day, such covenant or obligation shall be required to be performed, and such condition shall be required to be satisfied or waived on the next Business Day following such day.

6.15 Strict Construction

Each party to this Agreement hereto acknowledges that it and its legal counsel have reviewed and participated in settling the terms of this Agreement and the parties hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party shall not be applicable in the interpretation of this Agreement.

6.16 Monitor

Notwithstanding any other term in this Agreement, the Parties acknowledge that notwithstanding that the Monitor is not a party to this Agreement, the Monitor shall be entitled to rely on the representations, warranties, covenants, acknowledgements and other terms of this Agreement as if it were a signatory thereto.

6.17 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement.

Transmission by facsimile or electronic mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

6.18 Assignment

The Vendor acknowledges that the Purchaser has the right, and is permitted, provided it is not in breach and or in default of, its obligations hereunder, on five (5) Business Days prior written notice to the Vendor, to assign this Agreement and all the benefits contained herein, or the rights under this Agreement, to an affiliated entity only, subject to the assignee entering into an assumption agreement with the Vendor assuming the within Agreement.

The Parties have executed this Agreement by their duly authorized officers.

MARTIN ROSS GROUP INC.

Per: _____
Name:
Title:



Per: _____
Name:
Title:

Schedule A

Purchased Assets

The Purchased Assets consist of:

~~_____~~

DRAFT

APPENDIX F

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 parcel(s) listed in Schedule A hereto for the total purchase price of CAD\$ _____ (_____ dollars), 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 dated August __, 2014 which shall form part of this offer.
6. This Offer is irrevocable and shall remain open for the consideration of the Company until 12:00 o'clock noon Eastern Standard Time on the 9th day of October, 2014.
7. Warranty - We/I represent and warrant to the Monitor that we are /I am/ not a non-Canadian, as defined by the *Investment Canada Act*, R.S.C. 1985, as amended.
8. Enclosed is our/my certified cheque payable to Collins Barrow Toronto Limited, Monitor re Martin Ross Group Inc., as a deposit in the amount of \$ _____, representing 10% of the total amount of our/my Offer submitted herein.

DATED at _____ this ____ day of _____, 2014.

[NAME OF OFFEROR]

Per: _____

Name:

Title:

Per: _____

Name:

Title:

We/I have authority to bind the Corporation.

SCHEDULE A

Parcel	Purchase Price
A	
B	
C	
D	
Total	

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
(Stay extension and Sale Process approval)
(returnable September 11, 2014)

**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

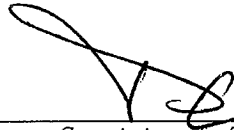
Stephen Wolpert (LSUC # 57609Q)
swolpert@krmc-law.com

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

Lawyers for the Applicant

TAB F

This is Exhibit "F" referred to in the Affidavit of Cameron Gillies
sworn October 15, 2014



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 8 th DAY
)	
JUSTICE <i>Patillo</i>)	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.

O R D E R

THIS MOTION made by 2436768 Ontario Inc. (the "**Moving Party**") for an Order providing for the payment and distribution of an Eligible Employee Payment (as defined below) and certain declaratory and other relief related thereto as set out in the Notice of Motion dated October 6, 2014, and for an Order appointing Dewart Gleason LLP ("**Dewart Gleason**") as representative counsel in this proceeding for the Eligible Employees (as set out in **Schedule "A"** attached hereto), was heard this day at 330 University Avenue, Toronto.

ON READING the Affidavit of Allen Shechtman sworn October 6, 2014 (the "**Shechtman Affidavit**"), and on hearing the submissions of counsel for the Moving Party, for Martin Ross Group Inc. ("**MRG**") and for the Monitor, Collins Barrow Toronto Limited ("**Collins Barrow**"), no one else appearing although served as evidenced by the Affidavit of Service of Chad Kopach sworn October 7, 2014, and the Affidavit of Service of Elaine Persaud sworn October 7, 2014, filed, and on being advised that Canada Revenue Agency ("**CRA**") does not oppose the relief sought;

- 2 -

1. **THIS COURT ORDERS** that the time for service of the Moving Party's Notice of Motion returnable October 8, 2014 (the "**Notice of Motion**"), and related motion material filed in support of that Notice of Motion (the "**Motion Material**") be and is hereby abridged, that service of the Notice of Motion and Motion Material is hereby validated such that service effected on the parties served with the Notice of Motion and Motion Material shall be good and sufficient notice thereof, and that further service thereof is hereby dispensed with.

2. **THIS COURT ORDERS** and declares that, upon payment of the amount of \$947,679.38 (the "**Eligible Employee Payment**") from the Moving Party to MRG:

- (a) the Eligible Employee Payment shall be held in trust by MRG for the benefit of the Eligible Employees;
- (b) the Eligible Employee Payment shall not form part of the property of MRG for distribution to its creditors or any other purpose; and
- (c) other than the Eligible Employees, no creditor of MRG or any of its affiliates shall have any interest in, or shall be entitled to, or shall make a claim against the Eligible Employee Payment.

3. **THIS COURT ORDERS** that MRG is hereby authorized and directed to distribute the net amount of the Eligible Employee Payment to the Eligible Employees, and the appropriate statutory withholdings to CRA, in accordance with the distribution schedule attached as Exhibit "F" to the Shechtman Affidavit, and to report such payments, and to complete and provide all requisite documentation, including but not limited to, Records of Employment and T4-Statements of Remuneration Paid, to the Eligible Employees and CRA, provided that prior to

- 3 -

issuing a payment to an Eligible Employee and the corresponding payment to CRA, such Eligible Employee shall have delivered to MRG an executed acknowledgment and release (the "**Acknowledgment and Release**") substantially in the form attached as Exhibit "G" to the Shechtman Affidavit, and the distribution of the net amount of the Eligible Employee Payment and the corresponding payment to CRA shall not constitute a preference.

4. **THIS COURT ORDERS** and declares that the Acknowledgment and Release shall be an absolute full and final defence in disallowing an Eligible Employee's proof of claim against the assets of MRG in the CCAA proceedings or otherwise.

