

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.

APPLICANT

FIRST REPORT OF A. JOHN PAGE & ASSOCIATES INC.  
IN ITS CAPACITY AS THE MONITOR OF THE APPLICANT

APRIL 15, 2010

INTRODUCTION

1. By Order of this Honourable Court dated March 23, 2010 ("the Initial Order") Nelson Financial Group Ltd. ("Nelson" or "the Applicant") obtained protection from its creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("CCAA"). A copy of the Initial Order is attached as Exhibit "A". The CCAA proceedings with respect to the Applicant is referred to herein as "the CCAA Proceedings".

2. Pursuant to the Initial Order, A. John Page & Associates Inc. was appointed as monitor of the Applicant as part of the CCAA Proceedings ("**the Monitor**"). Pursuant to the Initial Order, all proceedings against the Applicant have been stayed until April 22, 2010, or such later date as this Court may order.
3. The Monitor has established a web page at *www.ajohnpage.com/html/files.html* . The Monitor has posted there key documents including the Initial Order, the Applicant's original application record, the Report of A. John Page & Associates Inc. as Proposed Monitor dated March 22, 2010, the Endorsement of Madam Justice Pepall dated March 23, 2010 and the listing of creditors dated March 23, 2010.
4. The purpose of this report ("**the Report**") is to provide this Honourable Court with information on the following:
  - a) The activities of the Applicant since the commencement of the CCAA Proceedings
  - b) The activities of the Monitor since the commencement of the CCAA Proceedings
  - c) The receipts and disbursements of the Applicant for the period from the start of the CCAA Proceedings to April 9, 2010
  - d) The Monitor's review of the viability of the business of the Applicant
  - e) The dealings of the Monitor and the Applicant with various stakeholders and interested parties including investors and the Ontario Securities Commission
  - f) The Applicant's request for an extension of the stay period to June 7, 2010 ("**the Applicant's Extension Application**")

- g) The Applicant's request for approval of the activities of the Monitor as described in this report.
5. This is the first report of A. John Page & Associates Inc. in its capacity as Monitor, in the CCAA Proceedings. As noted earlier A. John Page & Associates Inc. did prepare a report dated March 22, 2010 in its capacity as proposed monitor.

### **NOTICE TO READER**

6. In preparing this Report and making the comments contained in the Report, the Monitor has been provided with and has relied upon unaudited financial information, information from the Applicant's books and records and financial information prepared by the Applicant and its advisors. In addition the Monitor has held discussions with management of the Applicant and has relied upon the information conveyed in those discussions. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy and completeness of any of the information obtained and, accordingly, expresses no opinion or other form of assurance in respect of the information contained in this Report. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future oriented financial information referred to or relied upon in this Report was based on management's estimates and assumptions. Readers are cautioned that, since such information is based on assumptions about future events and conditions that are not ascertainable, the actual results will vary from the forecasts and

projections and the variations may be material.

7. Unless otherwise stated, all monetary amounts referred to in this Report are expressed in Canadian dollars.

## **BACKGROUND**

8. The Applicant was established by its current President, Marc Boutet, in 1990.
9. The Applicant is a Pickering, Ontario based privately owned company. Its principal business is vendor assisted financing. Until recently, its principal business was sub-prime vehicle financing. The Applicant has been moving out of this market since 2005. It expects to complete its exit from this market in 2011.
10. The Applicant's end customers include a mix of prime borrowers (bank quality), non prime borrowers (below bank quality) and sub prime borrowers (lowest quality). Its customers are typically individuals who are under serviced by traditional banks and financial service companies. Customers in the Applicant's remaining sub-prime vehicle leasing business are, for the most part, sub-prime borrowers. Customers in the vendor assisted programs are typically a mix of prime borrowers and non-prime borrowers.
11. The Applicant currently finances customers of vendors in two sectors, consumer household goods/appliances and food. The vendor provides the end customer with an application form and contract. The application form is submitted to the Applicant by the vendor for approval. If approved, the

Applicant pays the vendor the cost of the product being financed, usually at a discount. The customer repays the Applicant in accordance with the terms of their agreement.

12. At the present time the Applicant has 28 employees, including Mr. Boutet.
13. In order to provide financing to customers, the Applicant has borrowed money from investors in the exempt market pursuant to a continuous offering of unsecured promissory notes generally with a 12% rate of interest and/or preferred shares that have generally paid a 10% per annum dividend monthly. The Applicant has not had and does not have a line of credit or other financing arrangements with a Chartered Bank or other financial institution.
14. The Applicant's business model has been based on being able to raise money from investors at a 12% or 10% rate of return and, in turn, use that money to extend credit at significantly higher rates to lessees in the sub prime vehicle financing business and customers in the vendor assisted financing programs.

