

**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**

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**MOTION RECORD  
(Returnable June 15, 2010)**

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Financial Group Ltd.**

**TO: THE SERVICE LIST**

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# 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**

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**NOTICE OF MOTION  
(Returnable June 15, 2010)**

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**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;
- (l) 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;

**General**

- (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

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Counsel for the Applicant,  
Nelson Financial Group Ltd.

**TO: THE SERVICE 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.

Applicant

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**NOTICE OF MOTION**  
(Returnable June 15, 2010)

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Counsel for the Applicant,  
Nelson Financial Group Ltd.

# **TAB 2**

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.
11. 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;

- (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 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**").

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.

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.

### **Stay Extension**

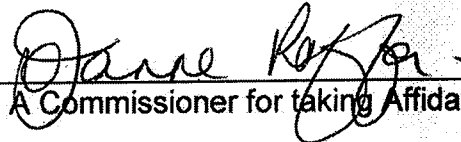
27. In order to permit Nelson Financial to move forward with its restructuring in conjunction with the Monitor and interested stakeholders, it is appropriate and necessary to extend the stay of proceedings to and including July 30, 2010.
28. The continuation of the stay of proceedings is necessary to 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.



This is Exhibit "A" to the  
Affidavit of Marc Boutet  
sworn before me, this 11<sup>th</sup> 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.

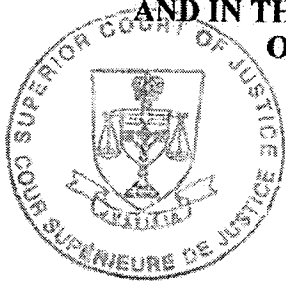
Court File No. 10-8630-00CL

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

<b>THE HONOURABLE MADAM</b>	)	<b>TUESDAY, THE 23<sup>rd</sup></b>
	)	
<b>JUSTICE PEPALL</b>	)	<b>DAY OF MARCH, 2010</b>

**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**

**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").

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](http://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.

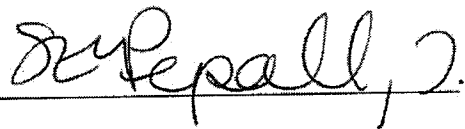


43. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. 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.



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

MAR 23 2010

PER / PAR: 

Court File No. 10-8630-00CL

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.

Applicant

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

(PROCEEDING COMMENCED AT TORONTO)

**INITIAL ORDER**

**GOWLING LAFLEUR HENDERSON LLP**

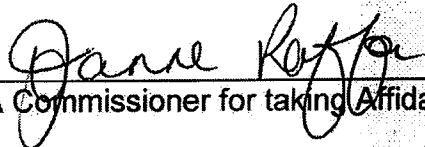
Barristers and Solicitors  
1 First Canadian Place  
100 King Street West, Suite 1600  
TORONTO, Ontario  
M5X 1G5

**Clifton P. Prophet / Frank Lamie**  
LSUC No.: 34345K / 54035S

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

**SOLICITORS FOR THE APPLICANT**

This is **Exhibit "B"** to the  
Affidavit of Marc Boutet  
sworn before me, this 11<sup>th</sup> 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**

<b>THE HONOURABLE MADAM</b>	)	<b>TUESDAY, THE 23<sup>rd</sup></b>
	)	
<b>JUSTICE PEPALL</b>	)	<b>DAY OF MARCH, 2010</b>

**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**

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

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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 \$200,000 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

Court File Number: 10 - 8030 - 0001

Superior Court of Justice  
Commercial List

**FILE/DIRECTION/ORDER**  
In the matter of the CCAA  
Re Nelson Financial Groups Ltd.  
Plaintiff(s)

AND

Defendant(s)

Case Management  Yes  No by Judge: Repall

Counsel	Telephone No.:	Facsimile No.:

- Order  Direction for Registrar (No formal order need be taken out)
- Above action transferred to the Commercial List at Toronto (No formal order need be taken out)

- Adjourned to: \_\_\_\_\_
- Time Table approved (as follows): \_\_\_\_\_

("NFG")

Nelson Financial Groups Ltd seeks an initial order pursuant to the CCAA. NFG operates 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 shareholder Mark Boudet (common).