5. **THIS COURT ORDERS AND DIRECTS** MRG to return to the Moving Party forthwith that part of the Eligible Employee Payment that has not been paid out to the Eligible Employees by October 17, 2014, or to CRA by October 31, 2014, unless the Monitor consents in writing to an extension, and this return of the Eligible Employee Payment (or part thereof) to the Moving Party shall not constitute a preference.

6. **THIS COURT ORDERS AND DIRECTS** the Moving Party to bring a further motion for payment and distribution of the Contingent Additional Payment (as that term is defined in the Shechtman Affidavit) following the liquidation of MRG's assets, if, and only if, the funds available for distribution to MRG's unsecured creditors, net of all payments that in law take priority over unsecured creditors, and all costs incurred, including but not limited to costs of liquidation (including commissions); professional fees (including Monitor's fees and fees and disbursements of counsel to the Monitor and to MRG), and payments to MRG's secured creditors, is greater than \$9,000,000.00.

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7. **THIS COURT ORDERS** that the Moving Party shall not file a claim against MRG in the CCAA proceeding or otherwise in respect of the Eligible Employee Payment or the Conditional Additional Payment.

8. **THIS COURT ORDERS** that subject to paragraph 9 below, Dewart Gleason is hereby appointed in this proceeding as representative counsel ("**Representative Counsel**") for the Eligible Employees with respect to providing them with independent legal advice as to the meaning and effect of the Acknowledgment and Release (collectively the "**Mandate**").

9. **THIS COURT ORDERS** that the role of Representative Counsel for the Eligible Employees shall be limited to the Mandate.

10. **THIS COURT ORDERS** that any individual Eligible Employees who do not wish to be represented by Representative Counsel and be bound by this Order and all other orders which may subsequently be made in this proceeding related to the appointment of Representative Counsel, shall by October 14, 2014 (the "**Opt-Out Date**") notify counsel for the Moving Party by facsimile, email or delivery, in the form attached hereto as **Schedule "B"** (the "**Opt-Out Letter**"), and shall thereafter not be represented by Representative Counsel for the purpose of the Mandate.

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11. **THIS COURT ORDERS** that, in fulfilling its duties hereunder, Representative Counsel:

(a) shall not be obligated to follow the instructions of, nor provide opinions to, any of the Eligible Employees; and,

(b) shall act in the best interests of the Eligible Employees as a whole, and take such necessary and appropriate actions and steps as Representative Counsel deems advisable from time to time.

12. **THIS COURT ORDERS** that any expenditure or liability which shall properly be made or incurred by Representative Counsel, including the reasonable fees and disbursements of Representative Counsel, shall be paid by the Moving Party in a timely manner to allow Representative Counsel to fulfill its Mandate in accordance with this Order, but in the event of any disagreement regarding such fees and disbursements such matters will be dealt with on an assessment of the accounts in this proceeding and payment shall be deferred until that time.

13. **THIS COURT ORDERS** that, subject to further order of the Court, and without limitation to any other right or protection in favour of Representative Counsel, Dewart Gleason shall not be required to take any step or action if it reasonably believes that there will not be sufficient funds available to it to complete such step or action, and Dewart Gleason may apply to be discharged from its role as Representative Counsel at any time in its sole discretion, including, without limitation, on the basis that it reasonably believes that there are insufficient funds available to it to carry out the terms of this Order or otherwise fulfill its role as Representative Counsel.

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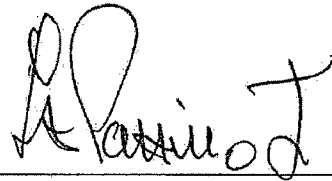
14. **THIS COURT ORDERS** that the Moving Party shall provide notice of this Order to the Eligible Employees set out in **Schedule "A"** hereto by: (a) e-mailing, mailing or delivering a copy of the Moving Party's Notice attached as **Schedule "C"** hereto, together with a copy of this Order, after the issuance of this Order, to the Eligible Employees at their last known addresses, and by (b) arranging for the Monitor to post a copy of the Moving Party's Notice on the Monitor's website as soon as practicable after the issuance of this Order.

15. **THIS COURT ORDERS** that Representative Counsel shall have no liability for any act or omission as a result of its appointment or the fulfillment of its duties in carrying out the provisions of this Order, save and except for any gross negligence or willful misconduct on its part, and that no action or other proceedings shall be commenced against Representative Counsel relating to its acting as such, except with prior leave of this Court to be obtained on at least (7) seven days' notice to Representative Counsel and upon further order in respect of security for costs on a substantial indemnity basis of Representative Counsel in connection with any such action or proceeding.

16. **THIS COURT ORDERS** that Representative Counsel shall be at liberty and is authorized at any time to apply to this Court for advice and directions in the discharge and variations of its powers and duties, including but not limited to whether or not any individual should be represented by Representative Counsel because of a potential conflict of interest or otherwise.

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17. **THIS COURT ORDERS** that in the event this Order is later amended by further Order of the Court, the Moving Party shall arrange for the Monitor to post such further Order on the Monitor's website and such posting will constitute adequate notice to the Eligible Employees of such amended Order.



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



OCT 8 2014

SCHEDULE "A"

Alyson Teacher	Kim Nguyen
Francis D'Souza	Donna Pelan
Corazon Zapanta	Gloria Ayala
Josie Medeiros	Kathy Yip
Frank Logiudice	Jean (Jian) Yang
Khamanee Moonilal	Manu Ruparelia
Camla Baig	Leslie Smith
Maritess Mاماat	Roberto Cerda
Beci Midolo	Rosalia De Leon
Lucia Spinelli	Mei Ping Leung
Daniel Koffman	Marie Di Schiavi
Lisbeth Martinez	Juan Rodriguez
Betty Lin (Bixing Lin)	Chau Le Tran
Asdghig Garboushian	Hau Nguyen
Anu Vong (Nu Vong)	Pauly Chau
Raymundo Martin	Jamie Jukes
Mauro Girardo	Anh Bang
Kriquar Jamjekian	Madai Beharry
Ahmad Baig	Mego Kerjikian
Viet Hung Huynh	Tam Mihn Chau
Manuel Da Silva	Simon Kam
Dinis Augusto	Caner Sari
Rolando Orellano	Howard Shanfield
Maria Camilleri	Tuan Quang Truong
Ngoc Le Tran	Carlos Astudillo

