

**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

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

November 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 ("**the CCAA**"). A copy of the Initial Order is attached hereto as **Exhibit "A"**.
2. Pursuant to the Initial Order, A. John Page & Associates Inc. was appointed as monitor of the Applicant ("**the Monitor**"). Pursuant to the Initial Order, all proceedings against the Applicant were stayed until April 22, 2010, or such later date as this Honourable Court may order.
3. By Order of this Honourable Court dated April 22, 2010, the stay of proceedings was extended from April 22, 2010 to and including April 30, 2010.
4. By Order of this Honourable Court dated April 30, 2010, the stay of proceedings was extended from April 30, 2010 to and including June 7, 2010. The First Report of the

Monitor dated April 15, 2010 ("**the First Report**") was also approved:

5. By Order of this Honourable Court dated June 4, 2010, the stay of proceedings was extended from June 7, 2010 to and including June 15, 2010. The Second Report of the Monitor dated June 2, 2010 ("**the Second Report**") was also approved.
6. By Order of this Honourable Court dated June 15, 2010, the stay of proceedings was extended from June 15, 2010 to and including July 30, 2010. The Third Report of the Monitor dated June 11, 2010 ("**the Third Report**") was also approved.
7. By Order of this Honourable Court dated July 7, 2010, the Fourth Report of the Monitor dated July 2, 2010 ("**the Fourth Report**") was approved.
8. By Order of this Honourable Court dated July 27, 2010, the stay of proceedings was extended from July 30, 2010 to and including October 1, 2010. The Fifth Report of the Monitor dated July 21, 2010 ("**the Fifth Report**") and the Supplemental to Fifth Report dated July 23, 2010 ("**the Supplemental to Fifth Report**") were also approved.
9. By Order of this Honourable Court dated August 27, 2010, the Sixth Report of the Monitor dated August 23, 2010 ("**the Sixth Report**") was approved.
10. The Monitor has filed the Seventh Report of the Monitor dated September 13, 2010 ("**the Seventh Report**"), the Supplemental to Seventh Report dated September 17, 2010 ("**the Supplemental to Seventh Report**") and the Second Supplemental to Seventh Report dated October 14, 2010 ("**the Second Supplemental to Seventh Report**") with this Honourable Court. These Reports were prepared in connection with the Preferred Shareholder Motion (as defined herein).
11. By Order of this Honourable Court dated October 1, 2010, the stay of proceedings was extended from October 1, 2010 to and including November 15, 2010. The Eighth Report of the Monitor dated September 28, 2010 ("**the Eighth Report**") was also approved.

12. By Order of this Honourable Court dated November 12, 2010, the stay of proceedings was extended from November 15, 2010 to and including December 3, 2010.
13. A. John Page & Associates Inc. also prepared a report dated March 22, 2010 in its capacity as proposed monitor ("**the Pre Filing Report**").

NOTICE TO READER

14. In preparing this Report (as defined herein) 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.
15. Unless otherwise stated, all monetary amounts referred to in this Report are expressed in Canadian dollars.
16. All capitalized terms used herein and not otherwise defined are as defined in the Eighth Report.

PURPOSE OF THE REPORT

17. This is the Ninth Report of the Monitor in this proceeding (“**the Report**”). The purpose of the Report is to provide information to this Honourable Court on the activities of the Applicant and the Monitor since September 28, 2010, including, without limitation, the following:
- (a) the status of the Preferred Shareholder Motion (as defined herein);
 - (b) the request for a change in the management of the Applicant;
 - (c) the request for the Court appointment of Sherry Townsend (“**Townsend**”) as Interim Operating Officer (“**IOO**”) of the Applicant and the expansion of the Monitor’s powers;
 - (d) the development of a restructuring plan and the implementation thereof;
 - (e) potential purchasers of the Applicant’s assets;
 - (f) the Mandate of the Representative Counsel (each as defined herein) and its professional fees;
 - (g) other professional fees;
 - (h) the receipts and disbursements of the Applicant for the period from September 11, 2010 to October 29, 2010, including budget to actual variance analysis;
 - (i) the Applicant’s operations and employees;
 - (j) the Monitor’s dealings with individual investors;
 - (k) the Monitor’s review of preference and undervalue transactions;

- (l) the status of the Claims Procedure (as defined herein);
- (m) the status of the OSC Proceedings (as defined herein); and
- (n) the transfer of funds to the Monitor.

THE STATUS OF THE PREFERRED SHAREHOLDER MOTION

18. As outlined in the Seventh Report, pursuant to the Order of the Honourable Madam Justice Pepall dated August 27, 2010 (“**the August 27 Order**”), this Honourable Court, among other things, authorized and directed Douglas Turner, Q.C., in his capacity as the representative counsel (“**the Representative Counsel**”) of the holders of promissory notes issued by the Applicant (“**the Noteholders**”), to bring a motion for an Order that all claims and potential claims of the holders of preferred shares issued by the Applicant (“**the Preferred Shareholders**”) relating directly or indirectly to the ownership, purchase or sale of such preferred shares are “equity claims” within the meaning of the CCAA and that the Preferred Shareholders are to constitute a separate class in any plan of arrangement, are not entitled to vote at any meeting of creditors and that such claims shall not participate in any distribution by the Applicant to its creditors pursuant to any plan of compromise or arrangement in this proceeding until all creditors of the Applicant have been paid in full (“**the Preferred Shareholder Motion**”). Attached hereto as **Exhibit “B”** is a copy of the August 27 Order.
19. As outlined in the Eighth Report, pursuant to the Order of the Honourable Mr. Justice Cumming dated September 23, 2010, the Preferred Shareholder Motion was adjourned to October 18, 2010 for 3 hours and October 19, 2010 for 3 hours.
20. On October 13, 2010, the law firm Templeman Menninga LLP contacted the Monitor’s legal counsel to advise that it had been retained by Clifford Styles, Jackie Styles and Playle Investments Ltd., who are Preferred Shareholders, to oppose the Preferred Shareholder Motion.

21. The Preferred Shareholder Motion proceeded as scheduled on October 18 and 19, 2010. Approximately 15 Preferred Shareholders attended the Preferred Shareholder Motion and, in addition to Templeman Menninga LLP, 8 Preferred Shareholders made submissions to this Honourable Court opposing the Preferred Shareholder Motion.
22. This Honourable Court has reserved its decision on the Preferred Shareholder Motion.

THE REQUEST FOR A CHANGE IN THE MANAGEMENT OF THE APPLICANT

23. On or about mid-October, 2010, Marc Boutet ("**Boutet**"), in his capacity as the sole director, officer and common shareholder of the Applicant, the Representative Counsel and Richard B. Jones, in his capacity as special counsel to the Representative Counsel ("**the Special Counsel**"), began lengthy negotiations regarding the ongoing governance or management of Nelson. In particular, the parties began negotiating the terms upon which Boutet would resign as a director and officer of the Applicant and appoint Townsend as IOO to assume responsibility for the operations of the Applicant.
24. On or about November 3, 2010, the Representative Counsel served its First Report ("**the Representative Counsel First Report**"), which sets out in detail, among other things, the Representative Counsel's activities and reasons for requesting a change in management of the Applicant.
25. On or about November 4, 2010, the Representative Counsel served and filed its Notice of Motion for the removal of Boutet as a director of the Applicant and the appointment of Townsend as a Court officer. This motion was scheduled to be heard on December 1, 2010.
26. On or about November 10, 2010, the parties successfully concluded their negotiations and executed certain Heads of Agreement on or about November 12, 2010 ("**the Heads of Agreement**") pursuant to which the parties agreed on the following terms, all of which are subject to this Honourable Court's approval:
 - (a) as the sole director of the Applicant, Boutet will approve a resolution satisfactory to the Representative Counsel and the Monitor appointing Townsend as the IOO

of the Applicant on terms approved by this Honourable Court;

- (b) Boutet will tender to the Applicant for cancellation all of the shares in its common stock held by him or entities associated with him. As the Applicant's sole director, Boutet shall approve and consent to a resolution accepting such surrender and cancellation;
- (c) immediately after (a) and (b) above, Boutet will resign as a director, officer and employee of the Applicant;
- (d) Boutet and any corporation associated with him, including, without limitation, Nelson Investment Group Ltd. ("NIGL") and Nelson Mortgage Group Inc. ("NMGI"), will surrender and release all of their claims against the Applicant other than the claims of Paladin Holdings under existing lease arrangements for the office premises of the Applicant and the claims of Boutet for wages due to him;
- (e) the Applicant shall agree to propose, or to support if proposed by a creditor or other person, a plan of compromise or arrangement, which includes a release of claims against Boutet in his capacity as a director of the Applicant as can be compromised pursuant to Sections 5.1(1) and (2) of the CCAA;
- (f) the employment of Stephanie Lockman Sobol ("**Sobol**") will be continued by the Applicant for a period of 6 months ("**the Temporary Employment Notice**") on the basis that the Temporary Employment Notice shall constitute working notice. Sobol will report to and be subject to the direction of the IOO. Sobol shall be granted a bonus in the amount of two months' salary in the event that she performs for 5 months of the Temporary Employment Term;
- (g) the Applicant will provide a full and final general release in favour of Sobol of any claims which the Monitor and the Representative Counsel have knowledge of

and are referred to in the reports of the Monitor in these proceedings to the date of execution of the Heads of Agreement;

- (h) the Applicant will provide a full and final general release in favour of Boutet and NMGJ of any and all claims which the Applicant may have against either of them, including, without limitation, any claims that could be asserted pursuant to Section 130 of the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended (“**the OBCA**”) in respect of Boutet’s acts as a director to approve or consent to the payment of any dividends or the redemption of any preferred shares of the Applicant;
- (i) the Monitor and the Representative Counsel shall advise the Ontario Securities Commission (“**the OSC**”) that the steps taken by Boutet pursuant to the Heads of Agreement constitute a material contribution to the unsecured creditors and the Noteholders of the Applicant and that they do not object to a settlement of the OSC Proceedings (as defined herein) substantially on the terms outlined in the proposal presented by Boutet to the OSC on October 18, 2010; and
- (j) in accordance with the Applicant’s General By-law, the Applicant shall pay to Gowling Lafleur Henderson LLP (“**Gowlings**”) the amount of \$90,000 towards Boutet’s and Sobol’s costs of defending the OSC Proceedings (as defined herein) and Gowlings shall return any unused portion of this amount to the Applicant.

Attached hereto as **Exhibit “C”** is a copy of the executed Heads of Agreement.

27. As noted later, the Monitor has been undertaking a review of the books and records of the Applicant in order to, in part, identify any preference transactions or transactions at undervalue. As part of that review, the Monitor has attempted to identify and quantify any material transactions that would be released pursuant to the terms of the Heads of Agreement.

28. Pursuant to the Heads of Agreement, Boutet and NMGI will be granted a release by the Applicant of any and all claims that could be asserted against Boutet, including, without limitation, any claims that could be asserted pursuant to Section 130 of the OBCA. Pursuant to Section 130 of the OBCA, the Applicant may have a claim in respect of Boutet's acts as a director to approve the payment of dividends, the redemption of preferred shares and the payment of commissions while the Applicant was arguably insolvent.

29. To date, the Monitor has found that the Applicant paid the following dividends on preferred shares:

| | |
|---------------------------------|-------------|
| August 1, 2009 - March 23, 2010 | \$995,694 |
| Year Ended July 31, 2009 | 1,330,714 |
| Year Ended July 31, 2008 | 727,637 |
| Year Ended July 31, 2007 | 42,520 |
| | \$3,096,565 |

30. In the one year prior to the March 23, 2010 CCAA filing date, the Applicant paid dividends on preferred shares in the total amount of \$1,635,512.

31. To date, the Monitor has found that the Applicant paid the following amounts to redeem preferred shares:

| | |
|---------------------------------|-------------|
| August 1, 2009 - March 23, 2010 | \$904,202 |
| Year Ended July 31, 2009 | 755,456 |
| Year Ended July 31, 2008 | 172,259 |
| Year Ended July 31, 2007 | 0 |
| | \$1,812,667 |

32. In the one year prior to the March 23, 2010 CCAA filing date, the Applicant paid \$1,207,536 to redeem preferred shares.

33. The Monitor has found that, in recent years, the Applicant did not pay Boutet a salary. Instead, the Applicant paid commissions to its sister company, NIGL, for its role in selling securities of the Applicant to investors. In turn, NIGL paid salaries to Boutet and other employees. The Monitor understands that Boutet is the sole director, officer and shareholder of NIGL. The total amounts charged to Nelson by NIGL and paid to NIGL by Nelson were as follows:

| Year Ended | Amounts charged to Nelson | Amounts paid to NIGL |
|----------------|---------------------------|----------------------|
| March 23, 2010 | \$1,103,896 | \$911,721 |
| March 23, 2009 | 1,585,230 | 1,585,230 |
| March 23, 2008 | 823,962 | 823,962 |
| March 23, 2007 | 68,497 | 68,497 |
| Total | \$3,581,584 | \$3,389,409 |

The Heads of Agreement does not release any claim the Applicant may have against NIGL. However, pursuant to the Claims Procedure (as defined herein), NIGL has filed a secured claim against Nelson in the amount of \$167,317.64 on account of unpaid commissions owing to it. Pursuant to the Heads of Agreement, this secured claim is being released as against the Applicant.

34. Boutet holds promissory notes issued by the Applicant. Boutet received interest on these promissory notes at the rate of 13% per annum, which is 1% higher than the rate received by most of the Noteholders. A few Noteholders did receive interest at a rate in excess of 13% per annum. Pursuant to the Claims Procedure (as defined herein), Boutet has a claim against Nelson on account of his promissory notes in the amount of \$263,655.70. Pursuant to the Heads of Agreement, this claim is being released as against the Applicant.
35. Pursuant to the Heads of Agreement, the Monitor and the Representative Counsel are required to advise the OSC that the surrender and release of Boutet's claim on account of his promissory notes and NIGL's secured claim for unpaid commissions constitutes a material contribution to the creditors of the Applicant.

36. The Monitor has found that Boutet received reimbursement for business expenses, usually through the use of a corporate credit card. The Monitor has performed a high level review of the Applicant's expenditures in the twelve months prior to the CCAA filing date and has not identified any major expenditures that were charged to the Applicant but were for the personal benefit of either Boutet or Sobol.
37. In the three years prior to the March 23, 2010 CCAA filing date, the Monitor has found that Boutet received no dividends on his common shares in the Applicant.
38. The circumstances through which another ordinary shareholder, David Baker ("**Baker**"), ceased to have an interest in the Applicant in or about 2007 are still being reviewed by the Monitor. However, the Monitor has determined that Baker and related parties received a total of \$456,666 from the Applicant in July and August 2007 pursuant to an agreement by which, among other things, Baker's and related parties' common shares in Nelson were cancelled.
39. Sobol was paid a salary by the Applicant. The Monitor is of the view that Sobol's salary is not unreasonable. In addition, Sobol holds promissory notes issued by the Applicant in the amount of \$31,250.91 and received interest thereon at a rate of 14% per annum.
40. Based on the Monitor's review, neither Boutet nor Sobol redeemed any of their promissory notes in the twelve months prior to the CCAA filing date.
41. In addition, the Heads of Agreement also provides for a third party release in favour of Boutet in his capacity as a director of the Applicant for those claims that may be compromised pursuant to Sections 5.1(1) and (2) of the CCAA. This release would be included in any plan of compromise or arrangement proposed in these proceedings and would only be effective if such plan was ultimately approved by the creditors and this Honourable Court. Furthermore, this third party release would only release those claims that are permitted to be compromised pursuant to the CCAA. Section 5.1(2) of the

CCAA does not permit for the compromise of claims against directors where those claims, among others, are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.