NFG currently finances customers of vendors - the consumer household goods/appliances + food sectors to provide financing to customers. NFG has removed money from investors in the context of unsecured promissory notes + long term preferred shares. The model is based on raising money from investors at a 12-16% rate of interest + using that money to

March 23, 2010  
Date

80 Repall J  
Judge's Signature

Additional Pages \_\_\_\_\_



Court File Number: \_\_\_\_\_

Superior Court of Justice  
Commercial List

**FILE/DIRECTION/ORDER**

**Judges Endorsement Continued**

extend credit at significantly higher rates. There are 685 outstanding investor loan notes totaling approximately \$37 million + 169 preferred share holders with a par value of about \$15 million. NCF 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 + NCF acknowledges that it is insolvent. Liabilities are stated to be approx \$37 million + assets approx \$30 million in the most recent internally prepared interim financial statements.

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

The OSC has conducted a compliance review for the period Sept 1, 08 to July 31, 09 + has identified a number of compliance issues.

The OSC was served with the material on this application late yesterday. It sought an adjournment to file responses + 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 + the comeback provision, I declined the request for the adjournment + granted the order requested. The OSC is a regulatory body

Court File Number: \_\_\_\_\_

Superior Court of Justice  
Commercial List

## FILE/DIRECTION/ORDER

## Judges Endorsement Continued

unopposed by the State + is at liberty to  
bring its own proceedings for to vary  
this initial order.

NFC does not appear to have  
significant liabilities to secured  
creditors + according to NFC, the  
restitutions under the PPSA noted -  
para 41 of Mr. Baret's affidavit are  
largely historical. The restitutions - favour  
of Nelson Investment + to an affiliated  
company of which Mr. Baret is the  
principal + sole shareholder. The market  
parties held security, but they are  
not owned by the proposed changes.  
There is no PIP practice.

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

A cheque of \$200,000 in favour of the  
director is proposed together with  
an administrative charge of \$1 million  
for the fees of the monitor + its counsel +  
NFC's counsel. I am satisfied that  
these charges are merited - the  
circumstances + meet the requirements  
imposed by the recent amendments  
to the CAA.

A John Park + Associates has consented  
to act + is qualified to act as monitor.

Clearly NFC is a debtor company +  
has met the other requirements for the  
issuance of an initial order under  
the CAA.

NFC intends to continue to find new  
customer loans but will not issue any  
notes or preferred shares. A cash flow

Court File Number: \_\_\_\_\_

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsement Continued

Statement has been filed as has a preliminary report been filed by the proposed Monitor on same. The statement suggests that NFA will be able to meet its operating costs during the stay period from cash flow generated by the business.

NFA has outlined the parameters of a proposed Plan + I am of the view that if challenged the opportunity, based on the evidence before me to attempt a restructuring with its creditors. In this regard I would not counsel for NFA, the Monitor + the OSC to have a deal done prior to any initiation of proceedings by the OSC.

Lastly, the investors in NFA, 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 + holders of preferred shares as contemplated by s. 23(1)(d)(ii) of the CCAA. The same applies to the employees.

For these reasons, I granted the order requested.

*Dr. Powell, J.*

### Superior Court of Justice (Commercial List)

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

### Facsimile Transmittal Sheet

File Number: 10-8535-CL

File Name: ABC LTD

FAX NUMBER (s): 416-304-1313 593-2319 862-7661

FROM: Pepall, J. DATE: MARCH 23 2010

TO: C. ROFFET

TO: J. Blout

TO: P. Foy

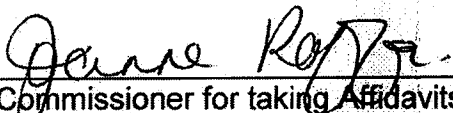
TO: \_\_\_\_\_

SUBJECT: \_\_\_\_\_

NUMBER OF PAGES INCLUDING COVER PAGE: 6

COMMENTS: \_\_\_\_\_

This is Exhibit "C" to the  
Affidavit of Marc Boutet  
sworn before me, this 11<sup>th</sup> 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.



