

**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.**

**SECOND REPORT OF SHERRY TOWNSEND  
in her capacity as the Interim Operating Officer of the Applicant**

**April 18, 2011**

**Introduction**

1. By an Order of this Court dated November 22, 2010, Sherry Townsend was appointed as the Interim Operating Officer ("IOO") of the Nelson Financial Group Ltd., the Applicant in these proceedings. Under the terms of the Appointment Order, an engagement letter between the Applicant and ST Consulting Inc. for the provision of the IOO's services was approved. The Court also approved the terms of heads of agreement dated November 11, 2010 between the Applicant and its sole voting shareholder, sole director and incumbent president and chief executive officer, Marc Boutet. The heads of

agreement provided for Marc Boutet to remove himself as an officer, director and shareholder of the Applicant.

2. Documentation was settled between counsel representing Marc Boutet and the Special Counsel for the Representative Counsel to implement the terms of the heads of agreement. That documentation was reviewed and approved by the IOO. Due to Marc Boutet's absence from Canada, it took some time to obtain execution of all of the documents. The appointment of the IOO was not fully effective until documents were executed and delivered on December 13, 2010. At that time, the IOO assumed full responsibility and authority as the chief executive officer of Nelson Financial Group Ltd.

#### **Activities of the IOO**

3. The activities of the IOO up to February 18, 2011 are reported in the First Report filed with this Honourable Court.

4. On March 4, 2011, this Honourable Court issued an order on the motion of the IOO on behalf of the Applicant seeking leave to file the Plan of Compromise and Arrangement of Nelson Financial Group Inc. dated February 11, 2011 as amended to February 28, 2011 (the "Plan") and ordering the holding of a meeting of all Eligible Voting Creditors to be held on April 16, 2011 (the "Meeting"). That Order (the "Plan Filing and Meeting Order") required the Applicant to mail a copy of the Plan Filing and Meeting Order, the Notice of Meeting and a copy of the Plan to all Eligible Voting Creditors on or before March 10, 2011. Attached as Exhibit "A" to this Report is a true copy of the mailing made on March 10, 2011, excluding copies of the Plan.

5. The materials contained in the mailing of March 10, 2011 were sent by email to all Creditors for whom the Representative Counsel or the Applicant had email addresses. Further, this material was all posted on the Monitor's website and on the website established by the Representative Counsel for use by his noteholders advisory committee.

6. In accordance with the Plan Filing and Meeting Order, the Applicant retained the services of Greg S. MacLeod as Chair and Ronald Dale as the Scrutineer for the Meeting. The Chair and the Scrutineer received a full copy of the Report of the Monitor dated March 9, 2011 on the Claims Procedure. The Chair and the Scrutineer were provided with all assistance that they requested in order to establish the voting records, to review proxies and voting letters received for proper execution and authorization by the creditors.

7. Under the terms of paragraph 7 of the Plan Filing and Meeting Order, the Applicant with the assistance of the Representative Counsel prepared a draft of an Information Circular and provided that to Staff of the Ontario Securities Commission by Wednesday, March 9, 2011. Comments and requests for amendments were received by the Representative Counsel.

8. It was determined by the IOO that a clear presentation of the best estimate of an opening pro forma balance sheet for the Applicant after the implementation of the Plan and of projections of future financial performance under a number of different scenarios were required for the creditors. The IOO instructed by Avanzare Inc. with the assistance of other professional advisors to prepare such financial projections in a format

that could be included in the Information Circular. The IOO also instructed the Special Counsel to prepare revised descriptions of several aspects of the Plan and of the attributes of the securities to be issued under it.

9. The amended Information Circular was prepared, further edited and filed in substantially final form with Staff of the Ontario Securities Commission by March 22, 2011. On March 25, 2011, after a final amendment to remove any reference to the then still pending settlement of the proceedings against the Applicant before the Ontario Securities Commission, Staff advised the Representative Counsel that they did not oppose the contents of the Information Circular. The Information Circular was distributed electronically to noteholders and posted on the website immediately. Copies were provided to noteholders at the information meeting held on March 26, 2011. The final form of the Information Circular is attached as Exhibit "B" to this Report.

10. On March 26, 2011 the Representative Counsel's noteholders advisory committee held an information meeting open to all noteholders. The IOO outlined the business plan that had been developed for the Applicant and the terms of the Plan of Compromise and Arrangement. There was extensive discussion including substantial presentations by Brenda Bissell and her accountant representing her mother, a noteholder. Copies of the Information Circular were provided as well as the tax opinion dated July 16, 2010 that the Monitor had obtained. The independent directors that the IOO was recommending to the noteholders were introduced as was the proposed auditor, Ronald Dale.

11. The mailing of the Information Circular to all creditors was ready by March 31 but the mailing was held until the Monitor's Report under paragraph 9 of the Plan Filing and Meeting Order was ready so that it could be included in the same mailing. The Monitor's Thirteenth Report was delivered to the IOO electronically on April 6. The IOO had it printed and included in the mailing to all creditors with the Information Circular and other materials for the Meeting. That mailing was sent that day. At the same time, the Monitor's Thirteenth Report was sent by email by the Applicant to all creditors for whom the Applicant or the Representative Counsel had email addresses.

12. In preparation for the expected approval and implementation of the Plan, the IOO through the Special Counsel retained the services of John D. Brunt of Blaney, McMurtry LLP as general solicitors for the Applicant. Following a review of the Plan and the securities proposed to be issued under it if approved, several technical amendments were identified as desirable. One substantive amendment had been identified in discussions between the Special Counsel and the Monitor and its counsel. That is to provide equitable relief from the provisions of section 8.6 of the Plan for circumstances where a Creditor does not or is unable to provide the required documentation within 180 days due to excusable defaults or inability. The other amendments included the correction of an inoperative reference to provisions that had not been included in the Capital Recovery Debentures in the definition of "Permitted Liens" and several typographic errors. These amendments were provided to the Monitor who has consented to them and has posted them on its website in accordance with the Plan.

13. The Plan of Compromise and Arrangement as amended to April 12, 2011 is attached as Exhibit "C" to this Report. This is the Plan that was considered by the

Meeting on April 16, 2011. Copies were provided to all creditors attending the Meeting and the amendments were described to the meeting.

14. The Meeting was convened and conducted as described in the Report of Greg S. MacLeod as Chair dated April 17, 2011. The IOO approves of that Report. During the Meeting the Creditors present received a presentation from the Monitor of his views of the Plan and of the alternatives to and risks of the Plan. The IOO made a presentation of the Plan terms and of her expectation for the future performance of the business of the Applicant under new management. There was a substantial discussion and question period of over an hour after the presentations.

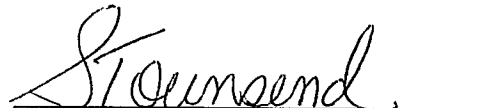
15. The IOO supports the Plan. She is satisfied that the creditors are a diverse and independent group and that they are overwhelmingly in support of the plan to recoup their losses by taking ownership of the Applicant and restructuring it as a going concern. No creditor or related group of creditors represents as much as five (5%) percent of the claims. The IOO has advised all creditors that they will have the opportunity as shareholders to review the progress of the business of the Applicant and will have rights including to change the management by electing a new board of directors or to require a voluntary winding up if the requisite majority determine that such is in their best interests at any time in the future.

16. The Plan includes a cash exit option at 25 cents on the dollar of claim. The IOO and the Representative Counsel have both advised creditors that they do not recommend that creditors exercise this option.

### **Recommendations of the Interim Operating Officer**

17. The IOO recommends to this Honourable Court as follows:
- a) That the Plan of Compromise and Arrangement in respect of Nelson Financial Group Ltd. dated February 11, 2011 as amended to April 12, 2011 be approved and sanctioned;
  - b) That the Articles of Arrangement submitted be approved and directed to be filed forthwith cancelling all issued and authorized share capital of the Applicant, changing the corporate name of the Applicant to Provider Capital Group Inc., authorizing New Special Shares and Common Shares to be issued under the Plan and appointing Bruce Clark, Rina Mancini, John McCabe, Sherry Townsend and Tina Young as the directors of the Applicant; and
  - c) That the Applicant be permitted to implement the Plan immediately and that the Monitor be released from any continuing obligation to monitor the assets, business or operations of the Applicant.

The foregoing Report is respectfully submitted this 18<sup>th</sup> day of April, 2011.

  
Sherry Townsend  
Interim Operating Officer of  
Nelson Financial Group Ltd.



**NELSON  
FINANCIAL  
GROUP LTD.**

March 10, 2011

TO: THE CREDITORS OF NELSON FINANCIAL GROUP LTD.

The efforts of so many of us to restructure this Company in a way that will maximize our recoveries are finally coming to fruition. We have a new business plan, new management a new name and brand and a restructuring plan that we hope will meet with your overwhelming approval. The stay of all proceedings against the Company has been extended to May 31, 2011.

With this letter, you will find the following documents:

- A Notice of Meeting of Creditors to be held on April 16, 2011 at 11:00 am at The Ajax Convention Centre 550 Beck Crescent, Ajax, Ontario L1Z-1C9;
- A copy of the Plan of Compromise and Arrangement dated February 11, 2011 as amended February 24, 2011 which was filed with the Court on March 4, 2011;
- A copy of the Order made by Mr. Justice Morawetz on March 4, 2011 approving the filing of the Plan and ordering the holding of the creditors' meeting; and
- Proxy and Voting Letter.

If the Plan is approved by the required majorities of creditors with proven claims at the meeting on April 16, we are scheduled to ask Mr. Justice Morawetz to grant a final approval at a motion scheduled for April 20, 2011 and Provider Capital Group Inc., owned by all of the creditors will emerge from the CCAA process the following day.

Apart from considering and voting on the Plan, you as creditors will be asked to select five individuals to be designated by the Court as the first new directors of Provider Capital Group Inc. As the Interim Operating Officer, I have found a number of qualified people with substantial board and financial business experience who have agreed to serve if selected by you.

I invite you to nominate anyone who you believe would make a strong director for our Company. Nominees should be Canadian citizens and have experience as directors. Ideally, they will have business skills in banking or finance so that they can contribute to our efforts to make this Company very successful. If you find any nominees, please provide their consent and a brief summary of their background and qualifications. We will be circulating an Information Circular by

THE CREDITORS OF NELSON FINANCIAL GROUP LTD.

March 10, 2011

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April 6 that will include the names and brief description of confirmed nominees so that all creditors can consider their selections before the meeting.

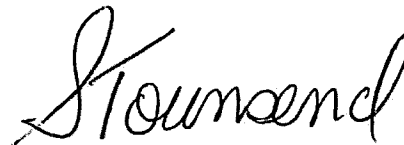
If you are not going to be able to attend the meeting, you may participate in these important decisions by appointing a proxy. If you have no one else who will be representing you, either the Representative Counsel for the Noteholders, Mr. Douglas Turner, Q.C., or I will be pleased to act as your proxy. In the alternative, you can complete the Voting Letter and return it. Completed, dated and signed proxies or voting letters must be returned to the Chair of the Meeting at

Greg S. MacLeod, CA, CIRP  
P.O.Box 1635  
Burlington,, ON  
L7R 5A1  
Tel: 905-876-7550

Email: [greg@gsmacleod.com](mailto:greg@gsmacleod.com)

I look forward to seeing you at either the Noteholders' Information Meeting on March 26 or at the Meeting of Creditors on April 16, 2011. With your support, I am confident that our Company will be successful in the future.

Yours very truly,

A handwritten signature in black ink, appearing to read "Stoumænd", which is likely a stylized or misspelled version of "Sherry Townsend".

Sherry Townsend  
Interim Operating Officer

Enclosures

**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.**

**NOTICE OF MEETING OF THE CREDITORS  
OF NELSON FINANCIAL GROUP LTD.**

**NOTICE IS HEREBY GIVEN** that a meeting of the Eligible Voting Creditors<sup>1</sup> of Nelson Financial Group Ltd. will be held at Ajax Convention Centre 550 Beck Crescent, Ajax, Ontario L1Z-1C9 on **Saturday, the 16<sup>th</sup> day of April, 2011 at 11:00 a.m.** (Toronto time) for the following purposes:

- i) to consider and vote on, with or without variation, a resolution to approve the Plan of Compromise and Arrangement (the "Plan") proposed by the Applicant under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and dated February 11, 2011 as such may be amended;
- ii) if a resolution to approve the Plan shall have been passed by the requisite majorities of the Eligible Voting Creditors present in person or by proxy, to proceed to accept nominations and to elect and designate persons to be named in the Articles of Reorganization to be the directors of Provider Capital Group Inc., formerly named Nelson Financial Group Ltd.; and,
- iii) to transact such other business as may properly become before the Meeting or any adjournment(s) thereof.

The Plan is being considered pursuant to the Creditors' Meeting Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on March 4, 2011. The

<sup>1</sup> Capitalized terms not otherwise defined have the meanings ascribed to them in the Plan or in the CCAA Meeting Order.

Plan, if the resolution of Creditors to approve it is passed by the requisite majorities, must then be approved by an order of the Court (the "Sanction Order") before it can be implemented. A motion seeking a Sanction Order is scheduled to be heard on April 20, 2011 at 10:00 a.m., or such later date as may be scheduled by the Applicant or ordered by the Court, at 330 University Avenue, Toronto, Ontario. Any change to the date or location of the motion will be posted on the Monitor's website.

Eligible Voting Creditors requiring information or additional copies of the Plan, the Creditors' Meeting Order, the form of Proxy or the Voting Letter for the Meeting may contact the Court-appointed Representative Counsel for the Noteholders, Douglas Turner, Q.C., in writing to request such or may visit the Monitor's website at [www.ajohnpage.com](http://www.ajohnpage.com) and download such documents. The documents are not available in a French version.

The Plan enclosed with this Notice remains subject to change or amendment in accordance with its terms. Alterations, amendments, modifications and supplements will be filed with the Court, provided to all Eligible Voting Creditors at the Meeting but prior notice thereof may be limited to postings on the Monitor's website.