42. As outlined in the Third Report, the Applicant's General By-law requires that the Applicant indemnify its officers and directors and their legal representatives against all costs incurred in defending administrative proceedings, and, accordingly, the Applicant has been funding Boutet's and Sobol's costs of defending the OSC Proceedings. Attached hereto as **Exhibit "D"** is a copy of the Applicant's General By-law.
43. Given the indemnity requirement under the Applicant's General By-law and the professional costs and delays that would be incurred in a non-consensual resolution of the ongoing management of Nelson, including a possible non-consensual resolution of the unsecured claim of Boutet and the secured claim of NIGL against the Applicant, the Monitor is of the view that the payment by the Applicant of Boutet's and Sobol's costs of defending the OSC Proceedings is not unreasonable.
44. Given the benefits to the stakeholders of a prompt consensual hand over of management to Townsend and a settlement of the claims of Boutet and NIGL against the Applicant, the Monitor recommends the approval of the Heads of Agreement.

THE APPOINTMENT OF AN INTERIM OPERATING OFFICER AND EXPANSION OF THE MONITOR'S POWERS

45. Pursuant to the Heads of Agreement, the Applicant, Boutet, the Monitor and the Representative Counsel have agreed to seek this Honourable Court's appointment of Townsend as IOO. In addition, these parties have agreed to expand the Monitor's powers in connection with these proceedings.
46. The Monitor, the Monitor's legal counsel, the Representative Counsel, the Special Counsel and the proposed IOO have had several meetings and discussions to discuss the

division of duties between the IOO and the Monitor.

47. On or about November 12, 2010, the Representative Counsel served its Notice of Motion requesting, among other things, this Honourable Court's approval of the Heads of Agreement, the appointment of Townsend as IOO, the expansion of the Monitor's powers and the expansion of the Representative Counsel's Mandate (as defined herein). This Notice of Motion effectively replaced the Representative Counsel's Notice of Motion dated November 4, 2010.
48. While the Monitor recommends the approval of the Heads of Agreement, the appointment of Townsend as IOO, the expansion of the Monitor's powers and some expansion of the Representative Counsel's Mandate (all as set out below), at this time, the Monitor is continuing to work with the proposed IOO and the Representative Counsel on the division of duties between these parties. The Monitor is of the view that the appointment of the IOO, the expansion of the Monitor's powers and the expansion of the Representative Counsel's Mandate should be on the terms described herein.
49. Generally, the IOO's role would include supervising and managing the operations of the Applicant subject to the supervision of the Monitor and subject to Sobol continuing her employment during the period of the Temporary Employment Notice as set out in the Heads of Agreement. Also, the IOO would assist the Monitor with the restructuring of the Applicant and would have the authority to source new customers for vendor financing. With respect to the restructuring, the proposed IOO wishes to engage a consultant on behalf of the Applicant to assist in assessing strategic plan options available to the Applicant. Information on the proposed IOO's engagement of a consultant is addressed below.
50. Generally, the Monitor's expanded role would include taking over the restructuring activities of the Applicant and proposing a plan of compromise or arrangement to the Applicant's stakeholders in consultation with the IOO.

51. Pursuant to the Heads of Agreement, Sobol's employment would continue for a period of 6 months. The Monitor is of the view that, currently, Sobol is managing the operations of the Applicant and that her continued role is essential to keep operations stable while the Monitor, in consultation with the proposed IOO, would focus on developing a restructuring plan in these proceedings. While the Heads of Agreement provides Sobol with working notice for a period of 6 months, the Monitor anticipates that the proposed IOO may wish to continue to employ Sobol beyond the 6-month period.
52. The Monitor has met with the proposed IOO, the Representative Counsel and the Special Counsel. All are of the view that, if the IOO is appointed and the Monitor's powers are expanded, the immediate strategy would be to maintain stable operations while preparing a plan to propose to the Applicant's stakeholders without delay.
53. At this time, the Monitor anticipates that it will be able to propose a plan of compromise or arrangement to the stakeholders early in the new year and that, if approved, the plan would be implemented and the Applicant would emerge from CCAA protection in the spring of 2011.
54. The Monitor has been in discussions with Townsend regarding her proposed appointment as IOO. The Monitor is of the view that Townsend is a knowledgeable business person who, under the supervision of the Monitor, is capable of supervising the Applicant's operations and assisting in the restructuring. Attached hereto as Exhibit "E" is a copy of Townsend's resume.
55. Furthermore, Townsend has become very familiar with these proceedings and the issues that have been raised to date as she is a member of the Noteholder Committee, which is a committee of four Noteholders that was established by the Representative Counsel subsequent to its appointment. Townsend and her family members hold promissory notes issued by the Applicant in the aggregate amount of \$892,986.83.
56. The Monitor recommends that this Honourable Court approve the Heads of Agreement

and appoint Townsend as IOO in accordance with the terms of a draft Order to be settled for the following reasons:

- (a) the parties have agreed to transfer the supervision and management of the operations of the Applicant to Townsend;
- (b) the Monitor is of the view that the Representative Counsel, the Special Counsel and the Noteholder Committee have confidence in Townsend's ability to supervise and manage the operations of the Applicant under the supervision of the Monitor;
- (c) based on the Monitor's meetings and discussions with Townsend and the Monitor's review of Townsend's qualifications, the Monitor is of the view that Townsend is capable of supervising and managing the operations of the Applicant under the supervision of the Monitor and assisting the Monitor with the restructuring; and
- (d) based on the Monitor's meetings and discussions with Townsend, the Monitor is of the view that Townsend is committed to restructuring the Applicant.

57. The Monitor recommends that this Honourable Court expand the powers of the Monitor in accordance with the terms of a draft Order to be settled for the following reasons:

- (a) the Monitor owes a duty to all stakeholders of the Applicant;
- (b) the Monitor has the requisite understanding and knowledge of the business and affairs of the Applicant to propose an appropriate plan of compromise or arrangement;
- (c) to date, the Monitor has been working with the Applicant to develop an appropriate restructuring plan and has already developed the models required to

make the necessary financial projections and has already developed an outline of the plan on the terms described in the Monitor's previous Reports;

- (d) the Monitor has developed a good working relationship with Townsend; and
- (e) the Monitor and its legal counsel have the requisite expertise in restructuring matters to propose a restructuring plan in these proceedings.

THE IOO'S ENGAGEMENT OF CONSULTANTS

- 58. The Monitor understands that, if appointed, the IOO wishes to retain a consultant on behalf of the Applicant to assist in assessing strategic plan options available to the Applicant.
- 59. The consultant is Avanzare Inc. ("Avanzare"). Avanzare is a management consultancy firm that specializes in corporate strategy, organizational design and process development.
- 60. The principal of Avanzare is Ian Townsend. Mr. Townsend is Townsend's husband's cousin.
- 61. Avanzare's objective would be, building on the work done by the Monitor, to further and more extensively evaluate Nelson's strategic options. These strategic options would include:
 - (a) continuing as an ongoing concern;
 - (b) a sale; or
 - (c) dissolution.

62. In addition, Avanzare would review Nelson's business practices to identify risk and recommend remedial actions that might be adopted to reduce those risks. Attached hereto as Exhibit "F" is a copy of the consulting project terms of reference dated November 11, 2010 ("the Consultancy Agreement").
63. As noted in the Consultancy Agreement, Avanzare would bring a consulting team of individuals with extensive experience in the consumer credit sector to the assignment.
64. Pursuant to the Consultancy Agreement, the cost of the consultant to evaluate strategic plan options is \$14,000 plus taxes and expenses. If the IOO and the Monitor desire, the consultant may also implement a second phase of the project which would include implementing some of the remedial actions recommended to reduce risk, including updating the Applicant's computer software system. The second phase would cost \$61,000 (consultancy fees of \$26,000 and software upgrade of \$35,000) plus taxes and expenses.
65. On or about May/June, 2010, the Monitor completed a viability review, a loan portfolio review and a liquidation analysis with respect to the Applicant based upon its historical business activity and its loan portfolio as at March 31, 2010. The Monitor's analyses are attached as Exhibits to the Monitor's previous Reports filed with this Honourable Court.
66. The Monitor's analyses contained a number of assumptions and raised a number of questions about the Applicant's business prospects that were beyond the scope of the review undertaken by the Monitor. The purpose of retaining the consultant is not to reassess the Monitor's analyses but to enhance them based on the recent changes to the Applicant's business including, without limitation, the shorter term lending and the drop in lending.
67. Based on the foregoing, the Monitor recommends that this Honourable Court grant the IOO the authority to engage Avanzare on behalf of the Applicant.

THE DEVELOPMENT OF A RESTRUCTURING PLAN AND THE IMPLEMENTATION THEREOF

68. As advised in the Fifth Report and the Eighth Report, the Monitor has been working closely with the Applicant to develop a restructuring plan.
69. Pursuant to the Eighth Report, the Monitor advised that it understood that the Applicant was close to finalizing a first draft of a restructuring plan that would provide creditors with various options, including receiving a cash payment of approximately 25% of the amount of their claim within a few months of plan acceptance. Other options would include continuing to invest in Nelson and receiving new promissory notes with a face value of approximately 50% of the creditor's claim. The draft plan would also enable investors to maximize their tax losses for the taxation year. Preferred Shareholders would have their existing preferred shares cancelled and they would then be able to either immediately claim a tax loss on their investment or be given a new form of preferred shares with rights to be determined.
70. Given the negotiations between the parties regarding the removal of Boutet as a director of the Applicant and the appointment of Townsend as IOO and given the need for the Preferred Shareholder Motion, the Applicant did not finalize its plan.
71. As outlined above, if this Honourable Court approves the expansion of the Monitor's powers, then the role of the Monitor would be to take over the restructuring activities of the Applicant and to complete and propose a plan, in consultation with the proposed IOO, without delay.
72. Whether the Monitor would propose a plan that would be similar in concept to the one previously being prepared by the Applicant would depend on, among other things, the findings of Avanzare and the Monitor's and the IOO's assessment of those findings.

POTENTIAL PURCHASERS

73. In late Spring of 2010, the Applicant, in consultation with the Monitor, had been canvassing the market for reasonably priced external funding but without success. Given this, the Applicant began developing a restructuring plan that did not require external funding.
74. The Monitor understands that, on or about June 2010, a representative of a mergers and acquisition company (“the M&A Company”) contacted the Applicant on behalf of a Vancouver-based client (“the Potential Purchaser”) and expressed an interest in “potentially investing” in the Applicant. The M&A Company then contacted the Monitor in early July 2010. The Monitor discussed this enquiry with the Applicant.
75. While the precise nature of the Potential Purchaser’s interest in the Applicant was unclear at that time, both the Applicant and the Monitor were of the view that the Potential Purchaser was likely to make an offer to purchase assets or purchase partial or total control of the Applicant rather than make an offer to provide passive funding. The Applicant indicated that it was not interested in pursuing this enquiry at that time. The Monitor agreed with the Applicant’s position for the following reasons:
- (a) the Applicant was, as noted earlier, in the process of developing a restructuring plan that did not call for external funding;
 - (b) the M&A Company was requesting a significant amount of proprietary information on the Applicant, its business and its business practices. A significant amount of time would have been required to adequately respond to these requests, which would have turned the Applicant’s focus away from the restructuring plan;
 - (c) the Applicant had concerns over the disclosure of valuable information to a third party potential competitor; and

- (d) it was most unlikely that any potential purchaser would make an offer for the Applicant's business and loan portfolio that was more attractive than what the creditors would receive from an orderly wind down of the business.
76. The Monitor was of the view that, if, subsequently, the Applicant wished to consider third party offers to purchase the Applicant's assets or "invest" in the Applicant, then it could do so with a proper, Court-approved sales process having regard to Section 36 of the CCAA and the provisions of the Canadian Association of Insolvency and Restructuring Professionals Standard of Professional Practice 09-4 "Sale or Disposition of Assets outside of the Ordinary Course of Business". Given the costs of such a sales process, the Monitor was of the view that it would be reasonable to undertake such a process only if there was a reasonable prospect of it generating an outcome better than the current alternatives, which were liquidation or a restructuring plan that did not require external financing.
77. The Monitor understands that, at some stage, the M&A Company contacted Representative Counsel, directly. The Monitor understands that the Representative Counsel, the Special Counsel and some of the members of the Noteholder Committee have had a number of meetings with the M&A Company and the Potential Purchaser and have received at least two "offers" ("**the Offers**"). The Representative Counsel did inform the Monitor that it had received this enquiry and planned to pursue it, however, the Representative Counsel did not believe it was appropriate or necessary for the Monitor to be involved in any meetings or discussions. The Monitor was not privy to the details of the Offers until on or about October 17, 2010.
78. The Monitor has now reviewed the Offers made by the Potential Purchaser. The most recent Offer, which is presented as being an improvement on the earlier offer, has the following key components:
- (a) there is no provision for any upfront payment to creditors;

- (b) all creditors are to receive preferred shares in the Potential Purchaser in exchange for their claims against the Applicant;
 - (c) the dollar value of the preferred shares to be received is based on a formula that takes account of any cash on hand plus 90% of the recovery from the Applicant's loan portfolio over the next seven years and then deducts \$4 million to cover "costs". Therefore the face value of the preferred shares would be significantly less than the amount of the creditor's claim against the Applicant;
 - (d) creditors are required to hold their preferred shares for seven years at which time the Potential Purchaser promises to redeem their face value;
 - (e) creditors are to be paid 8% per annum on the face value of the shares for seven years;
 - (f) there is no external guarantee that payments will be made when due; and
 - (g) as preferred shareholders, the creditors would have no secured claim in the Applicant's loan portfolio once the deal had been done, no involvement in the management and running of the business of the Potential Purchaser and they would be vulnerable to the financial well-being of the Potential Purchaser in seven years time.
79. The Monitor is of the view that the Offer is not really an offer to purchase the Applicant's assets or to invest in the Applicant. Rather, the Monitor is of the view that it is an offer to wind down the existing loan portfolio, use the cash collected for whatever purpose the Potential Purchaser chooses, whether in the Applicant's existing vendor loan business or otherwise, and then pay some of the money so collected back to creditors in seven years time.
80. The Monitor has advised the Representative Counsel and the Special Counsel that it does

not find the Offer attractive and that it does not recommend pursuing it.

81. On or about November 3, 2010, the Noteholder Committee wrote to the Representative Counsel and indicated that:

- (a) they also did not find the Offer attractive; and
- (b) they were not interested in entertaining any further offer from the Potential Purchaser or incurring further legal or other costs unless the deal offered an upfront payment of at least 90% of the face value of the creditors' claims against the Applicant.

82. In addition, as noted in the Eighth Report, Lendcare Financial Services Inc. ("**Lendcare**") submitted an unsolicited letter of intent to purchase the Applicant's loan portfolio to the Applicant and the Monitor on September 17, 2010. The Monitor was of the view that the purchase price offered was significantly less than the total net recovery estimated pursuant to the Monitor's liquidation analysis. The Applicant has expressed no interest in pursuing this matter further and the Monitor is not aware of Lendcare submitting any improved offer.

THE REPRESENTATIVE COUNSEL'S MANDATE AND PROFESSIONAL FEES

83. The Representative Counsel was appointed pursuant to the Order of the Honourable Madam Justice Pepall dated June 15, 2010 ("**the Representative Counsel Order**"). Attached hereto as **Exhibit "G"** is a copy of the Representative Counsel Order.

84. Pursuant to paragraph 2 of the Representative Counsel Order, the Representative Counsel was appointed "for the sole purpose of advising the Noteholders in respect of any plan of compromise or arrangement proposed in this CCAA proceeding (the "**Mandate**")." In fulfilling the Mandate, this Honourable Court directed the Representative Counsel to engage the Special Counsel.

85. Pursuant to paragraph 4 of the Representative Counsel Order, this Honourable Court ordered “that the activities of the Representative Counsel shall be restricted to fulfilling the Mandate.”