**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 A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

APR 22 2010

PER / PAR: *N*

Court File No. 10-8630-00CL

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.

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

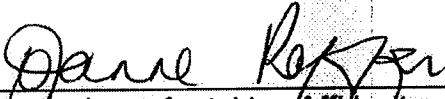
**Clifton P. Prophet / Frank Lamie**  
LSUC No.: 34345K / 54035S

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

**SOLICITORS FOR THE APPLICANT**



This is **Exhibit "D"** to the  
Affidavit of Marc Boutet  
sworn before me, this 11<sup>th</sup> 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**

<b>THE HONOURABLE MADAM</b>	)	<b>THURSDAY, THE 22<sup>nd</sup></b>
	)	
<b>JUSTICE PEPALL</b>	)	<b>DAY OF APRIL, 2010</b>

**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**

---

**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//

Apr 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 Apr 30, 2010 rather than June 7, 2010. The ~~more~~ further extension will be addressed on Apr 30, 2010 along with the relief - paragraphs (a) + (b) of the notice of motion. The relief requested - para (c) is adj'd ~~TRUST~~ before me at 9:30 Apr 28, 2010. ~~7 1/2 hrs~~ <sup>including</sup> ~~Apr 30~~

As to the stay extension to Apr 30, 2010, based on the materials filed, the extension will provide for every stability + the Applicant appears to be acting in good faith + with due diligence. There is adequate cash to fund the stay period. In my view it is appropriate to extend the stay to Apr 30, 2010. This extension is also supported by the Minister <sup>(supra)</sup>

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.

Court File No.: 10-8630

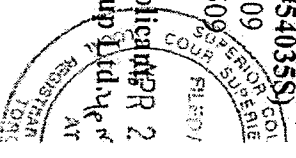
22 APR 2010 Applicant

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
(PROCEEDING COMMENCED AT TORO)

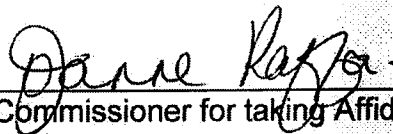
MOTION RECORD  
(Returnable April 22, 2010)

GOWLING LAFLEUR HENDERSON LLI  
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.



This is Exhibit "E" to the  
Affidavit of Marc Boutet  
sworn before me, this 11<sup>th</sup> 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.

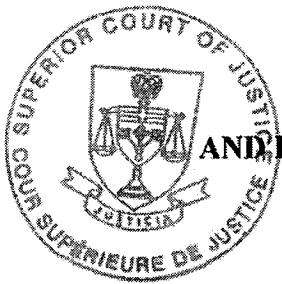
Court File No. 10-8630-00CL

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

THE HONOURABLE MADAM	)	FRIDAY, THE 30 <sup>th</sup>
	)	
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

**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.

*sup*  
**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 Inc, SERVICE and counsel for the Ontario Securities Commission,*

*mp*  
~~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.

*Stu Pepall*

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

APR 30 2010

PER / PAR: *R*

Court File No. 10-8630-00CL

**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.**

**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

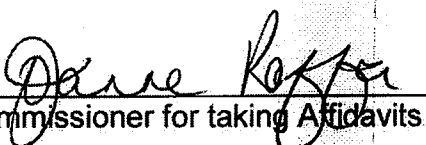
**Clifton P. Prophet / Frank Lamie**  
LSUC No.: 34345K / 54035S

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

**SOLICITORS FOR THE APPLICANT**



This is **Exhibit "F"** to the  
Affidavit of Marc Boutet  
sworn before me, this 11<sup>th</sup> 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.**

April 28, 2010

- 1) 3 hour motion fixed for May 19, 2010.  
10 am start.
- 2) Attached schedule ordered.

Dr. Ripall, J.