Ronald Mendonca

Samantha Passarella

Heung Ming (Christina) Cheung

Anant Singh

Fon Que

Angelina Pacheco

Maria Araujo

Se Van Nguyen

Dung Van Hua

Bhavna Kacharawala

Patrick Ka Ki Ho

Ohanes Dankikian

Margaret Chan

Garrett Evans

Ying Chan Liu

Teresa Ng

Hanh Doan

Lan Bao

Phuong Truong

John Nguyen

Matthew Nelson

Hong Yu

Kei Cheong Tsang

Thanh Nguyen

Abby Wong

Chung Lung Matchy Ng

SCHEDULE "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

OPT-OUT LETTER

BLANEY McMURTRY LLP
Barristers & Solicitors
2 Queen Street East, Suite 1500
Toronto, Ontario, M5C 3G5

Attention: Eric Golden/Chad Kopach

(416) 593-1221 (Tel)
(416) 593-5437 (Fax)
egolden@blaney.com/ckopach@blaney.com

DEWART GLEASON LLP
Barristers & Solicitors
366 Adelaide Street West, Suite 102
Toronto, Ontario, M5V 1R7

Attention: Sean Dewart

(416) 583-5755 (Tel)
(416) 971-8001 (Fax)
sdewart@dglp.ca

I, _____, am an Eligible Employee as defined in the Order of Justice dated October _____, 2014 (the "**Representative Counsel Order**").

Under paragraph 10 of the Representative Counsel Order, Eligible Employees who do not wish Dewart Gleason LLP ("**Dewart Gleason**") to act as their Representative Counsel may opt-out.

I hereby notify Dewart Gleason and Blaney McMurtry LLP, counsel for 2436768 Ontario Inc., that I do not wish to be bound by the Representative Counsel Order.

Date

Signature

Name:

Telephone Number:

Email Address:

Contact Address:

SCHEDULE "C"**MOVING PARTY'S NOTICE**

Pursuant to an Order (the "**Initial Order**") of Justice Penny of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated August 7, 2014 (the "**Appointment Date**"), Collins Barrow Toronto Limited ("**Collins Barrow**") was appointed as monitor (the "**Monitor**") to monitor the business and financial affairs of Martin Ross Group Inc. ("**MRG**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**").

Pursuant to an order of the Court dated October , 2014 (the "**Representative Counsel Order**"), Dewart Gleason LLP ("**Dewart Gleason**") was appointed as representative counsel ("**Representative Counsel**") of all Eligible Employees (as set out in Schedule "A" to the Representative Counsel Order) in all matters relating to the Mandate (as defined in the Representative Counsel Order).

The reasonable fees of and disbursements incurred by the Representative Counsel with respect to the Mandate shall be paid by 2436768 Ontario Inc. ("**243 Ontario**") on a periodic basis. Accordingly, **you are not required to contribute to the costs of the Representative Counsel.**

If you do not wish to be bound by this Order, you must notify 243 Ontario and Dewart Gleason in writing, by mail, e-mail or delivery on or before **October 14, 2014**. Your notice that you do not wish to be bound by the Representative Counsel Order must be in the form of a fully completed and enclosed "Opt-Out Letter" attached as Schedule "B" to the Representative Counsel Order and also available on the Monitor's website at:

<http://www.collinsbarrow.com/en/toronto-ontario/martin-ross-group>

Additional information concerning the MRG CCAA proceeding, including previous Orders granted in the proceeding, can be also found on the Monitor's website at the same link. Eligible Employees may contact Dewart Gleason in confidence directly at:

DEWART GLEASON LLP
Barristers & Solicitors
366 Adelaide Street West, Suite 102
Toronto, Ontario, M5V 1R7

Attention: Sean Dewart

(416) 583-5755 (Tel)
(416) 971-8001 (Fax)
sdewart@dglp.ca

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.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at TORONTO

ORDER

BLANEY McMURTRY LLP

Barristers and Solicitors
2 Queen Street East, Suite 1500
Toronto, ON M5C 3G5

Eric Golden (LSUC# 38239M)

Chad Kopach (LSUC # 48084G)

(416) 593-3927/2985 (Tel)

(416) 593-5437 (Fax)

egolden@blaney.com/ckopach@blaney.com

Lawyers for 2436768 Ontario Inc.

TAB G

This is Exhibit "G" referred to in the Affidavit of Cameron Gillies
sworn October 15, 2014

A handwritten signature in black ink, consisting of a stylized 'P' followed by a long horizontal line that ends in a small flourish.

Commissioner for Taking Affidavits (or as may be)

PHILIP CHO

LIQUIDATION SERVICES AGREEMENT

AGREEMENT made and entered by and between:

MARTIN ROSS GROUP INC., a corporation with its principal place of business at 250 Canarctic Drive, Toronto, Ontario M3J 2P4 (416) 667-1800 (the "Owner")

and

SILVERMAN CHAPMAN & REESE CONSULTING LTD., 110-203 Stonebridge Blvd., Saskatoon, SK S7T 0G3 ("SCR")

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. RETAINER OF AGENT

Subject to the other terms of this Agreement, the Owner hereby retains SCR as its agent to conduct a public and/or private sale ("Sale") for the sale of the Owner's finished jewellery at the location (the "Location") set forth in Schedule A attached hereto, starting on or about October 23, 2014 (the "Commencement Date") and terminating on or about December 24, 2014 or such other date as the Owner and SCR shall agree to in writing (the "Termination Date"). In preparation for the conduct the Sale, SCR shall use such of the facilities of its organization as it, in its sole discretion considers advisable. The parties agree that SCR shall provide up to three (3) supervisor(s) and a manager, at SCR's cost, to conduct the Sale. Said supervisor(s) are Independent Contractors ("Contractors") and not employees of SCR. However, SCR shall be responsible to pay the Contractors' remuneration. SCR shall ensure that the Contractors and any of its employees or persons it retains to conduct the Sale shall be bonded and provide evidence of same to the Owner on request. SCR shall at all times act as agent of the Owner and not as a receiver, receiver and manager or other party with primary responsibility for managing the business of the Owner and/or disposing of the assets of the Owner. The management and control of the Owner's business shall at all times be the responsibility of the Owner, and the Owner shall ultimately be responsible for the Sale.

