

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

**THE HONOURABLE MR.) WEDNESDAY, THE 20TH
JUSTICE MORAWETZ) DAY OF APRIL, 2011**

**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

**ORDER
(Plan Sanction)**

THE MOTION, made by Sherry Townsend in her capacity as the Interim Operating Officer of Nelson Financial Group Ltd. appointed by this Court (the "IOO"), seeking approval and sanction of the Plan of Compromise and Arrangement of the Applicant, Nelson Financial Group Ltd., was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion and the Motion Record, including the Report of Greg S. MacLeod, CA, CIRP, in his capacity as Chair of the Meeting dated April 17, 2011, the Thirteenth Report of the Monitor dated April 6, 2011, the Second Report of the IOO dated April 18, 2011, the Information Circular dated March 22, 2011 and the Plan of Compromise and Arrangement of the Applicant, Nelson Financial Group Ltd., dated February 11, 2011 (as amended to April 12, 2011) and on hearing the submissions of counsel for the IOO on behalf of the Applicant, the Representative

Counsel, A. John Page & Associates Inc. in its capacity as the Court-appointed Monitor of the Applicant (the “Monitor”) and the staff of the Ontario Securities Commission, no other persons appearing although duly served;

Service

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record in respect of this motion be and it is hereby abridged and the service of the Notice of Motion and Motion Record herein as effected by the Applicant is hereby validated in all respects and any further service is dispensed with.

Definitions

2. **THIS COURT ORDERS** that capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the Plan of Compromise and Arrangement in respect of the Applicants dated February 11, 2011 as amended to April 12, 2011 (the “Plan”).

Approval of the Report of the Chair on the Meeting

3. **THIS COURT ORDERS** that the Report of Greg S. MacLeod dated April 17, 2011 in respect of the conduct of the Meeting of Creditors chaired by him in accordance with the Order of this Court made on March 4, 2011 (the “Plan Filing and Meeting Order”), and the activities of the Chair as described in the Report be and they are hereby approved.

Sanction of the Plan

4. **THIS COURT ORDERS AND DECLARES** that being satisfied that:

- a) the Plan has been approved by the required majority of the Eligible Voting Creditors of the Applicant at the Meeting properly convened for that purpose in accordance with the Plan Filing and Meeting Order;
- b) the Applicant under the direction of the IOO has complied with all statutory requirements of the *Companies' Creditors Arrangement Act* (the "CCAA") and has not done or purported to do anything that is not authorized by the CCAA; and
- c) the Plan is fair and reasonable;

the Plan shall be and is hereby sanctioned and approved pursuant to section 6 of the CCAA and the compromises and arrangements contemplated under the Plan are approved, binding and effective as set out in the Plan and in this Order upon all Affected Creditors.

5. **THIS COURT ORDERS** that the reorganization of the share capital of Nelson Financial Group Ltd., including the change of its corporate name, the cancellation of all presently issued and authorized shares in its capital stock, the authorization of New Special Shares and Common Shares and the appointment of a board of directors of five persons, being Bruce Clark, Rina Mancini, John McCabe, Sherry Townsend and Tina Young-Kranc, as described in the Articles of Reorganization in the form attached hereto as Schedule "A" is hereby approved pursuant to section 186 of the Ontario *Business Corporations Act* ("OBCA"), including without limitation pursuant to section 186(2) and (3)(b) of the OBCA.

Plan Implementation

6. **THIS COURT ORDERS** that the Applicant and the IOO shall be and are hereby authorized to take all actions necessary or appropriate to implement and give effect to the Plan in accordance with its terms and including, without limitation, (i) to deliver forthwith the Articles of Reorganization to the Director appointed under the OBCA for filing, (ii) to convene a meeting of the board of directors of the Applicant, (iii) to proceed to implement and consummate the issue of the Capital Recovery Debentures, the New Special Shares, the Common Shares and make the payments in respect of the rights of creditors with Proven Claims pursuant to the Plan, and (iv) to execute and deliver all such other instruments, releases, indentures, agreements and other documents necessary or desirable in connection with the Plan or to make it fully effective.