## **CAUSES OF FINANCIAL DIFFICULTIES**

15. It appears that the Applicant's financial difficulties can be attributed to its venture into the sub prime vehicle financing business in 2003. The Applicant is no longer in that business.

## **CASH FLOW FORECAST**

16. The Applicant filed a 13 week weekly cash flow projection ("**the Original**

**Cash Flow Projection**") with its original application record. The Monitor has been monitoring the Applicant's receipts and disbursements in accordance with the Initial Order and the CCAA. The Monitor has been comparing the actual results with the Original Cash Flow Projection. Attached as Exhibit "B" are three schedules:

- a) The Original Cash Flow Projection
- b) The actual cash flow to April 9, 2010 and the projected cash flow from then on ("**the Actual Cash Flow to April 9, 2010 and Projected Cash Flow to June 18, 2010**") and
- c) The Variance by week from the Original Cash Flow Projection ("**the Cash Flow Variance Report**")

17. As can be seen clearly on the Cash Flow Variance Report, the Applicant's cash position is significantly different from that anticipated in the Original Cash Flow Projection. It had on hand \$1,129,943 in free cash on April 9, 2010 whereas it was projecting to have only \$382,965. The Monitor has made enquiries about the reasons for this difference. In recent months, approximately 65% of Nelson's lending has been through an aggregator called Lendcare Financial Services Inc. ("**Lendcare**"). Lendcare sourced the consumer loans from a number of vendors and then, pursuant to an agreement dated December 6, 2007, was supposed to give Nelson a first right of refusal to provide funding for these consumer loans. Lendcare has provided no loans for Nelson to review and, if acceptable, fund, over the last three weeks.
18. The Affidavit of Marc Boutet dated April 15, 2010 ("**the Boutet Affidavit**") that is being filed along with the Applicant's Extension Application provides

more information on this matter. On the face of it, Lendcare's actions appear contrary to Section 16 of the Initial Order. As noted in the Boutet Affidavit, the Applicant is actively pursuing replacement lending opportunities.

19. The Applicant has not prepared a revised cash flow projection to reflect the loss of the Lendcare business and the likely timing and quantum of the replacement business it is currently attempting to source. The Actual Cash Flow to April 9, 2010 and Projected Cash Flow to June 18, 2010 schedule merely shows the actual results to date and the projected results going forward according to the Original Cash Flow Projection. Until such time as Nelson starts to replace the business previously sourced through Lendcare it will continue to add to its cash position at the rate of an estimated additional \$200,000 per week.
20. In the short term, the lack of these Lendcare loans does not appear prejudicial to the position of stakeholders. There is some small (but increasing) loss of income, being the interest that would have been earned on these loans. However, the Applicant's cash position is improving.

## **OPERATIONS**

21. Since the issuance of the Initial Order, the Applicant has continued its business generally in the normal course (including ongoing collection activity on the large number of existing loans). Although, as noted earlier, it has not made any new loans through Lendcare during the last three weeks, it does continue to make new loans through other sources. It has not made any change to its staffing arrangements and has paid its employees every two weeks

in the normal course. The Applicant uses an external payroll service and all source deductions are paid over to the payroll service at the time the payroll is made. As a result there should be no source deduction arrears. The President of the Applicant, Mr. Marc Boutet, had previously been paid through Nelson Investment Group Limited ("**Nelson Investment**"), an affiliated company. This was despite the fact that he had been performing substantial work for the benefit of the Applicant. Since Nelson Investment is not sourcing new investor loans, is not receiving commission payments from the Applicant and is inactive at this time, Mr. Boutet has been added to the Applicant's payroll. The Monitor has reviewed the quantum of Mr. Boutet's salary and finds it to be reasonable in the circumstances. The Applicant has not disposed of any material assets outside of the ordinary course. The Applicant has paid the April monthly rent on its Pickering premises.

## **DEALINGS WITH INVESTORS**

22. As noted earlier, the Applicant has financed its operations from a combination of investor loan notes and preference shares. The Applicant has approximately 685 outstanding investor loan notes totalling approximately \$37,000,000. There are, in addition, 169 separate holdings of preferred shares with a par value of almost \$15,000,000. Approximately 249 of the investor loan notes are held jointly with a co owner. 71 of the preference shares are also held jointly with a co owner. In many cases investors and their families have multiple holdings of investor loan notes and preference shares. For mailing purposes the Monitor consolidated many of the holdings and mailed the Notice to Creditors and Investors to 537 owners and co owners of preference shares and investor loan notes. The Monitor believes that the actual number of investors affected



by the proposed restructuring is in fact about 483.