SCR's obligations are restricted to providing the Owner with its advice and expertise with respect to the Sale and conducting the Sale in accordance with the terms and conditions of this Agreement. SCR acknowledges that the Sale is being conducted pursuant to a court approved sale process as part of the Owner's proceedings under the Companies' Creditors Arrangement Act ("CCAA"). The conduct of the Sale is subject to obtaining the Order, as such term is defined in Section 3 of this Agreement.

The Owner is currently and shall, during the term of this Agreement, remain in possession or control of the merchandise that it is contemplated shall be sold by SCR pursuant to the terms of this Agreement.

2. COMPENSATION

In consideration of the services rendered by SCR in organizing and setting up the Sale prior to the Commencement Date and for conducting the Sale, the Owner agrees and obligates itself to pay SCR, from

the Commencement Date to the Termination Date (the "Sale Period"), a commission equal to [REDACTED] of the invoice price of all sales to retail customers, whether cash or charge), less all applicable taxes and like charges including Harmonized Sales Tax (the "Commission"). At the end of each day of the Sale, sales and commissions are to be totalled by SCR and a sales report for that day is to be prepared by SCR in the form set forth as Schedule B attached hereto. Once the sales report has been approved, in writing, by a representative of SCR and the Owner, such report shall form the basis upon which the Commission is calculated.

3. EFFECTIVE DATE

This Agreement shall become effective on the latter of (a) the date that all the conditions set forth in paragraph 4 ("Conditions Precedent") herein have been satisfied to the satisfaction of SCR ("Effective Date") and (b) obtaining the Order, as defined below. In the event such Conditions Precedent set out in Section 4 are not so satisfied by October 20, 2014, SCR, at its sole option, may declare this Agreement terminated with the result that this Agreement shall be of no further force and effect. In addition, the parties acknowledge that notwithstanding any other terms in this Agreement, if an order is not obtained from the Ontario Superior Court of Justice (Commercial List) approving the Sale and the process relating to same as part of the Owner's proceedings under the CCAA (the "Order"), then this Agreement shall be of no further force and effect

4. CONDITIONS PRECEDENT

- (a) Any conditions imposed on the conduct of the sale by the Owner's secured or unsecured creditors or by any other party must be acceptable to SCR in its sole discretion; and
- (b) All of the owner's representations and warranties contained in this Agreement shall be accurate and correct.

5. CONDUCT OF SALE

- (a) The Sale shall be conducted in the name of the Owner and under the Owner's authority, licenses and permits to do business. The Owner hereby consents to the conduct of the Sale at the location set out in Schedule A attached hereto (the "Location") as well as any other locations that the Owner and SCR may from time to time agree. The Owner agrees to make available to SCR at the Location furniture, fixtures, equipment (whether owned leased or licensed), supplies, intangible assets (including the Owner's name and logo), and the employees of the Owner and all other items in its possession reasonably required by SCR for the conduct of the Sale during the Sale Period.
- (b) It is understood and agreed that SCR's authority to direct the Owner's operations is limited to the extent that to do so may be necessary in order to conduct the Sale in accordance with the terms of this Agreement, and is subject to the rights and obligations of the Owner to manage its business. Notwithstanding any other term in this Agreement, in conducting the Sale, SCR shall be subject to the following limitations, which shall not be exceeded except with the prior consent of the Owner:
 - (1) Security cost shall not exceed [REDACTED];
 - (2) Advertising the Sale through any channel and medium shall not exceed [REDACTED];
 - (3) The cost of retail staffing shall not exceed [REDACTED] excluding the Contractors, the remuneration of whom shall be the responsibility of SCR;
 - (4) Set up cost shall not exceed [REDACTED] and
 - (5) Supplies and sundry expenses shall not exceed [REDACTED].

The Owner shall be responsible for paying the above-noted costs or reimbursing SCR if it pays such costs. However, the Owner shall not be responsible for paying more than or reimbursing SCR for amounts exceeding the foregoing limitations.

- (c) All sales shall be final with no returns allowed and no layaways permitted.
- (d) Except as set out in this Agreement to the contrary, the Owner remains liable for and obligated to pay all costs related to the Sale not set out in section 5(b) above, and agrees to immediately pay all such costs as they become due and payable, which shall include without limitation, the operating expenses of conducting the Sale at the Location: telephones, utilities, any additional insurance required with respect to the Owner's inventory and the consignment merchandise, as defined in Section 6, credit card fees and check verification fees, rents, common area charges, income or property tax charges, other sums payable under any lease accounting and attorney fees.
- (e) SCR shall engage the personnel necessary to conduct the sale and invoice the Owner for such cost, which are not to exceed the limitations set out in section 5(b) above.
- (f) The Owner shall make its facilities available to accept all major credit card charges during the Sale. The Owner shall make arrangements to ensure that the Owner's credit card bank cashing facilities are operative during the Sale.
- (g) The Owner shall pay the Commission to SCR on a weekly (7 day) basis. A week shall commence on a Monday and end on a Sunday, or a portion of such period. The Commission shall be paid 50% days after the end of a given week. The Commission shall be paid based on only sales reports approved by both the Owner and SCR. In the event of a dispute over a daily sales report, a senior representative of the Owner and SCR shall meet to attempt to resolve the issue. No Commission with respect to a daily sales report shall be paid until a representative of both the Owner and SCR approve same.
- (h) The Owner shall comply with such other reasonable conditions as SCR shall consider necessary during the course of the Sale.

6. CONSIGNMENT MERCHANDISE

(a) Third Party Consignment Merchandise

SCR may, in its sole discretion, provide to the Owner additional merchandise by way of consignment memorandum goods to be sold in conjunction with the Owner's inventory, either from SCR's own inventory, or from third party consignors ("consignment merchandise") The Owner acknowledges that the consignment merchandise and the proceeds thereof not belonging to the Owner shall be held in trust for SCR or the third party consignors and that title thereto and ownership therein shall remain in SCR or third party consignors until sold. Distinctive tags shall be placed on all consignment merchandise to be able to identify same.