Eligible Voting Creditors who are not attending the Meeting in person and who wish to vote on the resolution to approve the Plan are required to date, sign and return either the enclosed form of Proxy or the enclosed form of Voting Letter in the enclosed pre-addressed envelope so that it is received by the Chair of the Meeting by no later than 5:00 p.m. (Toronto time) on Friday, April 15, 2011. Proxies and voting letters may also be accepted if deposited with the Chair at the Meeting or, for purposes of voting at an adjourned, postponed or other rescheduled Meeting, if received by the Chair of the Meeting prior to 5:00 p.m. Eastern time on the Business Day immediately proceeding any adjourned, postponed or otherwise rescheduled Meeting. The Proxy or Voting Letter will not be valid and will not be acted upon, voted or recorded unless it is completed as specified in the form of Proxy or Voting Letter and the related instructions.


The Monitor has filed numerous reports on the business and financial affairs of the Applicant with the Court and all such reports are posted and available on the Monitor's website. Further reports may be filed prior to the Meeting and those will include a report of the Monitor addressed to the Court as to the fairness and reasonableness of the Plan.

The address of the Chair of the Meeting for the purposes of filing proxies and voting letters and obtaining any additional information or materials related to the Meeting is:

Greg S. MacLeod, CA, CIRP  
P.O.Box 1635  
Burlington,, ON  
L7R 5A1  
Tel: 905-876-7550  
Email: [greg@gsmacleod.com](mailto:greg@gsmacleod.com)

**DATED** at Pickering, Ontario, this 10<sup>th</sup> day of March, 2011

**NELSON FINANCIAL GROUP LTD.**

Per: \_\_\_\_\_

Ms. Sherry Townsend

Interim Operating Officer

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**THE HONOURABLE MR.            )     FRIDAY, THE 4<sup>TH</sup>  
  )  
**JUSTICE MORAWETZ            )     DAY OF MARCH, 2011****

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

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

**ORDER  
(Plan Filing and Creditor Meeting)**

**THIS MOTION**, made by the Interim Operating Officer of the Applicant, Nelson Financial Group Ltd. (the "Applicant"), seeking the relief set out in the Notice of Motion dated February 11, 2010, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Motion and the Motion Record and the First Report dated February 18, 2011 of Sherry Townsend in her capacity as Interim Operating Officer appointed by the Order of this Court made November 22, 2010 (the "IOO"), and on being advised of the consents of counsel for the IOO on behalf of the Applicant, the Representative Counsel and A. John Page & Associates Inc., in its capacity as the Court-appointed monitor of the Applicant (the "Monitor"), and on being advised that the Ontario Securities Commission is not opposed, no other persons appearing although duly served;

### **Service**

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record in respect of this Motion be and its is hereby abridged and that the service of the Notice of Motion and Motion Record herein as affected by the Applicant is hereby validated in all respects.

### **Plan of Compromise and Arrangement**

2. **THIS COURT ORDERS** that the Plan of Compromise and Arrangement in respect of Nelson Financial Group Ltd. dated February 11, 2011 as amended on February 24, 2011 and in the form attached as Schedule "A" hereto (the "Plan") is hereby accepted for filing and the Applicant shall seek acceptance and sanctioning of the Plan, subject to such amendments as may advised and permitted in accordance with the terms of the Plan, in the manner set forth herein.

3. **THIS COURT ORDERS** that, except where otherwise defined, capitalized terms in this Order have the meanings assigned to such in the Plan.

### **The Meeting of Creditors**

4. **THIS COURT ORDERS** that the Applicant is hereby authorized to call, hold and conduct a meeting of the Eligible Voting Creditors for the purpose of considering, and if deemed advisable, passing, with or without variation, a resolution to approve the Plan in respect of the Applicant (the "Meeting").

5. **THIS COURT ORDERS** that the Meeting shall be held on Saturday, April 16, 2011 (the "Meeting Date") at 11:00 a.m. (Toronto time) at a publically accessible facility to be arranged by the Applicant in the Greater Toronto Area, Ontario and the Applicant is

hereby authorized, with the consent of the Chair (as defined in paragraph 11 of this Order), to adjourn the Meeting to such time and place as it deems necessary or desirable.

6. **THIS COURT ORDERS** that on or before March 10, 2011, the Applicant shall send or have sent by prepaid post to each Eligible Voting Creditor who has filed a proof of claim in accordance with the Claims Procedure Order to the address set forth on the proof of claim filed by the Eligible Voting Creditor or, in the case of any Creditor whose Claim is deemed to be a Proven Claim by the terms of the Claims Procedure Order, at the last known address for such creditor as shown on the records of the Applicant and, in addition, shall send by electronic transmission to those Eligible Voting Creditors that have provided the Applicant and/or the Representative Counsel with email addresses: (a) a Notice of Meeting in the form attached as Schedule "B" hereto; (b) a copy of this Order (without attachments); (c) a copy of the Plan; and (d) forms of proxy and voting letter substantially in the forms attached as Schedules to the Plan amended to reflect the time, date and place of the Meeting.

7. **THIS COURT ORDERS** that the Applicant shall prepare an information circular for the Meeting describing the background of the Applicant, the assets and undertaking of the Applicant, the business proposed to be conducted in the future by the Applicant, the terms and effect of the Plan, the qualifications of the proposed management including those persons recommended by the IOO for nomination for appointment under the Articles of Reorganization as directors of the Applicant and the forecast of the anticipated financial performance of the Applicant under its expected business plan (the "Information Circular") and shall provide a draft of the Information Circular to Staff of the Ontario Securities Commission and the Monitor on or before Wednesday, March 9, 2011.

8. **THIS COURT ORDERS** that on or before April 6, 2011, the Applicant shall send the Information Circular to all Creditors who had been sent the Notice of Meeting in the same manner set out in paragraph 6 of this Order. Before the Information Circular is sent to the Creditors who had been sent the Notice of Meeting, the Applicant shall obtain confirmation from Staff of the Ontario Securities Commission that it does not oppose the contents of the Information Circular as it relates to the requirement to provide prospectus level disclosure to the Creditors.

9. **THIS COURT ORDERS** that the Monitor shall prepare a report under the terms of section 23(1)(d.1) and section 23(1)(i) of the CCAA and containing an update on the restructuring process, the current state of the assets and business of the Applicant, the Monitor's views of the Plan and the recommendations of the Monitor as to the approval of the Plan including his opinion of any alternative outcomes available to the Creditors (the "Monitor's Report") and the Monitor's Report shall be filed with this Court, posted on the Monitor's website and sent by the Applicant to the Eligible Voting Creditors in the same manner set out in paragraph 6 of this Order by no later than Wednesday, April 6, 2011.

10. **THIS COURT ORDERS** that the Applicant be and is hereby authorized to modify, amend or supplement the Plan by way of a supplementary or amended plan of compromise and arrangement at any time or from time to time prior to the Meeting or at the Meeting, in which case any such supplementary plan of compromise and arrangement shall, for all purposes, be and is deemed to be a part of and incorporated into the Plan, and any such modification, amendment or modification shall be forthwith copied and

advised to the Monitor and to the Creditors. The Monitor shall post a copy of any amended Plan on its website as soon as practicable.

11. **THIS COURT ORDERS** that Greg S. Macleod, CA,CIRP shall be engaged by the Applicant to preside as the chairperson of the Meeting (the “Chair”) and shall decide all matters relating to the rules and procedures at, and the conduct of, the Meeting.

12. **THIS COURT ORDERS** that, for the purposes of voting to approve the Plan, there shall be one class of Eligible Voting Creditors of the Applicant as set forth in the Plan.

13. **THIS COURT ORDERS** that Eligible Voting Creditors of the Applicant shall be entitled to attend and vote at the Meeting in respect of the Applicant’s Eligible Voting Creditors in person, by proxy, or by voting letter and that any proxies or voting letters shall be delivered to the Chair at his business address to be included in the Notice of Meeting prior to the Meeting Date and to the Chair or the Scrutineer at the Meeting.

14. **THIS COURT ORDERS** that the Chair shall appoint and instruct Ronald S. Dale, C.A. of the firm of Bongard Dale Fried LLP to act as the Scrutineer of the Meeting to review the attendance of creditor, to examine and record all proxies and voting letters and to record the votes cast for or against any resolution duly placed before the meeting as determined by the Chair and to report on any such vote to the Chair.

15. **THIS COURT ORDERS** that the Chair and the Scrutineer be and is hereby authorized to accept and rely upon proxies and voting letters substantially in the form of such attached as Schedules “F” and “G” to the Plan or in such other form as the Chair determines to be functionally and substantively identical and acceptable.

16. **THIS COURT ORDERS** that the only persons entitled to attend the Meeting are (a) the Eligible Voting Creditors of the Applicant, including their proxy holders, family members and the legal counsel for any such creditor; (b) the IOO; (c) the Representative Counsel and the Special Counsel; (d) the Monitor; (e) the Applicant; and the Chair and the Scrutineer, in each case together with their respective authorized representatives, officers, directors and legal counsel. The Monitor shall present the Monitor's Report at the Meeting and respond to all inquiries with respect thereto.

17. **THIS COURT ORDERS** that the quorum required at the Meeting shall be any one Eligible Voting Creditor of the Applicant present in person, by voting letter or by proxy.

18. **THIS COURT ORDERS** that the amount of the Proven Claim that each Eligible Voting Creditor is entitled to vote at the Meeting shall be as established in accordance with the Claims Procedure Order and the Monitor shall provide to the Applicant and to the Chair a final report listing all Proven Claims and any Disputed Claims, including the name of the Creditor and the Claim amount in each case, determined under the Claims Procedure Order on or before before March 9, 2011.

19. **THIS COURT ORDERS** that, subject to further Order of the Court, where the Claim of an Eligible Voting Creditor has not become a Proven Claim by the Meeting Date, that Eligible Voting Creditor's Claim, for the purpose of voting on the Plan only, shall be in the amount of 50% of the Claim set out in the proof of claim filed by the Eligible Voting Creditor pursuant to the Claims Procedure Order.

20. **THIS COURT ORDERS** that the Chair shall direct a vote with respect to a resolution to approve the Plan as amended and under consideration at the Meeting and containing such other related provisions as the Applicant may consider appropriate.

21. **THIS COURT ORDERS** that, following the vote to approve the Plan, the Scrutineer shall tally the vote and report to the Chair and the Chair shall determine whether the Plan under consideration has been accepted by the majority required by section 6 of the *Companies' Creditors Arrangement Act* (the "CCAA").

22. **THIS COURT ORDERS** that, if the Plan is accepted by the required majority of Eligible Voting Creditors, the Chair shall then call for nominations for persons to be designated as the directors of the Applicant in the Articles of Reorganization and the Chair shall then conduct an election by the Meeting to select five (5) persons to be so designated.

23. **THIS COURT ORDERS** that, if the Plan is accepted by the required majority of Eligible Voting Creditors, the Applicant shall bring a Motion seeking an Order sanctioning the Plan in accordance with section 6 of the CCAA and, if so sanctioned, directing the filing of the Articles of Reorganization pursuant to s.186 of the Ontario *Business Corporations Act* shall be returnable on Wednesday, April 20, 2011, or such earlier or later date as the Court may order.

#### **Further and Other Orders**

24. **THIS COURT ORDERS** that the Applicant, the IOO, the Representative Counsel or the Monitor may, from time to time, apply to this Court for directions in the discharge of their powers and duties under or in respect of the proper execution of this

Order, including without limitation the holding of the Meeting or any adjournemnt thereof.

**“G. B. Morawetz, J.”**

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## **Schedule “A”**

### **Plan of Arrangement**

**Schedule "B"**

Court File No. CV-10-8630-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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**NOTICE OF MEETING OF THE CREDITORS  
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1. to consider and vote on, with or without variation, a resolution to approve the Plan of Compromise and Arrangement (the "Plan") proposed by the Applicant under the *Companies' Creditors Arrangement Act*, R.S.C. 1985,

<sup>1</sup> Capitalized terms not otherwise defined have the meanings ascribed to them in the Plan or in the CCAA Meeting Order.

c. C-36, as amended, and dated February 11, 2011 amended as of February 24, 2011 as such may be amended;

2. if a resolution to approve the Plan shall have been passed by the requisite majorities of the Eligible Voting Creditors present in person or by proxy, to proceed to accept nominations and to elect and designate persons to be named in the Articles of Reorganization to be the directors of Provider Capital Group Inc., formerly named Nelson Financial Group Ltd.;
3. if a resolution to approve the Plan shall have been passed by the requisite majorities of the Eligible Voting Creditors present in person or by proxy, to consider and if seen fit to nominate the firm of Bongard Dale Fried LLP to be designated as the auditors of Provider Capital Group Inc. pursuant to the Articles of Reorganization; and,
4. to transact such other business as may properly become before the Meeting or any adjournment(s) thereof.

The Plan is being considered pursuant to the Creditors' Meeting Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on March 4, 2011. The Plan, if the resolution of Creditors to approve it is passed by the requisite majorities, must then be approved by an order of the Court (the "Sanction Order") before it can be implemented. A motion seeking a Sanction Order is scheduled to be heard on April 20, 2011 at 10:00 a.m., or such later date as may be scheduled by the Applicant or ordered by the Court, at 330 University Avenue, Toronto, Ontario. Any change to the date or location of the motion will be posted on the Monitor's website.

Eligible Voting Creditors requiring information or additional copies of the Plan, the Creditors' Meeting Order, the form of Proxy or the Voting Letter for the Meeting may obtain such by contacting the Applicant or by visiting the Monitor's website at [www.ajohnpage.com](http://www.ajohnpage.com) and downloading such documents. The documents are not available in a French version.

The Plan enclosed with this Notice remains subject to change or amendment in accordance with its terms. Alterations, amendments, modifications and supplements will be filed with the Court, provided to all Eligible Voting Creditors at the Meeting but prior notice thereof may be limited to postings on the Monitor's website.

