

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE MADAM )  
JUSTICE PEPALL )  
)  
)

MONDAY, THE 16<sup>th</sup> DAY  
OF NOVEMBER, 2010

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



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

**Applicant**

**ORDER**

**THIS MOTION** made by **Douglas Turner, Q.C.**, in his capacity as the Court-appointed Representative Counsel (the "**Representative Counsel**") for the holders of promissory notes issued by the Applicant (collectively, the "**Noteholders**" and each a "**Noteholder**"), for the relief set out in the Notice of Motion dated September 2, 2010 was heard on October 18 and 19, 2010 at 330 University Avenue, Toronto, Ontario.

**ON READING** the material filed, including the Notice of Motion, the Seventh Report of the Monitor dated September 13, 2010 (the "**Seventh Report**"), the Supplemental to Seventh Report of the Monitor dated September 17, 2010, the Second Supplemental to Seventh

Report of the Monitor dated October 14, 2010, the Affidavit of Clifford Styles sworn October 14, 2010 and the Affidavits and materials filed by the unrepresented Respondents, (collectively, the “**Motion Materials**”), and on hearing from counsel for the Representative Counsel, counsel for the Monitor, counsel for the Applicant, counsel for Staff of the Ontario Securities Commission (the “**OSC**”) and counsel for Clifford Styles, Jackie Styles and Playle Investments Ltd. and on hearing submissions and argument from Michael Beardsley, Arnold Bolliger, John McVey, Joan Frederick, Rakesh Sharma, Larry Debono, Clifford Holland and Keith McLear, self represented respondents, and no one else appearing although duly served as appears from the Affidavits of Service filed, decision having being reserved until this day:

1. **THIS COURT ORDERS** that the time for service of the Motion Materials is hereby abridged so that this Motion was properly returnable on October 18 and 19, 2010 and hereby dispenses with further service thereof.
  
2. **THIS COURT ORDERS AND DECLARES** that all claims that have been or could be made by any holders of preferred shares of the Applicant (the “**Preferred Shareholders**”) against the Applicant as creditors in respect of such preferred shares, including, without limitation, any liquidated or unliquidated claims for unpaid dividends, redemption or retraction of such preferred shares, rescission or annulment of a purchase or subscription of such preferred shares, damages or other compensatory orders with respect to negligent or fraudulent misrepresentations made by or on behalf of the Applicant in connection with the sale or purchase of any such preferred shares (collectively, “**Preferred Shareholder Claims**” and each a “**Preferred Shareholder Claim**”), are to be classified as “equity claims” within the meaning of that term in the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) for all purposes of these proceedings, including the claims procedure

established under the Order of this Court made on July 27, 2010 (the “Claims Procedure Order”) and any plan of arrangement that may be filed by the Applicant or by any creditor in respect of the Applicant.

3. **THIS COURT ORDERS** that all Preferred Shareholder Claims shall form a separate class of claims and no holder of a Preferred Shareholder Claim shall be entitled to vote such claim at any meeting of creditors called to consider any plan of arrangement in this proceeding..
4. **THIS COURT ORDERS** that any plan of arrangement to be proposed by the Applicant or by any creditor must provide that all Claims (as such are defined in the Claims Procedure Order) that are not equity claims are to be paid in full before any Preferred Shareholder Claim is to be paid.
5. **THIS COURT ORDERS** that the Claims Procedure Order be amended to provide that the Monitor shall (a) designate all Preferred Shareholder Claims in a separate class of claims designated as “equity claims” and not as unsecured creditor claims or Claims (as such are defined in the Claims Procedure Order); (b) not be required to issue any Notices of Disallowance in respect of any Proof of Claim or Proof of Shareholding (as such terms are defined in the Claims Procedure Order) filed with the Monitor in accordance with the Claims Procedure Order with respect to a Preferred Shareholder Claim.
6. **THIS COURT ORDERS** that, notwithstanding the foregoing or the Claims Bar Date (as defined in the Claims Procedure Order), the Monitor is hereby directed to (a) investigate the claim filed by John McVey that he is entitled to be treated as a creditor and not as a Preferred Shareholder as his promissory note should never have been converted into preferred shares, the conversion was unauthorized and the signatures on the term sheets are not his own (the

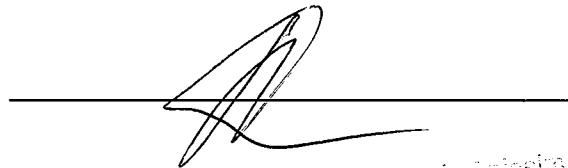
“**McVey Claim**”); (b) consider a resolution of the McVey Claim based upon such investigation; and (c) report to this Court with its recommendations on notice to the affected parties including John McVey, the Applicant and the Representative Counsel.

7. **THIS COURT ORDERS** that, notwithstanding the foregoing, the Monitor is directed to (a) investigate the claims made by Larry and Frances Debono and Larr Engineered Prototypes that they are entitled to be treated as creditors and not as Preferred Shareholders in so far as they claim that they lent declared and paid dividends on their preferred shares to the Applicant (the “**Debono Claims**”); (b) consider a resolution of the Debono Claims based upon such investigation; and (c) report to this Court with its recommendations on notice to the affected parties including Larry Debono, the Applicant and the Representative Counsel.
8. **THIS COURT ORDERS** that the Representative Counsel and the Monitor may, if so advised, make written submissions as to the disposition of costs on the motion within ten business days and that any respondents against whom costs are sought, including Clifford Styles, Jackie Styles and Playle Investments Ltd., shall then have ten business days to make written responding submissions.

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

MAR 04 2011

PER / PAR:



A. Antoshchuk  
Registrier

**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

Court File No.:10-8630-00CL

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

Proceedings commenced at **Toronto**

**ORDER**

**Douglas Turner Q.C.**  
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**Special Counsel for the Representative Counsel for the  
Noteholders**