The Owner agrees to work jointly with Contractor to control and administer the sale of the consignment merchandise received at the Location. At the end of the Sale, the Owner agrees to promptly return all unsold consignment merchandise to SCR, at SCR's expense. SCR or third party consignors shall have the right at any time to remove all or any parts of the consignment merchandise, at its own expense.

With respect to the sale of consignment merchandise, the sale of same shall be included in the calculation of the Commission. The cost of the consignment merchandise sold shall be paid to SCR at the same time that the Commission is paid (i.e. on a weekly basis). However, none of the consignment merchandise shall be sold for an amount less than its cost plus an amount equalling the Commission that will be payable on same.

(b) Owner Consignment Merchandise

During the course of the Sale, the parties may mutually decide to transfer some of the Owner's finished jewellery to other locations where SCR is conducting liquidation sales. Should the parties mutually agree to do so, the following terms shall apply to the sale of such merchandise:

- (1) The finished jewellery shall be sent to other locations approved by both parties (the "Approved Locations"), at the Owner's expense and the Owner is responsible to insure its merchandise while in transit.
- (2) The merchandise shall be sent to the Approved Locations to be held and sold on a consignment memorandum basis. Merchandise shall be segregated or marked in a distinctive manner so as to be identifiable as the Owner's merchandise. SCR shall ensure that the Owner's merchandise is insured while at the Approved Locations.
- (3) SCR shall provide the Owner with weekly written reports on the sale of the Owner's merchandise at the Approved Locations. When such merchandise is sold, SCR shall remit the cost of the merchandise as set out in the item's consignment memo invoice. SCR acknowledges that the Owner's jewellery sent to the Approved Locations and the proceeds therefrom (up to the amount of the item's cost, as set out in the consignment memo invoice) are not the property of SCR and are the property of the Owner and title and ownership thereto shall remain in the Owner until sold. Proceeds from the sale of the Owner's goods at the Approved Locations shall be held in trust for the Owner. Monies owed by SCR to the Owner shall be paid to the Owner *5* days after the end of a given week (being Monday-Sunday or portion thereof) for the sales during the prior week. *OK J.*
- (4) The Owner shall have the right at any time to have its merchandise at the Approved Locations returned to it at the Owner's expense. At the Owner's option, all its merchandise at the Approved Locations shall be returned to the Location by December 31, 2014, at SCR's cost.

7. **EXCLUDED ITEMS**

It is hereby agreed that all assets of the Owner, other than the jewellery being sold as part of the Sale shall be excluded for purposes of calculating the Commission. As well, the proceeds from repairs shall not be eligible for a Commission.

8. **WARRANTIES**

The Owner will indemnify and hold SCR harmless from and against all claims, demands, costs, expenses and liabilities of any kind or nature whatsoever resulting from any customer claim under a warranty or resulting from a product liability claim with respect to the Owner's Inventory sold during the sale.

9. GOODS NOT OWNED BY THE OWNER

The parties acknowledge the existence as at the Commencement Date of certain items, owned by customers, but in the presence of the Owner for repair or adjustments. These items shall remain the property of such customers. The proceeds from the charges made in connection with such repairs or adjustments shall belong to the Owner. SCR shall have no liability responsibility in connection therewith, nor incur any direct express relating thereto, and the Owner agrees to indemnify and hold SCR harmless from and against all claims, costs, demands, expenses and liabilities resulting from such requirement or adjustments.

10. INSURANCE

- (a) The Owner agrees to secure and maintain in full force and effect Jewelers Block Insurance or other like forms of insurance on all its assets and on the consignment merchandise. Should the Owner not maintain this type of coverage or unable to cover the consignment merchandise, then SCR shall use its best efforts to obtain such insurance on the consignment merchandise. Should it become necessary in order to obtain such insurance, the Owner consents to the rental of a rated safe and installation thereof on its premises. Any costs relating to obtaining such insurance or renting a safe shall be borne by the Owner.
- (b) Any insurance claims shall be diligently pursued by both the Owner and SCR. Proceeds from the loss of the Owner's inventory or consignment merchandise will be disbursed pursuant to the terms of the applicable insurance policy.
- (c) The Owner shall secure and maintain in full force and effect such public liability insurance as SCR shall reasonably require
- (d) The Owner shall deliver to SCR copies of all insurance policies immediately upon SCR requesting copies of such policies. Any insurance company that has issued such insurance policies shall be authorized and directed to give SCR any information with respect to the status of such insurance policies and to provide SCR with notice of the termination of the insurance policies.

11. AUTHORITY TO CONDUCT SALE

- (a) The Owner represents and warrants that it has the corporate power, license and authority to own, lease and operate its assets and business, to carry on its business as it is now being conducted, and subject to obtaining court approval, to conduct the Sale and to enter into and perform its obligations contained in the Agreement. The Owner agrees that it shall execute such applications prepared by SCR (but at the sole cost and expense of the Owner) to obtain all necessary licenses and permits required for the Sale. It is agreed that the obtaining of such licenses and permits is of the essence of this Agreement, and that in the event SCR shall fail to or be unable to procure such licenses or permits,
- (b) If requested by SCR, the Owner agrees to immediately take any and all legal action necessary to permit the Sale to proceed. Should the Sale be restricted, prevented from taking place, or terminated (collectively the "Stoppage") by third party or governmental intervention, the accounts shall be settled in accordance with paragraph 20 of this Agreement.

12. CO-OPERATION AND RESTRICTIONS

- (a) The Owner shall cause its officers, director, shareholders and employees to cooperate with SCR fully in the conduct of the Sale and shall devote its/their best efforts to such sale.
- (b) Effective immediately upon the signing of this Agreement, the Owner shall conduct no retail sales of finished jewellery other than in the ordinary course of business and as customary and at non-discounted prices, and shall not advertise or conduct a sale of any sort which will result in the Owner's inventory being sold at discounted prices until the commencement of the Sale contemplated herein save and except for such sale occurring at the time of execution of this Agreement. From and after the Commencement Date all sales of the Owner's inventory of finished jewellery only or consignment merchandise whether made by the Owner or its officers, directors, shareholders or employees or whether made from within or outside of the Location shall be subject to the provisions of this Agreement and shall be proceeds generated by the Sale upon which the Commission is payable.

