

Court File Number: 10 - 8030 - 0001

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

In the matter of the CCAA

Re Nelson Financial Group 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 Group Ltd seeks an initial order pursuant to the CCAA. NFG carries on a consumer finance business in Pickering Ontario. Its principal business is vendors assisted financing. Until recently, its principal business was sub-prime vehicle financing. The business was established in 1970 by its sole shareholder Marc Boudet.

NFG currently finances customers of vendors - the consumer household appliances + 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 + full preferred shares. The model is based on raising money from investors at a 12-10% rate of interest + using that money to

March 23, 2010
Date

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 Aug 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 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 + the comeback provisions, 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

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Judges Endorsement Continued

unaffected by the stay + is at liberty to
bring its own proceedings 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. Barlet's affidavit are
largely historical. The restitutions - favour
of Nelson Investment + to an affiliated
company of which Mr. Barlet is the
principal + sole shareholder. The main
parties held security but they are
not named by the proposed charges.
There is no DIP financing.

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 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 + 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 Poir + 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 fund new
customer loans but will not issue any
notes or preferred shares. A cash flow

Court File Number: _____

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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 I 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 NFA, the Monitor + the OSC to have a dialogue prior to any intervention of proceedings by the OSC.

hastily, 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 shareholders + holders of preferred shares as contemplated by s. 23(4d)(iii) of the CCAA. The same applies to the employees.

For these reasons, I granted the order requested.

Dr. P. J.

SHORT TITLE

DATE: Mar 23/10

ABC LTD
COUNSEL SLIP

COUNSEL FOR PLAINTIFF(S)

Applicants

COUNSEL FOR DEFENDANT(S)

NON-PARTY ~~PLAINTIFF~~

① Cliff Prophat & Frank Lennie
Goulding Lafleur Henderson LLP
For Nelson Financial (Applicant)

Ontario Securities
Commission

② A. John Page
Proposed Monitor

Pamela Fay
Lindsay Counsel DC

③ ~~JH PRODT~~ 416 354 5557
FO (MUSTA) 416 354 1313

Johanna Superna
Lindsay Counsel DC

PHONE: (416) 862-7525
FAX: (416) 862-7061

PHONE: 416 593-2386
FAX: 416 593-2319