Eligible Voting Creditors who are not attending the Meeting in person and who wish to vote on the resolution to approve the Plan are required to date, sign and return either the enclosed form of Proxy or the enclosed form of Voting Letter in the enclosed pre-addressed envelope so that it is received by the Chair of the Meeting at the following address by no later than 5:00 p.m. (Toronto time) on Friday, April 15, 2011:

Greg S. Macleod, CA, CIRP  
G. S. MacLeod Associates Inc.  
P.O.Box 1635  
Burlington  
Ontario L7R 5A1

Proxies and voting letters will also be accepted if deposited with the Chair at the Meeting or, for purposes of voting at an adjourned, postponed or other rescheduled Meeting, if received by the Chair prior to 5:00 p.m. Eastern time on the Business Day immediately proceeding any adjourned, postponed or otherwise rescheduled Meeting. The Proxy or

Voting Letter will not be valid and will not be acted upon, voted or recorded unless it is completed as specified in the form of Proxy or Voting Letter and the related instructions.

The Monitor has filed numerous reports on the business and financial affairs of the Applicant with the Court and all such reports are posted and available on the Monitor's website. Further reports may be filed prior to the Meeting and those will include a report of the Monitor addressed to the Court as to the fairness and reasonableness of the Plan.

Creditors may obtain any additional information or materials related to the Meeting from the Applicant:

Nelson Financial Group Ltd.  
900 Dillingham Road  
Pickering  
Ontario L1W 1Z6

Attention: Ms. Sherry Townsend  
Interim Operating Officer

Tel: 905-839-1761

Email: [stownsend@providercapitalgroup.com](mailto:stownsend@providercapitalgroup.com) @pdturner.com

**DATED** at Pickering, Ontario, this 10<sup>th</sup> day of March, 2011.

**NELSON FINANCIAL GROUP LTD.**

Per: \_\_\_\_\_  
Ms. Sherry Townsend  
Interim Operating Officer

**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. CV-10-8630-00CL

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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**ORDER  
(Plan Filing and Creditor Meeting)**

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**Richard B. Jones**  
Barrister & Solicitor  
Suite 1201, Scotia Plaza  
100 Yonge Street  
Toronto, ON M5C 2W1

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

Special Counsel for the Interim Operating Officer and for  
the Representative Counsel for the Noteholders of the  
Applicant

**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.**

**PROXY**

I/We \_\_\_\_\_  
(Name of Creditor)

a Proven Creditor of Nelson Financial Group Ltd. hereby irrevocably appoint

☐ (a) \_\_\_\_\_ or ☐ (b) \_\_\_\_\_  
(insert name of proxy)

to be my/our proxy to vote at the meeting of the Creditors of Nelson Financial Group Ltd. to be held on April 16, 2011 or any adjournment of such meeting, in respect of the approval of the Plan of Arrangement, any related matters or other matters that may properly come before such meeting, except as to the receipt of any distributions under the Plan, with power to appoint another proxy in his or her place.

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Print Name of Creditor

\_\_\_\_\_  
Signature of Creditor or, if the Creditor is a corporation, signature of an authorized signing officer of the corporation

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**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.**

**VOTING LETTER**

**THE UNDERSIGNED** has reviewed the Plan of Compromise or Arrangement dated February 11, 2011 (the "**Plan**") and hereby instructs Douglas Turner Q.C., in his capacity as Representative Counsel for the Noteholders of Nelson Financial Group Ltd. at the meeting of creditors to be held on April 16, 2011 to record a vote by the undersigned and in the amount of the Proven Claim of the undersigned in respect of the Plan, as follows (please check one of the boxes below; if neither box is checked or if both boxes are checked, your vote will be counted in favour of the Plan) and to vote on behalf of the undersigned in respect of any other business that may come before the meeting of creditors or any adjournment thereof:

- ☐ **VOTE FOR** approval of the Plan  
☐ **VOTE AGAINST** approval of the Plan.

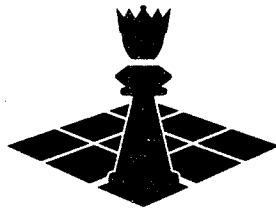
**DATED** this \_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Print Name of Creditor

\_\_\_\_\_  
Signature of Creditor or, if the Creditor is a corporation, signature of an authorized signing officer of the corporation

Name: \_\_\_\_\_

Title: \_\_\_\_\_  
(If signing for a corporation)



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# PROVIDER

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## CAPITAL GROUP

### NELSON FINANCIAL GROUP LTD.

(To be renamed Provider Capital Group Inc.)

#### INFORMATION CIRCULAR

March 22, 2011

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*There is no market through which these securities may be sold at this time, although it is possible for the Company or other shareholders to purchase them.*

This Information Circular is prepared solely for the use of persons holding Proven Claims as Creditors of Nelson Financial Group Ltd. (the "Company") as part of proceedings brought in the Superior Court of Justice of Ontario for the reorganization of the Company under the *Companies Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA").

This Information Circular is provided to the creditors of the Company to provide them with information to assist them in determining whether to vote to approve the Plan of Compromise and Arrangement dated February 11, 2011 as amended filed by the Company (the "Plan"). That vote will be conducted at a meeting of all such creditors to be held on April 16, 2011 in accordance with an Order of the Court made on March 4, 2011. The Company under the terms of this Information Circular is raising no money. At

present, there are no voting shares of the Company outstanding and the non-voting preferred shares of the Company have no economic value and will be cancelled under the Plan.

The Staff of the Ontario Securities Commission (the "OSC") had previously brought a complaint proceeding against the Company and former shareholders, directors, officers, and affiliates of the Company alleging the sale of securities by making fraudulent misrepresentations, breaches of securities laws and conduct damaging to the integrity of Canadian capital markets. This claim, although brought on by the acts and omissions of former management and owners (the "prior owners"), is still outstanding. The prior owners, as part of the CCAA process, in December 2010, surrendered all claims to share ownership, offices, and management in the Company. The Court confirmed those transactions and, at the same time, the Court appointed an Interim Operating Officer with the duties and obligations set out in the Order of November 22, 2010, which has been provided to the Noteholders. Creditors eligible to vote at the meeting must refer to the Plan, a copy of which was mailed to all creditors by the Company on March 10, 2011. Any capitalized term not otherwise defined in this document shall have the meaning ascribed to it in the Plan.

If fifty percent plus one of the creditors eligible to vote and present in person or by proxy or by voting letter at the meeting together with two-thirds by value of the Proven Claims so voting vote to approve the Plan, the Company will seek the final approval and sanction of the Court by a motion scheduled to heard by the Court on April 20, 2011. If the Court grants such Sanction Order, the Company will implement the Plan immediately.

Under the Plan all Proven Claims of eligible Creditors will be satisfied by either payments or the issuance of new securities by the Company in accordance with the Plan. Creditors will be entitled to receive one of the following options:

- Proven Claims may receive payment in full up to \$1,000.00 of the Proven Claim in full satisfaction of the Claim;
- Subject to an aggregate limit of \$10,000,000, Proven Claims may elect at any time up to Ten (10) days after the Sanction Date to accept payment by the Company of an amount equal to 25% of the Proven Claim amount in full satisfaction of the Claim and of all rights of the creditor against the Company or any other person in respect of the Claim; or
- All other Proven Claims shall receive Capital Recovery Debentures with an aggregate principal amount of 25% of the Proven Claim, New Special Shares with an aggregate redemption price of 25% of the Proven Claim and common shares of the Company in a number proportional to the Proven Claim as compared with all Proven Claims receiving these securities. Further information on the securities to be issued under the Plan is provided in section 11 "Securities to be distributed as Part of the Plan".

The securities described in this Information Circular are to be issued pursuant to Orders of the Ontario Superior Court approving the Plan following a vote of approval of the creditors of the Company under the CCAA. This is the concluding step in the statutory proceeding for the creditors of the Company to realize on their Proven Claims by converting their notes to debentures, common shares, and special shares.

If the plan is not approved by the Noteholders, management and ownership of the company will remain in the jurisdiction of the Court and in the CCAA process, and the court appointed officers, including the monitor, will remain in place until another plan is proposed, submitted to the Court and then to the Noteholders for a further vote. The CCAA administration expenses will continue, which will substantially reduce the value of the Noteholders' interest in the company. If the plan is not approved, this Information Circular will be of no force and effect.

\* \* \* \* \*

This Information Circular has been prepared based on a business study commissioned by the Interim Operating Officer under the authority of the Order of the Court. Avanzare Inc., a management consultancy based on Toronto, Ontario, performed that study. The study resulted in the preparation of a full Business Plan for the turnaround of the business of the Company. That Business Plan has been reviewed and approved by the Interim Operating Officer, the Representative Counsel for the Noteholders, the advisory committee of Noteholders and Company management. If the Plan is approved, the management of the Company will implement the Plan immediately and then operate the business of the Company substantially in accordance with the Business Plan.

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1.

## **DISTRIBUTION**

There are no proceeds to the Company, as the securities are being distributed solely in exchange for and in full satisfaction of the Proven Claims against the Company of creditors determined in accordance with the Claims Procedure Order made by the Court on July 27, 2010 in an application made by the Company under the *Companies' Creditors Arrangement Act* (the "CCAA"). The securities are being issued in implementation of a Plan of Compromise and Arrangement dated February 11, 2011, as such may be amended, and filed with the Court pursuant to the Claims Filing and Meeting Order made by the Court on March 4, 2011. Copies of that Order, the Notice of Meeting and the Plan have been delivered to all creditors in accordance with the Order. The Order directs the holding on April 16, 2011 of a meeting of the Creditors with Proven Claims to consider a resolution to approve the Plan and to designate persons proposed for appointment by Court order as the directors of the Company.

There is no underwriter, and there are no commissions payable upon Court approval of the Plan and the creation and issuance of the securities. There are no escrowed funds under the plan or any external financing.

No person has any interest in the Company that could be deemed to be a control interest, and this would be unchanged under the plan. There are presently no voting shares or other securities of the Company issued and outstanding. The Company presently has no incumbent directors. The Company is presently under the management of the Interim Operating Officer appointed and directed by the Court in the CCAA proceeding.

There is no market for the securities at this time and no public distribution of the securities is planned at this time.

2.

## **SUMMARY OF INFORMATION CIRCULAR**

The Company has proposed to its unsecured creditors a Plan Of Compromise And Arrangement dated February 11, 2011, as such may be amended, (the "Plan") in accordance with the CCAA to enable it to restructure its business and reorganize its capital structure. As part of the Plan, the Court will be asked to order the filing of Articles of Reorganization under section 186 of the Ontario *Business Corporations Act* (the "OBCA"). The Plan will satisfy all unsecured creditor claims by exchanging them for securities to be issued by the Company, including common shares representing full ownership of the Company. The Articles of Reorganization will cancel all existing issued and outstanding shares of the Company and authorize the New Special Shares and the Common Shares that the Company will issue under the Plan. The Articles will also appoint a board of directors and an auditor to be nominated by the creditors.

With the assistance of its consultants, Avanzare Inc., the Company has determined that there are good opportunities in the vendor-based retail consumer financing market in Canada. Various consumer segments are underserved by credit providers such as chartered banks. Vendors are searching for new financing providers with competitive products, especially since the departure or retrenching of traditional lenders. Existing and prospective competitors are recognizing this. Some have launched recently while

several others are preparing to enter the market. The Company is already established in this business. It has identified numerous material errors and deficiencies in the business methods of previous management and determined how those can be corrected. The Company has determined that it can expand and redirect its business and that it will become profitable immediately with projected improvements in future years. With the assistance of Avanzare Inc. and other business and financial advisors, the Company has developed a comprehensive business plan including specific actions to be taken, operating procedures to be adopted and financial projections and targets for future performance measurement.

The Company has recently been rebranded as “Provider Capital Group”, and a number of critical activities are underway, many of which have been completed, including assessing Company viability, eliminating toxic assets, establishing new policies and procedures, specifying replacement Information Technology systems, terminating unqualified staff, reducing head count and recruiting members for a new management team.

The business plan outlines a positioning for the business for strategic development purposes:

*“Provider Capital Group is a leading provider of consumer loans, offered primarily through a select base of direct and retail-type vendors”*

Objectives set out in the business plan include:

- Maximize recovery of the creditors’ investment by re-establishing the business as a well managed fresh start
- Correct each of the identified major deficiencies of previous management of Company operations
- Provide a consistent and eventually competitive return such that investors are in a position to i) maximize recovery of funds originally lent as debt and/or ii) pursue realistic exit opportunities
- To grow the business to a state where the Company is considered as a preferred provider by its target customers
- Accounts Receivable of \$28.9MM by 2016
- Annual Net Income of \$2.3MM by 2016

The strategic priorities of the business plan for the Company are to:

- Restructure
- Develop effective organization and management team
- Enhance operational practices
- Business development
- Build business control framework

The Company’s competitors include lenders of all sizes who offer vendor-based financing. Its source of competitive advantage will be i) a lower cost structure, ii) superior credit decisioning and iii) a selective and synergistic mix of vendors.

A series of functional objectives, strategies and plans have been formulated to meet overall objectives for the business. These functions include Credit Risk, Finance, IT, Business Development, Marketing and Business Controls.

For governance and control purposes, a five member Board of Directors is recommended. Recruiting will target qualified industry experts, senior business people, investor representatives and management. Directors will be elected annually as provided by the OBCA.

A series of key performance measures will be adopted that are consistent with financial objectives and Company business strategy. These metrics will track such things as loan volume, loan quality, vendor quality and portfolio yield.

For at least the first three years of the period covered by this business plan and using a base case scenario, all capital will be generated internally. However, more aggressive growth will require incremental sources of capital. Five avenues of external funding are identified – current investors, new individual investors, institutional single source, strategic partnership or Initial Public Offering (IPO).

The goal is to maximize recovery by each investor of their original investment. In terms of payouts, the Company will make fixed principal repayments at the rate of 0.5% per month on the Capital Recovery Debentures with first payment issued in May 31, 2011. Debenture redemptions other than the mandatory principal payments will be deferred until such time as the directors determine that both the cash position and general go-forward health of the business are secure. Dividends on shares will accumulate at 6% per annum with timing of payment subject to business performance and board approval. It is a target of management to be able to commence dividend payments in fiscal 2014.