13. SALES TAXES

The Owner acknowledges that it is solely responsible for collecting and remitting all sales taxes and Harmonized Sales Tax collected during the course of the Sale. The Owner shall prepare and file or deliver to SCR to file all necessary interim or periodic sales tax returns and Harmonized Sales Tax returns, when due. The Owner shall indemnify and save SCR harmless from and against any and all costs including, but not limited to, reasonable legal fees, assessments, fines or penalties and all claims, demands and liabilities whatsoever, which SCR may sustain as a result or consequence of the failure of the Owner to promptly pay applicable taxes and/or the failure of the Owner to promptly file with such taxing authorities any and all reports and other documents required by applicable law, to be filed with or delivered to such taxing authority.

14. NO JOINT VENTURE OR PARTNERSHIP NO ASSUMPTION OF THE OWNER LIABILITIES

In no event shall this Agreement be deemed to create a partnership or joint venture between SCR and the Owner, nor shall SCR be liable for any obligations, or liabilities of the Owner including without limitation liability for or in relation to the Owner's employees or its income, property, sales taxes or Harmonized Sales Taxes. The Owner shall indemnify and save SCR harmless from and against any and all costs, expenses, claims, liabilities and demands whatsoever resulting from such obligations or liabilities of the Owner not specifically assumed by SCR. SCR shall under no circumstances be considered to be running, operating or managing the Owner's business, nor shall it be in possession or control of any of the assets to be sold pursuant to this Agreement. The Owner acknowledges and agrees that SCR is being appointed as agent to the Owner for the orderly sale and collection of proceeds of certain merchandise of the Owner. SCR shall provide its expertise and knowledge in conducting the Sale, however, the Sale shall be conducted by SCR as agent of the Owner.

15. ADVERTISING AND PROMOTIONAL MATERIAL

SCR shall be responsible for the creation, direction, placement and implementation of the advertising campaign for the Sale. All advertising and promotional costs are to be borne by the Owner subject to the limitations set out in Section 5(b) of this Agreement. The Owner shall have the right to approve the copy of all advertisements. The Owner acknowledges that all advertising and promotional materials including, but not limited to, images, slogans, logos, borders, themes and/or concepts created or directed by SCR,

individually and/or in combination, in whole or in part, ("Proprietary Materials") are exclusive and proprietary to SCR. SCR may use the Owner's trademarks, logos and other intellectual property in conducting and advertising the Sale. However, the foregoing right is granted to SCR solely in connection with conducting and advertising the Sale and all rights in the Owner's trademarks, logos and other intellectual property shall remain the property of the Owner and no right is granted to SCR to use same except in connection with conducting and advertising the Sale, notwithstanding that the Owner may not be in possession of the Proprietary Materials. The Proprietary Materials are made available by SCR for the use by or on behalf of the Owner only during the Sale and in the event of the failure of the Owner to perform any of its obligations under this Agreement or the termination of the Agreement for any reason, the Owner's right to use the Proprietary Materials shall immediately cease and SCR shall have the right to the return of the Proprietary Materials. Notwithstanding the Owner's return of the Proprietary Materials, SCR may not use same if it contains any of the Owner's trademarks, logos or other intellectual property, without obtaining the prior written consent of the Owner. Other than pursuant to SCR's written direction, Proprietary Materials are not to be copied, distributed, or used in any way directly or indirectly, in whole or in part, by the Owner or by any other person or entity within its direct or indirect control. Whether or not protected by copy right, trademark or otherwise, the Proprietary Materials are and shall remain the sole property of SCR. Protection of the Proprietary Materials is of the essence to this Agreement. Breach of this paragraph by the Owner will be subject to the Owner to liability.

The parties confirm that all the provisions and restrictions contained in this paragraph 15 are reasonable and valid and agrees that the remedy at law for any breach of this paragraph 15 will be inadequate, and the non-breaching party shall be entitled to temporary and permanent injunctive relief available without the necessary of proving actual damages

16. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE OWNER

- (a) The Owner is a corporation, duly organized, validly existing and in good standing under the laws of the Ontario of Ontario. All corporate and other actions required to be taken to authorize the Owner to enter into this Agreement and to perform its obligations hereunder have been duly and properly taken.
- (b) This Agreement is a valid and binding obligation of the Owner enforceable in accordance with its terms, subject to obtaining the Order
- (c) The Owner has not withheld any material information in its possession pertaining to the assets, liabilities and operations of the business of the Owner or the performance of the terms of this Agreement.
- (d) The Owner is the legal and beneficial owner of the Owner's inventory being sold pursuant to the Sale.

17. REPRESENTATIONS AND WARRANTIES AND COVENANTS OF SCR

- (a) SCR is a corporation, duly authorized and validly existing and in good standing under the laws of the Province of Ontario, and has the full power to carry on its business as it is now being conducted.
- (b) All corporate and other actions required to be taken by SCR to authorize entering to this Agreement have been duly taken, and this Agreement constitutes a valid and binding agreement of SCR.
- (c) There are no actions, suits or proceedings pending, or, to the knowledge of SCR, threatened against

by or affecting SCR in any court or by or before any governmental agency that may materially or adversely affect the business or operations of SCR so as to prevent SCR from performing under this Agreement.

18. ASSIGNMENT

Neither party shall assign or transfer this Agreement without the prior written consent of the other party, which consent may be unreasonably withheld.

19. COMPLETE AGREEMENT

The provisions contained herein constitute the entire agreement between the parties therewith unless otherwise agreed to by the parties in writing. Only a properly authorized representative of SCR, so authorized in writing has the authority to waive or modify this Agreement or to bind SCR. No waiver or modification of the terms of this Agreement shall be valid unless in writing, signed by all parties, and only to the extent set forth in the waiver or modification.