86. Pursuant to paragraph 6 of the Representative Counsel, the Representative Counsel is entitled to be paid all reasonable legal fees and other incidental fees and disbursements incurred by Representative Counsel up to an aggregate amount of \$75,000, subject to such fee arrangements between the Representative Counsel and the Applicant (“**the Rep Counsel Fee Cap**”).

87. Pursuant to paragraph 4 of the August 27 Order (which is attached hereto as Exhibit “B”), the Representative Counsel’s Mandate was expanded to the bringing and prosecution of the Preferred Shareholder Motion. Pursuant to paragraph 5 of the August 27 Order, the costs and disbursements of the Representative Counsel incurred in preparing and prosecuting the Preferred Shareholder Motion are subject to the review and reasonable approval by the Monitor and are thereupon to be reimbursed and paid by the Applicant. The costs and disbursements of the Representative Counsel with respect to the Preferred Shareholder Motion are not subject to the Rep Counsel Fee Cap.

88. To date, the Representative Counsel and the Special Counsel have rendered the following accounts to the Monitor:
 - (a) Representative Counsel account dated June 30, 2010 for the period May 20 – June 29, 2010 in the amount of \$13,217.20 including GST. This account has been paid by the Applicant;

 - (b) Special Counsel account dated June 25, 2010 for the period June 16 – June 23, 2010 in the amount of \$9,401.17 including GST. This account has been paid by the Applicant;

- (c) Representative Counsel account dated July 30, 2010 for the period July 5 – July 27, 2010 in the amount of \$59,732.25 including GST/HST (including Special Counsel account dated July 21, 2010 for the period June 28 – July 21, 2010 in the amount of \$26,790.88 including GST/HST). This account has been paid by the Applicant;
- (d) Representative Counsel account dated September 15, 2010 for the period August 23 – September 13, 2010 in the amount of \$24,589.37 including HST (including Special Counsel account dated September 15, 2010 for the period August 12 – September 3, 2010 in the amount of \$16,380.00 including HST) in respect of the Preferred Shareholder Motion;
- (e) Representative Counsel account dated September 15, 2010 for the period August 20 – September 9, 2010 in the amount of \$18,604.89 including HST (including approximately one half of Special Counsel account dated September 14, 2010 for the period July 22 – September 2, 2010 in the total amount of \$28,440.00 including HST) in respect of the Foscarini matter;
- (f) Representative Counsel account dated September 15, 2010 for the period August 3 – September 14, 2010 in the amount of \$44,562.32 including HST (including approximately one half of Special Counsel account dated September 14, 2010 for the period July 22 – September 2, 2010 in the total amount of \$28,440.00 including HST);
- (g) Representative Counsel account dated October 26, 2010 for the period September 16 – October 7, 2010 in the amount of \$2,924.86 including HST in respect of general matters;
- (h) Representative Counsel account dated October 26, 2010 for the period September 17 – October 25, 2010 in the amount of \$71,474.95 including HST (including Special Counsel account dated October 22, 2010 for the period September 7 –

October 21, 2010 in the amount of \$32,100.00 including HST) in respect of restructuring matters; and

- (i) Representative Counsel account dated October 16, 2010 for the period September 20 – October 18, 2010 in the amount of \$54,174.77 including HST (including Special Counsel account dated October 22, 2010 for the period September 7 – October 19, 2010 in the amount of \$39,681.77 including HST) in respect of the Preferred Shareholder Motion.
89. From the date of its appointment to October 18, 2010 (in the case of the Representative Counsel) and to October 19, 2010 (in the case of the Special Counsel), the Representative Counsel and the Special Counsel have incurred fees and disbursements in the total amount of \$298,781.78 including GST/HST. Of this amount, \$78,764.14 was incurred in respect of the Preferred Shareholder Motion and is not subject to the Rep Counsel Fee Cap. Currently, the remaining amount of \$220,017.64 is subject to the Rep Counsel Fee Cap.
90. The Representative Counsel has outlined its activities and the activities of the Special Counsel in the Representative Counsel First Report.
91. As advised above, the Monitor has been in discussions with the Representative Counsel, the Special Counsel and the proposed IOO regarding the division of duties between the proposed IOO and the Monitor. Concurrently, the Monitor has also been in discussions regarding the go-forward role of the Representative Counsel.
92. The Monitor is of the view that the Representative Counsel's Mandate should be expanded to include taking such steps, as it may be requested to take by any Noteholder and that the Representative Counsel and the Monitor may determine in their collective professional judgment to be prudent and reasonable for the preservation and protection of the rights of the Noteholders. If this Honourable Court approves the appointment of Townsend as IOO, then the Noteholders will be, effectively, operating the Applicant and,

in such circumstances, the Monitor expects that the role of the Representative Counsel will be scaled back. Accordingly, the Monitor is of the view that any steps taken by the Representative Counsel should require the approval of the Monitor in order to ensure that there is no duplication of efforts and to minimize professional costs.

93. Based on the foregoing, the Monitor recommends that this Honourable Court:
- (a) expand the Representative Counsel's Mandate as set out above and in accordance with the terms of a draft Order to be settled; and
 - (b) order that the fees and disbursements of the Representative Counsel and the Special Counsel be subject to the approval of this Honourable Court.

OTHER PROFESSIONAL FEES

94. Pursuant to the Order of the Honourable Madam Justice Pèpall dated July 7, 2010 (the "**July 7 Order**"), the Monitor was authorized and directed to retain Elizabeth Pillon as independent counsel ("**the Independent Counsel**") to provide a certain legal opinion as to the rights of the Preferred Shareholders. Attached hereto as **Exhibit "H"** is a copy of the July 7 Order.
95. Pursuant to paragraph 8 of the July 7 Order, the Applicant was required to pay all reasonable legal fees and other incidental fees of the Independent Counsel up to an aggregate amount of \$50,000, subject to such fee arrangements as have been agreed to by the Applicant and the Independent Counsel.
96. The Independent Counsel has rendered its account to the Monitor in the aggregate amount of \$61,000 plus GST/HST. In accordance with paragraph 8 of the July 7 Order, the Applicant has approved this account but has yet to pay it.
97. The Monitor is of the view that the Independent Counsel, in fulfilling her Mandate (as

defined in the July 7 Order), was required to respond to various inquiries from the Preferred Shareholders that were not anticipated at the time that the fee cap of \$50,000 was agreed to. Accordingly, the Monitor recommended to the Applicant that the Applicant approve the Independent Counsel's account.

98. The Monitor is requesting the approval of its fees and disbursements and the fees and disbursements of its legal counsel. In this regard, the Monitor and its legal counsel have filed with this Honourable Court fee affidavits for the period July 1, 2010 to and including September 30, 2010.
99. For the period July 1, 2010 to and including September 30, 2010, the Monitor has incurred fees and disbursements in the total amount of \$364,946.48 including GST/HST.
100. For the period July 1, 2010 to and including September 30, 2010, the Monitor's legal counsel has incurred fees and disbursements in the total amount of \$191,479.74 including GST/HST.
101. The Applicant's legal counsel, Gowlings, will file with this Honourable Court an affidavit in respect of its fees and disbursements incurred in this matter.

THE APPLICANT'S RECEIPTS AND DISBURSEMENTS

102. Pursuant to the Eighth Report, the Monitor provided this Honourable Court with the Applicant's cash flow forecast for the period from September 11, 2010 to December 10, 2010 ("**the Third Updated Cash Flow Forecast**"). The Third Updated Cash Flow Forecast was prepared in order to assist this Honourable Court in considering the Applicant's motion for an extension of the stay of proceedings to and including November 15, 2010.
103. The Monitor has been monitoring the Applicant's receipts and disbursements on a weekly basis in accordance with the Initial Order and the CCAA. The Monitor has been

comparing the actual results with the Third Updated Cash Flow Forecast. Attached as Exhibits "I", "J" and "K" are the following three schedules:

- (a) the Third Updated Cash Flow Forecast covering the period by week from September 11, 2010 to December 10, 2010;
- (b) the actual cash flow by week from September 11, 2010 to October 29, 2010 and the projected cash flow by week from then on to December 10, 2010 ("**the Actual/Projected Cash Flow**"); and
- (c) the variance by week from the Third Updated Cash Flow Forecast ("**the Cash Flow Variance Report**").

104. As detailed in the Actual/Projected Cash Flow, the Applicant's cash position as at October 29, 2010 is higher than the cash position anticipated in the Third Updated Cash Flow. The Applicant had on hand \$5,673,589 on October 29, 2010 compared to a budgeted balance of \$5,409,844, a difference of \$263,745.

105. The major reasons for the difference are as follows:

- (a) net new deal funding was \$175,669 lower than forecast primarily because of longer lead times than expected for one of the new and large vendors, inconsistent volumes from a large food vendor, higher turn down rates (by the Applicant) to another large food vendor and no or minimal volumes from several new smaller vendors;
- (b) collections from existing loans were \$69,990 lower than forecast;
- (c) payroll and administrative expenses were \$31,921 higher than forecast; and
- (d) restructuring costs paid were \$189,987 lower than forecast. This is primarily

because not all of the professional fees incurred to date have been paid. A comparison of the restructuring costs to the Third Updated Cashflow Forecast is as follows:

- (i) the restructuring costs of the Monitor and its legal counsel paid up to October 29, 2010 are approximately in line with the amounts included in the Third Updated Cash Flow Forecast;
- (ii) as at October 29, 2010, Gowlings' fees and disbursements incurred to September 30, 2010 have been paid. Gowlings' fees are approximately \$26,000 below the amount forecast pursuant to the Third Updated Cashflow Forecast;
- (iii) the Third Updated Cash Flow Forecast assumes that the costs of the Independent Counsel would have been paid in October 2010. These amounts remain unpaid; and
- (iv) as at October 29, 2010, no payments have been made to the Representative Counsel. As noted earlier, the Representative Counsel and the Special Counsel have large balances of unapproved and unpaid fees. The amount of the Representative Counsel's and the Special Counsel's fees forecast pursuant to the Third Updated Cash Flow Forecast is significantly less than the actual amount incurred by the Representative Counsel and the Special Counsel as evidenced by their invoices rendered to date.

Therefore, the Actual/Projected Cash Flow underestimates requested payments to the Representative Counsel, the Special Counsel and the Independent Counsel by a total amount of approximately \$246,000. Subject to the approval of such amounts by this Honourable Court (other than the costs of the Independent Counsel which costs have been approved by the Applicant pursuant to the July 7 Order), these amounts will most likely be paid by the Applicant during the period

from October 30, 2010 to December 10, 2010.

OPERATIONS

106. Since the issuance of the Initial Order, the Applicant has continued its business generally in the normal course on the basis of lower lending volumes (including ongoing collection activity on the large number of existing loans) and paying all of its obligations when due. The Applicant has not disposed of any material assets outside of the ordinary course.
107. Despite the ongoing moves to effect a change in management and have Boutet hand over responsibility for operations to Townsend, the Applicant has continued smoothly in its day to day operations primarily under the leadership of Sobol, making new loans and collecting on old loans.

EMPLOYEES

108. There have been no changes in the number of employees working for the Applicant since September 28, 2010. All employee-related payments remain up to date.

DEALINGS WITH INDIVIDUAL INVESTORS

109. Since September 28, 2010, which is the date of the Eighth Report, the Monitor has received in excess of a further approximately 150 telephone and other enquiries from investors.
110. The Monitor has, in particular, received and responded to a number of investor email, mail and fax inquiries relating to the Preferred Shareholder Motion.
111. The Monitor has provided investors with information on the status of the restructuring, generally, and has guided the investors in respect of the Preferred Shareholder Motion.

WEBSITE

112. The Monitor has posted all public documents related to these proceedings, including copies of all Court Orders, motion records and Court reports, on its website at www.ajohnpage.com/html/files.html. Based on feedback received by the Monitor, the Monitor is of the view that this method of disseminating information is being well used by stakeholders.

REVIEW FOR PREFERENCE AND UNDERVALUE TRANSACTIONS

113. The Monitor has been reviewing the books and records of the Applicant in order to meaningfully report to creditors in accordance with Section 23(1)(d.1) of the CCAA on the reasonableness of any decision to include in a compromise or arrangement a provision that Sections 95 to 101 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended do not apply with respect to the compromise or arrangement or, conversely, whether there are preference transactions and transfers at undervalue that may warrant challenging.
114. The Monitor has received the full cooperation of the Applicant in conducting this review and believes it has been given full access to the Applicant's books and records.
115. As noted above, the Monitor has almost completed this review and will report its findings to this Honourable Court in the near future.

CLAIMS PROCEDURE

116. The Monitor has conducted a brief review of the Proofs of Claim and Proofs of Shareholding filed pursuant to the Claims Procedure (each as defined in the Claims Procedure Order of the Honourable Madam Justice Pepall dated July 27, 2010). The Monitor is delaying completing this review until it has received and considered the decision of this Honourable Court on the Preferred Shareholder Motion.

THE STATUS OF THE OSC PROCEEDINGS

117. Pursuant to the Third Report, the Monitor reported that, on May 12, 2010, Staff of the OSC issued a Notice of Hearing pursuant to Section 127(1) and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5 (“**the Securities Act**”) and a Statement of Allegations against, among others, the Applicant, NIGL, Boutet and Sobol (“**the OSC Proceedings**”) alleging that, among other things, these respondents sold securities to non-accredited investors contrary to the provisions of the *Securities Act* and that the Applicant and Boutet made statements to the OSC and Staff of the OSC that were materially misleading and in breach of the *Securities Act*.

118. On November 11, 2010, Staff of the OSC issued an Amended Statement of Allegations dated November 10, 2010 pursuant to which it is alleged that, in addition to the foregoing allegations, the Applicant used investor funds that it had obtained in breach of the *Securities Act* to pay other investors the returns on their investment and continued to accept additional investor funds in order to do so when the Applicant was insolvent. It is further alleged that, as a means of inducing investors to remain invested in the Applicant and to make further investment in the Applicant through the purchase of additional securities, NIGL and the Applicant, at the direction of Boutet, misrepresented to investors that the Applicant was experiencing unprecedented financial success. Attached hereto as **Exhibit “L”** is a copy of the Amended Statement of Allegations dated November 10, 2010.

THE TRANSFER OF FUNDS TO THE MONITOR

119. Pursuant to the Order of the Honourable Madam Justice Pepall dated November 12, 2010 (“**the November 12 Order**”), the Applicant was required to transfer the amount of \$5 million to the Monitor to be held in trust by the Monitor, in an interest-bearing account, and to be released by the Monitor in accordance with a further Order of this Honourable Court.

120. In accordance with the November 12 Order, the Applicant transferred \$5,000,000 to the trust account of the Monitor on November 12, 2010.
121. This step was taken to ensure that the major assets of the Applicant were secure, particularly during the ongoing changes in management. While the Monitor was of the view that the Applicant's assets were not likely to be at risk, nevertheless it agreed to receive these funds to provide comfort to the Applicant's stakeholders.

RECOMMENDATIONS

122. Based on the foregoing, the Monitor recommends that this Honourable Court:
 - (a) approve the Heads of Agreement and order the implementation of its terms;
 - (b) appoint Townsend as IOO and expand the Monitor's powers in accordance with the terms of a draft Order to be settled;
 - (c) expand the Mandate of Representative Counsel in accordance with the terms described herein and of a draft Order to be settled;
 - (d) require that the fees and disbursements of the Representative Counsel and the Special Counsel be subject to the approval of this Honourable Court;
 - (e) approve the fees and disbursements of the Monitor and the Monitor's legal counsel as set out in their respective fee affidavits; and
 - (f) approve the Seventh Report, the Supplemental to Seventh Report, the Second Supplemental to Seventh Report, this Report and the Monitor's conduct and activities as described therein.

All of which is respectfully submitted this 15th day of November, 2010.