Potential exit strategies for investors to be assessed in the future include i) Sale (to a competitor or to a Company with complementary lines of business), ii) IPO, iii) Treasury purchases or iv) facilitated opportunities for individual investors to make secondary market dispositions of their shares.

### **3. CORPORATE STRUCTURE**

Nelson Financial Group Ltd., based in Pickering, Ontario, is a privately owned acceptance corporation that was incorporated in 1990. At various times in its existence, the Company has offered vendor-based financing, automobile leases, inventory financing and consumer-direct personal loans. Only the vendor-based financing portfolio remains. Its main vendor focus is on the food trade offering monthly pay loans. Recently it has been exploring and testing other vendor channels.

There have been several periods of challenge for the Company over the last number of years. This includes the dissolution of a co-owner partnership (Marc Boutet and Dave Baker), a flawed arrangement with a loan aggregator (Lendcare) and the recent economic recession. Moreover, the Company has experienced consistent and increasing losses for the business from fiscal 2002 through 2010. It has been insolvent since at least 2005 and that insolvency has deepened in recent years.

In addition to these challenges and despite attempts to improve the operation, the underlying business practices and commitments of the Company could not sustain a profitable franchise.

In October 2009, the Ontario Securities Commission investigated Nelson Investment Group Ltd. (the capital raising arm of Nelson Financial Group). On January 31, 2010, Nelson Investment agreed to a voluntary cease trade order with the OSC, thereby no longer accepting investor capital to fund new business. Nelson continued to fund new business and meet current investor obligations from their operations but could not sustain itself without additional investor capital.

On March 23, 2010 Nelson Financial Group Ltd. sought and obtained an Initial Order under the CCAA. The Initial Order granted the Company, among other things, a stay of proceedings. Previous management now faces regulatory proceedings with the Ontario Securities Commission including breaches of securities laws and sale of securities by way of fraudulent misrepresentations. This conduct has negatively impacted the reputation of the Company and injured its business.

Previous management and ownership by Marc Boutet has been removed. The Company is under the direction of a court-appointed Interim Operating Officer (the "IOO"), Ms. Sherry Townsend, who is also a creditor, and is in the midst of restructuring itself. The actions of the IOO have included:

- Investor relations – a representative team of three individuals from an advisory committee of noteholders has been established that maintains close contact with senior management, legal advisors and all investors
- Enhancing management – the IOO acquired full authority as chief executive officer on December 13, 2010. A contract management consultant with industry experience has been advising the IOO since early January 2011.
- Assessing Company viability – a consultant's report was commissioned in November 2010. The initial report Avanzare Inc. reported that Nelson could be a viable going concern subject to the implementation of a number of essential new business practices.
- Eliminating toxic assets – a large amount of bad debt has been identified and written off. Two partner companies have been contracted for the purposes of recovering this bad debt
- Developing new lending strategy – assessing market options, evaluating profitable customer segments, product-types and vendor channels.
- Establishing new policies and procedures – numerous policies and procedures are being introduced, mostly involving underwriting, collections and write-offs to replace deficient or non-existent practices of prior management.
- Assessing Information Technology (IT) infrastructure – the IT situation is particularly problematic and has caused numerous problems in the business. An assessment has been done of alternatives to current architecture and software providers. A new software system has been identified and will be implemented once the Plan is approved.
- Evaluating staff and optimizing headcount – talent has been assessed. The head count has been reduced by a significant number. Resources have been reallocated to enhance effectiveness and efficiency. External contractors are being used to improve operations and to ramp up for exit from CCAA once the Plan is approved.

#### **4. THE INTERIM OPERATING OFFICER APPOINTED BY COURT**

By an Order of the Court dated November 22, 2010, Sherry Townsend was appointed as the IOO of the Company. Under the terms of the Appointment Order, an engagement letter between the Applicant and ST Consulting Inc. for the provision of the IOO's services was approved. The Court also approved

the terms of heads of agreement between the Company and its sole voting shareholder, sole director and incumbent president and chief executive officer, Marc Boutet. The heads of agreement provided for Marc Boutet to remove himself as an officer, director and shareholder of the Applicant.

Documentation was settled between counsel representing Marc Boutet and the Special Counsel for the Representative Counsel to implement the terms of the heads of agreement. That documentation was reviewed and approved by the IOO. Due to Marc Boutet's absence from Canada, it took some time to obtain execution of all of the documents and the appointment of the IOO was not fully effective until documents were executed and delivered on December 13, 2010. At that time, the IOO assumed full responsibility and authority as the chief executive officer of the Company.

## **5. RESTRUCTURING OF THE COMPANY**

Following the appointment, the IOO gathered her team of professional advisors and financial and management consultants. She established that her first priority as chief executive officer was the establishment of proper operating procedures and the implementation of operating efficiencies. The next priority was the determination of whether or not the business of the Company could be organized to have a competitive advantage in a niche market for financial services and to identify what that market and advantage could be. If that was established, the IOO identified the final task as the restructuring of the ownership, balance sheet and management of the Company to exploit the identified opportunity in a way that would maximize the value for and recovery of investment by the unsecured creditors, particularly the Noteholders.

In accordance with the approval of the Court of November 22, 2010, the IOO retained the services of Avanzare Inc. and provided them with access to all available data concerning the present and past business operations of Nelson Financial. They proceeded immediately with their review based on that information as to how the business had been operated, exactly what niche it purported to serve and what competitive landscape it faced.

Following the closing of the change of management transactions on December 13, 2010, the IOO acting as chief executive officer of the Company took charge of the premises and the staff. She immediately conducted a review of the activities and functions being performed and took immediate steps on a number of fronts. A program of operating cost management has been devised and implemented. Every element of overhead cost has been reviewed and a number of unnecessary and wasteful costs have been immediately eliminated. The business of the Company uses a number of continuing services and, in several instances, advantageous renegotiations of the terms and pricing for such services have been affected. It was immediately apparent that there was substantial redundant staffing. Major reductions of costs were immediately and easily made. However, the review of costs and the implementation of savings continue and some of the items will take time.

The IOO discovered that substantial resources of the Company were continuing to be utilized by other businesses and corporations owned by Marc Boutet. Most conspicuously, it was discovered that Nelson Mortgage Group Ltd. was occupying space, utilizing the computer, accounting and internet systems, using the same telephone lines and systems and was using administrative staff of the Company for its secretarial and accounting support. The IOO established that there were no contractual arrangements in place for these relationships or for any contribution by Nelson Mortgage Group Ltd. to the costs being born by the Company. She took steps to remove the operations and employees of Nelson Mortgage Group Ltd. from the premises. The computers and servers owned by the Company have been secured. It was also discovered that mortgage brokers and administrators employed by Nelson Mortgage

Group Ltd. were conducting business, utilizing business cards identifying them as employees of Nelson Financial. The IOO has stopped such practices.

The review of the loan portfolio of the Company was identified by the IOO as the highest priority issue. This review has identified major deficiencies in the Loan Management System ("LMS") software system that the Company purchased in 2008. This does not readily produce reliable aging reports and has not been able to be used as an effective management tool. This is an essential function in a financial intermediation business.

A substantial dollar value of delinquent accounts has been identified. It was also identified that collection procedures were not consistently or properly applied. Under the IOO's direction, some \$15 million of principal amount of loans that had been carried on the books of the Company have been fully reserved and assigned to third party collection agencies under procedures that will ensure consistent follow up on recoveries and write offs. New collection procedures based on industry standards are being implemented with the assistance of consultants. These will ensure an industry-standard delinquency and write off schedule and timely election efforts on delinquent loans. In-house management of delinquencies and of some collection procedures has been reorganized.

The IOO also identified problems in loan origination. Nelson Financial had lending standards, including minimum credit scores for loan approvals. The IOO determined that these standards were being routinely disregarded. The manager responsible was terminated and new loan origination was sharply curtailed through December. The IOO has directed credit approval staff that only good quality paper is to be approved. Consequently, credit scores on new business written have been raised from earlier levels that approached 500 to current levels of about 700. Loan volumes are now rising steadily and will continue to rise in future months. The loans now being booked are of a materially better credit quality, which will significantly reduce future credit losses, reserves and write offs.

The business of the Company is financial intermediation of smaller sized consumer loans. Sourcing of these loans requires interaction with retailers of goods and services whose customers can utilize credit made available by the Company. The IOO has taken significant steps to establish new vendor relationships and, particularly importantly, to move the Company up to be the number one credit supplier to such relationships. In the past, the Company was frequently the second or third choice supplier of credit to its vendors and consequently saw a disproportionate number of consumer credit applications that had been rejected by others. This contributed greatly to the low credit quality of the loan portfolio. That has already been turned around and is producing better quality credit applications.

Under the direction of previous management, prior to the commencement of the CCAA proceedings, Lendcare Financial Inc. ("Lendcare") was the aggregator and supplier of more than half of the loan volume for the Company. The contractual arrangements between the Company and Lendcare were terminated under an agreement approved by the Court on June 15, 2010. That agreement contained certain continuing rights for the Company to receive adjustments on certain cancelled or bad loan accounts. The deadline for the application for such adjustments was December 31, 2010. The IOO directed an urgent review of all Lendcare originated accounts and finalization of all claims for adjustments. As a result, a demand was made on Lendcare in December for over \$800,000 of adjustment recoveries under the June agreement.

In the course of this review, a number of other problems were identified in the portfolio of consumer loans supplied by Lendcare to the Company. These included a number of retail vendors dealing with Lendcare that are now seen to have been identity theft fraud operations. The non-existent or phantom borrower for the financing of non-existent goods and services is a well-understood credit risk in this finance business. It is supposed to be managed by a credit agency review and by a direct

communication between the lender and the borrower known in the trade as a “welcome call”. It has been discovered that identify theft frauds are adept at creating files for the non-existent consumers on the records of a number of the credit agencies. Consequently, the welcome calls are particularly important. It has now been discovered that Lendcare had provided the Company with hundreds of welcome call reports that appear to document calls to non-existent persons at non-existent phone numbers confirming the existence of non-existent goods at non-existent addresses. The IOO has instructed counsel to address legal remedies for the Company.

On December 15, 2010, the IOO and her advisors, including members of the Noteholders’ advisory committee established by the Representative Counsel and the Representative Counsel, received a briefing from Avanzare as to its initial review of the business and business prospects of the Company.

The initial report had the following highlights:

- Severe operating deficiencies creating existential threat, mainly in five areas:
  - Credit risk practices
  - Weak vendor roster and contractual arrangements
  - Funding model
  - Information Technology
  - Governance and oversight
- Significant negative impact on results, primarily:
  - Accounts receivable
  - Revenue
  - Expenses
  - Net Income
- Remedial Actions
  - Many activities were identified to reverse the current situation. These activities involve virtually all aspects of the organization

That report then reviewed the business setting of the Company and its competitive environment. It concluded that there is a viable business opportunity in small ticket consumer finance and that the Company is well positioned to advantageously access this market opportunity. Major players have withdrawn from retail consumer financing, in the case of some American-owned bank affiliates due to the fact that their capital was needed for the survival of their parent corporations. The preliminary conclusions of the consultants included the identification of the fact that the Company had utilized below industry-standard management practices in almost every aspect of its activities. The consultants confirmed that, from financial record-keeping through information technology systems, loan origination, credit management and marketing, the business had been managed incompetently. Fortunately, it was immediately obvious that large numbers of these deficiencies could be easily remedied, although there will also be a long period of steady improvement required.

On the basis of this initial report, and confirmed by her own direct review and observations, the IOO concluded that the Company and its remaining assets represents a business that can be restructured in a manner that will provide a better outcome for its creditors than the alternatives of either a sale of its financial assets or a progressive collection and liquidation process.

The IOO instructed Avanzare to proceed with the further steps of their consulting process to develop specific detailed recommendations for a management action plan and to prepare a business plan and financial projection for a restructured enterprise.

One of the conclusions reached by the consultants and the IOO was that the Nelson Financial brand had been substantially destroyed by the activities of Marc Boutet, by the CCAA proceeding itself and by the proceedings before the Ontario Securities Commission. The IOO concluded that a re-branding and fresh start in marketing and promotion was essential to create an acceptable profile and credibility in the marketplace for the restructured business. A new name and style has been developed and, as of January 21, 2011, the Company commenced doing business under the name and style of "Provider Capital Group". The domain name [www.providercapitalgroup.com](http://www.providercapitalgroup.com) has been registered and a website is functioning, although still under construction. The IOO has directed that the corporate name of Nelson Financial Group Ltd. will be changed under the Plan to become Provider Capital Group Inc.

During the last two months, the IOO has directed attention with her staff to business development. There has been a dramatic increase in loan origination. There are additional new vendors in negotiation who have committed that they will deal with Provider Capital Group Inc. once the restructuring is completed and the uncertainty of the CCAA proceeding has ended.

This business development effort has particularly included renegotiating contracts with several existing vendors. Provider Capital Group has become their "first" or "co-first" lender of choice. This change has materially improved credit scores of loan offerings coming to us. The IOO has directed that the business development strategy must ensure increasing loan quality originating from secure, long-term partnerships with well known vendors. The IOO has determined that Provider Capital Group Inc. will be able to grow its lending portfolio within the full financial capacity of its balance sheet.

The IOO and the consultants advising her have identified that the computer systems and software programs utilized by the Company were seriously deficient and that these contributed materially to its financial losses. IT consultants with specialist experience in the consumer finance industry are preparing new systems for loan adjudication, loan management and financial reporting. These will require capital expenditure and will be implemented after the Plan is approved.

The IOO identified immediately that there were redundant and unproductive employees. She also identified employees who were either incapable of or intentionally refusing to follow established good practices. Serious deficiencies were discovered in credit approval as referred to above. She has reduced staff by terminating the employment of a number of other redundant or improperly qualified personnel. Since November 22, the payroll of Nelson Financial has been reduced from 24 personnel to 14 persons.