23. The Monitor drafted a sheet of standard answers to frequently asked questions from investors and creditors. The Monitor arranged for personnel to be available at both the Applicant's Pickering offices and the Monitor's Toronto offices to handle telephone enquiries from investors. The Monitor and the Applicant have had well in excess of 300 telephone enquiries so far. The Monitor and the Applicant have also had a number of face to face meetings with individual investors. The Monitor set up a dedicated email address for enquiries (*Nelson@ajohnpage.com*). The Monitor has received and has responded to a number of investor email enquiries.

## SECURED CREDITORS

24. Foscarini Mackie Holdings Inc. ("**Foscarini**") have registered a security interest in a pool of consumer loans. The security interest purports to secure an investment of \$653,341.63 in an investor promissory note.
25. Glenn & Lisa Mackie ("**the Mackies**") have registered a security interest in a pool of consumer loans. This security interest purports to secure an investment of \$246,000 in preferred shares.
26. The Monitor has asked its legal counsel, ThorntonGroutFinnigan LLP, to review the security interests of Foscarini and the Mackies.
27. Foscarini and the Mackies have engaged Aird & Berlis and have filed a Notice of Appearance.

28. Nelson Investment has registered a security interest under the PPSA to secure payment of earned but unpaid commissions re the sale of investor loan notes and preference shares. According to the Applicant's internal March 31, 2010 financial statements, Nelson Investment is owed \$168,793. The Monitor intends to have this potential secured claim reviewed.
29. Several other parties have registered security interests under the PPSA. The Applicant has previously advised the Monitor that these registrations are historic or otherwise not meaningful and these parties are not valid secured creditors. The Monitor has asked the Applicant's counsel to arrange for these registrations to be discharged.

#### THE ONTARIO SECURITIES COMMISSION

30. In late 2009 the Ontario Securities Commission ("**the OSC**") conducted a compliance review/investigation of Nelson Investment, the Applicant affiliate that distributed the investor loan notes and preferred shares issued by the Applicant.
31. On January 29, 2010, in response to concerns raised by the OSC, the Applicant informed Nelson Investment that it was voluntarily suspending distribution of its promissory notes and preferred shares.
32. Although such applications are often done without notice, Nelson served the OSC with notice of its CCAA application on March 22, 2010, one day prior to the hearing of the application.

33. The OSC asked the Court to adjourn the hearing in order to either file material or to seek the appointment of a Receiver. The Court declined the OSC's request. A copy of the Endorsement of the Honourable Madam Justice Pepall in that regard and an unofficial transcript of the endorsement is attached as Exhibit "C". In her endorsement Madam Justice Pepall urged counsel for the Applicant, the Monitor and the OSC to have a dialogue.
34. The Monitor and the Monitor's counsel met with representatives of the OSC on March 24, 2010.
35. The Monitor's and the Applicant's counsel have both been in periodic communications with the OSC. The Monitor and its counsel have been and continue to be available to answer questions that the OSC might have.
36. The OSC has been continuing its investigations and has been contacting and meeting with a number of investors to better understand aspects of the ways in which they invested in the Applicant's notes and preferred shares.

## **ONGOING BUSINESS PROSPECTS**

37. The Monitor has undertaken a review to identify and assess the issues affecting the ongoing viability of the Applicant assuming a successful restructuring and no ongoing funding issues.
38. Attached as Exhibit "D" is a copy of the memorandum prepared by the Monitor summarizing the review and the Monitor's findings and observations. The review suggests that there is a realistic prospect that the Applicant could

restructure its debt and be able to service that debt and continue in business for the foreseeable future, providing it can obtain financing to assist in the redemption of existing debt in accordance with the debt maturity terms set down in an approved restructuring plan.

### **LIQUIDATION ANALYSIS**

39. The Monitor plans to shortly prepare a liquidation analysis to aid the Applicant in preparing a restructuring plan and to assist its stakeholders in assessing any restructuring plan that may be presented.

### **CLAIMS PROCESS AND THE RESTRUCTURING PLAN**

40. At the request of the OSC the Applicant has not undertaken significant restructuring steps pending the outcome of the Monitor's review of the Applicant's business and operations that is detailed in this Report.