Plan Releases

7. **THIS COURT ORDERS** that, on the Plan Implementation Date, the releases provided for under section 10.5 of the Plan shall, to the extent not specifically prohibited by the CCAA and in any event subject to the limitations of section 5.1(2) of the CCAA, become effective provided, however, that nothing herein shall release any person, other than the Applicant, from any liability for fraud, fraudulent misrepresentation, gross negligence, willful misconduct or criminal conduct.
8. **THIS COURT ORDERS** that, upon the Plan Implementation Date, each Affected Claim shall be settled, compromised and released in accordance with the Plan and the ability of any Affected Creditor to proceed against the Applicant or

any of the assets or property of the Applicant in respect of, in connection with or relating to such Affected Claim is hereby permanently stayed, subject only to the right of the Affected Creditor to receive distributions in accordance with the Plan.

9. **THIS COURT ORDERS** that the Monitor is hereby authorized, *nunc pro tunc*, to redact the exhibits to the memorandum reporting on the Results of the Claims Procedure dated March 9, 2001, which is attached as Exhibit “B” to the Thirteenth Report of the Monitor dated April 6, 2011 (the “Thirteenth Report”), which redacted version was served upon any party other than this Court.
10. **THIS COURT ORDERS** that the unredacted version of the memorandum of the Monitor attached as Exhibit “B” to the Thirteenth Report and filed with this Court shall remain sealed until further Order of this Court.
11. **THIS COURT ORDERS** that the Monitor is authorized and directed to post the Report of the Chair of the Meeting with a form of the Voting Record in which the names of the Creditors are redacted attached as Exhibit “D” thereto.
12. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada and other countries and as against all Persons against whom it may otherwise be enforceable.
13. **THIS COURT ORDERS AND REQUESTS** the aid and recognition of any Court or any judicial, regulatory or administrative body in any province or territory of Canada (including, without limitation, the assistance of any Court in Canada pursuant to section 17 of the CCAA) and the Federal Court of Canada and

any judicial, regulatory or administrative tribunal or other Court or any judicial regulatory administrative body of the United States of America and the States or other subdivisions of the United States of America and of any other nation or state to act in aid of to be complimentary to this Court in carrying out the terms of this Order.

14. **THIS COURT ORDERS AND DECLARES** that it continues to have and shall reserve to itself jurisdiction to make any and all further orders as may be necessary to complete or give effect to all matters ancillary to or arising in the course of these proceedings and that any of the Applicant and the Trustees from time to time of the Nelson Litigation Trust established pursuant to the Plan, the Representative Counsel, the IOO or the Monitor may apply to this Court for such further orders, advice, directions or assistance as may be necessary to complete any outstanding matters or to give effect to the terms of and the intention of the Plan.

Morawetz, J.

911152

Form 9
 Business
 Corporations
 Act

Formule 9
 Loi sur les
 sociétés par
 actions

**ARTICLES OF REORGANIZATION
 STATUTS DE RÉORGANISATION**

1. The name of the corporation is: (Set out in BLOCK CAPITAL LETTERS)
Dénomination sociale de la société : (Écrire en LETTRES MAJUSCULES SEULEMENT) :

N	E	L	S	O	N		F	I	N	A	N	C	I	A	L		G	R	O	U	P		L	T	D	.		

2. The new name of the corporation if changed by the reorganization: (Set out in BLOCK CAPITAL LETTERS)
Nouvelle dénomination sociale de la société si elle est modifiée par suite de la réorganisation : (Écrire en LETTRES MAJUSCULES SEULEMENT) :

P	R	O	V	I	D	E	R		C	A	P	I	T	A	L		G	R	O	U	P		I	N	C	.			