The IOO is satisfied that the business of the Company to be carried on in the future as Provider Capital Group Inc. can be conducted at these lower levels of staffing efficiently and effectively. As a result, less space is required than the over 7,000 square feet represented by the current premises at 900 Dillingham Road, Pickering. The IOO has reached an agreement with the landlord to permit the Company to terminate the lease and vacate the premises on 90 days notice once the Plan is approved. This will reduce the premises costs from those used in the financial projections provided below.

From 1992 onwards, the primary capitalization of the Company came from individual creditors (by 2010 approximately 300) who purchased term promissory notes generally bearing interest paid monthly at 12% per annum. Beginning in 2007, preferred share issues were made, many of which were issued on maturity of note investments. Under the Plan, the preferred shares will be cancelled because they have no economic interest in the assets and business of the Company. The common shares, all of which were held by Marc Boutet, have already been surrendered for cancellation. The remaining noteholders are all Proven Creditors and their claims represent some 99.9% of the total Proven Claims. There are a very small number of trade creditors and preferred shareholders who are still pursuing claims. Neither of these groups poses a significant threat to the plan.

The business plan indicates that before providing returns by capital repayments and any dividends for the creditors' investment in its debentures and shares, Provider Capital Group Inc. will have material profitability in the first fiscal year following the implementation of the Plan. Further, the business plan indicates and the IOO is satisfied that profitability will increase in future years. It is the opinion of the IOO that the business plan will result in an enterprise where the common shares held by the unsecured creditors under the terms of the Plan will, in several years, provide the means for a substantial recovery of the losses of the creditors.

Under the direction of the IOO and the Representative Counsel, a plan of compromise and arrangement was prepared during January 2011. This was designed to provide a base assured return of funds for creditors, means for the recovery of their investments as profitability improved by dividend and redemption in a tax efficient manner and possible greater recoveries in the future through the appreciation of the value of the common shares to be distributed to all creditors in proportion to their proven Claims. In addition to the basic structure, the Monitor had presented a plan outline in July 2010 that provided a cash exit option at 25 cents on the dollar. It was also the view of the professional advisors that trade creditors should be dealt with under a convenience class so that claims under \$1,000 or where the creditor waived the excess would be paid in full.

After considerable discussion with the IOO, the Representative Counsel and a number of differently situated noteholders, a plan was drafted, served and posted on the noteholders website on February 14, 2011. A motion seeking leave of the Court to file the Plan and authorizing the meeting of creditors was brought and heard on March 4, 2011. The Plan Filing and Meeting Order was granted on March 4, 2011. The Plan of Arrangement has been filed with the Court.

The Plan is based upon the determination made by the IOO and confirmed by the financial advisers and the consultants that, at the present time, the going concern value of the assets, principally funds on hand and the loan portfolio, of the Company is about \$18 million. There is a concern that a sale in distress circumstances or a liquidation of these assets would produce less due to the costs that would be associated with such insolvency proceedings. Under the Plan that level of value is reflected in securities that will have that cost basis and may be redeemed by the Company in the future as its funds permit. The future value that may be generated by successful business operations of Provider Capital Group Inc. should belong to the creditors whose assets will be utilized to build that business. The Plan provides that result by distributing to the creditors 100% of the common shares in proportion to each creditor's Proven Claim. Those common shares represent the future recovery of the losses that the creditors, principally the Noteholders, have suffered on their total claims of approximately \$37 million.

The cash position of Nelson Financial is currently very strong with bank balances of over \$7 million. As new vendors have been brought on stream and as Nelson Financial has renegotiated its arrangements with some existing vendors, lending activity has increased. From a weekly low of \$24,249 in late December, lending recovered to \$75,752 in the first week of February and is expected to reach over \$100,000 a week by the end of March. The IOO expects that there will be further material increases in lending once the Plan is approved. As discussed earlier, the credit quality of the new loans being made is significantly better than that achieved by the Company in the past.

## **6. ORGANIZATION**

### **Management**

The Company has engaged a senior executive with the experience and skill set necessary for a full restructure of the enterprise:

- Organization structure and personnel changes
- Dealing with customers, suppliers and investors
- Contract and settlement (re)negotiations
- Financial reporting
- Uncovering business irregularities
- Undertaking legal proceedings

In terms of long-term organizational structure, the organization requires a full-time President with the following capabilities:

- manage everyday operations of a lending institution
- develop business with key vendors
- lead a team of functional managers
- recruit management personnel
- lead the business planning effort and its implementation
- communicate with external stakeholders including investors, government and the general public
- respond to Board requests

An important part of management for any lending operation is competency in Credit Risk. Special emphasis should be given to recruiting a senior person with appropriate experience to head this function. As well, the role should come with elevated responsibility.

### **Staff**

Staff have been evaluated for skills and performance. Some head count reductions have been made with more to come. Adjustments to various responsibilities have been implemented to accommodate short-term requirements. It is expected that further recruiting/replacing activity will be done.

### **Recruitment & Training**

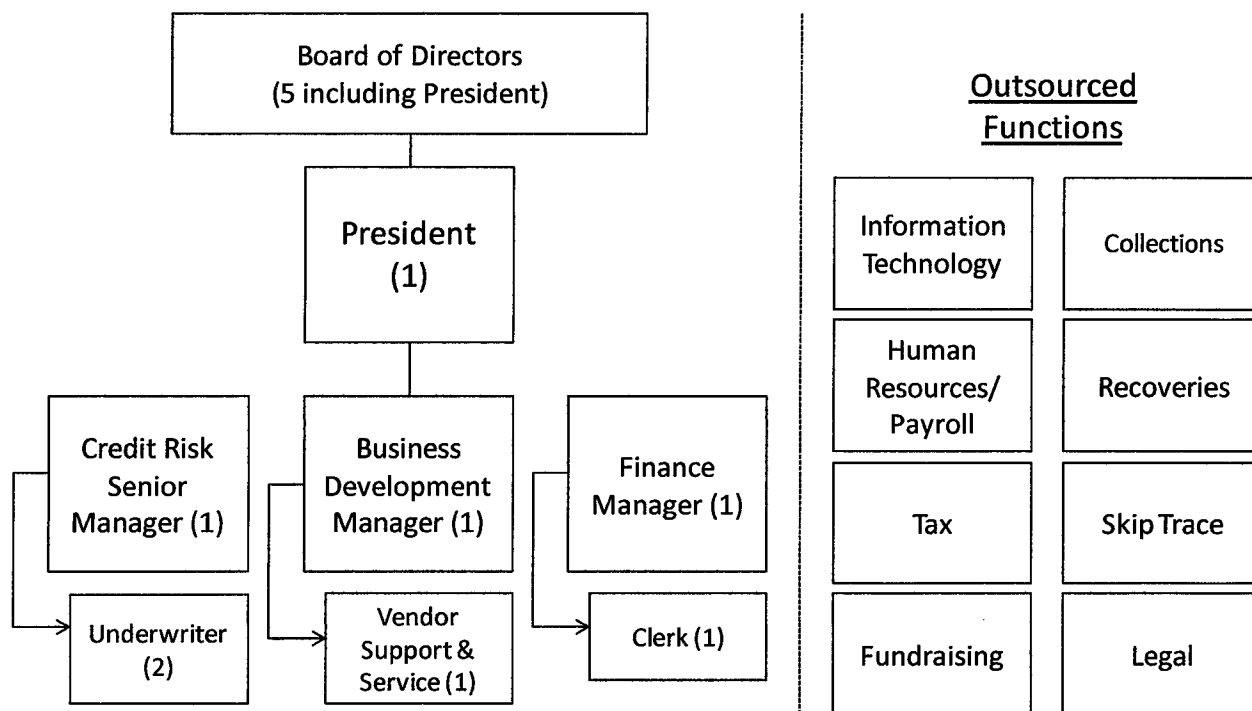
Certain staff lack the skills necessary to be competent at their jobs and little training has been conducted in the past. The immediate need is for policies and procedures to be developed in Credit Risk, Finance and Business Development (see Functional Plans for further details). Once this is complete, it is imperative that recruiting and staff skills training be undertaken.

### **Premises**

An operation of this type, size and growth expectation requires a secure location of about 2,500 square feet expandable to about 4,000 square feet.

### **Organization Structure**

The structure of the Company will change to reflect business strategy, industry standard operational practices and the need for effective governance.



#### Proposed Directors and Officers:

The Board will consist of four members, including a Chairperson plus the President, and will have

- Senior experience in the lending industry
- Senior general business experience
- Investor representation

The new Board will be put in place by the CCAA Court by way of Articles of Reorganization within individuals nominated by the meeting of creditors as part of the final approval of the plan of arrangement. In the future, the election of Board members will be made by shareholder vote at an annual general meeting. Directors will receive industry standard remuneration.

The plan provides that at the meeting pursuant to the March 3, 2011 Court Order, creditors may nominate directors. While the IOO is suggesting a set of board of directors, she is open for nominations from the floor. The Interim Operating Officer proposes the following directors and officers:

Name	Summary of Qualifications
1. <b>Sherry Townsend</b>	An experienced CEO with 30 years professional experience with a focus on operational management, process improvement and team leadership. The founder of a successful start-up company, Promotional Print and Packaging Inc., turned it into a multi-million dollar business. Currently operating as the IOO of Nelson Financial Group; a Nelson Noteholder; Ajax
2. <b>John McCabe</b>	BA, York University 1988; Over twenty years experience in the financial services industry including life insurance and investment policies operating in

senior management roles; currently holding position of Regional Director at Freedom 55 Financial, and formerly held senior management roles at Great West Life and London Life; Also a Certified Financial Planner, CFP; Richmond Hill

3. **Bruce Clark** BA, University of Guelph 1972; thirty-nine years of experience in financial services, including credit cards, banking, credit risk management operating in a senior capacity; currently holding position of CEO/President of Citi Cards Canada and formerly President for JP Morgan Chase Bank - Card Services, CEO Sears Canada Bank, President/COO Wells Fargo Financial; Toronto

4. **Tina Young** BA, University of Toronto 1986; MBA, York University 1988; twenty-three years of experience in business planning, marketing, development and innovation in a diverse range of consumer based industries and previously holding senior management or consulting roles at Coca-Cola Ltd, Heart & Stroke Foundation of Ontario; currently a self-employed business strategist and marketing consultant; a Nelson Noteholder; Toronto

5. **Rina Mancini** BA, York University 1986; MBA, University of Toronto 1988; thirty years of experience in financial services, including credit cards, banking, consumer rating services, insurance and trust companies previously holding vice president positions at Davis & Henderson, Rogers, Sears Canada Bank; currently a self-employed credit risk consultant and strategist; Mississauga

#### **Proposed Officers:**

President: Sherry Townsend

Secretary: Board of Directors to elect at first meeting

#### **Executive Compensation:**

President compensation will remain at \$12,500 per month plus expenses

Bonus to be determined if business hurdles are met

#### **Auditors:**

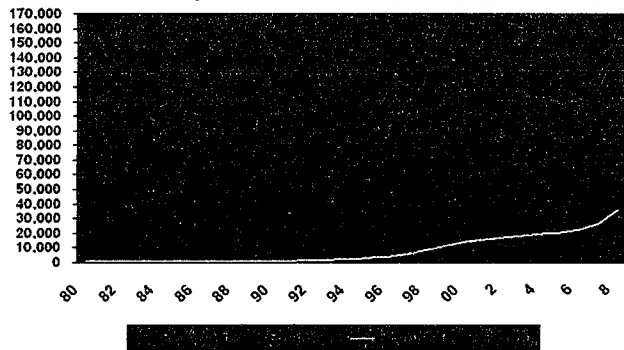
The plan contemplates the appointment until to the first shareholders' meeting of the firm of Bongard, Dale Fried LLP, Chartered Accountants, with Ronald Dale B.A., C.A. as the responsible partner to serve as the auditor of Provider Capital Group Inc.

## **7. MARKET ASSESSMENT ASSUMPTIONS OF THE PLAN**

### **Customer Market**

The economic crisis that began in 2007 significantly escalated the rate of consumer credit losses and bankruptcies which had been reasonably steady since the late 1990s.

**Canadian Bankruptcies and Proposals, 1980-2009.**  
Source: Industry Canada. (Prepared by BankruptcyCanada.com)



However, recent data from 2010 indicates that overall consumer credit markets in Canada are getting better and are recovering from levels experienced during the worst of the crisis. Industry credit losses are down and bankruptcies have fallen about 10% vs. 2009. While it remains to be seen, there is risk that higher loss rates and bankruptcies could establish a new baseline beyond historical ranges observed. Much of this of course is subject to the general economic environment.

As will be detailed below (in sub-section “Competition”), supply of credit has been restricted by many of the traditional lenders. This tends to adversely affect credit offered to certain consumer market segments.

- Near-prime and sub-prime
- New Canadians
- Ethnic
- Youth
- Self-Employed

Vendor verticals are also becoming underserved due to i) lack sufficient choice of finance providers and ii) remaining providers increasing price to compensate for perceived risk.

The implications of this are that significant lending opportunities exist for lending institutions in the Canadian market.

## 8. BUSINESS OBJECTIVES OF THE PLAN

### Overall:

- To return the business to ‘Going Concern’ status
- Identify major management and operational deficiencies of the Company and to bring both up to levels of industry standard
- Provide a consistent and eventually competitive return such that creditors can maximize the recovery of their investment
- To grow the business to a state where we are considered as a preferred provider by our target customers

### Financial:

- Return to profitability
  - Profitable on a monthly basis in Q3 and Q4 of fiscal 2011
  - Profitable on an annualized basis from fiscal 2012 onward
- Net Accounts Receivable
  - 2012 = \$ 11.0MM
  - 2013 = \$ 15.0MM
  - 2014 = \$ 20.0MM
  - 2015 = \$ 23.9MM
  - 2016 = \$28.9MM
- Net income
  - 2012 = \$ 0.6MM
  - 2013 = \$ 1.3MM
  - 2014 = \$ 1.4MM
  - 2015 = \$ 2.0MM
  - 2016 = \$ 2.3MM
- Cash
  - 2012 = \$ 6.0MM
  - 2013 = \$ 2.9MM
  - 2014 = \$ 0.8MM
  - 2015 = \$ 0.8MM
  - 2016 = \$ 2.1MM

**Operational:**

- To build a credible and competitive Credit Risk function
- To achieve the right balance of vendors, loans, cash flows and investor return while minimizing risk
- To build an Information Technology (IT) architecture e that supports the aspirations of the business products

Below is a summary of relevant loan-types and their respective trends where applicable.