### **THE APPLICANT'S EXTENSION APPLICATION**

41. The Applicant has asked the Court to approve an extension of the stay period to June 7, 2010. The basis for this request is to allow the Applicant to take further steps in its restructuring including developing a claims process and a restructuring plan. An extension would also allow the Monitor to prepare a liquidation analysis to assist both the Applicant and stakeholders.
42. The Original Cash Flow Projection included the Applicant's forecast for weekly periods up to June 18, 2010. These projections suggested that the Applicant

would have sufficient cash with which to fund the business through that period. For the reasons noted above, the Actual Cash Flow to April 9, 2010 and Projected Cash Flow to June 18, 2010 suggest that the Applicant will, in fact, have more cash available with which to fund the business during the stay period.

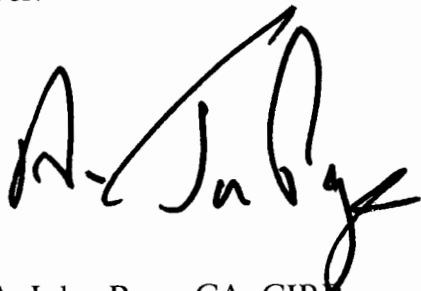
## RECOMMENDATION

43. It is the Monitor's view that the Applicant has been acting reasonably and with due diligence in general compliance with the provisions of the Initial Order. Accordingly, and on the basis of the Monitor's viability analysis, the Monitor supports the Applicant's request for this Honourable Court's approval of the extension of the stay period to June 7, 2010.

All of which is respectively submitted this 15th day of April, 2010.

A. JOHN PAGE & ASSOCIATES INC.  
IN ITS CAPACITY AS THE MONITOR OF  
NELSON FINANCIAL GROUP INC.

per:

A handwritten signature in black ink, appearing to read "A. John Page". The signature is stylized and written in a cursive-like font.

A. John Page, CA • CIRP  
President

**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.**

**EXHIBITS TO THE FIRST REPORT OF A. JOHN PAGE & ASSOCIATES INC.  
IN ITS CAPACITY AS THE MONITOR OF THE APPLICANT**

**APRIL 15, 2010**

The Initial Order	A
Cash Flow Schedules	B
The Endorsement of the Honourable Madam Justice Pepall dated March 23, 2010	C
Memorandum on Viability	D



**Exhibit "A"**

**First Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated April 15, 2010**

**The Initial Order**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE 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.

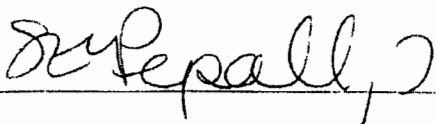
42. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

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.

  
\_\_\_\_\_

16/11/2010 10:00 AM

MAR 23 2010

PER/PAR JV

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**



**Exhibit "B"**

**First Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated April 15, 2010**

**Cash Flow Schedules**

Nelson Financial Group Ltd  
 Weekly Cash Flow Forecast  
 For the 13 week period ending June 18, 2010  
**Original Cash Flow Projection**  
 Unaudited

Week Ending

	26-Mar-10	02-Apr-10	09-Apr-10	16-Apr-10	23-Apr-10	30-Apr-10	07-May-10	14-May-10	21-May-10	28-May-10	04-Jun-10	11-Jun-10	18-Jun-10	Total
<b>Opening Cash</b>	\$405,004	\$455,153	\$421,478	\$382,965	\$354,710	\$420,539	\$374,141	\$376,606	\$274,363	\$419,631	\$373,233	\$402,196	\$299,953	\$405,004
<b>Total Operating Receipts</b>	411,124	428,113	314,541	395,145	402,116	353,619	400,200	314,541	471,555	353,619	416,698	314,541	400,623	4,976,435
<b>Disbursements:</b>														
Payroll and benefits	53,730	53,730	53,730	53,730	53,730	53,730	6,293	53,730	53,730	53,730	6,293	53,730	53,730	334,966
Rent	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	25,164
SG&A	8,664	17,047	25,431	17,047	8,664	8,664	25,431	25,431	8,664	8,664	25,431	25,431	8,664	213,233
Net new Deal Funding	322,311	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	4,133,787
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	30,000	65,000	10,000	35,000	10,000	20,000	40,000	20,000	0	20,000	30,000	20,000	10,000	310,000
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Disbursements</b>	360,975	461,788	353,054	423,400	336,287	400,017	397,735	416,784	326,287	400,017	387,735	416,784	336,287	5,017,150
<b>Net Operating Cash Flow</b>	50,149	(33,675)	(38,513)	(28,255)	65,829	(46,398)	2,465	(102,243)	145,268	(46,398)	28,963	(102,243)	64,336	(40,715)
<b>Closing Cash</b>	\$455,153	\$421,478	\$382,965	\$354,710	\$420,539	\$374,141	\$376,606	\$274,363	\$419,631	\$373,233	\$402,196	\$299,953	\$364,289	\$364,289

