Court File No. 10-8630-00CL

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 NELSON FINANCIAL GROUP LTD. (the "Applicant")

Applicant

MOTION RECORD (Returnable June 15, 2010)

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 TORONTO, Ontario M5X 1G5

Clifton P. Prophet (LSUC 34845K) Frank Lamie (LSUC #54035S)

Telephone: (416) 862-3509 / (416) 862-3609 Facsimile: (416) 863-3609 / (416) 862-7661

Solicitors for the Applicant, Nelson Financial Group Ltd.

TO: THE SERVICE LIST

INDEX

TAB	i		PAGE
1	Notice of Mot	ion	1 - 5
2	Affidavit of M	farc Boutet, sworn June 11, 2010	6 - 13
Α	Exhibit "A":	Initial Order of the Honourable Madam Justice Pepall dated March 23, 2010	14 - 29
В	Exhibit "B":	Endorsement & Unofficial Transcript of Endorsement of the Honourable Madam Justice Pepall dated March 23, 2010	t 30 - 39
С	Exhibit "C":	Order of the Honourable Madam Justice Pepall dated April 22, 2010	40 - 43
D	Exhibit "D":	Endorsement & Unofficial Transcript of Endorsement of the Honourable Madam Justice Pepall dated April 22, 2010	t 44 - 47
E	Exhibit "E":	Order of the Honourable Madam Justice Pepall dated April 30, 2010	48 - 51
F	Exhibit "F":	Endorsement of the Honourable Madam Justice Pepall dated April 30, 2010	52 - 53
G	Exhibit "G":	Order of the Honourable Madam Justice Pepall dated June 4, 2010	54 - 57
Н	Exhibit "H":	Endorsement of the Honourable Madam Justice Pepall dated June 4, 2010	58 - 59
I	Exhibit "I":	Affidavit of Marc Boutet sworn June 4, 2010 (without exhibits)	60 - 70

TAB 1

Court File No.: 10-8630-00CL

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 OR COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD. (the "Applicant")

Applicant

NOTICE OF MOTION (Returnable June 15, 2010)

THE APPLICANT, NESLSON FINANCIAL GROUP LTD. ("Nelson Financial" or

the "Applicant"), will make a motion to the Court on Tuesday, June 15, 2010, at 10:00 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario

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

1. THE MOTION IS FOR AN ORDER, *inter alia*:

- (a) Abridging the time for service of the Notice of Motion and Motion Record, if necessary, and declaring that this motion is properly returnable on June 15, 2010;
- (b) Approving the Third Report of the Monitor, A. John Page & Associates Inc. ("AJP&AI" or the "Monitor") to be filed (the "Third Report"), and the activities of the Monitor as described therein;
- (c) Approving the Amendment and Termination Agreement (the "Lendcare Agreement") made between Nelson Financial and Lendcare Financial Services Inc. ("Lendcare");
- (d) Appointing Douglas Turner, Q.C., as representative counsel on behalf of the holders of promissory notes issued by Nelson Financial;

- (e) Approving an extension of the stay of proceedings from June 15, 2010, to and including July 30, 2010; and
- (f) Such further and other relief as counsel may request and this Honourable Court deem just.

2. THE GROUNDS FOR THE MOTION ARE:

Background

- (a) On March 23, 2010, Nelson Financial filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), pursuant to an Order of the Honourable Madam Justice Pepall (the "Initial Order");
- (b) Pursuant to the Initial Order, AJP&AI was appointed as Monitor of Nelson Financial;

Restructuring Activities

- (c) Since the issuance of the Initial Order, Nelson Financial has been working diligently to stabilize its business and maintain operations in compliance with the cash projections filed with this Honourable Court;
- (d) Nelson Financial and Lendcare have entered into the Lendcare Agreement which resolves Nelson Financial's dispute with Lendcare;
- (e) Nelson Financial, in conjunction with the Monitor, is currently developing the basic parameters of a plan of compromise or arrangement which will not require external financing or the historic volumes of customer referrals provided by Lendcare Financial Services Inc.;
- (f) there is a realistic prospect that Nelson Financial could restructure its debt and be able to service that debt and continue in business for the foreseeable future;
- (g) Nelson Financial has made significant efforts to source new sources of customers;

Appointment of Representative Counsel

- (h) Numerous investors (the "Noteholders") hold unsecured promissory notes issued by Nelson Financial;
- (i) It is both necessary and desirable that representative counsel be appointed to address the interests of the Noteholders in connection with the anticipated plan of compromise and arrangement;
- (j) Douglas Turner, Q.C., currently acts for two of the Noteholders and possesses the requisite skill, experience, and knowledge of the Noteholders' circumstances in

order to act in an efficient and cost-effective manner as representative counsel on behalf of the Noteholders;

Stay Extension

- (k) The continuation of the stay of proceedings is necessary to provide the stability needed to continue the Applicant's restructuring activities which have been ongoing following the granting of the Initial Order;
- (1) Circumstances exist that make the extension of the stay of proceedings appropriate;
- (m) Nelson Financial has acted and continues to act in good faith and with due diligence;
- (n) The Projected Cash Flow contained in the Monitor's Third Report supports an extension to July 30, 2010;
- (o) If the stay of proceedings is extended, Nelson Financial intends to continue working to formulate a plan of compromise and arrangement;

<u>General</u>

- (p) The provisions of the CCAA, as amended, and the equitable jurisdiction of this Honourable Court;
- (q) Rules 1.04, 2.03, 3.02, 10, 14.05(2) and 16.08 of the *Rules of Civil Procedure*, R.R.O. 1990, c. C.43; and
- (r) Such further and other grounds as counsel may advise and this Honourable Court may permit.

3. THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE MOTION:

- (a) The Affidavit of Marc Boutet, to be sworn;
- (b) The Third Report of A. John Page & Associates Inc. in its capacity as Monitor of Nelson Financial Group Ltd.; and
- (c) Such further and other materials as counsel may advise and this Honourable Court permits.

Date: June 11, 2010

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 Toronto, ON M5X 1G5

Clifton P. Prophet / Frank Lamie LSUC No.: 34845K / 54035S

 Tel:
 416-862-3509 / 416-862-3609

 Fax:
 416-862-7661

 Counsel for the Applicant,

 Nelson Financial Group Ltd.

TO: THE SERVICE LIST

Court File No.: 10-8630-00CL S ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD.	Applicant	ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST	NOTICE OF MOTION (Returnable June 15, 2010)	GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 Toronto, ON M5X 1G5	Clifton P. Prophet / Frank Lamie LSUC No.: 34845K / 54035S	Tel: (416) 862-3509 / (416) 862-3609 Fax: (416) 862-7661	Counsel for the Applicant, Nelson Financial Group Ltd.	05
Court File IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED AND IN THE MATER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LT								



Court File No. 10-8630-00CL

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 NELSON FINANCIAL GROUP LTD. (the "Applicant")

Applicant

AFFIDAVIT OF MARC BOUTET (Sworn June 11, 2010)

I, MARC BOUTET, of the City of Pickering, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

Introduction

- 1. I am the President, Secretary and sole director of Nelson Financial Group Ltd. ("Nelson Financial" or the "Applicant"). Accordingly, I have personal knowledge of the matters deposed to in this Affidavit. Where this Affidavit is not based on my personal knowledge, it is based on information and belief and I verily believe such information to be true.
- 2. This Affidavit is sworn in support of Nelson Financial's motion for an extension of the stay of proceedings granted to the Applicant under the *Companies' Creditors Arrangement Act* (the "CCAA") from June 15, 2010 to and including July 30, 2010.

Background

- 3. On March 23, 2010, Nelson Financial filed for and obtained protection from its creditors under the CCAA pursuant to the Order of the Honourable Madam Justice Pepall (the "Initial Order"). A copy of the Initial Order is attached hereto as Exhibit "A". A copy of the Endorsement of the Honourable Justice Pepall dated March 23, 2010 (the "Initial Endorsement") in relation to the Initial Order and a copy of the unofficial typed transcript of the Initial Endorsement are attached hereto as Exhibit "B".
- 4. Pursuant to the Initial Order, A. John Page & Associates Inc. ("AJP&AI") was appointed as Monitor of the Applicant (the "Monitor").
- 5. On April 22, 2010, Nelson Financial was granted an extension of the stay of proceedings to April 30, 2010 pursuant to the Order of the Honourable Madam Justice Pepall. A copy of the Order granting the stay extension is attached hereto as Exhibit "C". A copy of the Endorsement of the Honourable Justice Pepall dated April 22, 2010 and a copy of the unofficial typed transcript of the Endorsement are attached hereto as Exhibit "D".
- 6. On April 30, 2010, Nelson Financial was granted an extension of the stay of proceedings to June 7, 2010 pursuant to the Order of the Honourable Madam Justice Pepall. A copy of the Order granting the stay extension is attached hereto as Exhibit "E". A copy of the Endorsement of the Honourable Justice Pepall dated April 30, 2010 is attached hereto as Exhibit "F".
- 7. On June 4, 2010, Nelson Financial was granted an extension of the stay of proceedings to June 15, 2010 pursuant to the Order of the Honourable Madam Justice Pepall. A copy of the Order granting the stay extension is attached hereto as Exhibit "G". A copy of the Endorsement of the Honourable Justice Pepall dated June 4, 2010 is attached hereto as Exhibit "H".