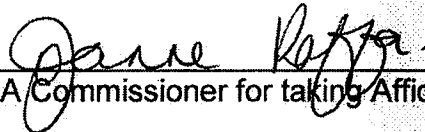
Apr 30, 2010

1) Counsel to attend before me at 9:30 May 4, 2010 to speak to head care motion schedule addressed on Apr 28, 2010 but only if necessary. Counsel to advise CCO.

2) The stay extension to June 7, 2010 is unopposed + is granted on the same basis as attached - para 2 of my Apr 22, 2010 endorsement. Counsel for the Applicant also advises that NFA continues to intend to find new customer leads but will not issue any notes or prof shares.

Master supports requested order + it is granted.  
Dr. Ripall, J.

This is Exhibit "G" to the  
Affidavit of Marc Boutet  
sworn before me, this 11<sup>th</sup> 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 )  
 )  
JUSTICE PEPALL )

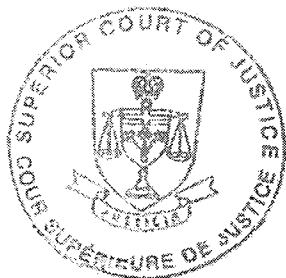
FRIDAY, THE 4<sup>th</sup>  
DAY OF JUNE, 2010

**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

**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.

  
\_\_\_\_\_

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

JUN 04 2010

PER / PAR: 

Court File No. 10-8630-00CL

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.

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**

This is Exhibit "H" to the  
Affidavit of Marc Boutet  
sworn before me, this 11<sup>th</sup> 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.

June 4/2010

The Applicant seeks a brief stay extension until June 15, 2010. It is working on stabilizing the business + formulating a Plan + the Monitor is in the process of preparing a revised viability analysis + a liquidation analysis. The Monitor is of the view that the Applicant is acting in good faith towards preparing a Plan + with due diligence. The projected cash flow to June 15, 2010 supports an extension. The Monitor supports the request as does counsel for the D'Alves creditors. The OSC is unopposed. The proceedings before the OSC are being expedited + counsel for the OSC is hopeful that the hearing will take place this summer.

On June 15, 2010, a further stay extension is expected to be requested. In addition, the outstanding hearing matter + a request for the appointment of NP counsel may be addressed. In the circumstances, I have concluded that it is appropriate to grant the order requested.

*Cliffon P. Prophet*

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.

Court File No.: 10-8630-00CL

4 JUNE 2010 Applicant

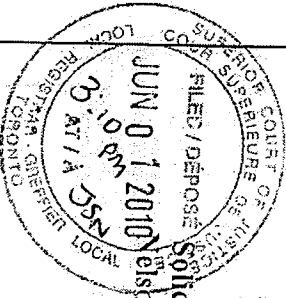
ONTARIO  
 SUPERIOR COURT OF JUSTICE  
 (COMMERCIAL LIST)  
 (PROCEEDING COMMENCED AT TORONTO)

MOTION RECORD  
 (Returnable June 4, 2010)

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


Cliffon P. Prophet (LSUC# 34845K)  
 Frank Lamie (LSUC #54035S)  
 Tel: (416) 862-3509  
 Fax: (416) 863-3509

Solicitors for the Applicant,  
 Nelson Financial Group Ltd.





This is **Exhibit "I"** to the  
Affidavit of Marc Boutet  
sworn before me, this 11<sup>th</sup> 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**

**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;

- (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**”).

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.

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 31<sup>st</sup> day of May, 2010.

*Joanne Raffa*  
A Commissioner, etc

*Marc Boutet*  
MARC BOUTET

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

Court File No. 10-8630-00CL

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.

Applicant

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
(PROCEEDING COMMENCED AT TORONTO)

**AFFIDAVIT OF MARC BOUTET**  
(Sworn June 11, 2010)

**GOWLING LAFLEUR HENDERSON LLP**

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**SOLICITORS FOR THE APPLICANT,  
NELSON FINANCIAL GROUP LTD.**

Court File No.: 10-8630-00CL

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

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

(PROCEEDING COMMENCED AT TORONTO)

**MOTION RECORD  
(Returnable June 15, 2010)**

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