See "Notes/Probable and Hypothetical Assumptions Underlying Weekly Cash Flow Forecast for the 13 Week Period ended June 18, 2010" attached



Nelson Financial Group Ltd  
 Weekly Cash Flow Forecast  
 For the 13 week period ending June 18, 2010  
 Actual Cash Flow to April 9, 2010 and Projected Cash Flow to June 18, 2010  
 Unaudited

	Week Ending													Total
	Actual	16-Apr-10	23-Apr-10	30-Apr-10	07-May-10	14-May-10	21-May-10	28-May-10	04-Jun-10	11-Jun-10	18-Jun-10	25-Jun-10	01-Jul-10	
<b>Opening Cash</b>	\$476,685	\$714,522	\$870,272	\$1,129,943	\$1,101,688	\$1,167,517	\$1,121,119	\$1,123,584	\$1,021,341	\$1,166,609	\$1,120,211	\$1,149,174	\$1,046,931	\$476,685
<b>Total Operating Receipts</b>	392,276	406,306	363,865	395,145	402,116	353,619	400,200	314,541	471,555	353,619	416,698	314,541	400,623	4,985,104
<b>Disbursements:</b>														
Payroll and benefits	53,629	53,730	53,730	53,730	6,293	6,293	53,730	53,730	53,730	53,730	6,293	53,730	334,865	334,865
Rent	6,300	6,300	6,300	6,300	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	23,076	23,076
SG&A	6,886	24,797	9,970	17,047	8,664	8,664	25,431	25,431	8,664	8,664	25,431	25,431	8,664	203,744
Net new Deal Funding	116,053	134,330	94,224	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	3,520,837
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	31,500	31,500	0	35,000	10,000	20,000	40,000	20,000	0	20,000	30,000	20,000	10,000	288,000
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Disbursements</b>	154,439	250,556	104,194	423,400	336,287	400,017	397,735	416,784	326,287	400,017	387,735	416,784	336,287	4,350,522
<b>Net Operating Cash Flow</b>	237,837	155,750	259,671	(28,255)	65,829	(46,398)	2,465	(102,243)	145,268	(46,398)	28,963	(102,243)	64,336	634,582
<b>Closing Cash</b>	\$714,522	\$870,272	\$1,129,943	\$1,101,688	\$1,167,517	\$1,121,119	\$1,123,584	\$1,021,341	\$1,166,609	\$1,120,211	\$1,149,174	\$1,046,931	\$1,111,267	\$1,111,267

Nelson Financial Group Ltd  
 Weekly Cash Flow Forecast  
 For the 13 week period ending June 18, 2010

The Cash Flow Variance Report  
 Unaudited

Week Ending

	26-Mar-10	02-Apr-10	09-Apr-10	16-Apr-10	23-Apr-10	30-Apr-10	07-May-10	14-May-10	21-May-10	28-May-10	04-Jun-10	11-Jun-10	18-Jun-10	Total
<b>Opening Cash</b>	\$71,681	\$259,369	\$448,794	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$71,681
<b>Total Operating Receipts</b>	(18,848)	(21,807)	49,324	0	0	0	0	0	0	0	0	0	0	8,669
<b>Disbursements:</b>														
Payroll and benefits	0	(101)	0	0	0	0	0	0	0	0	0	0	0	(101)
Rent	0	(2,088)	0	0	0	0	0	0	0	0	0	0	0	(2,088)
SG&A	(1,778)	7,750	(15,461)	0	0	0	0	0	0	0	0	0	0	(9,489)
Net new Deal Funding	(206,258)	(183,293)	(223,399)	0	0	0	0	0	0	0	0	0	0	(612,950)
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	1,500	(33,500)	(10,000)	0	0	0	0	0	0	0	0	0	0	(42,000)
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Disbursements</b>	(206,536)	(211,232)	(248,860)	0	0	0	0	0	0	0	0	0	0	(666,628)
<b>Net Operating Cash Flow</b>	187,688	189,425	298,184	0	0	0	0	0	0	0	0	0	0	675,297
<b>Closing Cash</b>	\$259,369	\$448,794	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978

NELSON FINANCIAL GROUP LTD. ("Nelson")  
NOTES/PROBABLE AND HYPOTHETICAL ASSUMPTIONS UNDERLYING  
WEEKLY CASH FLOW FORECAST FOR THE 13 WEEK PERIOD ENDED JUNE 18, 2010