Restructuring Activities

- 8. Since the issuance of the Initial Order, Nelson Financial has been working diligently to stabilize its business and maintain operations, the cash flow results of which exceed those forecast in the cash projections filed with this Honourable Court.
- 9. I understand that the Monitor's Third Report will address a number of issues with respect to Nelson Financial's cash flow and restructuring going forward.
- 10. Based on my discussions with the Monitor, I continue to believe that Nelson Financial will be able to propose a plan of compromise or arrangement to its creditors that offers stakeholders a better result than bankruptcy or liquidation. Furthermore, Nelson Financial should be able to generate stable and increased margins from its business, based on a changed focus towards the financing of consumer goods for customers with stronger credit histories. My discussions with a number of potential merchant business partners, including LG Electronics and others, are part of this process.
- In conjunction with the Monitor, Nelson Financial is currently developing a plan of compromise or arrangement which anticipates (a) not requiring external financing, and (b) not requiring the historic volumes of customer receivables provided by Lendcare.
- 12. As previously disclosed to this Honourable Court in my Affidavit sworn May 31, 2010, and if the stay of proceedings is extended, Nelson Financial intends to formulate a plan of compromise and arrangement which will include the following general features:
 - (a) the conversion of some percentage of the existing promissory notes to new preferred shares (with rights and attributes to be determined) in the capital of the restructured Nelson Financial;
 - (b) the conversion of the remainder of the existing promissory notes into a new series of notes;

- 3 -

(c) the conversion of existing preferred shares into a new class (or classes)
 of preferred shares (with attributes and rights to be determined);

09

- (d) the provision for satisfaction of any valid prior secured claims in favour of the Mackie Parties (as defined in my Affidavit sworn May 31, 2010); and
- (e) the payment or assumption of all employee claims.

Attached hereto as Exhibit "I" is a copy of my Affidavit sworn May 31, 2010, without exhibits.

- 13. In the event that this Honourable Court grants the requested stay extension, Nelson Financial intends to take further steps in its restructuring, including:
 - (a) the development and implementation (with the approval of this Honourable Court) of a claims process;
 - (b) the continued development of a plan of compromise or arrangement to propose to creditors; and,
 - (c) the convening of a meeting of the company's creditors for the purposes of considering and voting on any plan put forward by the company.

Approval of Lendcare Agreement

- 14. As noted in my Affidavit sworn May 31, 2010, Nelson Financial has previously partnered with Lendcare Financial Services Inc. ("Lendcare"). Lendcare is a national provider of financial services which specializes in consumer financing partnerships with finance companies, merchants, and distributors to offer retail and direct financing programs to customers. When partnered with Nelson Financial, Lendcare acts as a factor conduit to aggregate a significant percentage of the accounts receivable financed by Nelson Financial.
- 15. Nelson Financial's relationship with Lendcare was set out in (i) a Business Protection Agreement dated August 20, 2007, (ii) an Agreement Regarding Future Financings

dated December 6, 2007, and (iii) an Amending Agreement dated December 21, 2009, (together, the "Lendcare Agreement").

10

- 16. As previously set out in my Affidavit sworn May 31, 2010, Nelson Financial and Lendcare have been engaged in discussions toward a resolution of their dispute in connection with the Lendcare Agreement. Nelson Financial and Lendcare have reached an agreement in connection with the Lendcare Agreement (the "Amendment and Termination Agreement"). A copy of the Amendment and Termination Agreement will be provided to the Court at the return of Nelson Financial's motion on June 15, 2010.
- 17. Following my discussions with LG Electronics and other businesses wishing to provide vendor-assisted financing to their customers, I am very optimistic that Nelson Financial will be able to replace a sufficient portion of the business generated from the Lendcare financing opportunities with an improved portfolio of loans which carry substantially better profitability and risk. In conjunction with a plan of compromise or arrangement which Nelson Financial is currently developing with the assistance of the Monitor that would not require the historic volumes of business previously provided by Lendcare, Nelson Financial should be able to generate stable and increased margin from its business.

Appointment of Representative Counsel for Noteholders

- 18. Numerous investors (the "Noteholders") in Nelson Financial hold unsecured promissory notes issued by Nelson Financial.
- 19. It is both necessary and desirable that representative counsel be appointed to address the interests of the Noteholders in connection with the anticipated plan of compromise and arrangement of representative counsel.
- 20. Based on recent discussions with the Monitor and Counsel to the Monitor, I understand Douglas Turner, Q.C., currently acts for two of the Noteholders and possesses the requisite skill, experience, and knowledge of the Noteholders'

circumstances in order to act in an efficient and cost-effective manner as representative counsel on behalf of the Noteholders.

11

21. Nelson Financial and its legal counsel are of the view that the appointment of Douglas Turner, Q.C. as representative counsel on behalf of the Noteholders is appropriate. Based on the foregoing, Nelson Financial seeks the appointment of Douglas Turner, Q.C., as representative counsel on behalf of the Noteholders.

Ontario Securities Commission

- 22. As previously disclosed to this Honourable Court in my Affidavit sworn May 31, 2010, Nelson Investment Group Limited ("Nelson Investment") has been the subject of a compliance review and investigation by the Ontario Securities Commission (the "OSC"). Nelson Financial cooperated with the OSC enforcement staff handling the investigation and worked with the OSC to ensure that issues raised were addressed with the OSC in a timely fashion.
- 23. On May 12, 2010, the OSC delivered a Notice of Hearing pursuant to section 127(1) and 127.1 of the Securities Act, together with a Statement of Allegations (the "OSC Proceedings"), to Nelson Financial, Nelson Investment, Marc Boutet, Stephanie Lockman Sobol, Paul Manuel Torres and H.W. Peter Knoll.
- 24. The OSC Proceedings were spoken to before the OSC on the initial return date of Thursday, June 3, 2010. A pre-hearing return conference has been set before the OSC for June 18, 2010.
- 25. Nelson Financial maintains that the OSC Proceedings against Nelson Financial, Nelson Investment, Marc Boutet and Stephanie Lockman Sobol are not necessary or in the public interest.
- 26. With respect to Nelson Financial's intended restructuring, it should be noted that under its current plans, Nelson Financial will not require the ability to issue securities to the public in order to finance its operations, nor does it intend to do so (except in

accordance with a creditor and Court-approved plan substituting new notes and preferred shares for existing and preferred shares in a manner and to an extent to be determined). Accordingly, the actions by the OSC described above are not directly relevant to Nelson Financial's ability to restructure.

12

Stay Extension

- 27. In order to permit Nelson Financial to move forward with its restructuring in conjunction with the Monitor and interested stakeholders, it is appropriate and necessary to extend the stay of proceedings to and including July 30, 2010.
- 28. The continuation of the stay of proceedings is necessary to provide the stability required to continue the Applicant's restructuring activities which have been ongoing following the granting of the Initial Order.
- 29. Nelson Financial has acted in good faith and with due diligence since the issuance of the Initial Order in pursuing its restructuring.

Conclusion

- 30. Nelson Financial has taken significant steps as outlined herein towards its restructuring goals. The extension of the stay of proceedings will facilitate the continuation of these steps, which, if successful, will permit Nelson Financial to emerge from the protection of these CCAA proceedings as a viable going concern.
- 31. This Affidavit is made in support of Nelson Financial's motion to extend the stay of proceedings and for no other or improper purpose.

-8-City of 13

SWORN before me at the City of Pickering, in the Province of Ontario this 11th day of June, 2010.

ommissioner, etc

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD. EXPIRES FEBRUARY 1, 2013. This is Exhibit "A" to the

Affidavit of Marc Boutet

sworn before me, this 11th day of

June, 2010.

fidavits Commissioner for takir 1Ø

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD, EXPIRES FEBRUARY 1, 2013.

Court File No. 10-8630-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

THE HONOURABLE MADAM

JUSTICE PEPALL

DAY OF MARCH, 2010

TUESDAY, THE 23rd

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

)

)

).

OF NELSON FINANCIAL GROUP LTD. (the "Applicant")

Applicant

INITIAL ORDER

THIS APPLICATION, made by the Applicant, Nelson Financial Group Ltd. ("Nelson Financial" or the "Applicant"), without notice, 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 Marc Boutet sworn March 22, 2010 and the Exhibits thereto, and the Report of A. John Page & Associates Inc. in its capacity as the Proposed Monitor to the Applicant dated March 22, 2010 and the Exhibits thereto, and on hearing the submissions of counsel for Nelson Financial, and counsel for A. John Page & Associates Inc., and on reading the consent of A. John Page & Associates Inc. 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 shall be 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 and pension 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, (iii) Quebec 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 and such covenants as may be contained in the Definitive Documents (as hereinafter defined), 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 \$50,000 in any one transaction or \$100,000 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").

1

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 and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, 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 April 22, 2010, 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 AND CHARGE

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.

20. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraphs 31 and 33 herein.

21. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

APPOINTMENT OF MONITOR

22. THIS COURT ORDERS that A. John Page & Associates Inc. 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.

23. 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 development of the Plan and any amendments to the Plan;
- (d) 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;
- (e) 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;
- (f) 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
- (g) perform such other duties as are required by this Order or by this Court from time to time.

24. 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.

25. 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.

26. 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.

27. 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.

28. 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 bi-weekly basis.

29. 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.

30. 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

\$1,000,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 31 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

31. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge, as among them, shall be as follows:

First - Administration Charge (to the maximum amount of \$1,000,000.00); and

Second – Directors' Charge (to the maximum amount of \$200,000.00).

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

33. THIS COURT ORDERS that each of the Directors' Charge and the Administration Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges 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, save and except the Encumbrances in favour of Glen Mackie and Lisa Mackie and Foscarini Mackie Holdings Inc., to the extent they are determined to be valid and enforceable and properly perfected by counsel to the Monitor.

34. 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, any of the Directors' Charge, the Administration Charge or the DIP Lender's Charge, unless the Applicant also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

35. THIS COURT ORDERS that the Directors' Charge and the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") thereunder 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 Charges 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 Charges; and
- (c) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

36. 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

37. THIS COURT ORDERS that, subject to paragraph 38 of this Order, the Monitor shall (i) without delay, publish in the Globe and Mail newspaper 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.

38. THIS COURT ORDERS that notwithstanding the provisions of paragraph 23(1)(a)(ii) of the CCAA, the Monitor shall not be obliged to publish and/or make publicly available the name or address of (i) any current and former Nelson Financial employees on account of employment-related liabilities, and (ii) any person holding securities issued by the Applicant which includes, but is not limited to, any person holding Notes and Pref Shares as defined in the Affidavit of Marc Boutet sworn March 22, 2010.

39. THIS COURT ORDERS that the Applicant and the Monitor be at liberty to serve 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 electronic 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 notice by courier, personal delivery or electronic 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.

40. THIS COURT ORDERS that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at www.ajohnpage.com.

GENERAL

41. 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.

42. 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. 43. 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.

44. 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.

45. 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.

46. 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.

repall, 2.