- Monthly Pay
  - equal monthly payments of principal and interest
  - this is the most frequent type of loan offered and taken
  - some traditional lenders have increased interest rates in order to recoup losses and protect against higher risk customers
  - at the bottom end of the market, payday loan companies have expanded dramatically in the last few years with pricing that approaches usury
- Deferred
  - typically offered by a vendor to incent purchase of a product. Involves ‘deferred’ or delayed one-time payment of entire loan principal (e.g. 6/9/12 months) and often requires an up-front fee to the customer. Vendor receives from the lender an amount equal to the sale less a discount that covers cost of the loan.

- the trend for this product, particularly since the onset of the recession is to offer shorter terms, higher set-up fees and to demand a larger discount from the vendor
- U.S. based credit card companies, a traditional source of this kind of financing, have had certain restrictions placed on their international operations by the U.S. regulators. This puts certain limits on their offers in Canada.
- **Phased**
  - where a product is delivered in increments and the lender releases funds accordingly.
  - this product continues to be offered regularly as an option in the home improvement and direct selling food trades.
- **Leases**
  - payments made for the right of exclusive use of a product for a defined period of time
  - during the recession, there was a trend away from offering leases, particularly in the automotive sector. Recently, there are indicators that more providers are entering or re-entering this market.
- **Rent-to-Own**
  - similar to a lease except that the lessee acquires the right to ownership of the product at the end of the period
  - the popularity of this type of financing has declined over the last number of years
- **Secured**
  - a loan 'secured' by a physical asset as collateral
  - lenders have tended to seek more security in light of the economy and the increased amount of leverage in Canadian households
- **Unsecured**
  - a loan that made based only on the personal guarantee of the person receiving the funds
  - lenders have cut back on unsecured or are increasing interest rates and/or lowering credit lines

#### **Channels:**

- **Vendor location**
  - the retail or selling location of point-of-sale of the vendor
  - vendors, be they retail or direct-to-consumer, continue to be a vital part of the lending business
- **Lender location**
  - the retail of office location(s) of the vendor
  - many lender offices have shut down as the traditional, larger lenders have exited or retrenched their operations in the last three years
- **Online**
  - this is primarily a direct-to-consumer channel for lenders
  - growth of the online lending channel has been significant, driven both by the evolution of consumer behaviour towards the internet and by the increase in number of new lenders

- Direct Mail
  - a combination of vendor-based and direct-to-consumer lending
  - while volume in direct mail has peaked, it is still an important channel for both lenders and vendors
- Telephone
  - a combination of vendor-based and direct-to-consumer lending
  - with the possible exception of credit card companies, there has been less activity in this channel in recent years

### **Competition:**

Competition in the consumer loan category generally splits along the following lines:

- Big lenders e.g. Big Five Banks, U.S.-based loans companies such as Citi, GE
- Medium-size lenders e.g. Home Trust, Credit Desjardins, Wells-Fargo, HSBC
- Small/Specialist lenders including Payday Loans (MoneyMart), Consumer Direct (Lendcare, Snap), Peer-to-Peer (CommunityLend), Vendor-Based Financing (Nelson/Provider, Lendcare, Strength Finance)

In the last three years, the market has seen the exit of a number of the 'big' and some mid-size lenders. Wells-Fargo, GE, Citi have already exited or have publically stated their intention to exit. Those that remain, have restricted activity or tightened credit standards e.g. HSBC, TD. These lenders display waning interest because they are too busy recovering losses experienced in the recession. Moreover, many of them do not have the operational expertise to effectively serve certain key and high profit potential segments.

Mid and small size lenders continue their operations and are likely set to expand in light of competitive exits. This could include ramp up of current operations or the purchase of debt.

It is important to recognize that the type of consumer segments noted in the previous section as 'underserved' and vendor financing are not considered core lines of business for the mid-size lenders. This means that while they will grow, they are unlikely to aggressively pursue market penetration.

In terms of the smaller and specialist lenders, they represent the greatest opportunity for growth as they backfill the void left by those that have exited from the category. At the same time, these lenders will be in a fight for the capital necessary to fulfill loan demand.

It will be necessary for smaller lenders to increase the sophistication of their operations in order to compete, attract capital and generate profitability.

### **Government & Regulatory:**

Lenders can be incorporated under federal or provincial jurisdictions and the regulatory environment around each is different.

In the last eighteen months, there has been increasing concern about the level of debt that Canadian households are carrying – 148% of after tax income. This is a new record and represents about a 7% rise

over last year. As a result, the Minister of Finance has tightened mortgage lending rules and made it more difficult for people to leverage home equity. This will have mixed implications for the lending market. Bigger lenders will tighten credit standards and/or increase pricing. Smaller lenders may benefit from new lending opportunities as a result.

In terms of compliance on anti-money laundering (AML), the federal government has strict rules for 'know your customer' (KYC) that require processes and certain pieces of identification in order to qualify for a loan. This does not apply to provincially regulated firms but still should be considered as recommended practice wherever feasible.

**Technology:**

Information technology in financial services, like in most other sectors, is constantly evolving both in terms of capability, affordability and security.

The technological trends with highest impact on Provider Capital Group are online and third party outsourcing. Online functionality is readily available for application completion, loan adjudication, funds transfer and customer communication. Many of these capabilities are available as off-the-shelf software and can be purchased and customized. Third parties can also be contracted to provide this service via monthly/annual and/or transaction fees.

## **9.**

### **BUSINESS MODEL OF THE PLAN**

#### **Strategic Positioning:**

The goal of the plan is to make Provider Capital Group a leading provider of consumer loans, offered primarily through a select base of direct and retail-type vendors.

#### **Source of Competitive Advantage:**

Cost structure - lower cost than large and mid-size competitors, competitive with smaller lenders

- Credit decisioning – superior ability to adjudicate credit risk of vendor customers
- Channel focus- selective and synergistic mix of verticals

The plan's strategies involve concentration in the following areas:

#### **Credit Risk:**

- Eliminate all non-performing loans
- Improve loan quality of new loans
- Establish effective policies that meet Company return objectives
- Build process, technology and people infrastructure to support policies
- Develop enhanced Underwriting competence and capability
- Develop enhanced Collections competence and capability
- Establish Bad Debt standards and process

#### **Business Development:**

- Negate corporate legacy
- Improve focus of business development activities
- Minimize vendor risk
- Increase achieve critical mass of vendors
- Lend within capital means
- Improve loan quality
- Rename and rebrand the Company
- Focus on main jurisdiction
- Create business development function
- Eliminate unprofitable lines of business
- Diversify vendor base
- Create a list of target vendor verticals that is synergistic and/or profitable on a stand-alone basis
- Create a disciplined vendor management process
- Prioritize business development activities
- Solicit new vendors through a vendor-drive

#### **Marketing:**

- Narrow product focus

- Increase competitiveness
- Maximize support to vendors
- Optimize product range and features
- Re-price and add options for competitiveness and profitability
- Develop promotional capability

#### Finance:

- Medium-term sustainability with internal funding
- Improved transparency with all stakeholders
- Establish effective policies and procedures
- Build process, technology and people infrastructure to support policies
- Develop robust financial planning process
- Enhance, automate and integrity of accounting processes
- Improve reporting capability

#### Information Technology:

- Increase speed
- Automate processes
- support Company policies and procedures
- Improve reporting capability
- improve data reliability and integrity
- Improve documentation
- Improve vendor-friendliness
- ensure data security
- Develop system requirements
- Identify and investigate system options
- Implement system upgrade or conversion

#### Business Controls:

- Improve governance and oversight
- Improve transparency with all stakeholders
- Meet regulatory requirements
- Improve self-assessment capabilities
- Build and document policies and procedures
- Form and recruit Board of Directors
- Build and conduct Internal Audit/Enterprise Risk process
- Ensure Compliance with appropriate regulatory guidelines

## 10.

## **DIVIDENDS OR DISTRIBUTIONS**

The Company as part of the Plan is committed to redeem the debentures to be issued under the plan by way of monthly principal payments. The new special shares to be issued under the plan provide for cumulative and preferential dividends to the holders of the new special shares. The Company's board of directors will determine its future dividend policy based on achievement of the profitability under the plan.

#### **11. DESCRIPTION OF SECURITIES TO BE DISTRIBUTED AND PLAN OF DISTRIBUTION**

The Plan provides an option for Creditors, to an aggregate maximum of \$10,000,000 of Proven Claims, who do not wish to be owners of the Company's securities to elect to exercise an immediate cash exit option at rate of \$0.25 on the dollar. This option will be open for exercise until ten days after the Court Sanction Date. Creditors taking this option will be paid upon implementation of the Plan and will have no other rights under the Plan. They will be required to execute the form of Receipt Release and Assignment provided for under the Plan.

Creditors with Proven Claims of \$1,000 and any Creditor with a higher Proven Claim who waives any portion of the Claim over \$1,000 will be paid in full by the Company upon implementation of the Plan.

All other Creditors with Proven Claims will receive under the Plan securities for each \$1,000 of Proven Claim amount consisting of a Capital Recovery Debenture in the principal amount of \$250, ten New Special Shares with a stated capital and redemption value of \$25.00 each and ten Common Shares with a stated capital of \$1.00 which is believed to approximate the fair value to be received for the Common Shares. All such Creditors will be required to execute and deliver the form of Receipt Release and Assignment provided for under the Plan as a condition precedent to receiving any securities or other benefits under the Plan, including the right to be a beneficiary under the Litigation Trust.

The Plan also provides for the Court to order the filing of Articles of Reorganization for the Company. The Articles of Reorganization will change the name of the Company to Provider Capital Group Inc., appoint the directors selected by the Creditors' Meeting, appoint the Auditor, cancel all of the common shares, Series A Preferred Shares and Series B Preferred Shares previously issued by the Company and outstanding on to the Filing Date and authorize the New Special Shares and the Common Shares to be issued under the Plan. After the Implementation of the Plan, the Common Shares and New Special Shares issued to Creditors under the Plan will be the only issued and outstanding share capital of the Company.

The securities to be issued by the Company under the Plan have the following attributes:

**Capital Recovery Debentures** are non-interest bearing and unsecured but have a mandatory principal payment of 0.5% of the initial principal per month. For holders preferring a rate of return instead of priority cash distributions, the Capital Recovery Debentures are convertible into New Special Shares (described below) on a dollar for dollar basis. The debentures are open for prepayment by the Company in whole or in part at any time and a 40% of initial principal balloon payment will be required on the Capital Recovery Debentures at maturity in ten years. The projections indicate that the cash position of the business could support this payment by 2019.

**New Special Shares** are redeemable, non-voting, and will carry cumulative dividends at a 6% annual rate. Timing of any dividends or redemptions of the New Special Shares is subject to the

normal review and forecast of business performance and as the board of Directors may determine. These shares can be redeemed by the Company in whole or in part at any time or times upon payment of the cumulative dividends outstanding and the redemption of \$25.00 per share.

**Common Shares** are voting common shares and rank behind the New Special Shares in dividend payments and to the extent of the redemption value of the New Special Shares upon liquidation.

There are no warrants or options outstanding respecting any of the securities of the Company.

## **12. OPTIONS, PRIOR SALES, ESCROWED SECURITIES AND SELLING SECURITY HOLDERS**

There are no options, prior sales, escrowed securities or selling security holders.

## **13. FINANCIALS**

The financial records of the company (including the computer programmes which are being replaced) are in such disorder that it is not possible at this time to prepare proper audited current financial statements. The IOO and management have prepared a pro forma opening balance sheet for the Company reflecting the reorganization under the Plan. They are confident that this is materially correct and it has been used as an opening position for the projections described in this section.

The most material element of the financial projections is the current carrying book value of the loan portfolio. This has been estimated by financial management of the Company to be \$10,262,000 as at May 1, 2011, after writing off all of the loans sent to collection by the IOO as described earlier in this document. This write-off is supported since the collections on the \$15 million of principal amount of the loans in third party collection since December have been less than \$180,000.

### **Restructuring Plan Financials: Three Scenarios:**

The following projected financial statements have been prepared based on the information available as to the current position and the business plan.

The three scenarios analyzed below are based on two assumptions: the first, that no Creditors elect the cash exit option, and the second, that the maximum of \$10,000,000 of Proven Claims of Creditors elect to take the cash exit option. The scenarios also analyze two alternative growth assumptions; moderate growth and lower growth. Based on the business model set out in sections 8 and 9 of this Information Circular, and taking into account the variables of the plan including loan volume, discount rates, pricing/yield, and capital structure and other variables that will have a material effect on results, the three following variables are estimates of the company's balance sheet.