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

Per: 

Name: A. JOHN PAGE, CA • CIRP

Title: 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.**

APPLICANT

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

November 15, 2010

| | |
|---|---|
| Initial Order of the Honourable Madam Justice Pepall dated March 23, 2010 | A |
| Order of the Honourable Madam Justice Pepall dated August 27, 2010 | B |
| Heads of Agreement executed on or about November 12, 2010 | C |
| Applicant's General By-law | D |
| Sherry Townsend's resume | E |
| Consultancy Agreement dated November 11, 2010 | F |
| Order of the Honourable Madam Justice Pepall dated June 15, 2010 | G |
| Order of the Honourable Madam Justice Pepall dated July 7, 2010 | H |
| Third Updated Cash Flow Forecast from September 11, 2010 to December 10, 2010 | I |
| Actual/Projected Cash Flow | J |
| Cash Flow Variance Report | K |
| Amended Statement of Allegations dated November 10, 2010 | L |



Exhibit "A"

Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010

Initial Order of the
Honourable Madam Justice Pepall
dated March 23, 2010

Court File No. 10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM)
)
JUSTICE PEPALL)

TUESDAY, THE 23rd
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 "CCA") 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.

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.

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
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Facsimile: (416) 862-7661

SOLICITORS FOR THE APPLICANT



Exhibit "B"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

**Order of the
Honourable Madam Justice Pepall
dated August 27, 2010**

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM)
)
JUSTICE PEPALL)
)

FRIDAY, THE 27TH DAY
OF AUGUST, 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.

APPLICANT

ORDER

THIS MOTION made by A. John Page & Associates Inc., in its capacity as the Court-appointed monitor of the Applicant (the "**Monitor**"), for the relief set out in its Notice of Motion dated August 23, 2010 (the "**Notice of Motion**") was heard this day at 330 University Avenue, Toronto, Ontario.

UPON READING the Monitor's Sixth Report to the Court dated August 23, 2010 and upon hearing from counsel for the Monitor, counsel for the Applicant, counsel for Staff of the Ontario Securities Commission, counsel for Douglas Turner Q.C. in his capacity as Court-appointed Representative Counsel for the holders of promissory notes issued by the Applicant (the "**Representative Counsel**"), counsel for Foscarini Mackie Holdings Inc. and Glen and Lisa

Mackie, no one else appearing although duly served as appears from the Affidavit of Service filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the Sixth Report is hereby abridged so that this Motion is properly returnable today and hereby dispenses with further service thereof.

THE PREFERRED SHAREHOLDER MOTION

2. **THIS COURT ORDERS** that the Representative Counsel is authorized and directed to make a motion to this Court at 10:00 a.m. on September 27, 2010 for an Order that all claims and potential claims of the holders of preferred shares of the Applicant (the "Preferred Shareholders") relating directly or indirectly to the ownership, purchase or sale of such preferred shares are "equity claims" within the meaning of the *Companies' Creditors Arrangement Act* (Canada) and that the Preferred Shareholders are to constitute a separate class in any plan of arrangement, are not entitled to vote at any meeting of creditors and that such claims shall not participate in any distribution by the Applicant to its creditors pursuant to any plan of compromise or arrangement in this proceeding until all creditors of the Applicant have been paid in full (the "Preferred Shareholder Motion").

3. **THIS COURT ORDERS** that the Representative Counsel shall serve its motion record in respect of the Preferred Shareholder Motion by no later than September 2, 2010 and that the Monitor shall post such motion record on the Monitor's website.

4. **THIS COURT ORDERS** that the Order of this Court made June 15, 2010 in this proceeding (the "**Representative Counsel Appointment Order**") be and the same is hereby amended and varied to include the bringing and prosecution of the Preferred Shareholder Motion and any related motions or appeals that may arise therefrom within the scope of the Mandate of the Representative Counsel.

5. **THIS COURT ORDERS** that the costs and disbursements of the Representative Counsel incurred in preparing and prosecuting the Preferred Shareholder Motion shall be subject to review and reasonable approval by the Monitor without waiver of any privilege by the Representative Counsel, shall thereupon be reimbursed and paid by the Applicant and shall not be subject to the terms and limitations of paragraph 6 of the Representative Counsel Appointment Order.

6. **THIS COURT ORDERS** that the Monitor shall serve the Preferred Shareholders with notice of the Preferred Shareholder Motion by sending a letter to each of the Preferred Shareholders (the "**Preferred Shareholder Letter**"), by ordinary prepaid mail to the Preferred Shareholder's last known address based on the books and records of the Applicant by no later than September 3, 2010, enclosing a copy of the Representative Counsel's Notice of Motion in respect of the Preferred Shareholder Motion, and advising the Preferred Shareholders as follows:

- (a) the Monitor has obtained an opinion from the Monitor's Independent Counsel (the "**Opinion**") and setting out the conclusions contained therein;
- (b) the Representative Counsel will make the Preferred Shareholder Motion to this Court at 10:00 a.m. on the date set forth in paragraph 2 above. The Monitor shall

advise that a copy of the complete motion record is available on the Monitor's website;

(c) the Monitor agrees with the conclusions of the Independent Counsel set out in the Opinion and will file a report in support of the Preferred Shareholder Motion;

(d) pursuant to the Order of the Honourable Madam Justice Pepall dated July 7, 2010, the Opinion does not constitute issue estoppel or *res judicata* with respect to any matters of fact or law referred to in the Opinion.

(e) if the Preferred Shareholder wishes to oppose the Preferred Shareholder Motion and assert that it is entitled to rank equally with the Applicant's creditors, it is free to do so; and

8/17

but serving + filing materials on or before Sept 17, 2010

(f) the Monitor recommends that, if the Preferred Shareholder wishes to oppose the Preferred Shareholder Motion and assert that it is entitled to rank equally with the Applicant's creditors, that the Preferred Shareholder should obtain legal advice and retain legal counsel to represent it, ~~as a result of the~~

8/17

7. **THIS COURT ORDERS** that Monitor shall publish a notice to the Preferred Shareholders once in each of the Globe & Mail and the Toronto Star by no later than September 7, 2010.

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DISCLOSURE OF OPINION

8. **THIS COURT ORDERS** that, in connection with the Preferred Shareholder Motion, the Monitor shall post a copy of the Opinion on its website and report to the stakeholders and this Court on the conclusions of the Opinion.

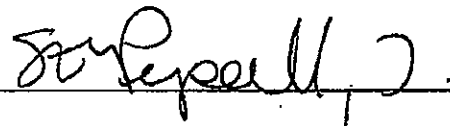
9. **THIS COURT ORDERS** that the Monitor's disclosure of the Opinion shall not constitute a waiver of the solicitor-client privilege of the Monitor with respect to any matters pertaining to the Opinion.

10. **THIS COURT ORDERS** that the Opinion shall not constitute evidence and the legal conclusions contained in any Monitor's report and the Preferred Shareholder Letter shall not constitute expert opinion evidence in this proceeding, or any subsequent proceeding, and the Monitor, its counsel and its Independent Counsel shall not be cross-examined on these documents or any of them.

11. **THIS COURT ORDERS** that the Monitor is hereby authorized, *nunc pro tunc*, to redact the Opinion attached as Exhibit "D" to the version of the Sixth Report served upon any party other than this Court.

MONITORS ACTIVITIES

12. **THIS COURT ORDERS** that the Sixth Report and the conduct and activities of the Monitor described therein be and are hereby approved.



**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

**ThorntonGroutFinnigan LLP
Barristers and Solicitors
Suite 3200, P.O. Box 329
Canadian Pacific Tower
Toronto-Dominion Centre
Toronto, ON M5K 1K7**

**Seema Aggarwal (LSUC# 50674J)
James H. Grout (LSUC# 22741H 1B)
Tel: 416-304-1616
Fax: 416-304-1313
Lawyers for the Monitor**



Exhibit "C"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

**Heads of Agreement executed
on or about November 12, 2010**

Heads of Agreement

In connection with the insolvency of Nelson Financial Group Ltd. ("Nelson Financial") and the efforts to restructure it or its assets and undertaking in order to maximize the recoveries of its creditors, Douglas Turner Q.C., in his capacity as Court-appointed representative counsel for the Noteholders of Nelson Financial (the "Representative Counsel"), appointed by the Court in the proceeding of Nelson Financial under the *Companies' Creditors Arrangement Act* (the "CCAA") has been advised by Noteholders holding more than half of the claims by value that they will not support the plan of arrangement proposed by incumbent management. The Representative Counsel has determined that for this and other reasons, a change of management of Nelson Financial is likely to enhance the possibility of a restructuring of Nelson Financial.

Marc Boutet ("Boutet") holds all of the voting shares of Nelson Financial and is its sole director and corporate officer. Boutet is the sole officer, director and beneficial shareholder of Nelson Mortgage Group Inc. ("Nelson Mortgage"). In each of those several capacities and in his personal capacity, he agrees with the Monitor and with the Representative Counsel to take or support, as the context may require, the following steps for the purpose of replacing the incumbent management control of Nelson Financial:

1. As the sole director of Nelson, Mr. Boutet will forthwith approve a resolution satisfactory to the Representative Counsel and to the Monitor appointing Ms. Sherry Townsend as the Interim Operating Officer of Nelson, delegating to her the authority to manage the business and assets of Nelson Financial on such other terms as she or other stakeholders (or any of them) may propose and which are then recommended by the Monitor and approved by the Court. Ms. Townsend shall be provided full access to the premises and records of Nelson Financial immediately but shall assume neither responsibility nor authority with respect to its operations and assets until the Court approves these arrangements and her appointment on terms and conditions satisfactory to her.
2. On the date upon which the Court authorizes Nelson Financial to perform these arrangements and approves the appointment of the Interim Operating Officer (the "Effective Date"), Boutet shall tender to Nelson Financial for cancellation all of the shares in its common stock held by him or entities associated with him. As its sole director, Boutet shall approve and consent to a resolution accepting such surrender and cancellation. Immediately thereafter, Boutet shall resign as a director, officer and employee of Nelson Financial.
3. Boutet and any corporation associated with him, including without limitation Nelson Investment Group Ltd. and Nelson Mortgage, will surrender and release

all of their claims against Nelson Financial, including all Claims under the Claims Procedure Order, provided that the foregoing release shall not apply to or compromise in any way the rights of:

- (a) Paladin Holdings under existing lease arrangements for the office premises of Nelson Financial; or,
 - (b) Boutet in relation only to wages due to him (on existing terms) up to the Effective Date.
4. Nelson Financial shall agree to propose, or to support if proposed by a creditor or other person, a plan of compromise or arrangement in respect of Nelson Financial which includes a release of such claims by any person against Boutet in his capacity as a director of Nelson Financial as can be compromised pursuant to s. 5.1(1) and (2) of the CCAA..
 5. (a) The employment of Stephanie Lockman Sobol ("Sobol") shall be continued by Nelson Financial following the Effective Date (defined below) (the "Temporary Employment") for a period of 6 months (the "Temporary Employment Term") on the basis that the Temporary Employment Term shall constitute working notice. The Temporary Employment shall be on substantially identical terms and conditions to those currently in place, except that she shall report to and be subject to the direction of the Interim Operating Officer. In the event that Sobol's services are terminated by Nelson Financial before the expiry of the Temporary Employment Term, she shall be entitled to pay in lieu of notice equal to that which she would have earned during any remaining period of the Temporary Employment Term. If she should be required to perform for five months of the Temporary Employment Term, she shall thereupon be granted a bonus of two months salary.

(b) Nelson Financial will provide a full and final general release in favour of Sobol of any claims which the Monitor and the Representative Counsel have knowledge of and are referred to in the reports of the Monitor in the CCAA proceeding up to the date hereof.
 6. Nelson Financial will provide a full and final general release in favour of Boutet and Nelson Mortgage of any and all claims which Nelson Financial may have against either of them, including without limitation any claims that could be asserted under section 130 of the *Business Corporations Act* (Ontario) in respect of Boutet's acts as a director to approve or consent to the payment of any dividends or the redemption of any preferred shares of Nelson Financial.
 7. Subject to the approval and direction of the Court in the CCAA proceeding of Nelson Financial, the Monitor and the Representative Counsel shall advise the Ontario Securities Commission that the steps taken by Boutet in the matters dealt with herein, in their opinion, constitute a material contribution to the unsecured

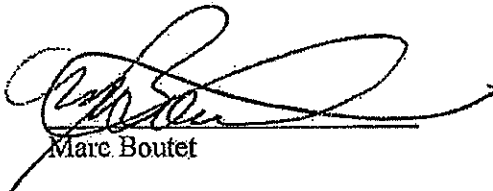
creditors and the Noteholders of Nelson Financial and that they do not object to a settlement substantially on the terms outlined in the proposal presented by Boutet to them on October 18, 2010.

8. Nelson Financial shall pay the sum of \$90,000 (the "Payment") to Gowling Lafleur Henderson, LLP ("Gowlings"), in trust to be applied to reimburse or pay legal costs and expenses incurred by Boutet and Sobol after the Effective Date in relation to the proceedings commenced against Boutet and Sobol and others by the Ontario Securities Commission (the "Proceedings"), in full satisfaction of any obligations pursuant to section 6.2 of the General By-Law of Nelson Financial. In the event that the Proceedings are fully and finally resolved in relation to Boutet and Sobol and any amount of the Payment remains unspent after payment of all amounts due to Gowlings in respect of the Proceedings, Gowlings shall return the said amount to Nelson Financial. Upon request, Gowlings shall provide Nelson Financial with copies of its invoices in relation to the Proceedings, redacted for privileged information.

The foregoing heads of agreement are subject to and conditional upon the approval of the Court in the CCAA proceeding of Nelson Financial. The Representative Counsel will bring a motion seeking such approval and the approval and appointment of the Interim Operating Officer by November 18, 2010 to be heard as soon as the Court will schedule the same. If such Court approval shall be refused or not granted for any reason by November 30, 2010, these heads of agreement shall be null and void and of no effect.

Toronto, Ontario

November 11, 2010



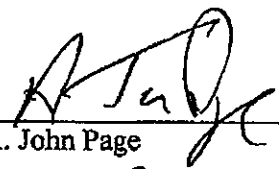
Marc Boutet

The Representative Counsel will make and the Monitor will support an application to the Court for the approval by the Court of Nelson Financial and Marc Boutet entering into and implementing the arrangements set out above, including the agreements and releases between Nelson Financial and each of Marc Boutet and Stephanie Lockman Sobol, and each of the Monitor and the Representative Counsel will recommend such approval by way of Reports to be filed with the Court.

Toronto, Ontario
~~October 29, 2010~~

Y November 12, 2010
in

A. John Page & Associates Inc., in its capacity as Monitor of Nelson Financial Group Ltd.

Per: 
A. John Page

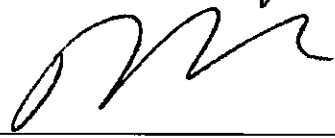

Douglas Turner, Q.C., in his capacity as Representative Counsel appointed by the Court



Exhibit "D"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

Applicant's General By-law

BY-LAW NO. 2
a by-law relating generally to the
transaction of the business and affairs of
NELSON FINANCIAL GROUP LTD.
(hereinafter called the "Corporation")

CONTENTS

| | | | |
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| 1 | Definitions & Interpretation | 7 | Meetings of Shareholders |
| 2 | Directors | 8 | Shares |
| 3 | Meetings of Directors | 9 | Dividends |
| 4 | Delegation | 10 | Notices |
| 5 | Officers | 11 | Execution of Contracts |
| 6 | Protection of Directors, Officers and Others | 12 | Shareholders' Agreement |

BE IT ENACTED as a by-law of the Corporation as follows:

1 **DEFINITIONS & INTERPRETATION**

1.1 In this by-law:

- (a) "Act" means *The Business Corporations Act (Ontario)*, and the regulations thereunder, as amended from time to time, or any successor Act or regulations thereto, as the case may be;
- (b) "Board" means the board of directors of the Corporation;
- (c) "meetings of shareholders" includes annual and special meetings.