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

MAR 2 3 2010

								······	- 29
Court File No. 10-8630-00CL S.C., 1985 c. C-36, AS AMENDED	NELSON FINANCIAL GROUP LTD.	Applicant	ONTARIO SUPERIOR COURT OF JUSTICE (PROCEEDING COMMENCED AT TORONTO)	INITIAL ORDER	GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 TORONTO, Ontario M5X 1G5	Clifton P. Prophet / Frank Lamie LSUC No.: 34345K / 54035S	Telephone: (416) 862-3509 / (416) 862-3609 Facsimile: (416) 862-7661	SOLICITORS FOR THE APPLICANT	
Court File No. 10-86. 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 COMPOMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD.								
	AND			and the second					

This is Exhibit "B" to the

Affidavit of Marc Boutet

sworn before me, this 11th day of

June, 2010.

A Commissioner for taking Affidavits

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD. EXPIRES FEBRUARY 1, 2013.

Court File No. 10-8630-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

THE HONOURABLE MADAM)	TUESDAY, THE 23 rd
HIGTICE DED AT I)	
JUSTICE PEPALL)	DAY OF MARCH, 2010

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 COMPOMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD. (the "Applicant")

Applicant

UNOFFICIAL TRANSCRIPT OF THE ENDORSEMENT OF JUSTICE PEPALL (March 23, 2010)

Nelson Financial Group Ltd. ("NFG") seeks an initial order pursuant to the CCAA. NFG carries on a consumer finance business in Pickering, Ontario. Its principal business is vendor assisted financing. Until recently, its principal business was sub-prime vehicle financing. The business was established in 1990 by its sole common shareholder Marc Boutet.

NFG currently finances customers of vendors – the consumer household goods/appliances and food sectors. To provide financing to customers NFG has borrowed money from investors in the exempt market pursuant to a continuous offering of unsecured

promissory notes and/or preferred shares. The model is based on raising money from investors at a 12-10% rate of return and using that money to extend credit at significantly higher rates.

There are 685 outstanding investor loan notes totalling approximately 37 million and 169 preferred share holders with a par value of about 15 million. NFG was unable to make a dividend payment payable on March 16, 2010 for certain of the preferred shares. On March 25, 2010, certain interest payments are due on certain notes.

The required financial statements have been filed. They reveal and NFG acknowledges, that it is insolvent. Liabilities are stated to be approximately 37 million and assets approximately 30 million in the most recent internally prepared interim financial statements.

The financial difficulties of NFG are stated to have arisen due to higher than anticipated losses on its non-prime and sub-prime portfolio and its voluntary cessation of the issuance of notes and preferred shares pending completion of a review by the OSC.

The OSC has conducted a compliance review for the period September 1, 08 to August 31, 09 and has identified a number of compliance issues.

The OSC was served with the materials on this application late yesterday. It sought an adjournment to file responding materials or to seek a s.129 application to appoint a Receiver. In light of the March 25, 2010 payment deadline, the exclusion of the OSC from the stay and the comeback provision, I declined the request for the adjournment and granted the order requested. The OSC is a regulatory body unaffected by the stay and is at liberty to bring its own proceeding and/or to vary this initial Order.

NFG does not appear to have significant liabilities to secured creditors and according to NFG, the registrations under the PPSA noted in paragraph 41 of Mr. Boutet's affidavit are largely historical. The registration in favour of Nelson investment is to an affiliated company of

which Mr. Boutet is the principal and sole shareholder. The Mackie parties hold security but they are not primed by the proposed charges. There is no DIP financing.

The trade debt is modest and NFG intends to continue to meet all employee liabilities as they fall due and to remain current on payroll. There are 27 employees.

A charge of \$200,0000 in favour of the director is proposed together with an administrative charge of 1 million for the fees of the Monitor and its counsel and NFG's counsel. I am satisfied that these charges are merited in the circumstances and meet the requirements imposed by the recent amendments to the CCAA.

A. John Page & Associates has consented to act and is qualified to act as Monitor.

Clearly NFG is a debtor company and has met the other requirements for the granting of an Initial Order under the CCAA.

NFG intends to continue to fund new customer loans but will not issue any notes or preferred shares. A cash flow statement has been filed as has a preliminary report been filed by the proposed Monitor reporting on same. The statement suggests that NFG will be able to meet its operating costs during the stay period from cash flow generated by the business.

NFG has outlined the parameters of a proposed plan and I agree that it should be given the opportunity based on the evidence before me to attempt a restructuring with its creditors. In this regard, I would urge counsel for NFG, the Monitor and the OSC to have a dialogue prior to any initiation of proceedings by the OSC.

Lastly, the investors in NFG, many of whom are individuals, made their investments by way of a private placement in the exempt market. Given the anticipated reasonable expectation that their identities would not be disclosed, except as otherwise ordered by the court, the monitor need not prepare a creditor list of note holders and holders of preferred shares as contemplated by s. 23(i)(a)(ii) of the CCAA. The same applies to the employees. For these reasons, I granted the order requested.

// Original Endorsement Signed by Madam Justice Pepall//

T979587\TOR_LAW\ 7334589\1

002/005

	Court File Number:	10-8030-00CL
	Superior Court of Justice Commercial List	
In the	E/DIRECTION/ORD Matting M Knancial AND	Re CCAA
ne Nels	AND AND	Covarys Ltd. Plantiff(s)
	an a	Defendant(s)
Case Management 🗹 Yes 🔲 No 🛛 by Ju	idge: Pepal 11	
Counsel		
Courser	Telephone No.:	Facsimile No.:
·		
		······
Order Direction for Registrar (N		
Above action transferred to the Comm	ercial List at Toronto (No fo	ormal order need be taken out)
Adjourned to:		
Time Table approved (as follows):		
······································		("NFG")
Melson Final	18 cal Crange	12 Hd seeles an
initial cider m	DAAR IN TO	
cames on a min	LIMIN AND	ICC CC AH. NFG
Picking autano	Its policin	and musimens in
vender doplate	a burner	he late Margariter
its much par pro	Inter uno	
vehicle, Loginging	o. The prise	plan umo
established m	1990 hr 1	5 sale Charchader
Marc Bautet		COMMAN
NFG CIMPENT	u prauces	alstaness d.
vendors - the	consumer	household and
depleances +	had plater	o To mande,
Anound to cure		
I monun kom 10	temes, NFC	r has koncred
	westers -	The exempt
maller music	westers in	The exempt
A mallined	aut to a ch	The exempt notes + land
Janeformed (marros	ant to a composition	The exempt The exempt miticans offense notes + fast is barsed an
A insectived	ant to a ci promissiony The mon	The exempt The exempt mates + low L is barsed an reation at a 12-62
preferred marco	mestars in aut to a cl manissing The most form in the most	The exempt The exempt miticans offense notes + low if is box sed av restins at a /2-102 nort manus to
preferred marces	mesters - aut to a ci monissing The most forming the	
March 23, 2010	The most	

Additional Pages

.