1. The Cash Flow Forecast has been prepared in order to accompany, in accordance with Section 10(2)(a) of the Companies' Creditors Arrangement Act ("CCAA"), the initial application of Nelson for protection from its creditors under the CCAA.
2. Nelson is assumed to continue to operate on a going concern basis throughout the Cash Flow Period.
3. Opening Cash - This is the projected opening cash balance of the Applicant at the commencement of the CCAA proceedings based on the actual reconciled cash balance on March 12, 2010.
4. Sales forecasts are based on historical trends adjusted for a slight change in the mix as the Nelson replaces some of the existing business with a more profitable business line.
5. No significant changes to rates billed to client or accepted from vendors.
6. Collection of accounts receivable are based on historic average sales patterns over past six weeks.
7. Employee liabilities are assumed to be paid in the ordinary course. All other pre filing liabilities are stayed as a result of the CCAA proceedings
8. Payments of investor interest, investor redemptions, preferred share dividends and preferred share redemptions are stayed as a result of the CCAA proceedings
9. Post-filing rent payments are on the basis of existing lease arrangements.
10. Post-filing selling, general and administrative expenses are calculated based on existing arrangements and historical patterns of payment.
11. Restructuring costs represent projected payments on account of the fees and expenses of the Monitor, the Monitor's counsel and the Nelson's counsel. It is assumed that the fees and expenses billed by the Monitor during the Cash Flow Period will be paid by Nelson at the rate of \$30,000 per month through 2010.
12. The Cash Flow Forecast does not include any payments that might flow from of the successful adoption of a plan of compromise or arrangement.



Exhibit "C"

**First Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated April 15, 2010**

**The Endorsement of the Honourable Madam Justice  
Pepall dated March 23, 2010**

**Nelson Financial Group Ltd.  
Unofficial Transcription of the Endorsement of Madam Justice Pepall dated  
March 23, 2010**

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

NFG currently finances customers of vendors - the consumer household goods/appliances and food sectors to provide financing to customers. NFG has borrowed money from investors in the exempt market pursuant to a continuous offering of unsecured promissory notes and for 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 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 approx \$37 million and assets approx \$30 million on 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 Sept 1, 08 to Aug 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 +/- 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 para 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 counsel. I am satisfied that these charges are warranted 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 find 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 supports 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 noteholders and 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.

Court File Number: 10-8630-0001

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: Peppall

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 vendor assisted financing. Until recently, its principal business was sub-prime vehicle financing. The business was established in 1990 by its sole shareholder Marc Boudet.

NFG currently finances customers of vendors - the consumer household goods/appliances + food sectors to provide financing to customers. NFG was removed from investors in the external market pursuant to a continuous offering of unsecured promissory notes + 10% 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

Bob Peppall 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 totalling 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 concluded 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 file 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

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 machine  
parties held security, but they are  
not owned 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 Poirer + 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 NFX will be able to meet its operating costs during the stay period from cash flow provided by the business.

NFX 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 not counsel for NFX, the Monitor + the OSC to have a deal done prior to any initiation of proceedings by the OSC.

As a matter of fact, the investors in NFX, 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. 236(4)(iii) of the CCAA. The same applies to the employees.

For these reasons, I granted the order requested.

*Dr. Spall, J.*

# D

JITD  
COURT FILE NO:

SHORT TITLE

ABC LTD  
DATE: MAR 23/10

ABC LTD  
COUNSEL SLIP

COUNSEL FOR PLAINTIFF(S)

Applicants

COUNSEL FOR DEFENDANT(S)

NON-PARTY

Ontario Securities  
Commission

1 Cliff Prophet & Frank Lamine  
Goulding Lafleur Henderson LLP  
For Nelson Financial (Applicant)

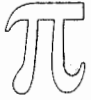
Proposed Monitor

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Pamela For  
Litigation Counsel OC  
Johanna Superna  
Litigation Counsel OC



**Exhibit "D"**

**First Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated April 15, 2010**

**Memorandum on Viability**

# Memorandum

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**To:** Nelson File 620  
**From:** A. John Page  
**Date:** April 15, 2010  
**Subject:** Viability Review

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## **Purpose of Memorandum**

To document the review undertaken by the Monitor to identify and assess the issues affecting the ongoing viability of Nelson Financial Group Ltd. ("Nelson") and the findings and observations of the Monitor emanating from that review.

## **Notice to Reader**

In conducting this review and in making the comments contained in this memorandum the Monitor has been provided with and has relied upon unaudited financial information from Nelson's books and records and financial information prepared by Nelson. In addition, the Monitor has held discussions with management of Nelson and has relied upon the information conveyed in those discussions. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy and completeness of any of the information obtained and, accordingly, expresses no opinion or other form of assurance in respect of the information contained in this Memorandum.