Unless it is otherwise provided for herein, any other words and expressions used in this by-law have the meaning attributed thereto in the Act.

1.2 Words importing the singular include the plural and vice versa, and words importing gender include the masculine, feminine and neuter genders.

2 **DIRECTORS**

2.1 **Election and Term**

Shareholders of the Corporation shall at the first meeting of shareholders and at each succeeding annual meeting of shareholders, elect directors to hold office for a term expiring at the first annual meeting of shareholders following their election.

2.2 Resignation

A director who is not named in the articles may resign from office upon giving a written resignation to the Corporation and such resignation becomes effective when received by the Corporation or at the time specified in the resignation, whichever is later. A director named in the articles shall not be permitted to resign from his office unless at the time the resignation is to become effective a successor is elected or appointed.

2.3 Removal

Subject to the provisions of the Act, the shareholders may, by ordinary resolution passed at an annual or special meeting remove any director or directors from office before the expiration of his term and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the directors.

2.4 Vacancies

Subject to the Act, a quorum of the Board may fill a vacancy in the Board, except a vacancy resulting from an increase in the number of directors or in the maximum number of directors or from a failure of the shareholders to elect the number of directors. In the absence of a quorum of the Board, or if the vacancy has arisen from a failure of the shareholders to elect the number of directors, the Board shall forthwith call a special meeting of shareholders to fill the vacancy. If the Board fails to call such a meeting or if there are no such directors then in office, any shareholder may call the meeting.

3 MEETINGS OF DIRECTORS

3.1 Meetings by Telephone

If all of the directors present at or participating in the meeting consent, any director may participate in a meeting of the Board or of a committee of the Board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such meeting by such means is deemed for the purposes of the Act and this by-law to be present at that meeting.

3.2 Calling of Meetings

The Board, a quorum of directors, the president or the secretary may at any time call a meeting of the Board to be held at the time and place determined by the Board or by the person calling the meeting. Meetings of the Board may be held at any place within or outside Ontario. In any financial year of the Corporation, a majority of the meetings of the Board need not be held within Canada. Notice of every meeting so called shall be given to each director not less than forty-eight (48) hours (excluding any part of a Sunday and of a holiday as defined by the Interpretation Act) before the day on which the meeting is to be held. A director may in any manner and at any time waive notice of a meeting of directors and attendance by a director at a meeting of directors is a waiver of notice of the meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

If a quorum of directors is present, each newly elected Board may without notice hold its first meeting for the purposes of its organization and the appointment of officers immediately following the meeting of shareholders at which such Board was elected.

- 3.3 A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified.

3.4 Quorum

Subject to the articles of the Corporation, a quorum at any meeting of the Board is:

(a) where the articles set out the number of directors, a majority of that number;
or

(b) where the articles set out the minimum and maximum number of directors, a majority of the number of directors which then constitutes the Board.

3.5 Chairman of Directors' Meeting

In the event that the Chairman of the Board, if any, the President or any Vice-President fails to assume the chairmanship of a meeting within 15 minutes after the time appointed for the holding of the meeting, the persons present at the meeting and entitled to vote thereat shall choose a person from their number to be the chairman of the meeting.

3.6 Votes to Govern

At all meetings of the Board, every question shall be decided by a majority of the votes cast on the question. In the case of an equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote.

3.7 Disclosure of Interest in Contracts

Every director or officer of the Corporation who is party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or transaction, or a proposed material contract or transaction with the Corporation shall disclose in writing to the Corporation or request to have entered in the minutes of the meeting of directors the nature and extent of his interest as required by the Act. Any such contract or transaction or proposed contract or transaction shall be referred to the Board or shareholders for approval even if such contract or transaction or proposed contract or transaction is one that in the ordinary course of the Corporation's business would not require approval by the Board or shareholders, and a director interested in a contract or transaction or proposed contract or transaction so referred to the Board shall not vote on any resolution to approve same except as provided by the Act.

3.8 Resolution in Lieu of Meeting

A resolution in writing, signed by all of the directors entitled to vote on that resolution at a meeting of directors or a committee of directors, is as valid as if it had been passed at a meeting of directors or a committee of directors. A copy of every such resolution shall be kept with the minutes of the proceedings of the directors or committee of directors.

4 DELEGATION

4.1 Managing Director and Committee of Directors

The Board may appoint from their number a managing director who is a resident Canadian or a committee of directors, and delegate to such managing director or committee any of the powers of the Board except those which, under the Act, a managing director or committee of directors has no authority to exercise. A majority of the members of such committee shall be resident Canadians.

The powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all of the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. A meeting of such committee may be held at any place within or outside Ontario.

Unless otherwise determined by the Board, each committee shall have the power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure. To the extent that the committee does not establish rules to regulate its procedure, the provisions of this by-law applicable to meetings of the Board shall apply mutatis mutandis.

5 OFFICERS

5.1 Subject to the articles and any unanimous shareholder agreement, the Board may from time to time appoint a president, one or more vice presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the Board may determine, including one or more assistants to any of the officers so appointed. The Board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Two or more offices of the Corporation may be held by the same person.

5.2 Chairman of the Board

The Board may from time to time appoint a chairman of the Board who shall be a director. If appointed, the chairman shall, subject to the provisions of the Act, the articles or any unanimous shareholder agreement, preside at all meetings of the shareholders and the Board and have such other powers and duties as the Board may specify. During the absence or disability of the chairman of the Board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

5.3 President

Subject to any duties imposed upon the chairman of the Board, if one is appointed, the president shall preside at all meetings of the shareholders and of the Board and is responsible for the general supervision of the business of the Corporation.

5.4 Vice-President

During the absence or inability of the President to act, his duties shall be performed and his powers shall be exercised by the vice-president, or if there is more than one, by the vice-president selected by the Board. A vice-president shall also perform such duties and exercise such powers as the president or the Board may from time to time delegate to him.

5.5 Secretary

The secretary shall:

- (a) attend all meetings of the directors, shareholders and committees and enter or cause to be entered in books kept for that purpose minutes of all proceedings at such meetings;
- (b) give or cause to be given all notices required to be given to shareholders, directors, officers, auditors and members of committees;
- (c) be the custodian of all books, papers, records, documents, corporate seals, if any, and other instruments of the Corporation, except when some other officer or agent of the Corporation has been appointed for that purpose by resolution of the Board.

The secretary may delegate his duties to a nominee from time to time.

5.6 Treasurer

The treasurer shall keep or cause to be kept full and accurate accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the Board whenever required of him, an account of the financial affairs of the Corporation.

5.7 Powers and Duties of Other Officers

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the Board or the president may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the Board or the president otherwise directs.

5.8 Variation of Powers and Duties

The Board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

5.9 Term of office

The terms of employment of the officers shall be settled by the Board. In the absence of written agreement to the contrary, each officer holds office until he resigns, his successor is appointed or he is removed by the Board at its pleasure.

6 PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

6.1 Limitation of Liability

No director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

6.2 Indemnity

Subject to the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor (or a person who undertakes or has undertaken any liability on behalf of the Corporation or any such body corporate) and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the corporation or such body corporate, if:

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

7 MEETINGS OF SHAREHOLDERS

7.1 Annual meetings

The annual meeting of shareholders shall be held at the time and place determined by the Board, the president or the secretary for the purpose of considering the financial statements and reports required by the Act to be read or laid before the shareholders of the Corporation at an annual meeting, electing directors, appointing an auditor, if any, and fixing or authorizing the Board to fix the auditor's remuneration and for the transaction of such other business as may properly be brought before the meeting.

7.2 Special Meetings

Subject to the Act, the Board, the president or the secretary may at any time call a special meeting of the shareholders of the Corporation to be held at the time and place determined by the Board or the person calling the meeting.

7.3 Notice of Meetings

Notice of the time and place of each meeting of the shareholders shall be sent not less than ten (10) and not more than fifty (50) days before the date of the meeting to each director, to the auditor, if any, and to each shareholder entitled to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the minutes of an earlier meeting, financial statements the auditors' report, if any, election of directors and reappointment of the incumbent auditor, if any, shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A shareholder may in any manner waive notice of or otherwise consent to a meeting of shareholders.

7.4 Scrutineers

At each meeting of the shareholders one or more scrutineers may be appointed to serve at the meeting by a resolution of the meeting or by the chairman of the meeting with the consent of the meeting. Such scrutineers need not be shareholders of the Corporation.

7.5 Persons Entitled to be Present

The only persons entitled to attend a meeting of shareholders are those persons entitled to vote thereat, the directors of the Corporation, the auditors of the Corporation, if any, and others who are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

7.6 Quorum

For all purposes a quorum of shareholders is a person or persons present at the opening of the meeting, holding shares of the Corporation enjoying not less than 51% of the voting rights exercisable at such meeting. Provided that, if at the time of the meeting, the Corporation has only one shareholder, or only one holder of any class or series of shares enjoying voting rights at the meeting, the shareholder present in person or by proxy, constitute a meeting. If a quorum is present at the opening of a meeting of shareholders, the shareholders present may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting.

7.7 Proxies

(a) A shareholder entitled to vote at a meeting of shareholders may by means of a proxy appoint a proxyholder, or one or more alternative proxyholders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized by the proxy.

(b) A proxy shall be executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a body corporate, by an officer or attorney thereof duly authorized and shall conform with the requirements of the Act.

7.8 Representative

If a body corporate or association is a shareholder of the Corporation, the Corporation shall recognize any individual authorized by a resolution of the Board of directors or governing body of the body corporate or association to represent it at meetings of shareholders of the Corporation. An individual so authorized may exercise on behalf of the body corporate or association he represents all the powers it could exercise if it were an individual shareholder.

7.9 Votes to Govern

Subject to the Act or the articles of the Corporation or any unanimous shareholder agreement, at all meetings of shareholders all questions proposed for the consideration of the shareholders shall be determined by the majority of the votes cast on the question. In the case of an equality of votes the chairman shall not be entitled to a second or casting vote.

7.10 Voting

(a) Show of Hands

Voting at a meeting of shareholders shall be by show of hands except where a ballot is demanded by a shareholder or proxyholder entitled to vote at the meeting. A shareholder or proxyholder may demand a ballot either before or after any vote by show of hands. Upon a show of hands every person present and entitled to vote has one vote. Whenever a vote by show of hands has been taken upon a motion, unless a ballot thereon is demanded, a declaration by the chairman of the meeting that the vote upon the motion has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting is prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the motion and the result of the vote so taken is the decision of the shareholders of the Corporation upon the motion. A demand for a ballot may be withdrawn at any time prior to the taking of the ballot.

(b) Ballot

Upon a ballot each shareholder who is present or represented by proxy is entitled, in respect of the shares which he is entitled to vote at the meeting upon the motion, to that number of votes provided by the Act or the articles in respect of those shares and the result of the ballot is the decision of the shareholders of the Corporation upon the motion.

7.11 Chairman of Shareholders' Meeting

In the event that the chairman of the Board, if any, the president or any vice president fails to assume the chairmanship of a meeting in accordance with this by-law within 15 minutes after the time appointed for the holding of the meeting, the persons present at the meeting and entitled to vote thereat shall choose a person from their number to be the chairman of the meeting.

7.12 Resolution in Writing

A resolution in writing signed by all of the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless a written statement or representation with respect to the subject matter of the resolution is submitted by a director or the auditors in accordance with the Act.

8 SHARES

8.1 Share Certificates

Every shareholder is entitled, at his option, to a share certificate, or to a non-transferrable written acknowledgement of his right to obtain a share certificate from the Corporation in respect of the shares of the Corporation held by him, but the Corporation is not bound to issue more than one share certificate in respect of a share or shares held jointly by several persons, and delivery of a share certificate to one of several joint shareholders is sufficient delivery to all.

(a) A share certificate shall be signed manually by at least one director or officer of the Corporation or by or on behalf of a registrar, transfer agent, branch transfer agent or other authenticating agent of the Corporation.

(c) Notwithstanding the foregoing, a fractional share certificate need not be manually signed.

8.2 Replacement of Share Certificates

Where the registered holder of a share certificate claims that the share certificate has been lost, apparently destroyed or wrongfully taken, the Corporation shall issue a new share certificate in place of the original share certificate if the owner:

(a) so requests before the Corporation has notice that the share certificate has been acquired by a bona fide purchaser;

(b) files with the Corporation an indemnity bond sufficient in the Corporation's opinion to protect the Corporation and any transfer agent, registrar or other agent of the Corporation from any loss that it or any of them may suffer by complying with the request to issue a new share certificate; and

(c) satisfies any other reasonable requirements imposed by the Corporation.

8.3 Lien on Shares

The Corporation has a lien on each share registered in the name of a shareholder or his legal representative for a debt of that shareholder to the Corporation.

8.4 Enforcement of Lien

If any shareholder (the "Defaulting Shareholder") defaults in payment of any monies owing by such shareholder to the Corporation, which default continues for a period of 30 days after notice in writing of such default has been given by the Corporation to such shareholder, the Corporation may sell all or any part of the shares then registered in the name of the Defaulting Shareholder (the "shares") at a bona fide public or private sale or auction, at which sale or auction any director, officer or shareholder of the Corporation may purchase the shares or the Corporation may purchase the shares free of any right or equity of redemption, which right or equity is hereby expressly waived. The terms and manner of auction or sale shall be at the sole discretion of the Corporation. The Corporation may accept any offer which it in its absolute discretion considers advisable upon such terms, whether cash or credit or partly cash and partly credit, as it in its discretion considers advisable. Notice of any public or private sale or auction shall be given to the Defaulting Shareholder at least 15 days prior to the date on which such sale is to be held. The proceeds of such sale shall be used and applied firstly to the cost and expense of such sale incurred by the Corporation, including legal fees, secondly to reimburse the Corporation for out-of-pocket expenses incurred in connection with the sale and thirdly, for the payment in full of the monies due to the Corporation from any Defaulting Shareholder. The balance of the proceeds, if any, shall be paid to the Defaulting Shareholder. If the proceeds of the sale are insufficient to pay the amount due to the Corporation, then the Defaulting Shareholder shall remain liable to the Corporation for any such deficiency. The rights of the Corporation hereunder shall be in addition to any rights at law available to the Corporation for the enforcement of its liens or for the collection of the debt of the Defaulting Shareholder.

9 DIVIDENDS

9.1 Dividends

Subject to the provisions of the Act, the Board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully-paid shares of the Corporation or rights to acquire fully-paid shares of the Corporation.

A dividend payable in cash shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which such dividend has been declared and mailed by prepaid ordinary mail postage prepaid to such registered holder at his recorded address, unless such holder otherwise directs in writing. In the case of joint holders the cheque shall, unless such joint holders otherwise direct in writing, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing or delivery of such cheque as aforesaid shall satisfy and discharge all liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

In the event of non-receipt of any dividend cheque by the person to whom it is mailed or delivered as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount upon being furnished with such indemnity, reimbursement of expenses and evidence of non-receipt as the Board may from time to time prescribe, whether generally or in any particular case.

9.2 Joint Shareholders

If two or more persons are registered as joint holders of any share, any one of such persons may give effectual receipts for the certificates issued in respect thereof and for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

10 NOTICES

10.1 Method of Giving Notice

A notice or document required by the Act, the articles or the by-laws to be sent to a shareholder, director, auditor or member of a committee of the Board may be sent by prepaid mail addressed to, or may be delivered personally to:

(a) the shareholder at his latest address shown in the records of the Corporation or its transfer agent; and

(b) the director at his latest address as shown in the records of the Corporation or in the most recent notice filed under the Corporations Information Act, whichever is the more current.

10.2 Notice to Joint Shareholders

All notices with respect to any shares registered in more than one name may, if more than one address appears on the books of the Corporation in respect to such joint holding, be given to such joint shareholders at the first address so appearing, and notice so given shall be sufficient notice to all the holders of such shares.