Court File Number: _____

Superior Court of Justice Commercial List

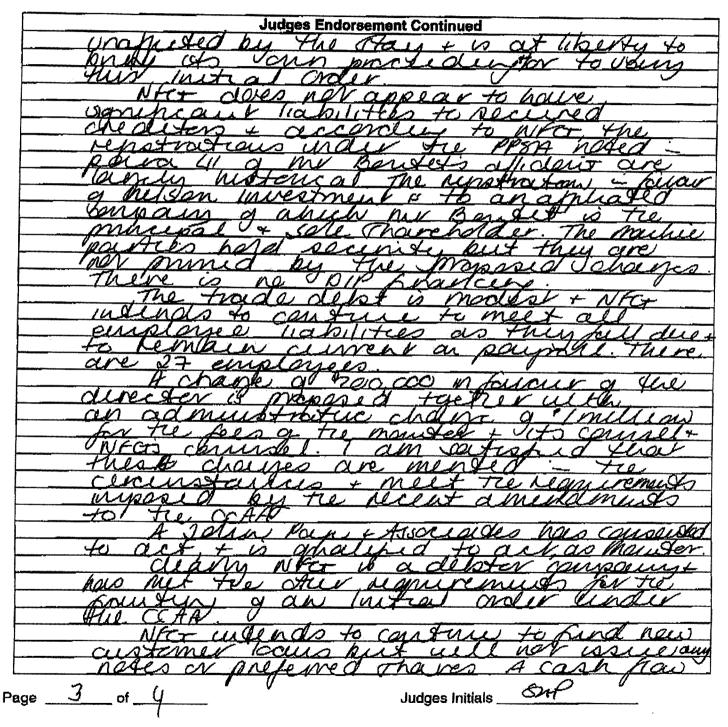
FILE/DIRECTION/ORDER

ettina cire di V at completarily hi fuer callo Talere are 685 cutabandisco l'inference 1020 maleo tetalli se apresungiely * 37 million te 169 prefund kourd 15 million Net was unable to nation a dualing paymus payabil on mechik, 200 march 25, 2010 cather of mechik, 200 march 25, 2010 cather of mechik, 200 march 25, 2010 cather of mechik, 2010 march 25, 2010 cather of mechik, and 1010 core traded to be appres 's multica t as also appres 's a multicas' by the march defensive so multicas' by the march anterposted core of the con prover 2010 prove partities of Net are dealed to house ansen differenties of Net are dealed to not cather ansen dealers of a compliance receiv and not send to loss of the sender of a compliance Net of all a sign application of the march of the march of the and cather of a merchan dealers to append a deceiver in the march of compliance or to all the a sign application of the another of a sender a deceiver in the day of application of the ordered a deceiver in the day of application of the ordered a deceiver in the day of application of the ordered a deceiver in the day of a marcher of the ordered a deceiver in the day of a marcher of the ordered a deceiver in the day of a marcher of	Judges Endorsement Continued
There are bes about and in the plan (an ages trailing approximation of the per- in the provided of the period of the period is million that a pair the line of about is adding parments aurophile to pare a dualing parments aurophile of marchile, 200 per certain of the provident of the pare a dualing parments aurophile of marchile, 200 per certain of the provident of the pare a dual of certains aurophile of the pare a dual of the part of the provident and the period part of the approx, is million to the period of the approx is million to a set approx is a multice of the provident a dual of the food of the approx, is million to a set approx is a multice of the provident a dual of the provide of the approx, is million to a set approx is a multice of the provide of the adding and the to higher thank one of the provided to be approx is marked to ball and the to higher thank of the anterposed to approx is an about the provided to ball and the to higher thank of the provided to be approx of the provided to ball and the to higher thank of the provided to be approx of the provided the anterposed to approx is a conserved to the set of the provided to be to higher thank of the provided to be to higher thank of the provided to be the provide the provided to the provide a the to higher thank of the provided to be the provide the provided to the provide a the to higher the provided the the of the provide the the provided of the provided the the of the provide the the provide the provided the the of the provide the provide the provide the provided the the of the provide the the provide the provided the the of the provide the provide the provide the provided the provided the provide the provide the provided the provide the provided the p	
lan ades totalling approximately 33 million - 169 forefund Abaipe 100 along with a pair its line of abain a duident pairment pairable an market a duident pairment pairable an market a duident of the market of market and duident of the market of the market and duident of market to inscreent have been seed this wire at the have been seed the of approximate have been seed to be approximate to assist approximate of market market allowing and the market of the approximate the formula difficulties of Net are based to fore ansen difficulties of Net are based to use ansen difficulties of net approximate auticipated (appendities of net approximate auticipated (appendities of net application to be proved to be approximated to be proved to be approximated to be proved to be approximated the formula difficulties of net are based to be proved ansen difficulties of net are based to be proved anset of the to be application of the formula difficulties of net application auticipated (appendities of and the the profermed (indress perplicit) and the market of the OSC was conducted a compliance relian the of the second with the market of an addition of the part of the second is of the the offer a second with the market of an addition of the fill here to be applied and a believe to part the part of the exclusion of the an addition of the fill here to be appoint of a believe to part the analyset for a believe to high of the analyset for a believe to high the completed of a believe to high the completed of a believe to high the analyset for allowing the decision of the analysed a believe to high the analyset for a believe to the and the analyset for a decision the analyset for	confider and the order of the forming of the
132 million - 169 fore and the per hold in a vite a pair to be a galoant is million Mar was unable on marship a duident pairment pairable on marship and and pairment pairable on marship and and a galoant of the appreciated here bein here they and and the marship here bein here they and a mental to the marship here bein here they and a mental to the marship here bein here they and a marship here bein here they are a marship here bein here they are a proved and here bein here they are and the marship here bein here they are a marship here for and a marship proved and the marship here for and a marship for and the to have any all the to here the marship and the for and all the they that the authority of the to here they and the for and all the to here they and they are and the to here they and they are a full to the here to an here pair all the to here to an here pair and the to here to an here a solution to here to an here a solution to here they and they are and the to here they and they are a fully compliance to an here to be and the to here to an here to be a solution of a new parts of the to here they and they are the to solution of the former product to here to an addition of the to here to an addition of the to here they and the to a marship compliance to a preferred and the to here to an addition to the they and the here to an addition to the the the marship an addition to phere here to a part of the a solution of the the an addition to here the the and the an addition to here the the the and the an addition to here the the and the the and addition of the the and the the and addition of the the and the the and addition of the the and the the addition of the the and the the addition of the addition of the the addition of the addition of the the addition of the addition of the addition of the the addition of the addition of the addition of the addition of the addition of the	
hold in a with a pair its live gabout "Is million. Not was unable on many a dualing payments paymable on marchile, 200 m certain of the marchile on marchile, 200 m certain of the marchile on marchile, an dive on certain notes. Me how of the marchile of the marching he how of the certain of the marching he how one of the of the marching the how of the the marching of the mark to the answer is million of the mark define of the certain of the mark second interson of the certain frame the frame of the of the mark of the mark the frame of the certain of the mark of the prove particles of the certain the prove particles of the certain the prove particles of the certain the prove particles of the mark of the preferred choires performed a compliance relive the of the period a marked a compliance relive the period sed the set of the marker of the period set of the marker of the marker the of the certain of the the marker an called from a law performed in the marker an called from a law performed in the marker a for the of the of the markers an called from a law performed in the markers an called from a law performance of the markers a for the of the of the markers of the a for the of the of the markers of the a for the of the of the markers of the a for the of the of the markers of the a for the of the of the markers of the a for the of the of the markers of the a for the of the of the markers of the a for the of the of the markers of the a for the of the of the markers of the a for the of the of the markers of the a for the of the of the markers of the a for the of the of the markers of the a for the of the of the of the of the a for the of the of the of the of the a for the of the of the of the of the	
a duiding pairmus payable on month, 2010 pr certain of the profession of area. On march 25, 2010, certain indurent payments are dire on the part is induced in the payments have been pied provided in the terminate have been pied provided in the provided have been pied to be approx 32 million to an allow of the to be approx 32 million t as sets approx 30 million in the provide rectint internating prepared interm provided to be provided to be approx 132 million t as sets approx 30 million in provide rectint internating prepared interm provide to be provided in the provided to be provided in the provided to be provided in the provided in the provided to part and the to high to track to part of the issuance of indexing authorized inderes pender for any strack the of the provided a compliance received the osc was conducted a compliance received the osc was conducted a compliance received the osc was conducted a compliance received the osc was served with the material an addimentation of the provided of a decent of the provided of compliances the osc was served with the material and the provided a member of compliances and addimentation of the material is another a decent of the provided of compliances and addimentation of the material is another a decent of the provided of the provided of the provide of the former of the material is another an addimentation of the material is another a decent of the provided of the provide of the provide of the provide of the provide of the a decent of the osc is a negative of the and addimentation of the provide of the and the osc is a negative of the and the provide of the osc is a negative of the addimentation of the osc is a negative of the of the addimentation of the osc is a negative of the of the addimentation of the osc is a negative of the of th	
200 for certain a the property ahaves. On march 25, 2010, certain interest payments are diver an certain notes. Muse bein file a this notes. Muse bein file a this new all + NGG actional edges, that we insolve the habitus are officed to be approx '37 million + assets approx '30 million in the most Recent internally prepared were proved to be prominal difficulties of NGG are toold to have anser difficulties of NGG are toold to have anser difficulties of NGG are toold to prove partition to some prime r muse of the issuance of notes of the prepared inderes pending completion of the office and the to be approved to the some of the office anser difficulties of NGG are toold to have anser difficulties of the some of the prove partition to be approved to be and the office a state of a completion of the office a minute of notice of the office a minute of the source relieved to have all of the issuance of notice of the office a minute of a completion of the office a minute of completion of the office a minute of completions of the office a minute of completions of a the office of the moder allow the office of the north of the moder and the office of the history the source of the office of the north of the moder and the office of the north of the source of the a nation of the office of the moder allow of a letter of the office of the moder allow a nation of the office of the market of appoint a letter of the office of the office of the parts in the office of the office of the the adhing of the office of the office of the here office of the office of the office of the here office of the office of the office of the all additions of the office office of the all additions of the office office office office office office office office of the all additions of the office off	15 million. NET was unable to make
Ch March 25, 2010, certain inderest payments are diver an certain name interest payments me dense and provised interest action file of the provised interest action of the articles in a the most action of the articles in another action of the articles of the most action of the articles of the articles and the partial different tes of the articles and the partial of the articles of the articles and the partial different tes of the articles and the partial different tes of the articles and the partial of the articles of the articles and the articles are articles of the articles and the articles are articles of the articles articles are articles and a compliance remine articles are articles are articles and articles articles articles are articles are articles are articles and articles are articles are articles articles are articles are articles are articles articles are articles are articles are articles are articles are articles are articles are articles are articles a a 129 application of a articles are arearts area	
An diversion of certain notes. Me liquined produced italimusto house bein filed this priceal + Nor actional edges, first wis insolvent have been filed this insolvent have been filed to be appear 37 million + assess appear 30 million by the mask recent influently prepared interim produced Statements me commal difficulties of Net are thered to indee ansen dillo, to high v tran autrigoided (2000 on ab ron prime r mb prime partition to volunteery cessation of the issuance of meter me cosc and the issuance of meter me cosc has conducted a configure receiv for the officer of the the indication for the officer of the issuance of the second for the officer of the second action for the officer of the the indication of the osc was conducted a configure receiv for the officer of the indication of the osc was conducted a configure the osc was conducted a configures the osc was proved with the moderates on called into a minimar of configures a field of a minimar of configures a field of a minimar of configures and the osc was the minimar of configures a field of a minimar of the moderates a field of a minimar of the moderates a field of a minimar of the configures a field of the osc of the configures for Maria a field of the osc of a applied of the other Maria and the osc of a applied of the other Maria and the osc of a a minimar of the other Maria and the osc of a a minimar of the other Maria and the osc of a a minimar of the other Maria and the osc of a a minimar of the other Maria and the osc of a a minimar of the other Maria and the osc of a a minimar of the other of the other of the other and the other of the other of the oth	
here bein fleat they neveral the femers here bein fleat they neveral to the action it early the to be approx "37 million to a sets approx "30 million in the mast recent influencity prepared information the frances difficulties of NFC are that the frances difficulties of NFC are that auticipated (appen and influence to auticipated (appen and to an prime r while a nor prime perdicip completion of the frances of the issuance of after to preferred chalmen perdicip completion of the osc has conducted a compliance receive the osc has conducted a compliance receive the osc has conducted a compliance issues difference of the hold of the theored sign the osc of a full of the theored sign of the perdicip of the theored sign of the the second the osc has conducted a compliance issues difference of the hold and the osc has conducted a compliance to a neuron of the perdication of the theored and the the perdication of a neuron of the perdication of the theorements to plus despendices to appoint a factor of the complication of the periment diad in the method of the periment diad in the complication of the and the method of the and and the periment of the the complication of the and allow of the second of the order of form the second the order of the and allow of the osc is a second of the and allow of the osc is a second of the and the and the osc is a second of the order.	