**Scenario One: Moderate Growth with No Noteholders exercising the cash exit option.**

**Assumptions:**

- Loan volume grows to \$18MM per year in 2016
- \$7.5MM in new capital sourced beginning in 2015
- Special share dividends beginning in 2014
- Capital Recovery debenture balloon forecast for 2021

**Scenario One: Cash flow projections May 2, 2011 – 2016**

**PROVIDER CAPITAL  
GROUP**

Scenario: \$0 Checkout & Moderate Growth

(all figures in '000's)

Cash Flow	May 1/11	2012	2013	2014	2015	2016
Beginning Balance	8,433	8,433	8,435	5,258	1,032	890
<b>Inflows</b>						
Loans		8,299	9,678	12,839	16,325	18,230
3rd Party Collections		162	178	182	268	341
Investment Income		438	331	30	21	18
New Capital		-	-	-	3,000	4,500
Total Operating Receipts	-	8,900	10,187	13,051	19,614	23,088
<b>Outflows</b>						
Debentures Principal Repayment		540	540	540	540	540
Dividends		-	-	540	540	540
Interest on New Capital		-	-	-	240	600
Payroll and Benefits		930	1,084	1,209	1,233	1,323
SG&A		700	914	1,082	1,104	1,126
Other	-	518	98	98	98	98
New Loan Funding		6,480	10,728	13,808	16,000	18,000
Total Outflows	-	8,898	13,364	17,277	19,755	22,227
Net Operating Cash Flow	-	2	3,177	4,226	142	861
Closing Cash	8,433	8,435	5,258	1,032	890	1,752

Balance Sheet	May 1/11	2012	2013	2014	2015	2016
<u>Assets</u>						
Current Assets:						
Cash	8,433	8,435	5,258	1,032	890	1,752
Loans Receivable	10,672	10,939	14,989	19,649	23,879	28,924
Equipment	310	310	310	310	310	310
	<b>19,415</b>	<b>19,683</b>	<b>20,557</b>	<b>20,991</b>	<b>25,079</b>	<b>30,986</b>
<u>Liabilities</u>						
Current:						
Accounts Payable	270					
Non-interest bearing debentures due within one year	540	540	540	540	540	540
Long-term debt:						
Senior term debt	-	-	-	-	3,000	7,500
Non-interest bearing debentures	8,460	8,460	7,920	7,380	6,840	6,300
	<b>9,270</b>	<b>9,000</b>	<b>8,460</b>	<b>7,920</b>	<b>10,380</b>	<b>14,340</b>
<u>Shareholders Equity</u>						
Special Shares	9,000	9,000	9,000	9,000	9,000	9,000
Common Shares	360	360	360	360	360	360
Retained Earnings		538	1,951	2,926	4,554	6,501
Capital Surplus	785	785	785	785	785	785
	<b>10,145</b>	<b>10,683</b>	<b>12,097</b>	<b>13,071</b>	<b>14,699</b>	<b>16,646</b>
	<b>19,415</b>	<b>19,683</b>	<b>20,557</b>	<b>20,991</b>	<b>25,079</b>	<b>30,986</b>

<b>Profit and Loss</b>	<b>May 1/11</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<u>Revenue</u>						
Loan Interest		2,952	4,161	5,224	6,502	7,810
Investment Income		438	331	30	21	17
	-	3,390	4,492	5,254	6,522	7,827
<u>Expenses</u>						
Interest on long-term debt		-	-	-	240	600
Salaries & Benefits	-	930	1,084	1,209	1,233	1,323
Office & General	-	308	372	423	429	436
Professional Fees	-	70	91	108	110	113
Advertising & Promotion	-	210	274	325	331	338
Rent	-	105	137	162	166	169
Insurance	-	35	46	54	55	56
Telephone & Utilities	-	70	91	108	110	113
Restructuring Costs		270				
Bad Debts	-	854	983	1,350	1,680	2,193
	-	2,852	3,079	3,740	4,355	5,340
Net Income	-	538	1,413	1,515	2,168	2,488

**Scenario Two: moderate growth with maximum number of Noteholders exercising the cash exit option resulting in \$2,500,000 charge to opening cash.**

**Assumptions:**

- Loan volume grows to \$18MM per year in 2016
- \$9.8MM in new capital sourced beginning in 2014
- Special share dividends beginning in 2014
- Capital Recovery debenture balloon forecast for 2020

***Scenario Two: Cash flow projections May, 2 2011 - 2016***

**PROVIDER CAPITAL GROUP**

Scenario: \$2.5MM Checkout & Moderate Growth

(all figures in '000's)

<b>Cash Flow</b>	<b>May 1/11</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Beginning Balance	5,933	5,933	5,982	2,860	787	784
<b><u>Inflows</u></b>						
Loans		8,317	9,701	12,854	16,325	18,238
3rd Party Collections		162	178	182	268	341
Investment Income		318	213	27	19	21
New Capital		-	-	2,000	3,000	4,800
Total Operating Receipts	-	8,797	10,092	15,064	19,613	23,400
<b><u>Outflows</u></b>						
Debentures Principal Repayment		390	390	390	390	390
Dividends		-	-	390	390	390
Interest on New Capital		-	-	160	400	784
Payroll and Benefits		930	1,084	1,209	1,233	1,323
SG&A		700	914	1,082	1,104	1,126
Other	-	518	98	98	98	98
New Loan Funding		6,480	10,728	13,808	16,000	18,000
Total Outflows	-	8,748	13,214	17,137	19,615	22,111
Net Operating Cash Flow	-	49	3,122	2,073	2	1,286
Closing Cash	5,933	5,982	2,860	787	784	2,073

<b>Balance Sheet</b>	<b>May 1/11</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<u><b>Assets</b></u>						
Current Assets:						
Cash	5,933	5,982	2,860	787	784	2,073
Loans Receivable	10,671	10,977	15,011	19,661	23,891	28,930
Equipment	310	310	310	310	310	310
	<b>16,914</b>	<b>17,269</b>	<b>18,181</b>	<b>20,757</b>	<b>24,986</b>	<b>31,313</b>
<u><b>Liabilities</b></u>						
Current:						
Accounts Payable	270					
Non-interest bearing debentures due within one year	390	390	390	390	390	390
Long-term debt:						
Senior term debt	-	-	-	2,000	5,000	9,800
Non-interest bearing debentures	6,110	6,110	5,720	5,330	4,940	4,550
	<b>6,770</b>	<b>6,500</b>	<b>6,110</b>	<b>7,720</b>	<b>10,330</b>	<b>14,740</b>
<u><b>Shareholders Equity</b></u>						
Special Shares	6,500	6,500	6,500	6,500	6,500	6,500
Common Shares	260	260	260	260	260	260
Retained Earnings		624	1,927	2,893	4,512	6,430
Capital Surplus	3,384	3,384	3,384	3,384	3,384	3,384
	<b>10,144</b>	<b>10,769</b>	<b>12,071</b>	<b>13,037</b>	<b>14,656</b>	<b>16,573</b>
	<b>16,914</b>	<b>17,269</b>	<b>18,181</b>	<b>20,757</b>	<b>24,986</b>	<b>31,313</b>

<b>Profit and Loss</b>	<b>May 1/11</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<u><b>Revenue</b></u>						
Loan Interest		3,161	4,170	5,230	6,506	7,811
Investment Income		318	213	27	19	21
-		3,479	4,383	5,257	6,524	7,832
<u><b>Expenses</b></u>						
Interest on long-term debt		-	-	160	400	784
Salaries & Benefits	-	930	1,084	1,209	1,233	1,323
Office & General	-	308	372	423	429	436
Professional Fees	-	70	91	108	110	113
Advertising & Promotion	-	210	274	325	331	338
Rent	-	105	137	162	166	169
Insurance	-	35	46	54	55	56
Telephone & Utilities	-	70	91	108	110	113
Restructuring Costs		270				
Bad Debts	-	856	985	1,352	1,681	2,193
-		2,854	3,081	3,901	4,516	5,524
<b>Net Income</b>	<b>-</b>	<b>624</b>	<b>1,302</b>	<b>1,356</b>	<b>2,009</b>	<b>2,308</b>

**Scenario Three: lower growth with maximum number of Noteholders exercising the cash exit option resulting in \$2,500,000 charge to opening cash:**

***Scenario Three: Cash flow projections May 2, 2011 – 2016***

PROVIDER CAPITAL GROUP

Scenario: \$2.5MM Checkout & Lower Growth

(all figures in '000's)

Cash Flow	May 1/11	2012	2013	2014	2015	2016
Beginning Balance	5,933	5,933	6,137	4,498	1,937	868
<b><u>Inflows</u></b>						
Loans		8,390	8,943	10,660	12,921	13,880
3rd Party Collections		162	180	181	223	269
Investment Income		312	255	32	16	16
New Capital		-	-	-	1,000	2,000
Total Operating Receipts	-	8,864	9,377	10,873	14,160	16,165
<b><u>Outflows</u></b>						
Debentures Principal Repayment		390	390	390	390	390
Dividends		-	-	390	390	390
Interest on New Capital		-	-	-	80	240
Payroll and Benefits		930	1,084	1,144	1,167	1,190
SG&A		700	914	1,082	1,104	1,126
Other	-	518	98	98	98	98
New Loan Funding		6,392	8,531	10,329	12,000	12,000
Total Outflows	-	8,660	11,017	13,433	15,229	15,434
Net Operating Cash Flow	-	204	1,639	2,561	1,069	734
Closing Cash	5,933	6,137	4,498	1,937	868	1,599

<b>Balance Sheet</b>	<b>May 1/11</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<u><b>Assets</b></u>						
Current Assets:						
Cash	5,933	6,137	4,498	1,937	868	1,599
Loans Receivable	10,671	10,720	13,077	15,856	18,594	20,492
Equipment	310	310	310	310	310	310
	<b>16,914</b>	<b>17,167</b>	<b>17,885</b>	<b>18,103</b>	<b>19,772</b>	<b>22,402</b>
<u><b>Liabilities</b></u>						
Current:						
Accounts Payable	270					
Non-interest bearing debentures due within one year	390	390	390	390	390	390
Long-term debt:						
Senior term debt	-	-	-	-	1,000	3,000
Non-interest bearing debentures	6,110	6,110	5,720	5,330	4,940	4,550
	<b>6,770</b>	<b>6,500</b>	<b>6,110</b>	<b>5,720</b>	<b>6,330</b>	<b>7,940</b>
<u><b>Shareholders Equity</b></u>						
Special Shares	6,500	6,500	6,500	6,500	6,500	6,500
Common Shares	260	260	260	260	260	260
Retained Earnings		524	1,631	2,239	3,298	4,317
Capital Surplus	3,384	3,384	3,384	3,384	3,384	3,384
	<b>10,144</b>	<b>10,667</b>	<b>11,775</b>	<b>12,383</b>	<b>13,442</b>	<b>14,462</b>
	<b>16,914</b>	<b>17,167</b>	<b>17,885</b>	<b>18,103</b>	<b>19,772</b>	<b>22,402</b>

<b>Profit and Loss</b>	<b>May 1/11</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<u>Revenue</u>						
Loan Interest		3,073	3,841	4,382	5,196	5,574
Investment Income		312	255	32	16	6
	-	3,386	4,096	4,414	5,212	5,590
<u>Expenses</u>						
Interest on long-term debt		-	-	-	80	240
Salaries & Benefits	-	930	1,084	1,144	1,167	1,190
Office & General	-	308	372	423	429	436
Professional Fees	-	70	91	108	110	113
Advertising & Promotion	-	210	274	325	331	338
Rent	-	105	137	162	166	169
Insurance	-	35	46	54	55	56
Telephone & Utilities	-	70	91	108	110	113
Restructuring Costs		270				
Bad Debts	-	864	893	1,091	1,315	1,526
	-	2,862	2,988	3,415	3,763	4,180
Net Income	-	524	1,107	998	1,448	1,410

### **Borrowing by Company**

The business plan contemplates borrowing of senior debt to fund further expansion of the Company starting as early as the 2014 fiscal year. It is assumed that such funding will be available from financial institutions at a borrowing cost of 8% or less.

## **14. POTENTIAL LIQUIDITY OPTIONS FOR SECURITY HOLDERS**

There are several options for future liquidity of their investment in the Company for the shareholders to consider. Generally, each of these options becomes more attractive the longer the business exhibits positive performance. However, market conditions and unsolicited offers often disrupt what might otherwise be ideal timing.

### **Sale/Acquisition**

A sale of a lending business on an asset basis has three components of value:

- I. Sale of the receivables
  - Target to maximize the dollar value for the receivables
- II. Cash
- III. A premium for hard and/or soft assets
  - Hard – infrastructure such as computer hardware and software, offices, etc.
  - Soft – brand, vendor partnership agreements, goodwill based on proven profitability

The primary targets for selling the business are:

- Competitors
  - Small and mid-size lenders would likely have an interest
  - It is less likely that a competitor will offer to pay a premium for a business which they ultimately will just fold into current operations
  - On the other hand, the sale process tends to be more straightforward because the purchaser understands the nature of the enterprise
  - Beware of unsolicited offers early in the life of a relaunched Provider Capital Group. Offers tend to be highly speculative in nature and can use up a good deal of time and effort in examining
- Firms with complementary lines of business
  - This is a 'strategic' sale and can often garner a higher premium because it i) facilitates quick entry into the market and ii) leverages other assets of the purchasers' own business
  - Depending on the purchasers' structure, it may offer cash and/or stock that could further increase the upside to Provider Capital Group investors of the value of the offer
  - As an acquisition by this type of purchaser, this can mean that Provider Capital Group remains intact as an entity. This ensures continuity of employment for some if not all staff

### **IPO**

In addition to the requirement for a demonstration of consistent performance, this option is highly dependent on market conditions at the time of issue.

An IPO has certain benefits and drawbacks. It offers the Company an opportunity for a large capital infusion. This capital can be put to a variety of uses including debt elimination. It also adds awareness and credibility to the business which in turn can fuel growth. On the downside, it requires full public disclosure, new administrative and cost burdens, heightened investor demands, added regulatory oversight and more public scrutiny.

## **Liquidation**

Build the business to a certain point, then either harvest-liquidate or immediately liquidate.