10.3 Signature of Notices

The signature of any notice to be given by the Corporation may be written or printed or partly written and partly printed.

10.4 Omissions and Errors

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the Board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof, shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

10.5 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, becomes entitled to any share or shares, shall be bound by every notice in respect of such share or shares which is duly given to the shareholder from whom he derives his title to such share or shares until such time as his name and address are entered on the books of the Corporation (whether it be before or after the event upon which he became so entitled).

10.6 Waiver of Notice

Where a notice or document is required by the Act or by any by-law to be sent, the notice may be waived or the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.

11 EXECUTION OF CONTRACTS

11.1 Execution of Instruments

Deeds, transfers, assignments, contracts and any other documents of the Corporation shall be signed on behalf of the Corporation by:

two directors or the President together with the Secretary.

Any director or officer of the Corporation is hereby authorized and directed to sign any articles on behalf of the Corporation.

Notwithstanding any provision to the contrary contained in the by-laws of the Corporation, the Board may at any time or times direct the manner in which and the person or persons by whom any particular deed, transfer, assignment, contract or other document, or any class of deeds, transfers, assignments, contracts or other documents, shall be signed.

11.2 Banking Arrangements

All funds of the Corporation shall be deposited in its name in such account or accounts as are designated by the Board. Withdrawals from such account or accounts and the making, signing, drawing, accepting, endorsing, negotiating, lodging, depositing or transferring of any cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money with the institution maintaining such account or accounts shall be made by such person or persons as the Board from time to time determines.

12 SHAREHOLDERS' AGREEMENT

- 12.1 Notwithstanding anything contained in this by-law and any amendment or supplement hereto, the provisions of this by-law and any amendment or supplement hereto shall be amended to the extent necessary to give effect to the provisions of any shareholders' agreement in force between the Corporation and its shareholders, and to the extent that there is any conflict between the provisions of this by-law and any amendment or supplement hereto and any such shareholders' agreement, the provisions of such shareholder's agreement shall prevail.

13 REPEAL

- 13.1 By-law No.1 and any other by-laws inconsistent herewith be and the same are hereby repealed.

ENACTED by the Board on the 29th day of June, 2003.



Marc Boutet
President and Secretary

CONFIRMED by the shareholder in accordance with the Act on the 29th day of June, 2003..



Marc Boutet
Secretary



Exhibit "E"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

Sherry Townsend's resume

SHERRY TOWNSEND

PROFILE

A high-calibre executive with a focus on operational management, process improvement and team leadership. An energetic team leader able to communicate effectively with people of all ages and backgrounds working collaboratively to resolve issues and to motivate team members to achieve personal and organizational objectives. Able to identify and implement successful process improvements that increase accuracy, consistency and efficiency through analysis and attention to detail.

BUSINESS EXPERIENCE

BUSINESS OWNER

PROMOTIONAL PRINT AND PACKAGING INC., Scarborough 1992 - present

Responsibilities:

- Oversees management of entire business including daily operations, monitoring cash flow, budget and overhead, and performs safety and compliance checks
- Provides leadership and strategic vision to guide all aspects of the business
- Conducts strategic planning to manage business growth and maintenance
- Manages 50 employees on a daily basis
- Liaises with management on production meetings
- Develops and nurtures business relationships with clients
- Manages clients on a day to day basis
- Negotiates company contracts with clients

Accomplishments:

- Built the business from the ground up to \$8 million in annual sales
- Expanded the business from packaging and printing by developing and integrating promotions and fulfillment house capability, thereby creating a one stop shop for clients
- Employ and manage 50 employees
- Fostered a positive work environment achieving a high employee retention rate
- Boasts top tier list of clients
- Selected as a preferred supplier to manage warehouse management system for a client's retail products and packaging
- Achieved several million dollars in cost savings for a client through effective cost management and negotiation
- Developed and implemented stringent, high quality packaging standards
- Awarded and recognized by a client for achieving 100% accuracy in our business output
- Developed and implemented promotional activities which achieved 35% increase in sales

BUSINESS OWNER

COMMERCIAL HAND LABOUR, Scarborough

1983-1992

Responsibilities:

- Management of general business day to day operations
- Supervising and training employees

- Development of customer relationships

Accomplishments:

- Launched new packaging company in 1983
- Achieved \$1.5 million sales volume in 2 years
- Expanded the business to include printing in 1988
- Secured top tier clients

HEAD CASHIER

DOMINION STORES LTD, Scarborough

1973-1983

Responsibilities:

- Forecast planning
- Customer care
- Inventory control
- Staff recruitment
- Staff training

Accomplishments:

- Promoted to head cashier at 21 years of age

EDUCATION

**INTERIOR
DESIGN**

SENECA COLLEGE, Toronto

1985-1986

OTHER
ACCOMPLISHMENTS

- Raised \$282K for breast cancer through fundraising efforts

OTHER SKILLS

- Proficient in Microsoft Office, Word, Excel, PowerPoint, Outlook, Warehouse Management systems



Exhibit "F"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

**Consultancy Agreement
dated November 11, 2010**



NELSON FINANCIAL GROUP LTD. ("Nelson")

CONSULTING PROJECT TERMS OF REFERENCE

November 11, 2010

Background

On March 23, 2010 Nelson filed for protection under the CCAA. A. John Page & Associates Inc. was named as Monitor.

In May/June 2010 the Monitor completed a viability review, a loan portfolio review and a liquidation analysis with respect to Nelson based upon its historical business activity and its loan portfolio as at March 31, 2010.

These reviews contained a number of assumptions and raised a number of questions about Nelson's business and prospects that were beyond the scope of the review undertaken by the Monitor to validate or address at that time.

Since March 2010 there have been a number of changes to Nelson's business. In particular, Nelson's lending has dropped significantly and is of a shorter term nature than in the past. Nelson has made some changes to its business practices to address issues raised by the Monitor relating to its collection and bad debt reserve practices.

It seems that Nelson is about to change its senior management.

The new senior management, in consultation with the Monitor, would like Avanzare Inc., building on the work done by the Monitor, to further and more extensively evaluate Nelson's strategic options ie:

- Ongoing concern
- Sale
- Dissolution

as well as its business practices.

Avanzare Inc. Initial Observations and Understanding

- Sub-prime market crash coupled with poor operating practice has been the primary driver of company insolvency
 - The Risk function in particular is the root cause of most problems
 - Risk function includes the following processes:
 - Customer adjudication/scoring
 - Credit line assignment
 - Pricing
 - Customer behaviour monitoring
 - Fraud
 - Collections
 - Bad debt
 - Overall portfolio monitoring
 - Compliance
- Poor capital raising and cash management practices have exacerbated the problem
- Some partners and vendor clients have abandoned Nelson due to its insolvency putting a further strain on resources
- The investors appear willing to keep capital in the business by restructuring debt if they see, by way of an assessment and a viable go-forward business plan, a way to recoup more of their money than through alternatives

Objective of the Project

The objectives of the consulting project are to:

- i. evaluate the viability of Nelson as an ongoing concern under the new management team
- ii. provide an opinion on other strategic options (sale, dissolution)
- iii. provide recommendations and oversee implementation of Risk function remedial actions if deemed strategically appropriate (pursuant to findings of i. and ii.)

Staffing

This project will be undertaken primarily by:

- Mr. Ian Townsend
 - Project Leader
 - 25% of time
 - CV attached
- Other partner contributors
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - 75% of time overall
 - specific individual to be assigned according to needs as they are identified
 - CVs attached

Project Scope & Deliverable

1. Evaluate:
 - current portfolio quality
 - overall Company operations

2. Recommend:
 - as an ongoing concern:
 - business strategy
 - required operational fixes
 - other strategic options
 - sale
 - likelihood of potential buyers
 - opinion on range of value for the book
 - Dissolution

3. Risk function-specific:
 - Problem assessment
 - Recommend remedial action
 - Estimate write-offs
 - Recommend bad debt action plan
 - Initial oversight of fixes and technology install

Project Structure, Timing & Budget Estimate

Phase 1:

- 1 & 2 from above (Evaluate, Recommend)
- Activity includes:
 - Reviews of existing reports, documentation
 - Subject-specific information requests made by consultants and prepared by staff
 - Staff interviews
 - Site visit
- Project to be completed no later four weeks after installation of the IOO (Interim Operating Officer)
- Cost of \$14,000 (7 days @ \$2,000/day) plus taxes and expenses

Phase 2:

To be commenced only after approval has been given to commence this phase by the IOO and the Monitor

- 3 from above (Risk function)
- Commences only after completion of Phase 1, completed no later than ten weeks after completion of Phase 1
- Cost of approximately \$61,000 (consulting fees of \$26,000 representing 16 days @ \$1,600/day + estimated software cost of \$35,000) plus taxes and expenses

Key Contacts

- Project Owner – Ms. Sherry Townsend (IOO)
- Monitor – Mr. John Page

Approvals:

On Behalf of Nelson:

On Behalf of Avanzare Inc.

Name: _____

Mr. Ian Townsend

Title: _____

CEO

Date: _____

Date: _____

IAN TOWNSEND

PROFESSIONAL EXPERIENCE:

AVANZARE INC.

CEO/Principal

Avanzare Inc. is a consulting agency whose mission is to help clients build high-performance organizations that drive breakthrough results. We do this by developing and linking Business Strategy, Business Design and Business Process. The agency has developed and utilizes proprietary processes for strategy, process design and organizational development. Avanzare maintains a tier client roster with a primary sector focus in Financial Services. Other industries include Retail, Pharma, Telecom, Packaged Goods, CRM/Loyalty, E-Commerce, Sports Marketing and Non-Profits

GOLDEN BOOKS

Executive Vice-President, Sales & Marketing

FAMILY ENTERTAINMENT

– responsible for all USA Sales & Marketing, Canadian subsidiary
– \$500MM in annual sales

UNILEVER

Director of Sales, Lipton USA

– directed account teams for major food wholesale customers
– \$750MM in annual sales

Regional Sales Director, Lipton Canada

– responsible for Ontario and Atlantic Canada
– \$200MM in annual sales

Supply Chain Reengineering Director, Lipton Canada

Customer Marketing Director, Lipton Canada (1992-4)

CANADA TRUST

Marketing Officer

EDUCATION

Bachelor of Commerce, McMaster University, 1985
Certified Management Consultant (CMC)

REDACTED

REDACTED

REDACTED



Exhibit "G"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

**Order of the
Honourable Madam Justice Pepall
dated June 15, 2010**

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

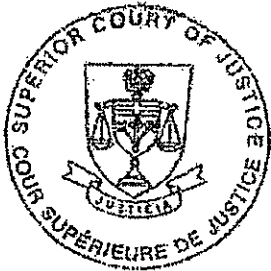
THE HONOURABLE MADAM)
)
JUSTICE PEPALL)

TUESDAY, THE 15TH
DAY OF JUNE, 2010

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

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

Applicant



ORDER
(Appointing Representative Counsel)

THIS MOTION, made by Nelson Financial Group Ltd. (the "Applicant") 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 Notice of Motion of the Applicant, the Affidavit of Marc Boutet sworn June 11, 2010 and the Third Report (the "Third Report") of A. John Page & Associates Inc. in its capacity as Court-appointed monitor of the Applicant (the "Monitor") and on hearing from counsel for the Applicant, the Monitor, ~~and such other counsel as were present, no one else~~

the Ontario Securities Commission, Foscarini Mackie Holdings, Noel and Lorna D'Elves and Lendcare Financial Services Inc., no one else

SRP

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the Third Report is hereby abridged so that this Motion is properly returnable today and hereby dispenses with further service thereof.

- subject to 3(e) -

of

2. **THIS COURT ORDERS** that Douglas Turner, Q.C. be and is hereby appointed as representative counsel (the "Representative Counsel") to represent the interests of all persons who, as at March 23, 2010, held promissory notes issued by the Applicant (the "Noteholders") for the sole purpose of advising the Noteholders in respect of any plan of compromise or arrangement in this CCAA proceeding (the "Mandate").

3. **THIS COURT ORDERS** that, in fulfilling the Mandate, the Representative Counsel:

- (a) may consult with individual Noteholders but shall not be obligated to follow the instructions of nor provide opinions to individual Noteholders;
- (b) may consult with and provide his views to the Monitor and/or the Applicant;
- (c) shall act in the best interests of the Noteholders as a whole and take such necessary and appropriate actions and steps as the Representative Counsel deems fit from time to time; and,
- (d) shall incur no liability or obligation as a result of his appointment or the carrying out of the provisions of this Order save and except for any gross negligence or

✓
(e) *is directed to engage Richard B. Jones as special counsel on an as needed basis to provide the Representative Counsel with advice in respect of the Mandate and the provisions and operation of the CCAA.*

4. **THIS COURT ORDERS** that the activities of the Representative Counsel shall be restricted to fulfilling the Mandate.

SNP

5. **THIS COURT ORDERS** that the Applicant shall, subject to the Representative Counsel executing a confidentiality agreement, provide to Representative Counsel, without charge, the names, last known addresses, last known telephone numbers, and last known e-mail addresses (if any) of all the Noteholders, to be used only for the purposes of the performance by the Representative Counsel of the Mandate.

6. **THIS COURT ORDERS** that, subject to such fee arrangements as have been agreed to by the Applicant and Representative Counsel, all reasonable legal fees and other incidental fees and disbursements incurred by Representative Counsel, up to an aggregate amount of \$75,000, shall be paid by the Applicant on a monthly basis, forthwith upon the rendering of accounts to the Applicant. In the event of any disagreement regarding such fees, such matters may be remitted to this Court for determination.

7. **THIS COURT ORDERS** that the Representative Counsel is authorized to take all steps and to do all acts necessary or desirable to carry out the terms of this Order, including dealing with any Court or any regulatory body, other governmental ministry, department or agency (each a "Governmental Authority"), and to take all such steps as are necessary or incidental thereto, provided adequate notice is given to the Applicant and the Monitor before any formal proceedings before a Court or Governmental Authority are commenced.

8. **THIS COURT ORDERS** that a copy of this Order and a letter from the Representative Counsel explaining the effect of this Order be posted on the Monitor's website.

9. **THIS COURT ORDERS** that no action or other proceedings shall be commenced against the Representative Counsel relating to their acting as such, except with prior leave of this Court, on at least 7 days' notice to the Representative Counsel.

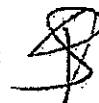
10. **THIS COURT ORDERS** that Representative Counsel may from time to time apply to this Court for advice and directions in respect of its appointment or the fulfillment of its duties in carrying out the provisions of this Order, upon notice to the Applicant and the Monitor and to other interested parties, unless otherwise ordered by the Court.

Stephane J

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

JUN 15 2010

PER / PAR:



Court File No. 10-8630-00CL

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD.

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(PROCEEDING COMMENCED AT TORONTO)

ORDER
(Appointing Representative Counsel)

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 "H"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

**Order of the
Honourable Madam Justice Pepall
dated July 7, 2010**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM

WEDNESDAY, THE 7th

JUSTICE PEPALL

DAY OF JULY, 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.**

Applicant

ORDER

(Appointing Independent Counsel)

THIS MOTION made by Nelson Financial Group Ltd. (the "**Applicant**") for an Order, *inter alia*:

(a) authorizing and directing the Monitor to retain Elizabeth Pillon as independent counsel for the sole purpose of reviewing the terms and conditions of the preferred shares issued by the Applicant and reporting to the stakeholders and this Honourable Court with her opinion as to (i) the legal relationship of the Applicant and all persons who, as at March 23, 2010, held preferred shares issued by the Applicant (the "**Preferred Shareholders**"); (ii) whether the Preferred Shareholders have a claim provable against the Applicant within the meaning of Section 20(1)(a) of the *Companies' Creditors Arrangement Act* (the "**CCAA**") and Section 121

of the *Bankruptcy and Insolvency Act* (the "BIA"); and, if so, (iii) whether such claims provable are equity claims within the meaning of Section 2 of the CCAA (the "Mandate"); and

(b) approving the Fourth Report dated July 2, 2010 (the "Fourth Report") of A. John Page & Associates Inc. in its capacity as the Court-appointed Monitor of the Applicant (the "Monitor") and the conduct and activities of the Monitor described therein,

was heard this day at 330 University Avenue, Toronto, Ontario.