have bein plear they reveal + Not actionable area that it is inschedult. A abilities are bused to be appres 37 million + as sets appres 30 million in the most securit influently prepared werm praved the pravide and difficulties of Not are Hold for bused and difficulties of Not are Hold for bused and difficulties of Not are Hold for bused and difficulties of Not are Hold to bused and difficulties of Not are Hold for bused and the issuance of notes to autresponded (appending the property cessed and of the issuance of notes to preferred and the issuance of notes to me, OSC was conducted a confliance relie to the pland side (1000 to the difference me, OSC was conducted a confliance relie to the pland side (1000 to the difference issues delation of the issuance of notes to the osc was conducted a confliance relie to the pland side (1000 to the difference issues to be a number of compliance to the pland side (1000 to the matter an adjustion to plan header to append a nation of the second side (1000 to the second the osc was served with the matter of append an adjustment to plan header of append a head to a server to plan header of append a head of the matter of append a head the second second is no append a head of the day of the and the append a head the day of the and the append a head the day of the and the append a head the day of the and the append and all a ment of a second the adjust a head the day of the and the append a head the day of the and the append and a the and the adjust for a head the day of the and the adjust a head the day of the and the second the addition of the adjust the appendence of the addition of the adjust for a head the day of the	
actional edges, that wis insolvent heap inters are studed to be appear '33 million + assess approx. '30 millions in the most recent influency prepared interimproduced statements The product difficulties of NFC+ are there to hove ansen difficulties of NFC+ are there autropaded copes on the result outropaded copes of the state outropaded copes of the result outropaded copes of the state outropaded contracts of the state outropaded of the state of the state outropaded of the outropaded of the outropaded outropaded of the outropaded of the state outropaded of the outropaded of the state outropaded of the outropaded of the outropaded outropaded of the outropaded of the state outropaded of the outropaded of the state of the state outropaded of the outropaded of the state of the stat	
Liabilities also to the to be approx "37 million + assets approx "30 millions in the most recent inflimally prepared interim produced a sense of difficulties of NFC+ are though to bare ansen difficulties of NFC+ are though auticipated coses on the rem prime - sub-prime partitions + ab valued to prime cessortian of the issuance of interior of preferred colores pendley completion of the OSC has conducted a configure receive for the pend cipit 1, 08 to the million the OSC has conducted a configure the osc has conducted a configure a factor of the period of the market has a configure the configure the configure the configure the osc has conducted a configure the configure the configure the configure the osc has conducted a configure the configure	
Assets approx, 30 millias the the most recept influently prepared interimproduced Asternusses The frame of the set of the provesting auticipated (2000 on the mental table) auticipated (2000 performed to the set of the	
Recent influenced in prepared interim practical stallments The Francial difficulties of NFC+ are that auturparted lasses in the new France auturparted lasses in the new France auturparted lasses in the new France cessations of the issuance of meeting cessations of the issuance of meeting cessations of the issuance of meeting at new way the OSC meeting and supplied a configure relie for the osc was conducted a configure issues the osc was conducted a configure issues the osc was served with the materation the osc was served with the materation on allowment to see her in appoint a factorer in the of application of appoint a factorer in the of the materation of the osc in the the materation of the off application of appoint a factorer in the off application of the output diadline of the materation of the association of the materation of the order of the association of the osciation of the order of the order of the association of the osciation of the order	
And emerson all difficulties of Net are thosed to have answer difficulties of Net are thosed autresponded losses on the ren prover autresponded losses on the ren prover where partitions + the volunt dening cesson and of the issuance of notes to preferred inderes perdents campletion of a neuro buy the OSC Me. OSC has conducted a compliance remin for the period sight (, 08 to Autre 31, 09 to thas identified a number of compliance issnes. The OSC was served with the materials this application (atte was indered to appoint a for the a period sight (, 08 to Autre 31, 09 to this office a number of compliance issnes. The OSC was served with the materials on allering to the legitication of the or to appoint to plet he provides to appoint a feetiver. In the office of the material allering the dealting of the material of the marker of the dealting of the materials for Me alternation of the material of the Me alternation of the office of the Me alternation of the office of the Me alternation of the office office	receipt indemailles preparred interimpractical
The prannal difficulties of Not are desid to have answer differenties of Not are desid auticipated losses on the non-prime r 2016-prime partition to when the con- cessation of the issuance of notes to prefemed inderes perfectly completion of a new with the osc of a conflict end of the osc has conducted a conflict end of the osc has conducted a conflict end for the period sign 1, 08 to this 31, 07 to has definitied a number of conflict endow the osc was served with the matenation the osc was served with the matenation the osc was served with the matenation or to be the a used inday. It savet a conflict on the period of the provided or to be the a used inday. It savet a telever in light of the march 25, have primes diadrine, the exclusion of the primes diadrine, the enduced of the area of the day the constants a telever in the day the march 25, have primes diadrine, the enduced of the primes diadrine of the prime for a telever in the day the march 25, have primes diadrine of the march 26, have a telever in the day the march 26, have a telever in the day the march 26, have a telever in the day the order of the and all interest to prive the constants a telever in the day the order for a telever in the day the order for a telever in the day the order of the order.	And emplish
autrespanded cases on the ran prime r mis-mine partition + the valuation of cessations of the issuance of notes to preferred charges pender completion of a new way the OSC me OSC has conducted a compliance receiv for the pendo ciple 1, 08 to thing 31, 09 + has identified a minible of compliance issues me OSC was served with the material this application later wall had an this application later wall had an this application later wall had and the osc was served with the material an addiment to plet her partition or to all a "129 application to appoint a licenser in the of the material of the partition of the material of the partition of the material of the partition of the production of the partition of the completed of the partition of the material of the partition of the completed of the partition of the completed of the partition of the completed of the other the addition of the completed of the partition of the other the addition of the completed of the partition of the other the addition of the other the addition of the completed of the other the addition of the other the other of the other the addition of the other the additio	The Ananual difficulties of NFC+ are Haled
nils-phine partition + its voluitedering cessorian of the issuance of notes + preferred inderes pending campletion of at neuron key the OSC of a confliance remin for the second ciple 1, 08 to Aring 31, 09 + thas identified a minister of compliance issnes. The OSC was served with the moderation this application late restinding. It sompti- an addiment to ple hespinalise moderato a for a let a 129 application of the or to seel a use the man is moderato a former him of the march 25, how a former to a formed the adment or to a former to formed the adment and the day the cometactor a former to a former to a former a for the former to a former of the adment and the adminent to purch of the adment and the adminent to purch of the adment and a for a former to a former of the adment and a for a former to a former of the adment and a for a former to a former of the adment and a for a former to a former of the adment and a for a former to a former of the adment a for a former to a former of the adment a for a former to a former of the adment admentation of the adment for a for a former of the adment for a for	
Ces sation of the issuance, a rates to preferred indress pending completion of a new way the OSC me, OSC has condicided a configure reliev for the senad sign 1, 08 to truly 31, 07 to has identified a minible of compliance issues. The OSC was served with the materalow this applications late is sinday. It sought an addicimment to plu hispand is moderalo a feeling to a 129 application to appoint a feeling of the materal of the payment diading of the materal of the payment diading of the materal of the materal the source of the materal of the payment diading of the materal of the materal of the source of the materal of form the source of the materal of the payment diading of the materal of the materal for the source of the order of the adjust the source of the order Materal of the osc is a septlated of the Nones of the osc is a septlated of the order has adjust the osc is a septlated of the order he adjust the osc is a septlated of the order.	
preferred chalves pendery completion of a new by the OSC. The OSC was conducted a compliance receiv for the sensed sizer 1, 08 to thing 31, 09 t those identified a number of compliance issues. The OSC was served with the materials and this application late resolution. It sample an addenament to pler responding to appoint a tecenver. In limit of the marker of the parment diadling, the exclusion of the parment diadling, the exclusion of the parment diadling, the completency and deciment to pler he provest for a to application of the he appoint of the parment diadling, the amendation of the adjust the day the amendation and the completency for a to appoint the same the provided of the parment diadling, the amendation of the parts in the completency for the adjustion of the parent for a the completency to a provided the other and the completency for the adjustion of the of the parent for a parts of the osc is a neptlating body	
A new by the OSC Me. OSC has conducted a confliance relie for the period cipt 1,08 to Auly 31,09 + has identified a number of compliance issues. The OSC was served with the materalow The OSC was served with the materalow Hus application late isolation. It sample an addienement to plet hespanding moderalo a for aller a upp application. To appoint a tecenter. In limp of the materal 25 horo pourment diadtine, The exclusion of the pourment diadtine of the material of the pourment diadtine of the complexity as from the start the complexity Marine adjuired the action	
The OSC has conducted a configure relie for the period cipy 1,08 to thing 31,09 + has identified a number of configure isones. The OSC was served with the materalow this application (all respiration of something) an addiciment to plet respiration in appoint or to been a 129 application to appoint a lecencer. In lyne of the march 25 how parment diading, I the exclusion of the parment diading to the amelance	programmer programmer for the second se
Br the penad cipy 1,08 to thill 31,09 + has identified a minister of conjuliance isones. The OSC was served with the materaloan this application and upsolution. It sought an adjuirment to plet responding moderals an adjuirment to plet responding moderals a fectiver. In light of the march 25, 1010 a fectiver. In light of the march 25, 1010 a fectiver. In light of the exclusion of the pourment diadrine, * the exclusion of the asis from the day + the comebact march adjuirment to put the negrest for the adjuirment to put the march 26, 100 March 200 the day + the comebact	at in the second s
The old tipled a miniber of compliance issues. The OSC was served ulthe the materials this applications are restinging. It sought an addie imment to stell responding modulato or to aller a "129 application to appoint a tecenver. In limit of the march 25 horo a tecenver. In limit of the march 25 horo parment diadline, I the exclusion of the parment diadline, I the exclusion of the parts in decising the compleased the adjoinment to public of the order March 26 horows to prove the march of the adjoinment to part the compleased March 26 horows to part the provest for the adjoinment to part of the order March 26 horows to part to part for March 26 horows to part the application of the order adjoinment to part of the order	
The OSC was served witch, the martinalow this application are restinday. It sample an adjument to ple respond in moderato a fectiver. In limit of the march 25, how a fectiver. In limit of the march 25, how a fectiver. In limit of the exclusion of the parment diadrine, The exclusion of the asci from the start the comekach asci from the start the comekach marsing deciving the request for the adjument to pushed the other has adjument to pushed the other has a fective the osci is a replately body	The second
Hus application all resolution. It sought an adjumment to see responding moderato or to seek a "129 application" to appoint a licenser. In limit of the march 25 horo pourment diadline, * the exclusion of the osc from the gaint the constracts marsion, I decivered the regrest for the adjument to marked the order in adjument to marked the order	isques.
an adjournent to ple responding moderals a to alle a "129" application to appoint a tecenter. In link of the march 25 horo a tecenter diadine, * the exclusion of the parment diadine, * the exclusion of the asc from the start the cometances asc from the start the cometances has adjument to purse the other the adjument to purse the other hope and the asc is a replately body	The own when a week of the second
a techner in line of application to appoint a techner in line of the march 25 horo pourment diadline, I the exclusion of the asc from the start the constract marsion accurate the request for the adjument to pourted the other induced a the asc is a replatery body	tus application all restracting. It sand
a lecencer in light of the march 25 horo pourment diadline, The exclusion of the asc from the start the ometacli marsim, accorded the request for the adjuinment + pourted the order May adjuinment + pourted the order May adjuinment + pourted the order May adjuinment + pourted the order	
a present deadline, The exclusion of the osc from the start the ometaach nonsim decisined the request for the adjument + printed the other hope dea the osc is a replatery body	the state is the sal Han May 12 hours
Asc from the day + the comebach marting declared the request for the adjument + rounded the adjur Mapresded. The asc is a reputately body	a picture in india the avertication of that
Has adjument + rounded the regress for the adjument + rounded the order Mapresded. The asc is a reputatery body	and form the ant the ametach
Mapreded the aid is a replately body	and in deciried the regrest for
Mapreded the asch is a reputately body	the additionent + bounded the artic
Page of Judges Initials	
Page 2 of 4 Judges millars 201	tudena Initiala
	Page of