## **The Core Go Forward Business of Nelson**

At its core, Nelson's go forward business model, as explained by Marc Boutet and other Nelson senior management, is to make loans to consumers through a number of vendors using borrowed money.

In order to succeed, Nelson has to have sufficient funds available to lend. In addition, over an extended period of time, the revenue received by Nelson, net of all write-offs for uncollected loans and its overhead (ie all its administrative costs) must exceed its cost of funds.

In order to better understand whether Nelson is viable on a long term basis we have reviewed each of the components noted above.

### **The Core Business**

Nelson's core business (described in its internal accounts as "Itinerant Sales") is where Nelson finances customers of vendors in two sectors, consumer household goods/appliances and food. Nelson used to be in the sub prime vehicle financing business. We have ignored that business as Nelson is not making any new loans in that area. Nelson also makes a number of consumer loans independent of vendors. This area is relatively small and we have assumed it has similar profitability characteristics to the core "Itinerant Sales" business.

### **The Volume of Nelson's Lending**

Nelson has about \$24 million of Itinerant Sales loans to approximately 12,000 separate consumers. The actual amount of its loans in its books of account can be somewhat confusing as the amount of any unearned interest and unearned discount income has to be deducted from the gross loan balance. Balance sheet accounts entitled "Prepaid Referral Fees" and "Unapplied Interest - Loans" also have to be taken into account when looking at the cash tied up in loans and the overall profitability of the lending business.

Nelson has been making new loans at a rate somewhat in excess of \$16,000,000 per year. In the Cash Flow Projection that formed part of the March 22, 2010 CCAA court application, Nelson assumed it would be making loans at a weekly rate of approximately \$320,000. Approximately 2/3rds of its lending has been through an intermediary called Lendcare. Since the CCAA filing, Lendcare has not referred any vendor loans to Nelson. As a result its new lending is significantly lower than projected. Nelson are very actively engaged in sourcing new lending opportunities. At the present time, they are optimistic that they will be able to replace the Lendcare business with a better mix of loans in terms both of profitability and of risk. The initial indications are that Nelson will be successful in this regard. This memorandum is being written on the assumption that the reduction in new loan business arising from Lendcare's behaviour will be replaced in the short to medium term by a similar volume of similar calibre loans. The findings and conclusion in this memorandum could be different if Nelson is unable to do so.

### **The Profitability of Itinerant Sales Lending (Before Write-Offs)**

We performed a detailed review of a small selection of Itinerant Sales loans to better understand their nature and profitability.

We attach a schedule summarizing our findings as Appendix "A". The internal rate of return of the deals we reviewed seem to vary between 25.98% and 77.1%. Lendcare loans are graded, depending on a risk matrix calculation, as either A (the best risk but lowest return), B and C. Most of Nelson's deals during recent months have been Lendcare A deals which are the least

profitable.

We also note that, during the eight months ended March 31, 2010, Nelson has booked income relating to Itinerant Sales loans of approximately \$4,000,000. This is equivalent to an annualized rate of \$6,000,000. With approximately \$24,000,000 of Itinerant Sales loans, this implies a gross return on these loans, before write-offs etc., of about 25%. Nelson has informed us that their overall internal target is 33% but that one major reason why the actual is lower is the impact of delinquent accounts where the loan remains in the loan balance but, in accordance with company policy, no income has been booked because no payments have been received.

In light of the above, an overall return of 25% seems plausible, particularly given the large volume of lower margin Lendcare A loans Nelson has made. In this review we will assume a gross return of 25% is reasonable.

### **Bad Debts and Delinquencies**

Nelson's customers range from home owners for whom a Nelson loan is a convenient way to fund the acquisition of a consumer good or a supply of food through to non/sub-prime borrowers poorly served by traditional banks and financial service companies.

Some of Nelson's customers will be late with their payments and some will ultimately default.

Nelson has a department devoted to collecting its loans and its success, together with Nelson's underwriting skills in deciding what loans to make and at what price, are key components of the viability of Nelson's business model. In assessing the viability of Nelson's core business on a go forward basis a key question is "How much of the funds Nelson lends will never be collected?". In order to better understand how Nelson deals with problem accounts we performed a detailed review of a few "typical" slow payers. We also looked at Nelson's own bad debt provisioning.

Getting a realistic idea of what is an appropriate go forward bad debt reserve is difficult. Nelson's loans can be outstanding for up to four years. Nelson's lending practices have changed over the last four years. In addition during the last two years the economy has been in recession. Consequently, past write-offs may not be a good indicator of future write-offs. In addition, with 12,000 separate accounts, an account by account review is not practical and a statistical approach to reserves, while theoretically possible, would be challenging and beyond what we could accomplish within the short time we have available to address this component of viability.