UPON READING the Affidavit of Marc Boutet sworn July 5, 2010 and the Fourth Report and upon hearing from counsel for the Applicant, counsel for the Monitor, counsel for Staff of the Ontario Securities Commission, Richard Jones in his capacity as special counsel for the holders of promissory notes issues by the Applicant, and the proposed independent counsel, no one else appearing although duly served as appears from the Affidavit of Service, filed:

SERVICE.

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the Fourth Report is hereby abridged so that this Motion is properly returnable today and hereby dispenses with further service thereof.

INDEPENDENT COUNSEL

2. **THIS COURT ORDERS** that the Monitor be and is hereby authorized and directed to retain Elizabeth Pillon as independent counsel (the "Independent Counsel") for the sole purpose of advising the Monitor in respect of the Mandate.

3. **THIS COURT ORDERS** that the Independent Counsel shall, by no later than July 31, 2010, provide an opinion to the Monitor as to the assessment by the Independent Counsel of the claims presently held or that may be asserted by the Preferred Shareholders as against the Applicant including whether the Preferred Shareholders have a claim provable against the Applicant within the meaning of Section 20(1)(a) of the CCAA and Section 121 of BIA and, if so, whether such claims provable are equity claims within the meaning of Section 2 of the CCAA.

4. **THIS COURT ORDERS** that the Monitor shall, if it is satisfied that the assumed facts of the opinion are not unreasonable, cause a copy of the opinion to be made available on the Monitor's website for information purposes only and filed with this Honourable Court.

5. **THIS COURT ORDERS** that the opinion of Independent Counsel shall not constitute issue estoppel or *res judicata* with respect to any matters of fact or law referred to in the opinion.

6. **THIS COURT ORDERS** that, in fulfilling the Mandate, the Independent Counsel:

- (a) may consult with individual Preferred Shareholders;
- (b) may consult with and provide her views to the Applicant;
- (c) shall take such necessary and appropriate actions and steps as the Independent Counsel deems fit from time to time; and
- (d) shall incur no liability or obligation as a result of her retainer or the carrying out of this Order save and except for any gross negligence or wilful misconduct on her part.

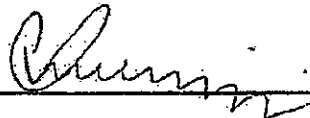
7. **THIS COURT ORDERS** that the activities of the Independent Counsel shall be restricted to fulfilling the Mandate.

8. **THIS COURT ORDERS** that, subject to such fee arrangements as have been agreed to by the Applicant and the Independent Counsel, all reasonable legal fees and other incidental fees and disbursements incurred by the Independent Counsel up to an aggregate amount of \$50,000, shall be paid by the Applicant on a monthly basis forthwith upon the rendering of accounts to the Applicant. In the event of any disagreement regarding such fees, such matters may be remitted to this Honourable Court for determination.

9. **THIS COURT ORDERS** that, in carrying out the Mandate, the Independent Counsel is authorized to communicate with any Court or any regulatory body, other governmental ministry, department or agency (each a "Governmental Authority").

MONITOR'S ACTIVITIES

10. **THIS COURT ORDERS** that the Fourth Report and the conduct and activities of the Monitor described therein be and are hereby approved.



Christina Irwin
Registrar, Superior Court of Justice

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

JUL 07 2010

PER / PAR:



Court File No: 10-8630-00CL

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD.

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(PROCEEDING COMMENCED AT TORONTO)

ORDER
(Appointing Independent Counsel)

GOWLING LALEUR 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 "I"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

**Third Updated Cash Flow Forecast
from September 11, 2010
to December 10, 2010**

Nelson Financial Group Ltd
 Weekly Cash Flow Forecast
 For the 13 week period ending Dec 10, 2010

Updated Cash Flow Projection

Unaudited

Week Ending

| | 17-Sep-10 | 24-Sep-10 | 01-Oct-10 | 08-Oct-10 | 15-Oct-10 | 22-Oct-10 | 29-Oct-10 | 05-Nov-10 | 12-Nov-10 | 19-Nov-10 | 26-Nov-10 | 03-Dec-10 | 10-Dec-10 | Total |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Opening Cash | \$4,744,211 | \$4,894,799 | \$5,193,072 | \$5,289,835 | \$5,284,586 | \$5,408,529 | \$5,375,315 | \$5,409,844 | \$5,441,678 | \$5,547,555 | \$5,679,550 | \$5,718,555 | \$5,769,808 | \$4,744,211 |
| Total Operating Receipts | 324,308 | 345,243 | 353,793 | 302,131 | 286,207 | 346,666 | 296,559 | 354,794 | 294,457 | 342,375 | 340,585 | 349,713 | 290,385 | 4,228,156 |
| Disbursements: | | | | | | | | | | | | | | |
| Payroll and benefits | 50,000 | | 55,800 | | 46,000 | | 46,000 | 5,800 | 46,000 | 46,000 | 46,000 | 5,800 | 46,000 | 947,400 |
| Rent | | | 6,780 | | | | 6,780 | | | | | 6,780 | | 20,340 |
| SG&A | 12,000 | 12,000 | 16,000 | 20,000 | 11,000 | 11,000 | 11,000 | 23,000 | 11,000 | 11,000 | 11,000 | 21,000 | 11,000 | 181,000 |
| Other | (104,000) | | | | | | | | | | | | | (104,000) |
| Net new Deal Funding | 111,720 | 111,720 | 111,720 | 131,580 | 105,264 | 131,580 | 131,580 | 131,580 | 131,580 | 131,580 | 131,580 | 131,580 | 131,580 | 1,624,644 |
| Payments to Noteholders | | | | | | | | | | | | | | 0 |
| Payments to Pref Shareholders | | | | | | | | | | | | | | 0 |
| Restructuring Costs | 28,250 | | 66,670 | 155,800 | | 237,300 | 73,450 | 156,800 | | 67,800 | 113,000 | 133,200 | | 1,031,270 |
| Total Disbursements | 173,720 | 47,970 | 256,970 | 307,380 | 162,264 | 379,880 | 262,030 | 322,960 | 186,580 | 210,380 | 301,580 | 298,360 | 188,580 | 3,100,654 |
| Net Operating Cash Flow | 150,588 | 298,273 | 96,763 | (5,249) | 123,943 | (33,214) | 34,529 | 31,834 | 105,877 | 131,995 | 39,005 | 51,353 | 101,805 | 1,127,502 |
| Closing Cash | \$4,894,799 | \$5,193,072 | \$5,289,835 | \$5,284,586 | \$5,408,529 | \$5,375,315 | \$5,409,844 | \$5,441,678 | \$5,547,555 | \$5,679,550 | \$5,718,555 | \$5,769,808 | \$5,871,713 | \$5,871,713 |

See attached schedule entitled - Notes/Probable and Hypothetical Assumptions underlying Weekly Cash Flow Forecast for the 13 week period ending December 10, 2010

NELSON FINANCIAL GROUP LTD. ("Nelson")
NOTES/PROBABLE AND HYPOTHETICAL ASSUMPTIONS UNDERLYING
WEEKLY CASH FLOW FORECAST FOR THE 13 WEEK PERIOD ENDED
DECEMBER 10, 2010

1. The Cash Flow Forecast has been prepared by Nelson to support a further application to extend the stay of proceedings first ordered when Nelson filed for and obtained protection from its creditors pursuant to the Companies Creditors' Arrangement Act ("CCAA") on March 23, 2010
2. Nelson is assumed to continue to operate on a going concern basis throughout the Cash Flow Period.
3. Opening Cash - The actual reconciled cash balance on September 10, 2010.
4. Net new lending forecasts are based on recent historical trends combined with the net addition of certain new vendors. The net new lending forecasts do not include the impact, if any, of the recent decision by Nelson to abandon its self imposed lending cap and instead seek out further vendors in order to ensure that its book of loans trend towards 50% of their historical level.
5. No significant changes underwriting criteria and related loan pricing
6. Collection of accounts receivable is based on historical average collection patterns having regard to the declining loan balances and the change in the mix of lending.
7. Payroll costs are based on 24 full time staff. 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. Rent payments are on the basis of existing lease arrangement at the Pickering location only.
10. Selling, general and administrative expenses are calculated based on the recent patterns of payment in which variable components are lower than historical levels reflecting lower loan volumes.
11. Restructuring costs represent projected payments on account of the fees and expenses of the Monitor, the Monitor's counsel, Nelson's counsel, the Noteholders' Representative Counsel and the Independent Counsel to the Monitor. It is assumed that the unpaid balance of the fees and expenses billed by the Monitor up to June 30, 2010 will be paid by Nelson at the rate of \$30,000 per month through 2010. All other fees and expenses to be paid as billed.

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.
13. The disbursement labelled "Other" reflects the amount transferred back to Nelson's general operating account in connection with the settlement reached with a secured creditor, Foscarini Mackie Holdings Inc.

S:\DATA\WP\CLIENTS\NELSON\CFASS8F.WPD



Exhibit "J"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

Actual/Projected Cash Flow

Nelson Financial Group Ltd
 Weekly Cash Flow Forecast
 For the 13 week period ending Dec 10, 2010

Actual/Projected Cash Flows to December 10, 2010
 Unaudited

| | Week Ending | | | | | | | | | | | | | Total |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Actual | | | | | | Projected | | | | | | Total | |
| | 17-Sep-10 | 24-Sep-10 | 01-Oct-10 | 08-Oct-10 | 15-Oct-10 | 22-Oct-10 | 29-Oct-10 | 05-Nov-10 | 12-Nov-10 | 19-Nov-10 | 26-Nov-10 | 03-Dec-10 | | |
| Opening Cash | \$4,744,211 | \$4,943,874 | \$5,250,709 | \$5,314,284 | \$5,306,674 | \$5,498,048 | \$5,634,345 | \$5,673,589 | \$5,705,423 | \$5,811,300 | \$5,943,295 | \$5,982,300 | \$6,033,653 | \$4,744,211 |
| Total Operating Receipts | 354,737 | 309,156 | 400,439 | 254,913 | 294,144 | 299,257 | 263,211 | 354,794 | 294,457 | 342,375 | 340,585 | 349,713 | 290,385 | 4,158,156 |
| Disbursements: | | | | | | | | | | | | | | |
| Payroll and benefits | 48,133 | | 82,285 | | 48,307 | | 46,766 | 5,800 | 46,000 | 46,000 | 46,000 | 5,800 | 46,000 | 373,091 |
| Rent | | | 6,780 | | | | 4,520 | 6,780 | | | | 6,780 | | 24,860 |
| SG&A | 8,995 | 13,578 | 23,963 | 6,116 | 10,993 | 21,753 | 8,537 | 23,000 | 11,000 | 11,000 | 11,000 | 21,000 | 11,000 | 181,935 |
| Other | | (103,225) | | | | | | | | | | | | (103,225) |
| Net new Deal Funding | 97,946 | 64,333 | 163,460 | 94,469 | 45,470 | 99,954 | 93,863 | 131,580 | 131,580 | 131,580 | 131,580 | 131,580 | 131,580 | 1,448,975 |
| Payments to Noteholders | | | | | | | | | | | | | | |
| Payments to Pref Shareholders | | | | | | | | | | | | | | |
| Restructuring Costs | 27,635 | | 60,376 | 171,938 | | 41,253 | 70,281 | | | 67,800 | 113,000 | 133,200 | | 841,263 |
| Total Disbursements | 155,074 | 2,321 | 336,864 | 272,523 | 102,770 | 182,960 | 223,967 | 322,960 | 189,580 | 210,380 | 301,580 | 298,360 | 188,580 | 2,766,919 |
| Net Operating Cash Flow | 199,663 | 306,835 | 63,675 | (7,610) | 191,374 | 136,297 | 39,244 | 31,834 | 105,877 | 131,995 | 39,005 | 51,353 | 101,805 | 1,391,247 |
| Closing Cash | \$4,943,874 | \$5,250,709 | \$5,314,284 | \$5,306,674 | \$5,498,048 | \$5,634,345 | \$5,673,589 | \$5,705,423 | \$5,811,300 | \$5,943,295 | \$5,982,300 | \$6,033,653 | \$6,135,458 | \$6,135,458 |



Exhibit "K"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

Cash Flow Variance Report

Cash Flow Variance Report

Nelson Financial Group Ltd
 Weekly Cash Flow Forecast
 For the 13 week period ending Dec 10, 2010

Unaudited

Week Ending

| | 17-Sep-10 | 24-Sep-10 | 01-Oct-10 | 08-Oct-10 | 15-Oct-10 | 22-Oct-10 | 29-Oct-10 | 05-Nov-10 | 12-Nov-10 | 19-Nov-10 | 26-Nov-10 | 03-Dec-10 | 10-Dec-10 | Total |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Opening Cash | 0 | \$49,075 | \$57,637 | \$24,449 | \$22,088 | \$89,519 | \$259,030 | \$263,745 | \$263,745 | \$263,745 | \$263,745 | \$263,745 | \$263,745 | \$0 |
| Total Operating Receipts | 30,429 | (37,087) | 46,706 | (37,218) | 7,937 | (47,409) | (33,348) | 0 | 0 | 0 | 0 | 0 | 0 | (69,990) |
| Disbursements: | | | | | | | | | | | | | | |
| Payroll and benefits | (1,867) | 0 | 26,485 | 0 | 307 | 0 | 766 | 0 | 0 | 0 | 0 | 0 | 0 | 25,691 |
| Rent | 0 | 0 | 0 | 0 | 0 | 0 | 4,520 | 0 | 0 | 0 | 0 | 0 | 0 | 4,520 |
| SG&A | (3,005) | 1,578 | 7,963 | (13,884) | (7) | 10,753 | (2,463) | 0 | 0 | 0 | 0 | 0 | 0 | 935 |
| Other | 0 | 775 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 775 |
| Net new Deal Funding | (13,774) | (47,387) | 51,740 | (37,111) | (58,794) | (31,826) | (37,717) | 0 | 0 | 0 | 0 | 0 | 0 | (175,669) |
| 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 | 0 | (615) | (6,294) | 16,138 | 0 | (196,047) | (3,169) | 0 | 0 | 0 | 0 | 0 | 0 | (189,987) |
| Total Disbursements | (18,646) | (45,649) | 79,894 | (34,857) | (59,494) | (216,920) | (38,063) | 0 | 0 | 0 | 0 | 0 | 0 | (333,795) |
| Net Operating Cash Flow | 49,075 | 8,562 | (33,188) | (2,361) | 67,431 | 169,511 | 4,715 | 0 | 0 | 0 | 0 | 0 | 0 | 263,745 |
| Closing Cash | \$49,075 | \$57,637 | \$24,449 | \$22,088 | \$89,519 | \$259,030 | \$263,745 | \$263,745 | \$263,745 | \$263,745 | \$263,745 | \$263,745 | \$263,745 | \$263,745 |



Exhibit "L"

**Ninth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
dated November 15, 2010**

**Amended Statement of Allegations
dated November 10, 2010**



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c.S.5, AS AMENDED**

- AND -

**IN THE MATTER OF
NELSON FINANCIAL GROUP LTD., NELSON INVESTMENT GROUP LTD.,
MARC D. BOUTET, STEPHANIE LOCKMAN SOBOL,
PAUL MANUEL TORRES, H. W. PETER KNOLL**

**AMENDED STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission ("the Commission") make the following allegations:

I. OVERVIEW

1. This proceeding relates to an illegal distribution of securities in breach of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act"), by the respondent issuer, Nelson Financial Group Ltd. ("Nelson Financial"), its related investment company, Nelson Investment Group Ltd. ("Nelson Investment") (collectively, the "Nelson Entities"), the directing mind of these entities, Marc D. Boutet ("Boutet"), and by the other individually named respondents, H. W. Peter Knoll ("Knoll"), Paul Manuel Torres ("Torres") and Stephanie Lockman Sobol ("Sobol"), who were employees and/or agents of Nelson Financial and/or Nelson Investment (collectively, the "Respondents").