Court File Number:

Superior Court of Justice Commercial List

FILE/DIRECTION/ORDER



.

Court File Number:

Superior Court of Justice Commercial List

FILE/DIRECTION/ORDER

Judges Endersement Castleved
Judges Endorsement Continued
Gradement has been pled as has a
Hu mana upoll blan all by
The statement aunsto that NFG un
be able to meet its open ten costs
duney the stary pended som cash fraw
Allindon bu the business
NET has antined the partimeters of
a managed Man + I ame that it challed
be pilen the appartulity, pailed on the
endence before me to a transt a.
Restriction with its chedidens. In this
upand I would upe cannot for NFCT. The
Monitar + The asc of have al dealague
may to any intratean of precedup
and indry due investers a NFCT, many of allow
up of a may placement in the exempt
Mandal Paula the dutain all the compt
Procedenter Hapit Huir aller the
NON be disclosed except as Alling
actuald by the cault the mouster read
ner prisare a creditor list a natchalder
+ holders a mehored chares Jas cantenplated
bus J. 23(1)(d) (ii) of the CCAA The source applies
to the employees
for these hearons, pointed the
order regrested.
The sould be the second s
Ut appending .
1
Page of Judges Initials

001/005

÷

Superior Court of Justice (Commercial List)

. .

Court Division: Superior Court of Justice (Commercial List) Region: Toronto Judge: Pepall Date: 2010-03-23 Location 330 University Ave Room No.; 8-3 Start Time: 9:30 AM

Facsimile Transmittal Sheet

File Number: 10 - 3030. CL
File Name: ABC L+D
FAX NUMBER (S): 416-304-1313. 593-2319 862 -7661
FROM: FORAL, Q. DATE: MARCH. 23. 2010
TO: C ROFHET
TO: J. Grout
TO: P. FON
TO:
SUBJECT:
NUMBER OF PAGES INCLUDING COVER PAGE: 6.

COMMENTS:

This is Exhibit "C" to the

Affidavit of Marc Boutet

sworn before me, this 11th day of

June, 2010.

Commissioner for taking Affidavits А

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD. EXPIRES FEBRUARY 1, 2013.

Court File No. 10-8630-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

THE HONOURABLE)	THURSDAY, THE 22 nd
THOMAS DOWN A VIN)	·
JUSTICE PEPALL)	DAY OF APRIL, 2010

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 NELSON FINANCIAL GROUP LTD. (the "Applicant")

Applicant



ORDER

THIS MOTION made by the Applicant, Nelson Financial Group Ltd. ("Nelson Financial"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, for an Order, *inter alia*:

- (a) that the time for service of the Notice of Motion, the Motion Record and the First Report of the Monitor, A. John Page & Associates Inc. (the "Monitor") dated April 15, 2010 (the "First Report") is abridged and validated so that this Motion is properly returnable today and dispensing with further service thereof;
- (b) approving the First Report; and
- (c) approving an extension of the stay of proceedings from April 22, 2010, to and including June 7, 2010,

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

ON READING the material filed, including the Notice of Motion dated April 16, 2010, the First Report and the Affidavit of Marc Boutet sworn April 15, 2010, and on hearing the submissions of counsel for the Applicant and counsel for the Monitor;

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

2. THIS COURT ORDERS that the Stay Period (as defined in paragraph 13 of the Initial Order of the Honourable Justice Pepall, dated March 23, 2010) is hereby extended until and including April 30, 2010.

3. **THIS COURT ORDERS** that the balance of the relief sought in the Notice of Motion herein dated April 16, 2010 is adjourned to April 30, 2010 or such other date as this Honourable Court may direct by further Order.

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

APR 2 2 2010

PER/PAR: N

]				-43
30-00C	Applicant	ONTARIO SUPERIOR COURT OF JUSTICE (PROCEEDING COMMENCED AT TORONTO)	STAY EXTENSION ORDER	GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 TORONTO, Ontario M5X 1G5	Clifton P. Prophet / Frank Lamie LSUC No.: 34345K / 54035S	Telephone: (416) 862-3509 / (416) 862-3609 Facsimile: (416) 862-7661	SOLICITORS FOR THE APPLICANT	
Court File No. 10-8630-00C IN THE MATTER OF THE <i>COMPANIES' CREDITORS ARRANGEMENT ACT</i> , R.S.C., 1985 c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD.								

This is Exhibit "D" to the

Affidavit of Marc Boutet

sworn before me, this 11th day of

June, 2010.

A Corhraissioner for taking/Affiliavits

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD. EXPIRES FEBRUARY 1, 2013.

Court File No. 10-8630-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

))

)

THE HONOURABLE MADAM

JUSTICE PEPALL

THURSDAY, THE 22nd

DAY OF APRIL, 2010

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 COMPOMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD. (the "Applicant")

Applicant

UNOFFICIAL TRANSCRIPT OF THE ENDORSEMENT OF JUSTICE PEPALL (April 22, 2010)

The Applicant seeks a variety of relief including a stay extension. Counsel for the OSC was unable to be present today so the extension requested today is only until April 30, 2010 rather than June 7, 2010. The further extension will be addressed on April 30, 2010 along with the relief – paragraphs (a) and (b) of the Notice of Motion. The relief requested in para. (c) is adjourned to be spoken to before me at 9:30 on April 28, 2010. 1.5 Hours booked on April 30, 2010.

As to the stay extension to April 30, 2010, based on the materials filed, the extension will provide for ongoing stability and the Applicant appears to be acting in good faith and with due

diligence. There is adequate cash to fund the stay period. In my view it is appropriate to extend the stay to April 30, 2010. This extension is also supported by the Monitor.

// Original Endorsement Signed by Madam Justice Pepall//

47 7010 slicant reches AND IN THE MATTER OF A PLAN OF COMPOMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD. a ca IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED a no 3 0 + an Ap 30 030 10, TU Q 0 the mor (PROCEEDING COMMENCED AT TORC 6 SUPERIOR COURT OF JUSTIC GOWLING LAFLEUR HENDERSON LLI Clifton P. Prophet (LSUC# 34845K) 100 King Street West, Suite 1600 Frank Lamie (LSUC #540358) (Returnable April 22, 2010) Nelson Financial Group Dt Solicitors for the Applicant 2 2 MOTION RECORD APR ZOIO Fax: (416) 863-3509 Barristers and Solicitors (COMMERCIAL LIST) Toronto ON M5X 1G5 1 First Canadian Place Tel: (416) 862-3509 ONTARIO Court File No.: 10-8630 Applican td.ye r (O. 11

This is Exhibit "E" to the

Affidavit of Marc Boutet

sworn before me, this 11th day of

June, 2010.

A Commissioner for taking Affidavits

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD. BXPIRES FEBRUARY 1, 2013.

Court File No. 10-8630-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

))

)

THE HONOURABLE MADAM

JUSTICE PEPALL

FRIDAY, THE 30th DAY OF APRIL, 2010

ANIX MEURE DE MER

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

N THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD. (the "Applicant")

Applicant

STAY EXTENSION ORDER

THIS MOTION made by the Applicant, Nelson Financial Group Ltd. ("Nelson Financial"), pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended, for an Order, *inter alia*:

- (a) abridging and validating the time for service of the Notice of Motion, the Motion Record, the First Report of the Monitor, A. John Page & Associates Inc. (the "Monitor") dated April 15, 2010 (the "First Report"), and the Supplement to First Report of the Monitor dated April 28, 2010 (the "Supplemental Report") so that this motion is properly returnable today and dispensing with further service thereof;
- (b) approving the First Report and the Supplemental Report; and
- (c) approving an extension of the stay of proceedings from April 30, 2010, to and including June 7, 2010,

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

ON READING the material filed, including the Notice of Motion, the First Report, the Supplemental Report, and the Affidavit of Marc Boutet sworn April 15, 2010, and on hearing the submissions of counsel for the Applicant and counsel for the Monitor, Counsel for Foscarini Mackie Holdings Inc., counsel For Lendcare Financial Services Fix, SERVICE ad counsel for the Intario Securities Commission,

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

MONITOR'S ACTIVITIES

2. **THIS COURT ORDERS** that the First Report, the Supplemental Report and the conduct and activities of the Monitor described therein be and are hereby approved.

STAY EXTENSION

3. **THIS COURT ORDERS** that the Stay Period (as defined in paragraph 13 of the Initial Order of the Honourable Justice Pepall, dated March 23, 2010) is hereby extended until and including Monday, June 7, 2010.