It is expressly understood that there no agreements, representations or warranties expressed or implied by SCR or by any its agents or representatives other than those set forth in this Agreement.

20. REMEDIES

The liability of any party to the other for any reason arising from or out of a breach of this Agreement or default under the terms of this Agreement, is limited to and will not exceed the commission payable hereunder. In the event of a breach of this Agreement or a default, the non-breaching party shall be responsible for all damages or every kind suffered by the other party, including without limitation payment of any fees and/or costs including reasonable legal fees actually incurred in connection with the enforcement of its right under this Agreement.

In the event of default or failure by the a party to comply with any material terms, conditions or obligations set out in this Agreement, the other party shall provide written notice of such breach and provide reasonable time to remedy such default. If the breach cannot be remedied in a reasonable amount of time, then such party may terminate this agreement. If SCR terminates this Agreement, SCR shall have the right to (i) recall the Contractor(s), and/or (ii) have the consignment merchandise returned to it upon request, at SCR's expense, and/or (iii) demand and receive payment of all sums due to SCR, and/or (iv) terminate this Agreement. The Commission shall not be paid on any item sold after the termination of this Agreement.

Without limiting the foregoing and without limiting any of the indemnity provisions set out in this Agreement, each party agrees to indemnify and hold the other harmless from and against any and all losses, costs, expenses, damages, liabilities, claims and demands whatsoever at any time arising or suffered by it as a result of the other party's failure to fulfil its obligations under this Agreement, or as a result of any of the representations and warranties of the other party not being accurate and correct, or as a result of any claims against or obligations or liabilities of the other party

21. NOTICE

All communications provided for pursuant to this Agreement must be in writing and transmitted via facsimile following by Federal Express or other overnight delivery services as follows:

If to the Owner: Martin Ross Group
 250 Canarctic Drive
 Toronto, Ontario
 M3J 2P4

 Attention: Cameron Gillies
 Fax No.: 416-667-8671

If to SCR: Silverman Chapman & Reese Consulting Ltd.
 110 -203 Stonebridge Blvd.
 Saskatoon, SK
 S7T 0G3

 Attention: Lawrence Skoworodko
 Fax No.: 306-955-1079

22. **WAIVER**

No consent or waiver, express or implied by any party, to or of any breach of default by the other in the performance by the other of its obligations hereunder shall be deemed or construed to be a consent or a waiver to or of such breach or default by the other in the performance by the other of its obligations hereunder or shall such consent or waiver be deemed a consent or a waiver to or of any other breach or default in the performance by such party of the same or any other obligations of such party. Failure on the part of any party to complain of any act or failure to act by the other party in default shall not constitute a waiver by such non-defaulting party of its rights hereunder.

23. **ENFORCEMENT**

This Agreement will not become valid or enforceable until receipt, acceptance and approval by an authorized officer of SCR and the Owner. In the event that any provisions contained here should be declared void, illegal or otherwise unenforceable, such provisions will be deemed to be severable from this Agreement and all remaining provisions of the Agreement will remain in full force and effect. This Agreement shall in all respects be construed, interpreted, and enforceable under and according to the laws of the Province of Ontario and all parties hereto submit to the jurisdiction of the Courts of the Province of Ontario for such purposes.


24. **SUCCESSORS AND ASSIGNS**

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and permitted assigns.

IN WITNESS WHEREOF this Agreement has been executed by the parties.

MARTIN ROSS GROUP INC.

SILVERMAN CHAPMAN & REESE
CONSULTING LTD.

Per: 

Per: 

SCHEDULE A

Stores at which Sale will be conducted:

1. Name: Martin Ross Group
Address: 250 Canarctic Drive, Toronto, Ontario
Phone: 416-667-1800

2. Name: _____
Address: _____
Phone: _____

3. Name: _____
Address: _____
Phone: _____

DAILY SALES REPORT

Date: _____ Day: _____
 Store Name: _____ No. of Days of Sale to Date: _____
 Address: _____ No. of Days to Go: _____
 City: _____ Prov: _____ Total Planned Days: _____

Receipts

	Today	Sale to Date
Total Sales including tax if any	\$ _____	\$ _____
PST	\$ _____	\$ _____
GST	\$ _____	\$ _____
Less other charges if any	\$ _____	\$ _____
Net commissionable receipts	\$ _____	\$ _____
Bank deposit	\$ _____	\$ _____
Fill-in sold (retail w/o sales tax)	\$ _____	\$ _____

SCR Account

	Today	Sale to Date	Paid to Date	Now Owed
Commission earned	\$ _____	\$ _____	\$ _____	\$ _____
GST	\$ _____	\$ _____	\$ _____	\$ _____
Fill-in sold	\$ _____	\$ _____	\$ _____	\$ _____
Advertising	\$ _____	\$ _____	\$ _____	\$ _____
Insurance	\$ _____	\$ _____	\$ _____	\$ _____
Initial bank deposit	\$ _____	\$ _____	\$ _____	\$ _____
Total SCR	\$ _____	\$ _____	\$ _____	\$ _____

Fill-in Form Others

Name: _____	\$ _____	\$ _____	\$ _____	\$ _____
GST: _____	\$ _____	\$ _____	\$ _____	\$ _____
Name: _____	\$ _____	\$ _____	\$ _____	\$ _____
GST: _____	\$ _____	\$ _____	\$ _____	\$ _____
Name: _____	\$ _____	\$ _____	\$ _____	\$ _____
GST: _____	\$ _____	\$ _____	\$ _____	\$ _____
Name: _____	\$ _____	\$ _____	\$ _____	\$ _____
GST: _____	\$ _____	\$ _____	\$ _____	\$ _____
Name: _____	\$ _____	\$ _____	\$ _____	\$ _____
GST: _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL:	\$ _____	\$ _____	\$ _____	\$ _____

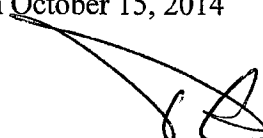
COMMENTS:

Accepted By:

 (Store Owner)
 Prepared by: _____

TAB H

This is Exhibit "H" referred to in the Affidavit of Cameron Gillies
sworn October 15, 2014