3. Date of incorporation/amalgamation: / *Date de la constitution ou de la fusion :*

1990/09/14

Year, Month, Day / année, mois, jour

4. The reorganization was ordered by the court on / *La cour a ordonné la réorganisation le*

2011/04/20

Year, Month, Day / année, mois, jour

and a certified copy of the Order of the court is attached to these articles as Exhibit "A". / *une copie certifiée conforme de l'ordonnance de la cour constitue l'annexe «A».*

5. In accordance with the Order for reorganization the articles of the corporation are amended as follows:
Conformément à l'ordonnance de réorganisation, les statuts de la société sont modifiés de la façon suivante :

Please refer to the attached Pages 1A to 1D, inclusive.

5.
 1. The issued and outstanding Class A common shares, Class B common shares, Series A Preferred shares and Series B Preferred shares are cancelled and of no further force or effect and all of the authorized and unissued Class A common shares, Class B common shares, Series A Preferred shares and Series B Preferred shares are hereby deleted and cancelled.
 2. Item 9 of the Articles of Incorporation dated September 14, 1990 is deleted in its entirety.
 3. The classes and shares that the Corporation is authorized to issue from and after the date of filing of these Articles of Reorganization shall be as follows:
 - a) The Corporation is authorized to issue an unlimited number of Common Shares and 1,000,000 New Special Shares;
 - b) The rights, privileges, restrictions and conditions attaching to the Common Shares shall include the following:
 - (i) **Payment of Dividends:** The holders of the Common Shares shall be entitled to receive dividends if, as and when declared by the Board of Directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the Board of Directors may from time to time determine. Subject to the rights of the holders of any other class of shares of the Corporation entitled to receive dividends in priority to or rateably with the holders of the Common Shares, the Board of Directors may in their sole discretion declare dividends on the Common Shares to the exclusion of any other class of shares in the Corporation
 - (ii) **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the Liquidation, Dissolution or Winding-Up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall, subject to the rights of the holders of any other class of shares of the Corporation entitled to receive the asset for the Corporation upon such a distribution in priority to or rateably with the holders of the Common Shares, be entitled to participate rateably in any distribution of the assets of the Corporation.
 - (iii) **Voting Rights:** The holders of the Common Shares shall be entitled to receive notice of and to attend all annual and special meetings of the shareholders of the Corporation and to one vote in respect of each Common Share held at all such meetings.
 - c) The rights, privileges, restrictions and conditions attaching to the New Special Shares are as follows:

- (i) The New Special Shares authorized to be issued shall consist of 1,000,000 shares.
- (ii) Except as required by the *Business Corporations Act*, the holders of the New Special Shares shall not be entitled to receive notice of or to attend any meeting of shareholders of the Corporation except for a meeting at which the holders of the New Special Shares are entitled to vote separately as a class.
- (iii) The holders of the New Special Shares, in priority to the holders of the Common Shares and all other shares ranking junior to the New Special Shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends, fixed preferential cumulative cash dividends at the rate of Six (6%) percent per annum on the Redemption Price (as hereinafter defined) per share. The holders of the New Special Shares shall not be entitled to any dividends other than or in excess of the preferential cumulative cash dividends hereinbefore provided.
- (iv) Except with the consent in writing of the holders of all of the New Special Shares outstanding, no dividend shall at any time be declared and paid on or set apart for payment on the Common Shares or on any other shares ranking junior to the New Special Shares in any financial year unless and until the approved preferential cumulative cash dividends on all of the New Special Shares outstanding have been declared and paid or set apart for payment.
- (v) Redemption
 - (a) Subject to the *Business Corporations Act*, the Corporation may redeem or purchase the New Special Shares in accordance with the following terms and conditions. In these share provisions, "Redemption Price" shall be equal to Twenty Five (\$25.00) dollars per share. The "Redemption Amount" for each New Special Share shall be the Redemption Price, together with all cumulative dividends which shall have accrued thereon but shall be unpaid or undeclared and which shall be treated as accruing to the date of such redemption.
 - (b) The Corporation may redeem all or from time to time any of the outstanding New Special Shares on payment to the holders thereof of the Redemption Amount. If less than all of the outstanding shares are to be redeemed, the shares to be redeemed shall be selected by lot or, disregarding fractions, *pro rata* to the number of shares registered in the name of each shareholder or in such other

manner as the directors may determine with the written consent of all of the holders of the New Special Shares.