Hind

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

APR 3 0 2010

PER/PAR: R

50

2

Court File No. 10-8630-00CL S.C., 1985 c. C-36, AS AMENDED OF NELSON FINANCIAL GROUP LTD.	Applicant	ONTARIO SUPERIOR COURT OF JUSTICE (PROCEEDING COMMENCED AT TORONTO)	STAY EXTENSION ORDER	GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 TORONTO, Ontario M5X 1G5	Clifton P. Prophet / Frank Lamie LSUC No.: 34345K / 54035S	Telephone: (416) 862-3509 / (416) 862-3609 Facsimile: (416) 862-7661	SOLICITORS FOR THE APPLICANT	51
Court File No. 10-8630-00C Court File No. 10-8630-00C IN THE MATTER OF THE <i>COMPANIES' CREDITORS ARRANGEMENT ACT</i> , R.S.C., 1985 c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD.								

This is Exhibit "F" to the

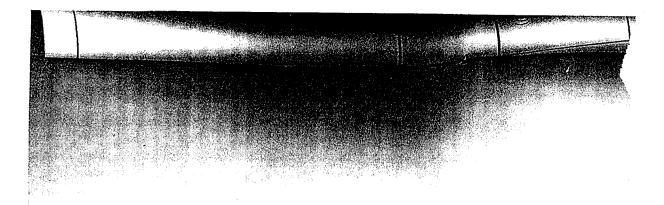
Affidavit of Marc Boutet

sworn before me, this 11th day of

June, 2010.

A Conjunissioner for taking Aftidavits

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD. EXPIRES FEBRUARY 1, 2013.



April 28, 2010

1) 3 have motion fixed for Mary 19, 2010. 2) Attached schedele orcleved.

Strippell, 7.

Mp 30, 2010 .) caused to reattend before me at 930 May 4, 2010 to peak to kend care notion schidule addressed on Ap 28,2010 but any y necessary. Coursel

2) The stay uptured to June 7, 2010 is unopposed to promited an. the some basis as artuned para 29 my Ap 22, 2010 endarement. Just NFG cartines to instead to find new custemer leaves land ull not usure any notes or Monster orpports requested order + is printed (Alepalli) put maines.

53

This is Exhibit "G" to the

Affidavit of Marc Boutet

sworn before me, this 11th day of

June, 2010.

Commissioner for taking Affidavits

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD. EXPIRES FEBRUARY 1, 2013.

Court File No. 10-8630-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

))

)

THE HONOURABLE MADAM

JUSTICE PEPALL

DAY OF JUNE, 2010

FRIDAY, THE 4th

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 NELSON FINANCIAL GROUP LTD. (the "Applicant")

Applicant



STAY EXTENSION ORDER

THIS MOTION made by the Applicant, Nelson Financial Group Ltd. ("Nelson Financial"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, for an Order, *inter alia*:

- (a) abridging and validating the time for service of the Notice of Motion, the Motion Record, the Second Report of the Monitor, A. John Page & Associates Inc. (the "Monitor") dated June 2, 2010 (the "Second Report"), so that this motion is properly returnable today and dispensing with further service thereof;
- (b) approving the Second Report; and
- (c) approving an extension of the stay of proceedings from June 7, 2010, to and including June 15, 2010,

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

ON READING the material filed, including the Notice of Motion, the Second Report, and the Affidavit of Marc Boutet sworn May 31, 2010, and on hearing the submissions of counsel for Nelson Financial, counsel for the Monitor, counsel for Noel D'Alves and Lorna D'Alves, and counsel for the Ontario Securities Commission,

SERVICE

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

MONITOR'S ACTIVITIES

2. **THIS COURT ORDERS** that the Second Report and the conduct and activities of the Monitor described therein be and are hereby approved.

STAY EXTENSION

3. **THIS COURT ORDERS** that the Stay Period (as defined in paragraph 13 of the Initial Order of the Honourable Justice Pepall, dated March 23, 2010) is hereby extended until and including Tuesday, June 15, 2010.

lipal

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

JUN 0 4 2010

PERIPAR: A-

2

Court File No. 10-8630-00CL EMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED VANGEMENT OF NELSON FINANCIAL GROUP LTD. Applicant	ONTARIO SUPERIOR COURT OF JUSTICE (PROCEEDING COMMENCED AT TORONTO)	STAY EXTENSION ORDER	GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 TORONTO, Ontario M5X 1G5	Clifton P. Prophet / Frank Lamie LSUC No.: 34345K / 54035S	Telephone: (416) 862-3509 / (416) 862-3609 Facsimile: (416) 862-7661	SOLICITORS FOR THE APPLICANT	57
Court File No. 10-8630-00C IN THE MATTER OF THE <i>COMPANIES' CREDITORS ARRANGEMENT ACT</i> , R.S.C., 1985 c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD.							

This is Exhibit "H" to the

Affidavit of Marc Boutet

sworn before me, this 11th day of

June, 2010.

Commissioner for taking Affidavits

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD. EXPIRES FEBRUARY 1, 2013.

59 2010 ¥ lio 20 1 AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD. IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED a fond 64 15 ine_ σī dic 2 hil t. 11 m Main in lE 2010 Low on spor Ca The 0 OSC to o v elli In K Yo H JUN 0 1 2010 Elson Financial Group Ltd. FILED / DEPOSÉ U &T / 55% (PROCEEDING COMMENCED AT TORONTO) SUPERIOR COURT OF JUSTICE GOWLING LAFLEUR HENDERSON LLP Clifton P. Prophet (LSUC# 34845K) 100 King Street West, Suite 1600 1 Frank Lamie (LSUC #54035S) (Returnable June 4, 2010) JUNE 2010 MOTION RECORD (COMMERCIAL LIST) Toronto ON MSX 1G5 Barristers and Solicitors icitors for the Applicant, 1 First Canadian Place Fax: (416) 863-3509 Tel: (416) 862-3509 ONTARIO Court File No.: 10-8630-00CL Applicant

This is Exhibit "I" to the

Affidavit of Marc Boutet

sworn before me, this 11th day of

June, 2010.

Affidavits A Commissioner for taking

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD. EXPIRES FEBRUARY 1, 2013.

Court File No. 10-8630-00CL

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 NELSON FINANCIAL GROUP LTD. (the "Applicant")

Applicant

AFFIDAVIT OF MARC BOUTET (Sworn May 31, 2010)

I, MARC BOUTET, of the City of Pickering, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

Introduction

- 1. I am the President, Secretary and sole director of Nelson Financial Group Ltd. ("Nelson Financial" or the "Applicant"). Accordingly, I have personal knowledge of the matters deposed to in this Affidavit. Where this Affidavit is not based on my personal knowledge, it is based on information and belief and I verily believe such information to be true.
- 2. This Affidavit is sworn in support of Nelson Financial's motion for an extension of the stay of proceedings granted to the Applicant under the *Companies' Creditors Arrangement Act* (the "CCAA") from June 7, 2010 to and including June 15, 2010.

Background

- 3. On March 23, 2010, Nelson Financial filed for and obtained protection from its creditors under the CCAA pursuant to the Order of the Honourable Madam Justice Pepall (the "Initial Order"). A copy of the Initial Order is attached hereto as Exhibit "A". A copy of the Endorsement of the Honourable Justice Pepall dated March 23, 2010 (the "Initial Endorsement") in relation to the Initial Order and a copy of the unofficial typed transcript of the Initial Endorsement are attached hereto as Exhibit "B".
- 4. Pursuant to the Initial Order, A. John Page & Associates Inc. ("AJP&AI") was appointed as Monitor of the Applicant (the "Monitor").
- 5. On April 22, 2010, Nelson Financial was granted an extension of the stay of proceedings to April 30, 2010 pursuant to the Order of the Honourable Madam Justice Pepall. A copy of the Order granting the stay extension is attached hereto as Exhibit "C". A copy of the Endorsement of the Honourable Justice Pepall dated April 22, 2010 and a copy of the unofficial typed transcript of the Endorsement are attached hereto as Exhibit "D".
- 6. On April 30, 2010, Nelson Financial was granted an extension of the stay of proceedings to June 7, 2010 pursuant to the Order of the Honourable Madam Justice Pepall. A copy of the Order granting the stay extension is attached hereto as Exhibit "E". A copy of the Endorsement of the Honourable Justice Pepall dated April 30, 2010 is attached hereto as Exhibit "F".

Restructuring Activities

7. Since the issuance of the Initial Order, Nelson Financial has been working diligently to stabilize its business and maintain operations, the cash flow results of which exceed those forecast in the cash projections filed with this Honourable Court.

- 8. On April 15, 2010, the Monitor delivered its First Report together with a report on the ongoing financial viability of Nelson Financial's business and operations (the "Viability Report"). The First Report and the Viability Report stated that there is a realistic prospect that Nelson Financial could restructure its debt and be able to service that debt and continue in business for the foreseeable future. A copy of the Monitor's First Report dated April 15, 2010, together with the Viability Report and Cash Flow exhibits only, is attached hereto as Exhibit "G".
- 9. Based on my understanding of the conclusions of the Viability Report and the Monitor's recommendations, I continue to believe that Nelson Financial will be able to propose a plan of compromise or arrangement to its creditors that offers stakeholders a better result than bankruptcy or liquidation. Furthermore, Nelson Financial should be able to generate stable and increased margins from its business, based on a changed focus towards the financing of consumer goods for customers with stronger credit histories. My discussions with a number of potential merchant business partners, including LG Electronics and others, are part of this process.
- 10. In conjunction with the Monitor, Nelson Financial is currently developing a plan of compromise or arrangement which anticipates (a) not requiring external financing, and (b) not requiring the historic volumes of customer receivables provided by Lendcare.
- 11. As previously disclosed to this Honourable Court in my Affidavit sworn April 16, 2010, and if the stay of proceedings is extended, Nelson Financial intends to formulate a plan of compromise and arrangement which will include the following general features:
 - (a) the conversion of some percentage of the existing promissory notes to new preferred shares (with rights and attributes to be determined) in the capital of the restructured Nelson Financial;
 - (b) the conversion of the remainder of the existing promissory notes into a new series of notes;

63

ç

- (c) the conversion of existing preferred shares into a new class (or classes)
 of preferred shares (with attributes and rights to be determined);
- (d) the provision for satisfaction of any valid prior secured claims in favour of the Mackie Parties (as defined below); and
- (e) the payment or assumption of all employee claims.