2. Between December 19, 2006 and January 31, 2010 (the "Material Time"), Nelson Financial, through Nelson Investment and/or its employees and agents, including the individual Respondents, raised investor funds of over \$50 million (net of redemptions) from approximately 500 Ontario investors by issuing non-prospectus qualified securities. Although the Respondents purported to rely upon the Accredited Investor Exemption (defined below) in selling securities of Nelson Financial, a significant percentage of investors were not accredited. The Respondents'

2.

conduct as described herein constituted an abuse of the Accredited Investor Exemption in violation of Ontario securities law.

3. Throughout the Material Time, Nelson Financial operated at an increasing accumulated deficit and was unable to meet its obligations to investors without the receipt of new investor capital. In addition to its ongoing working capital requirements and contrary to express representations to investors about the use of their capital, Nelson Financial used investor funds that it had obtained in breach of the Act to pay other investors the returns on their investment and continued to accept additional investor funds in order to do so when Nelson Financial was insolvent. As a means of inducing investors to remain invested in Nelson Financial and to make further investment in Nelson Financial through the purchase of additional securities, Nelson Investment and Nelson Financial, at the direction of Boutet, misrepresented to investors that Nelson Financial was experiencing unprecedented financial success. Boutet, as the directing mind of the Nelson entities, and Sobol, as Nelson Financial's *de facto* chief financial and chief operating officer, were aware of and/or directed this conduct. During the Material Time, the Nelson Entities and Boutet, as the directing mind of the Nelson entities, engaged or participated in acts, practices or courses of conduct relating to the securities of Nelson Financial that they knew or ought to have known perpetrated a fraud on persons, contrary to section 126.1(b) of the Act. Boutet, as the directing mind and Sobol, as Nelson Financial's *de facto* COO and *de facto* CFO, were aware of and/or directed Nelson Financial to continue to accept investors' funds in circumstances where it was abusive to the integrity of the capital markets.

4. In addition to the unlawful conduct identified above, Nelson Financial, Nelson Investment and Boutet made statements to the Commission and to Staff of the Commission that were materially misleading and in breach of the Act.

II. THE RESPONDENTS

5. Nelson Financial was incorporated in Ontario on September 14, 1990. Nelson Financial is not a reporting issuer and is not registered under the Act. Nelson Financial provides vendor

assisted financing for the purchase of home consumable products, either through a vendor (or an aggregator of vendors), or directly to the consumer (the "Consumer Loans").

6. Nelson Investment was incorporated in Ontario on September 14, 2006 for the sole purpose of selling securities of Nelson Financial. On December 19, 2006, Nelson Investment obtained registration under the Act as a dealer in the category of limited market dealer ("LMD"), now exempt market dealer ("EMD").

7. Boutet is a resident of Ontario and was at all material times listed as the sole officer and director of Nelson Financial and Nelson Investment (together, the "Nelson Entities"). Boutet is the directing mind of the Nelson Entities. Throughout the Material Time and, in addition to acting as the directing mind of the Nelson Entities, Boutet acted as a salesperson at Nelson Investment and dealt with a select group of investors.

8. Throughout the Material Time, Boutet was registered with the Commission: first as a trading officer under the category of LMD with Nelson Investment and then subsequently as the ultimate designated person and chief compliance officer under the firm registration category of EMD.

9. Knoll was initially employed by Nelson Financial in the Fall of 2005 and was then later employed by Nelson Investment as a salesperson and its compliance officer from at least December 19, 2006 until September 15, 2009. In that period, Knoll was registered with the Commission as a trading officer and the designated compliance officer of Nelson Investment. Upon Knoll's departure from Nelson Investment, Boutet took over as the compliance officer of Nelson Investment.

10. Torres was employed by and acted as a salesperson for Nelson Investment beginning in or around August 2008. Torres has been registered under the Act as a salesperson (now dealing representative) with Nelson Investment since November 13, 2008.

11. Sobol is employed by and was the *de facto* chief financial officer (“CFO”) and *de facto* chief operating officer (“COO”) of Nelson Financial and has been so employed since May 2008. Sobol was a key member of the management team of the Nelson Entities. Sobol is not and has never been registered with the Commission.

III. BACKGROUND AND PARTICULARS TO ALLEGATIONS

A. Illegal Distribution – Sections 25 and 53 of the Act

12. Nelson Investment was incorporated by Boutet in 2006 for the sole purpose of selling securities of Nelson Financial and, throughout the Material Time, Nelson Investment’s business was limited to selling securities of Nelson Financial.

13. During the Material Time and through Nelson Investment, Nelson Financial raised approximately \$82 million through the sale and distribution of securities of Nelson Financial to (almost exclusively) Ontario investors. As of February 28, 2010, there were approximately 500 Nelson investors with a total investment amount outstanding of approximately \$51.2 million, net of redemptions.

14. The securities sold and distributed by Nelson Financial were in the form of fixed term promissory notes and preferred shares and were offered by Nelson Financial at fixed/guaranteed annual rates of return of 12% and 10%, respectively, typically paid to investors on a monthly basis.

15. Nelson Investment, Boutet, Knoll and Torres each received commissions on the funds raised by the sale of Nelson Financial securities, including on amounts “rolled over” by investors upon maturity of the promissory notes, i.e. where an investor opted to remain invested with Nelson Financial instead of redeeming their investment.

16. Throughout the Material Time, the scope of registration for Nelson Investment, Boutet, Knoll and Torres was limited to the sale of securities for which a prescribed exemption was properly available.

17. In distributing securities of Nelson Financial, the Nelson Entities purported to rely upon the accredited investor exemption as set out in section 2.3 of National Instrument 45-106 (the "AI Exemption").

18. A significant percentage of the investors to whom securities were issued by Nelson Financial either did not meet the requirements necessary to qualify as accredited investors or there was insufficient information for the Nelson Entities and their employees and/or agents to make that determination.

19. In many instances, the Respondents knew or ought to have known that the investors were not accredited and failed to make further inquiries to determine whether investors were, in fact, accredited.

20. For each investment up to October 2009, Boutet signed the respective offering and issuance documents in his capacity as President of Nelson Financial, including the term sheet for each promissory note/preferred share, and each promissory note issued by Nelson Financial. After that time and upon Boutet's replacement of Knoll as the compliance officer of Nelson Investment, Sobol signed the issuance documents on behalf of Nelson Financial in lieu of Boutet. As of October 2009, Sobol was aware of significant compliance issues and/or deficiencies at Nelson Investment. In many instances, Boutet and Sobol knew or ought to have known that the investors were not accredited and failed to make further inquiries to determine whether investors were, in fact, accredited.

21. All of the Respondents traded, either directly or through acts in furtherance of trading, in securities of Nelson Financial. The trades in the securities of Nelson Financial were trades in securities not previously issued and were therefore distributions. No preliminary prospectus or prospectus was filed and no receipts were issued for them by the Director to qualify the trading of the securities.

22. The Respondents failed to ensure that the requirements of the AI Exemption were met and, therefore cannot rely on the AI Exemption in respect of many of the trades of Nelson

Financial securities. The Respondents breached section 53 of the Act by distributing securities of Nelson Financial without a prospectus in circumstances where no exemption was properly available.

23. Further, as no exemption was properly available, the trades in the securities of Nelson Financial were beyond the registerable activity permitted by the category of registration under the Act and thus in breach of section 25 of the Act.

B. Misleading Staff of the Commission – Section 122(1)(a) of the Act

24. Boutet made a number of materially misleading statements to Staff, including by providing inaccurate or untrue information and/or failing to provide relevant information about the business and operations of Nelson Investment and Nelson Financial in a) a Risk Assessment Questionnaire (“RAQ”) he completed and submitted on behalf of Nelson Investment on October 6, 2009; and b) during the course of an on-site compliance review of Nelson Investment by Staff of the Commission in October and November 2009.

25. Boutet’s misrepresentations in the RAQ included statements regarding the disclosure of commissions and risks to investors, the strength and nature of Nelson Investment’s compliance system, and the relatedness of the parties involved in the distribution of the securities.

26. Boutet’s misrepresentations to Staff during the on-site compliance review related primarily to statements about the financial position of Nelson Financial.

27. Staff allege that Boutet’s misrepresentations were material and contrary to section 122(1) of the Act and contrary to the public interest.

C. Misleading the Commission – Section 122(1)(b)

28. During the Material Time, Nelson Financial filed 45-106F1s – Report of Exempt Distribution (the “Forms 45-106”) with the Commission relating to the distribution of securities of Nelson Financial to investors in Ontario.

29. The Forms 45-106 did not accurately report either the commissions paid in connection with the distribution or the nature of the securities that were distributed, including by failing to identify approximately \$2 million in commissions charged by Nelson Investment.

30. Staff allege that Nelson Financial's misrepresentations were material and contrary to section 122(1) of the Act and contrary to the public interest.

D. Fraudulent Conduct and Conduct Abusive to the Integrity of the Capital Markets

31. Nelson Financial relied on investors' funds for liquidity throughout the relevant period and raised new investor funds in a manner that was misleading to investors and abusive to the capital markets.

32. In soliciting investors, Nelson Investment and Nelson Financial expressly and implicitly represented to investors that Nelson Financial's business model, and consequently the success of the Nelson Financial investments, was premised upon applying investor capital to fund the Consumer Loans so that Nelson Financial would generate a higher return on the Consumer Loans than the returns promised to investors, as follows: a) investors' funds are used directly to fund the Consumer Loans; b) the Consumer Loans are extended at interest rates ranging from 29.9%; c) the fixed rates of return of 10-12% on the securities are paid to investors from the high interest rates earned on the Consumer Loans; and d) the "remaining spread" is used by Nelson Financial for "portfolio management, administration, underwriting and profit".

33. Throughout the Material Time, Nelson Financial made all of its monthly interest and "dividend" payments to investors and, for those who elected to redeem their investments upon maturity or otherwise, Nelson Financial repaid investors their full principal.

34. Throughout the Material Time, however, Nelson Financial's operations did not generate sufficient revenue for it to cover its operating expenses or its interest, "dividend", and principal repayment obligations to investors. During the Material Time, Nelson Financial had no other source of financing available to it and was solely dependant on the receipt of new investor capital.

35. In addition to its ongoing working capital requirements and contrary to express representations to investors about the use of their capital, Nelson Financial used at least part of the new investor funds that it obtained in breach of ss. 25 and 53 of the Act to offset its growing accumulated deficit, to pay other investors their monthly returns and to repay investors their principal upon redemption. Nelson Financial's continued acceptance of new investor funds in order to do meet its obligations to investors was abusive to investors in the circumstances.

36. At no time did the Respondents advise investors that Nelson Financial was insolvent or that their funds would be used either in whole or in part to pay or repay other investors. To the contrary, Nelson Investment and Nelson Financial, throughout the Material Time and at the direction of Boutet, made misrepresentations to investors that Nelson Financial was achieving record financial success as a means of inducing investors to remain invested in Nelson Financial and to make further investments in the securities of Nelson Financial.

37. On or about January 31, 2010, due to regulatory concerns raised by Staff following its on-site compliance review, Nelson Financial temporarily suspended the distribution of any of its securities.

38. On March 23, 2010, less than two months after suspending its capital raising activities, Nelson Financial was required to seek an order for creditor protection and restructuring under the *Companies' Creditors Arrangement Act* on the basis that it was insolvent.

39. During the Material Time, the Nelson Entities and Boutet, as the directing mind of the Nelson entities, engaged or participated in acts, practices or courses of conduct relating to the securities of Nelson Financial that they knew or ought to have known perpetrated a fraud on persons, contrary to section 126.1(b) of the Act. Boutet, as the directing mind and Sobol, as Nelson Financial's *de facto* COO and *de facto* CFO, were aware of and/or directed Nelson Financial to continue to accept investors' funds in circumstances where it was abusive to the integrity of the capital markets.

IV. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

40. Staff allege that the foregoing conduct engaged in by the Respondents constituted breaches of Ontario securities law and/or was contrary to the public interest:

- (a) Nelson Financial, Nelson Investment, Boutet, Knoll, Torres and Sobol traded securities of Nelson Financial without a prospectus in circumstances where no exemption was available contrary to the prospectus requirements of section 53 of the Act and contrary to the public interest;
- (b) Boutet, as an officer and director of Nelson Financial and Nelson Investment, authorized, permitted or acquiesced in the breaches of section 53 of the Act by Nelson Financial and Nelson Investment contrary to section 129.2 of the Act and contrary to the public interest;
- (c) Sobol, from at least October 2009, as a *de facto* officer of Nelson Financial, authorized, permitted or acquiesced in the breaches of section 53 of the Act by Nelson Financial contrary to section 129.2 of the Act and contrary to the public interest;
- (d) Nelson Investment, Boutet, Knoll and Torres traded securities of Nelson Financial where no exemption was available contrary to the scope of their registration and the registration requirements of section 25 of the Act and contrary to the public interest;
- (e) Boutet, as an officer and director of Nelson Investment, authorized, permitted or acquiesced in the breaches of section 25 by Nelson Investment contrary to section 129.2 of the Act and contrary to the public interest;
- (f) Nelson Financial made statements in the Forms 45-106 filed with the Commission that were materially misleading or untrue and/or failed to state facts which were required to be stated contrary to subsection 122(1) of the Act and contrary to the public interest;

- (g) Nelson Investment made statements in the Risk Assessment Questionnaire filed with the Commission that were materially misleading or untrue and/or failed to state facts which were required to be stated contrary to subsection 122(1) of the Act and contrary to the public interest;
- (h) Boutet, as an officer and director of the Nelson Entities, authorized, permitted or acquiesced in the breaches of section 122(1) by Nelson Financial and Nelson Investment (described in subparagraph (e)-(f)) which was contrary to subsection 122(3) of the Act and contrary to the public interest;
- (i) Boutet made statements to Staff of the Commission during the course of its on-site review of Nelson Investment that were materially misleading or untrue and/or failed to state facts which were required to be stated contrary to subsection 122(1) of the Act and contrary to the public interest;
- (j) The Nelson Entities and Boutet engaged or participated in acts, practices or courses of conduct relating to the securities of Nelson Financial that he knew or ought to have known perpetrated a fraud on persons contrary to section 126.1(b) of the Act;
- (k) During the Material Time, Boutet, being the sole officer and director of the Nelson Entities, did authorize, permit or acquiesce in the commission of the violations of section 126.1 of the Act, as set out above, by the Nelson Entities or by the employees, agents or representatives of the Nelson Entities, pursuant to section 129.2 of the Act; and
- (l) Boutet, as the directing mind of the Nelson Entities, and Sobol, as a key member of the management team of the Nelson Entities and as a *de facto* officer of Nelson Financial, permitted, authorized or acquiesced in Nelson Financial's continued distribution of securities and continued acceptance of new investor capital in circumstances where it was abusive to the integrity of the capital markets and contrary to the public interest.

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41. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto this November 10, 2010.

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF NELSON FINANCIAL GROUP LTD.**

Court File No.: 10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

**NINTH REPORT
OF A. JOHN PAGE & ASSOCIATES INC. IN ITS
CAPACITY AS THE MONITOR OF THE APPLICANT
DATED NOVEMBER 15, 2010**

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