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

Martin Ross Group Inc.
Projected Cash Flow

WEEKLY CASH FLOW - FROM OCTOBER 6 2014 TO JANUARY 31 2015

C000's


	Oct 6 -10	Oct 13 -17	Oct 20 -24	Oct 27 -31	Nov 3 - 7	Nov 10 - 14	Nov 17 - 21	Nov 24 - 28	Dec 1 - 5	Dec 8 - 12	Dec 15 - 19	Dec 22 - 26	Dec 29 -31 3 days	January '15 full month	TOTAL
Cash Receipts															
Zale - regular		90			70		20								490
Zale - conversion					700		100		10		100		200		800
Regular collections	250	55	55	170	125	75	150	300	75	75	150	150	600	400	2,630
Canarctic sale				678	475	542	610	746	949	1,017	1,153	610			6,780
Silverman off-site sale							221		220		324			285	1,050
Diamond liquidations										783	783	783			2,350
Inventory liquidations		18	18			50	50	50	50	50	250				536
Total Receipts	250	183	73	848	1,370	667	1,151	1,096	1,304	1,925	2,760	1,543	800	685	14,636
Cash Disbursements															
HST				25					55				259	443	782
PAYROLL		110		60		55		55		45		38		42	405
COMMISSION		10		20				20					20	20	90
RENT	16				16				16					16	64
FREIGHT/SHIPPING		5		5		5		3		3		3		5	29
UTILITIES		5			5			5						10	30
EMPLOYEE BENEFITS		12		8		8		8		6		6		6	54
CANARCTIC SALE EXPENSES															
Advertising			15	15	15	15	15	15	15	15	15	15			150
Staff		4		2		14		14		14		14			69
Security		4	7	8	7	8	7	8	7	8	7	4			75
Set-up	5	25									5				35
Insurance/Supplies etc	8		6		12				12						43
Fees 10%				60	42	48	54	66	84	90	102	54	0	0	600
PROFESSIONAL FEES			50		50				50			50			200
OTHER Contingency	2	3	2	3	2	3	2	3	2	3	2	3	2	3	35
Total Disbursements	31	178	80	206	99	206	78	197	241	184	136	187	281	557	2,661
Net Cash In / (Out)	219	-15	-7	642	1,271	461	1,073	899	1,063	1,741	2,624	1,356	519	128	11,975
Cash - Opening Balance	909	1,128	1,113	1,106	1,748	3,019	3,480	4,553	5,452	6,515	8,256	10,881	12,237	12,756	909
Cash - Ending Balance	1,128	1,113	1,106	1,748	3,019	3,480	4,553	5,452	6,515	8,256	10,881	12,237	12,756	12,884	12,884

Notes:

1. Manufacturing operations ceased on Oct 3 and the company will now begin liquidating its assets
2. 21 staff members have been offered continuing employment to assist with this process- 4 until Oct 17, 1 until Oct 31, 6 until Nov 30, and 10 until Dec 31 and beyond

TAB I

This is Exhibit "T" referred to in the Affidavit of Cameron Gillies
sworn October 15, 2014



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 US\$ _____ (_____ United States Dollars), 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 Daylight Time on the 8th day of December, 2014.
7. Enclosed is our/my certified cheque payable to Collins Barrow Toronto Limited, Monitor re: Martin Ross Group Inc. , as a deposit in the amount of \$ _____, representing 10% of the total amount of the offer submitted herein.

DATED at _____ this ____ day of _____, 2014.

[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 October 17, 2014, shall be conducting a sale of its inventory of diamonds (the "**Sale Process**"). Collins Barrow Toronto Limited, solely in its capacity as the Monitor (the "**Monitor**") of the Vendor, shall be supervising the sale.
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 diamonds 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 diamonds (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:

Howard Shanfield
Telephone: 416-667-1800
E-mail: hshanfield@martinross.ca
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 larger quantities of diamonds 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.
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 12:00 pm Eastern Daylight Time, on November 24, 2014 (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;
 - (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 certified cheque or bank draft drawn on or issued by a Schedule 1 Canadian chartered bank or trust company or such funds shall be wired to the Monitor's bank account set out in Schedule 2 to these Terms and Conditions. The funds shall be held in a non-interest bearing account 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, by certified cheque or bank draft drawn on or issued by a Schedule 1 Canadian chartered bank or trust company or by wire transfer to the Monitor's bank account set out in Schedule 2 to these Terms and Conditions, on Closing, as defined below.
11. Following the Offer Date until December 8, 2014, 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 December 8, 2014, 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 diamonds set out in its Offer by December 12, 2014. If an Offeror's Offer is only accepted in part, then the Offeror may complete the accepted portion of its Offer and purchase such diamonds as if the entire Offer had been accepted or withdraw the Offer completely. The Offeror must decide if it is proceeding with the purchase by 10:00 am on December 9, 2014 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 December 12, 2014, 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 diamonds shipped to the Purchaser's premises. The Vendor will arrange for shipping to occur between December 10th – 19th, 2014.
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 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 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 that Collins Barrow Toronto Limited acts solely in its capacity as the court-appointed Monitor of the Vendor and 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 on December 8, , 2014.
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, Offeror Sale Agreement or Approved Sale Agreement shall be governed by the laws of Ontario, and such agreement 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, any Offeror Sale Agreement and all other documentation relating to its offer and to the acceptance thereof to be drawn up in the English language only.
27. All stipulations as to time are strictly of the essence.

SCHEDULE 1

SCHEDULE 2

[Wire transfer details to be inserted]

f:\corporat\resnick\martin ross group inc\ccaa\form of offer - diamond lot v4 (revised).doc

TAB 3

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

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

THE HONOURABLE)	FRIDAY, THE 17 th
)	
JUSTICE)	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, 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 Affidavit of * sworn on October *, 2014 and the Affidavit of * sworn on October *, 2014, appearing as Appendices * and *, respectively, in the Third Report of the Monitor, 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 shall remain sealed pending further order of this Court.

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

**ORDER
(liquidation process approval)**

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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 MARTIN ROSS GROUP INC.
(LIQUIDATION PROCESS APPROVAL)
(RETURNABLE OCTOBER 17, 2014)**

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