- (c) At least thirty (30) days before any redemption date, the Corporation shall give written notice of redemption to each holder of the shares to be redeemed. The notice shall set out the Redemption Amount, the redemption date, the place of redemption and the number of shares to be redeemed. Accidental failure to give such notice shall not affect the validity of any redemption.
- (d) On or after the redemption date, the Corporation shall cause the Redemption Amount to be paid over to the order of the holders of the shares to be redeemed, on surrender of the certificates representing such shares at the redemption place. Such shares shall thereupon be redeemed. From and after the redemption date, the holders of the shares called for redemption shall cease to be entitled to any rights of shareholders in respect thereof except to receive the Redemption Amount, unless it is not paid or deposited in accordance with (in which case their rights shall remain unimpaired).
- (e) The Corporation may at any time deposit the Redemption Amount of any New Special Shares called for redemption with any Canadian chartered bank or trust company or solicitors of the Corporation named in the Notice of Redemption or in a subsequent notice to the holders of the shares in respect of which the deposit is made, in a special account for the holders of such shares. On the date of deposit, or redemption date if later, the shares in respect of which such deposit is made shall be redeemed and from and after such date the rights of their holders shall be limited to severally receiving out of the monies so deposited, without interest, the Redemption Amount of their redeemed shares upon surrender to such bank, trust company or solicitors, as the case may be, of the certificates representing such shares. Any interest earned on any such deposit belongs to the Corporation.
- (f) In the event of the liquidation, dissolution or winding up of the Corporation or any distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the New Special Shares shall be entitled to receive the Redemption Amount of such shares and shall not share further in any final distribution.

4. The following five (5) persons are hereby designated to be the directors of the Corporation to hold office from the date of filing of these Articles until their

successors shall be elected at the next annual general meeting of the shareholders of the Corporation:

Name	Address
Bruce Clark	6920 Johnson Wagon Crescent Mississauga, Ontario Canada L5W 1B2
Rina Mancini	4 – 2417 Old Carriage Road Mississauga, Ontario Canada L5C 1Y6
John McCabe	200 – 7077 Keele Street Concord, Ontario Canada L4K 0B6
Sherry Townsend	10 Melford Drive Toronto, Ontario Canada M1B 2G1
Tina Young	500 – 425 University Avenue Toronto, Ontario Canada M5G 1T6

6. The terms and conditions to which the reorganization is made subject by the Order have been complied with.
Les conditions que l'ordonnance impose à la réorganisation ont été respectées.

These articles are submitted under section 186 of the *Business Corporations Act* and are signed in duplicate.
Les présents statuts sont déposés en vertu de l'article 186 de la Loi sur les sociétés par actions. Ils sont signés en double exemplaire.

Nelson Financial Group Ltd.

Name of Corporation / *Dénomination sociale de la société*

By/
Par :

Sherry Townsend - Interim Operating Officer

Signature / *Signature*

Description of Office / *Fonction*

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Applicant

Court File No. 10-8630-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

ORDER
(Plan Sanction)

RICHARD B. JONES
Barrister & Solicitor
Suite 1201, Scotia Plaza
100 Yonge Street
Toronto, ON M5C 2W1

Richard B. Jones (LSUC No. 11575V)
Tel: 416-863-0576
Fax: 416-869-0092
Email: richard.jones@sympatico.ca

Special Counsel for Interim Operating Officer
and for Representative Counsel