Recently Nelson has calculated its bad debt reserve to be equal to the loan write-offs for the

preceding year. On that basis, as at March 31, 2010 it had a reserve on consumer and Itinerant Sales loans of \$571,437. This represented, by their own calculation, a reserve of 2.34% of outstanding loans.

If we apply the same percentage and logic to a go forward book of loans totalling \$24,000,000 and annual new loans of \$16,000,000 an annual charge of \$560,000 would be in order representing 3.5% of the new loans granted.

The appropriate size of the bad debt reserve may impact on the likely value of existing loans but does not, of itself, indicate how much would be a reasonable estimate of the losses Nelson might expect from new loans totalling \$16,000,000 in a year. For the purposes of this review we are going to assume that a charge of 3.5% of the loans granted ie \$560,000 is appropriate. We believe this is a reasonable approach in the circumstances however our overall analysis could be materially affected if there is a significant variance between actual delinquencies and projected delinquencies.

### **Overhead**

This represents all costs involved in running Nelson except for any costs related to investors (including interest costs) and any costs related to the restructuring. Based on its expenses over the last two years and adding in an amount representing a salary for Mr. Boutet (who had been previously paid by Nelson Investment) an annual overhead cost of \$2,400,000 seems plausible.

### **Profitability Before Taking Into Account the Cost of Funds.**

Based on the assumptions and estimates noted earlier, a go forward picture of Nelson, on an annual basis, might look like this:

Income	\$6,000,000
Overhead	(2,400,000)
Allowance for Bad Debts	<u>(560,000)</u>
Funds available for interest/profit	\$3,040,000

### **Ongoing Viability**

The margin above seems sufficient for us to say that there is a realistic prospect that Nelson could restructure its debt and be able to service that debt and continue in business for the



foreseeable future (providing it can obtain financing to assist in the redemption of existing debt in accordance with the debt maturity terms set down in an approved restructuring plan). The bad debt allowance would seem to have to be materially incorrect to seriously impact Nelson's ability to service debt. Any such restructuring is of course subject to the wishes of the stakeholders who may no longer want to support Nelson.

### **The Availability of Funding**

If it is to continue in business for the longer term, Nelson will need to obtain financing to assist in repayment of notes that are to be released. If its business grows it will also need to fund that expansion. We have not at this time addressed Nelson's ability to obtain such funding. In the short term, Nelson's funding is being provided by existing investors. (Any restructuring plan will set down the maturity dates on any such restructured indebtedness)

**Nelson Limited Review of the Internal Rate of Return of a selection of current loans**

Unaudited, may contain errors

Date	Initials	Amount Advanced *	Last Payment Due	IRR per AJP	EAR per Nelson	APR per Nelson	Notes
18/03/2010	DT	\$2,779.65	21/01/2011	37.78%	37.97%	32.39%	Food
18/03/2010	TB	4,116.00	24/03/2011	37.48	37.47	33.48	Food
15/03/2010	VC	3,334.35	11/08/2012	25.98	33.703	41.62	Lendcare A deal; IRR is after taking account of various fees; IRR without fees is 32.83%
17/03/2010	MA	2,571.61	16/08/2013	47.94	48.65	53.88	Lendcare B deal
16/03/2010	FA	1,349.07	14/05/2014	77.1	88.51	74.99	Lendcare C deal
17/03/2010	AB	3,503.36	20/03/2013	50.97	51.447	39.9	Refinancing existing consumer loan

**Notes**

APR

Annual Percentage Rate

EAR

Effective Annual Percentage Rate

IRR

Internal Rate of Return

\* Including any referral fees paid

APR and EAR are industry terms that describe the interest rate on a loan for a whole year as opposed to a monthly fee/rate.

The definitions of APR and EAR differs somewhat between jurisdictions and can be complicated by whether start up fees should be included in the rate.

We are told that the software used by Nelson to calculate EAR and/or APR uses certain assumptions regarding fees and the timing of the first repayment that are not true for all loans

We have not attempted to fully replicate the math behind Nelson's EAR and APR calculations

We have instead performed our own IRR calculation

The IRR calculation we have performed is based solely on the flow of funds, including fees paid to third parties.

We think that this gives a better idea of the anticipated profitability of a loan and can be compared to the cost of the money required to fund the loan

Our calculations take no account of the impact of an early repayment of a loan,

Our calculations take no account of the impact of any late instalment payment or delinquency

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.

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**First Report of  
A. John Page & Associates Inc.  
In its Capacity as the  
Monitor of  
Nelson Financial Group Ltd.**

**Dated April 15, 2010**

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Attention: A. John Page