Attached hereto as **Exhibit "H"** is a copy of my Affidavit sworn April 16, 2010, without exhibits.

- 12. In the event that this Honourable Court grants the requested stay extension, Nelson Financial intends to take further steps in its restructuring, including:
 - (a) the development and implementation (with the approval of this Honourable Court) of a claims process;
 - (b) the continued development of a plan of compromise or arrangement to propose to creditors; and,
 - (c) the convening of a meeting of the company's creditors for the purposes of considering and voting on any plan put forward by the company.

Discussions with Lendcare

- 13. As noted in my Affidavit sworn April 16, 2010, Nelson Financial has previously partnered with Lendcare Financial Services Inc. ("Lendcare"). Lendcare is a national provider of financial services which specializes in consumer financing partnerships with finance companies, merchants, and distributors to offer retail and direct financing programs to customers. When partnered with Nelson Financial, Lendcare acts as a factor conduit to aggregate a significant percentage of the accounts receivable financed by Nelson Financial.
- 14. Nelson Financial's relationship with Lendcare was set out in (i) a Business Protection Agreement dated August 20, 2007, (ii) an Agreement Regarding Future Financings

dated December 6, 2007, and (iii) an Amending Agreement dated December 21, 2009, (together, the "Lendcare Agreement").

65

- 15. In view of Lendcare's failure to refer any lending customers to Nelson Financial in the month of April, 2010, on April 16, 2010 Nelson Financial served notice (the "Lendcare Motion") of its intention to seek to disclaim the Lendcare Agreement such that Nelson Financial would be free to solicit financing opportunities from merchants and customers that have dealt with Nelson Financial through Lendcare.
- 16. Nelson Financial and Lendcare have subsequently been engaged in discussions toward a resolution of their dispute. Accordingly, the Lendcare Motion has yet to be heard by the Court and is scheduled to return for the hearing of any outstanding issues, if necessary, before this Honourable Court on Friday, June 4, 2010. Attached hereto as **Exhibit "I"** is a copy of the Endorsement of the Honourable Madam Justice Pepall dated May 28, 2010 which confirms the foregoing.
- 17. Following my discussions with LG Electronics and other businesses wishing to provide vendor-assisted financing to their customers, I am very optimistic that Nelson Financial will be able to replace a sufficient portion of the business generated from the Lendcare financing opportunities with an improved portfolio of loans which carry substantially better profitability and risk. In conjunction with a plan of compromise or arrangement which Nelson Financial is currently developing with the assistance of the Monitor that would not require the historic volumes of business previously provided by Lendcare, Nelson Financial should be able to generate stable and increased margin from its business.

Ontario Securities Commission

18. As previously disclosed to this Honourable Court in my Affidavit sworn April 16, 2010, Nelson Investment Group Limited ("Nelson Investment") has been the subject of a compliance review and investigation by the Ontario Securities Commission (the "OSC"). Nelson Financial continued its cooperation with the OSC enforcement staff handling the investigation and is working with the OSC to ensure that issues raised were addressed with the OSC in a timely fashion.

66

- 19. On May 12, 2010, the OSC delivered a Notice of Hearing pursuant to section 127(1) and 127.1 of the Securities Act, together with a Statement of Allegations (the "OSC Proceedings"), to Nelson Financial, Nelson Investment, Marc Boutet, Stephanie Lockman Sobol, Paul Manuel Torres and H.W. Peter Knoll. Attached hereto as Exhibit "J" is a copy of the Notice of Hearing and Statement of Allegations dated May 12, 2010.
- 20. The OSC Proceedings are to be spoken to before the OSC on an initial return date of Thursday, June 3, 2010.
- 21. Nelson Financial maintains that the OSC Proceedings against Nelson Financial, Nelson Investment, Marc Boutet and Stephanie Lockman Sobol are not necessary or in the public interest.
- 22. With respect to Nelson Financial's intended restructuring, it should be noted that under its current plans, Nelson Financial will not require the ability to issue securities to the public in order to finance its operations, nor does it intend to do so (except in accordance with a creditor and Court-approved plan substituting new notes and preferred shares for existing and preferred shares in a manner and to an extent to be determined). Accordingly, the actions by the OSC described above are not directly relevant to Nelson Financial's ability to restructure.

Mackie Parties

23. As set out in my Affidavit dated April 16, 2010, counsel for Glenn Mackie, Lisa Mackie, and Foscarini Mackie Holdings Inc. (the "Mackie Parties") has engaged in discussions with counsel for Nelson Financial concerning the Mackie Parties claims to security interests over certain contracts financed by Nelson Financial. 24. As a result of these discussions, Nelson Financial and the Monitor provided the Mackie Parties with a full listing and valuation of the contracts subject to the security held by Foscarini Mackie Holdings Inc. and anticipate further providing the Mackie Parties with a list of additional contracts which will top up their security. As a result of a review of the foregoing, I am advised by my counsel that the Mackie Parties will be significantly over secured.

D'Alves Parties

- 25. On May 25, 2010, counsel for Noel D'Alves and Lorna D'Alves (the "D'Alves Parties") delivered a Notice of Appearance together with the Affidavit of Noel D'Alves sworn May 25, 2010. The Affidavit of Noel D'Alves requests that a list of the noteholders of Nelson Financial be made public and that representative counsel for the noteholders be provided.
- 26. The Initial Order granted by this Honourable Court contained an exemption from the Monitor's disclosure obligation with respect to the investors designed to protect the privacy interests of Nelson Financial's investors. The investors in Nelson Financial, many of whom are individuals, made their investments by way of a private placement in the exempt market. The investors had the expectation that the fact of their investment would remain private and that their identities would not be disclosed. The variance or removal of this exemption would disrupt the privacy interests of Nelson Financial's investors.
- 27. Since the date of the Initial Order, the Monitor has maintained regular updates on its website on the status of this matter. I am informed by the Monitor and verily believe that the Monitor has had regular contact with investors and answered numerous investor inquiries in connection with Nelson Financial's CCAA proceeding. In the circumstances, I believe that investor interests are being adequately protected by the Monitor and its counsel and no relief in favour of the D'Alves Parties is required.

Stay Extension

- 28. In order to permit the Nelson Financial to move forward with its restructuring in conjunction with the Monitor and interested stakeholders, it is appropriate and necessary to extend the stay of proceedings to June 15, 2010.
- 29. The continuation of the stay of proceedings is necessary to provide the stability required to continue the Applicant's restructuring activities which have been ongoing following the granting of the Initial Order.
- 30. Nelson Financial has acted in good faith and with due diligence since the issuance of the Initial Order in pursuing its restructuring.
- 31. The Projected Cash Flow to June 18, 2010 contained in the Monitor's First Report supports an extension of the stay of proceedings to June 15, 2010. A copy of the Monitor's First Report dated April 15, 2010, together with the Viability Report and Cash Flow exhibits only, is attached hereto as **Exhibit "G"**.
- 32. As present, Nelson Financial is seeking only a short extension of the stay pending the completion by the Monitor of its analysis including an update to the Monitor's Viability Report. Nelson Financial intends to apply on June 15, 2010 for a longer extension of the stay of proceedings once the Monitor's updated report is available.

Conclusion

- 33. Nelson Financial has taken significant steps as outlined herein towards its restructuring goals. The extension of the stay of proceedings will facilitate the continuation of these steps, which, if successful, will permit Nelson Financial to emerge from the protection of these CCAA proceedings as a viable going concern.
- 34. This Affidavit is made in support of Nelson Financial's motion to extend the stay of proceedings and for no other or improper purpose.

SWORN before me at the City of Pickering, in the Province of Ontario this 31st day of May, 2010.

ommissioner, etc

JOANNE JOSEPHINE RAFFA, A COMMISSIONER, ETC., PROVINCE OF ONTARIO FOR NELSON FINANCIAL GROUP LTD. EXPIRES FEBRUARY 1, 2013.

RC BOUTET

)

)

AMENDED ROUP LTD. Applicant	ONTARIO SUPERIOR COURT OF JUSTICE	(PROCEEDING COMMENCED AT TORONTO)	AFFIDAVIT OF MARC BOUTET (Sworn June 11, 2010)	GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 TORONTO, Ontario M5X 1G5	Clifton P. Prophet / Frank Lamie LSUC No.: 34345K / 54035S	Telephone: (416) 862-3509 / (416) 862-3609 Facsimile: (416) 862-7661	SOLICITORS FOR THE APPLICANT, NELSON FINANCIAL GROUP LTD.
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 COMPOMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD.	OI SUPERIOR C	(PROCEEDING CON	AFFIDAVIT C (Sworn	GOWLING LAFLI Barrister 1 First (100 King Str 70RC	Clifton P. Pr LSUC No.	Telephone: (416) Facsimile	SOLICITORS I NELSON FIN
		, 40, 1, 1, 4, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,					
R ARRANGE		, and 1997 (1997) 1997 (1997) 1997 (1997)					
IPOMISE O							
ANIES UR		ανάχουση γιας, τους τους τους τους τους τους τους τους					
R OF A PLA		ana ini ka disa di kanggi kanggi ka					
IN THE MATTER OF A PLAN OF COMPOMISE OR AND IN THE MATTER OF A PLAN OF COMPOMISE OR		(c)					
AND IN THE MU							

Court File No.: 10-8630-00CL S.C., 1985 c. C-36, AS AMENDED	DF NELSON FINANCIAL GROUP LTD. Applicant	ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)	(PROCEEDING COMMENCED AT TORONTO)	MOTION RECORD (Returnable June 15, 2010)	GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 Toronto ON M5X 1G5	Clifton P. Prophet (LSUC# 34845K) Frank Lamie (LSUC #54035S) Tel: (416) 862-3509 Fax: (416) 863-3509	Solicitors for the Applicant, Nelson Financial Group Ltd.
Court File N IN THE MATTER OF THE <i>COMPANIES' CREDITORS ARRANGEMENT ACT</i> , R.S.C., 1985 c. C-36, AS AMENDED	AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD. Api						
IN THE MATTER OF THE <i>CO</i>	AND IN THE MATTER OF A P						