- Harvest-Liquidate:
  - Cease all new loan activity
  - Eliminate all spending related to business development
  - Focus on short-term profit maximization of all receivables
  - Steadily reduce headcount
  - After a defined period of time e.g. 18-24 months, triage all remaining collections as being potentially collectible or to be written-off
  - Attempt to sell any remaining debt
  - Layoff remaining staff
- Liquidate
  - Wind-down all receivables by demanding repayment from all customers (current and past-due)
  - Triage all collections as being potentially collectible or to be written-off
  - Attempt to sell any remaining debt
  - Layoff remaining staff

## **15. PRO FORMA FINANCIAL IMPACT OF IMMEDIATE LIQUIDATION**

Under the CCAA proceeding, the Monitor has prepared a report setting out a scenario that would realization that might be available for creditors from the immediate liquidation of the company. That liquidation analysis is Schedule H to the Monitor's Third Report of June 11, 2010. The liquidation analysis of the Monitor provided for interim payments in years 2 and 4 with a final payment "...which could easily be about 7 or 8 years after the commencement of the liquidation. " The monitor's liquidation summary is at schedule H to his report and the following is the financial analysis:

**Nelson Financial Group Ltd.****CCAA Liquidation Analysis Work Sheet**

unaudited

**Based on Assets as at March 31, 2010**

Cash on Hand - March 31, 2010		\$794,090
Itinerant Loans - Value to Term		28,576,884
Less - reserve	15%	(4,286,533)
Estimated Realizable Value		24,290,351
Fixed Assets		46,650
Car Leases		560,980
Misc Receivables and Other Assets		82,701
		25,774,772
Net Expenditures April 1 to Sept. 10, 2010		(1,813,000)
Estimated Liquidation Costs		(9,400,000)
Total Net Recovery		14,561,772
<b>Distribution</b>		
Secured Creditor		
To Foscarini, including interest and costs		(750,000)
Available for Unsecured Creditors		\$13,811,772
Unsecured Creditors		
Promissory Notes		36,764,803
less Foscarini		(653,342)
Net Promissory Notes		36,111,461
Other Creditors - estimated		300,000
Total Unsecured Creditors		\$36,411,461
Percentage distribution to unsecured creditors		37.9%
Percentage distribution to preferred shareholders		0.0%

**Major Assumptions and Notes**

- 1 The information contained in this estimate was obtained from Nelson without audit; Actual results may well be different from the estimates in this schedule and the difference may be material
- 2 Liquidation will commence September 13, 2010
- 3 The recovery from Itinerant Loans will be reduced by 15% to allow for the impact of the liquidation on collection efforts
- 4 Net Expenditures from April 1 to September 10, 2010 comprise regular operating expenses and restructuring costs net of the anticipated income to be earned on loans made during the period

- 
- 5 New lending and net expenditures from April 1 to September 10, 2010 are consistent with actual results to May 28, 2010 and those estimated in the cash flow forecast for the period from May 31 to September 10, 2010 that is to be included in the Monitor's Third Report
  - 6 New Lending will earn 32% of the funds outstanding
  - 7 Estimated liquidation costs comprise staff costs, overhead costs, restructuring professional costs and a \$500,000 cost contingency reserve
  - 8 The only secured creditor of Nelson is Foscarini Mackie Holdings Inc.
  - 9 It is assumed that the asset liquidation will take at least 5 years to complete

QUESTION 1:

Can you give me a simple explanation of the basics of the plan of arrangement and what I will get for my investment?

ANSWER:

All Creditors have received the Plan of Arrangement and the Information Circular that explain in detail what the plan of arrangement will provide. The terms of the Plan will also be reviewed at both the March 26<sup>th</sup> Information Meeting and the April 16<sup>th</sup> Creditors' Meeting. However, the topline highlights are presented below.

The Plan offers a choice between of the following two options:

- a) Keep your investment with Nelson Financial (to be known as Provider Capital Group Inc.) and receive:
  - a. 25% of your Proven Claim amount in a capital recovery debenture with payments of 6% return of principal starting after final approvals from court and final issuance of these debentures. These payments would be made monthly.
  - b. 25% of your Proven Claim amount in Special Shares with a cumulative 6% dividend which will be paid when the company is clearly profitable and has adequate cash reserves for its business expansion. These dividends are not paid on a regular basis like the debentures, but will accumulate until such time as they are declared by the board of directors.
  - c. One Common Share will be issued for each \$100 of Proven Claim amount. The company will be owned entirely by the creditors in proportion to their respective claims. These shares may provide an opportunity to recover the balance of your investment as the company rebuilds and grows in value.

OR

- b) Take an immediate cash payment of 25% of your investment and be finished with Nelson Financial. If you exercise this option, you will have no further interest in the company or in any possible recoveries under the litigation trust. You will get a cheque for this payment sent to you after the final Court approval of the Plan is completed. Once again you will also need to speak to your own tax advisor with respect to the best way to use your tax loss.

It is possible for a Creditor to elect a combination of both (a) and (b), i.e., to take some cash and leave some investment in the company.

QUESTION 2:

I am not able to attend the meeting on April 16th, can I still vote?

ANSWER:

Creditors can send a voting letter or a proxy in by mail (see the address on each of these documents) at any time so long as they are received before the meeting, and do not have to attend the meeting. The voting letter or proxy must be received by April 15th as the meeting will be held on April 16th.

All Creditors are welcome to attend the April 16th meeting, but if you are delivering or mailing your vote in advance, your vote will be counted and you do not have to attend the April 16th meeting should you chose not to do so.

QUESTION 3

Who can go to the meeting or vote by proxy or letter?

ANSWER:

Any Creditor in person or by proxy, or represented by a proxy or by duly appointed attorney under a valid power of attorney can attend the meeting and vote or appoint a proxy.

The forms of proxy and the voting letter are found as Schedules to the Plan of Arrangement mailed to all Noteholders.

If a Creditor has died, and the note was held jointly, the surviving noteholder can appoint a proxy, or vote with a copy of the death certificate. If any interest in a note is held in an estate, the estate trustees will have to produce a copy of the will or certificate of appointment of estate trustee. If voting is being done under a power of attorney, a copy of the power of attorney must be provided with proof of the attorney's appointment.

If a corporation is a Creditor, the representative should produce some indication of signing authority. This can take the form of a directors' resolution accompanied by a statement as to the proper corporate officers, but there will be flexibility.

QUESTION 4:

How many do you need to reach a quorum?

ANSWER:

A single creditor present in person or by proxy constitutes a quorum for the meeting. For the plan to be approved, there must be the approval of fifty-one per cent of the Creditors present and voting in person or by proxy by number, plus two thirds of those by Proven Claim amount.

QUESTION 5:

Is there a deadline for my proxy to be received?

ANSWER:

It must be received prior to the meeting.

QUESTION 6:

Who chairs the meeting and who is responsible as scrutineer?

ANSWER:

The March 4, 2011 Court Order appointed an independent and experienced Chartered Accountant and insolvency professional, Greg S. Mcleod CA, CIRP, to be the chair of the meeting, and Ronald S. Dale CA to be scrutineer.

QUESTION 7:

What happens if the Noteholders do not approve the plan?

ANSWER:

If the plan is not approved by the Creditors, the Company will remain under the jurisdiction of the Court and in the CCAA process, and the court appointed officers, including the Monitor, will remain in place until another plan is proposed, submitted to the Court and then to the Creditors for a further vote or until the Court orders the termination of the proceedings. The CCAA administration expenses will continue, which may further reduce the value of the Creditors' interest in the company.

17.

**CERTIFICATION**

The contents and the sending of this Information Circular have been approved by the undersigned, the Interim Operating Officer of Nelson Financial Group Ltd., for the purpose of providing a summary of the matters to be considered by the Creditors at the Meeting ordered to be held by the Order of the Superior Court of Justice made on March 4, 2011 and are in compliance with such Order of the Court.

Dated at Pickering, Ontario as of this 22<sup>nd</sup> day of March, 2011.

---

Sherry Townsend

**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.**

**PLAN OF COMPROMISE AND ARRANGEMENT OF  
NELSON FINANCIAL GROUP LTD.**

**FEBRUARY 11, 2011**

**(As Amended To April 12, 2011)**

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**PLAN OF COMPROMISE AND ARRANGEMENT OF  
NELSON FINANCIAL GROUP LTD.**

**PURSUANT TO THE *COMPANIES' CREDITORS ARRANGEMENT ACT* (CANADA)**

**FEBRUARY 11, 2010**

**ARTICLE 1  
DEFINITIONS AND INTERPRETATION**

**1.1 Definitions**

In this Plan (including the Schedules hereto), unless otherwise stated or the context should otherwise require, the capitalized terms and phrases used but not defined herein have the following meanings:

**“Administration Charge”** means the Administration Charge granted under the Initial Order;

**“Administration Charge Reserve”** has the meaning set out in Section 5.2(a) of this Plan;

**“Affected Claim”** means a Claim that is not an Excluded Claim. For greater certainty, “Affected Claims” include all Pre-Filing Claims, Equity Claims and Subsequent Claims;

**“Applicable Law”** means, at any time, in respect of any Person, property, transaction, event or other matter, as applicable, all laws, rules, statutes, regulations, treaties, orders, judgments and decrees, and all official requests, directives, rules, guidelines, orders, policies, practices and other requirements of any Authorized Authority;

**“Applicant”** means Nelson Financial Group Ltd.;

**“Articles of Reorganization”** means the Articles of Reorganization to be filed under and subject to the terms and conditions of this Plan, cancelling all issued and outstanding shares of the Applicant, authorizing the new share capital of the Applicant, changing the name of the Applicant to Provider Capital Group Inc. and appointing persons designated by the Creditors’ Meeting to be the board of directors of the Applicant and otherwise substantially in the form annexed as Schedule “B” to this Plan;

**“Authorized Authority”** means, in relation to any Person, transaction or event, any:

- (a) federal, provincial, territorial, state, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign;
- (b) agency, authority, commission, instrumentality, regulatory body, court, or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including any Taxing Authority;

- (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions; or
- (d) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event;

**“BIA”** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;

**“Business Day”** means, with respect to any action to be taken, any day, other than Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario, Canada;

**“Canadian Dollars”, “CDN\$” or “\$”** means dollars denominated in lawful currency of Canada;

**“Capital Recovery Debenture”** means the Debenture to be issued by the Applicant in implementation of this Plan on the terms of and substantially in the form of that attached hereto as Schedule “C”;

**“Cash Exit Option”** means the option available to all Proven Creditors to elect to take a payment of 25 cents on the dollar of the Claim amount in full satisfaction of their Proven Claim on and subject to the terms and conditions of Section 4.2 of this Plan;

**“Cash Option Election”** means the election form required under section 4.2 of the Plan on the terms of and substantially in the form of that attached hereto as Schedule “H”;

**“CCAA”** means the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended;

**“CCAA Court”** means the Ontario Superior Court of Justice;

**“CCAA Proceedings”** means the proceedings commenced by the Applicant under the CCAA on March 22, 2010 in the CCAA Court, Court File No. CV-10-8630-00CL;

**“Chair”** means Greg S. MacLeod or such other person as may be appointed from time to time by the Court under the Creditors’ Meeting Order to act as chairman of the Creditors’ Meeting;

**“Charges”** has the meaning given to it in paragraph 32 of the Initial Order as amended by the Orders of June 15, 2010 appointing the Representative Counsel and Order of November 22, 2010 appointing the Interim Operating Officer;

**“Claim”** means any right or claim of any Person that may be asserted or made in whole or in part against the Applicant, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including without limitation, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and

whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, legal or equitable, secured or unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including, without limitation, any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future together with any other rights or claims of any kind that, if unsecured, would be a debt provable in bankruptcy within the meaning of the BIA if the Applicant were bankrupt, and for greater certainty, includes, without limitation (i) any Tax Claim, (ii) any claims by any Person for obligations or indebtedness owing by the Applicant in respect of any Equity Claim, and (iii) any Subsequent Claim;

**“Claims Bar Date”** means 4:00 p.m. (Toronto Time) on September 15, 2010, or such other date as may be ordered by the CCAA Court;

**“Claims Procedure Order”** means the Order of the Honourable Madam Justice Pepall dated July 27, 2010, as may be amended, restated or varied by subsequent Orders of the CCAA Court;

**“Common Share”** means a common share to be issued upon the Implementation of this Plan as authorized pursuant to the Articles of Reorganization;

**“Convenience Class”** means the Creditors who are unsecured creditors in respect of the provision of goods or services to the Applicant with Proven Claims of \$1,000.00 or who elect to waive any amount of their Proven Claim in excess of \$1,000.00 and receive payment under Section 4.1 of this Plan;

**“Creditor”** means, subject to the Claims Procedure Order and Section 8.4 of this Plan, any holder of an Affected Claim, in that capacity;

**“Creditors’ Meeting”** means the meeting of Proven Creditors called for the purposes of considering and voting in respect of this Plan, which has been set by the Creditors’ Meeting Order and, subject to such Order, to take place at 11:00 a.m. (Toronto Time) on April 16, 2011 and any postponements, adjournments or amendments thereof;

**“Creditors’ Meeting Order”** means the Order of the CCAA Court ordering and declaring, among other things, the procedures to be followed in connection with the Creditors’ Meeting, as amended, restated or varied from time to time by any subsequent Order of the CCAA Court;

**“Crown”** means Her Majesty in right of Canada or a province of Canada;

**“Crown Claim”** means any Claim of the Crown, for all amounts that were outstanding at the Filing Date and are of a kind that could be subject to a demand under:

- (a) subsection 224(1.2) of the ITA;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the ITA and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee’s premium,

or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or

- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the ITA, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum
  - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the ITA; or
  - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection;

**"Derivative Right"** means any right or cause of action in law or in equity held by a Creditor in respect of or derived from a Proven Claim including without limitation any right of the Creditor to recover damages for fraudulent misrepresentation, negligent misrepresentation, conversion, breach of statutory duty or any other wrongful act, against any associate or affiliate of the Applicant or any employee or third party owing fiduciary or other duties at law to the Applicant or to any associate or affiliate of the Applicant, and includes any right to trace advances made by the Creditor and included in the Proven Claim to or into investments made by or through the Applicant into amounts, property, rights or things held by, held in trust for or owing from any associate or affiliate of the Applicant to the Creditor, provided that in each case the relationship of or to the associate or affiliate of the Applicant and of the Creditor to any such shall be determined as at the Filing Date;

**"Disallowed Claim"** means a Disputed Claim (or any portion thereof) which has been finally disallowed in accordance with the Claims Procedure Order;

**"Disputed Claim"** means all or that portion of an Affected Claim proof of which was filed with the Monitor in compliance with the Claims Procedure Order and that has not been allowed or accepted as proven by the Monitor, which is the subject of a Notice of Dispute or Notice of Revision or Disallowance, and which has not been resolved by the Claims Officer, by agreement or by further Order of the CCAA Court, as applicable. For greater certainty, once a Disputed Claim is finally determined, it shall become either a Proven Claim or a Disallowed Claim, as the case may be;

**"Disputed Claims Reserve"** shall have the meaning set out in Section 6.2;

**"Eligible Voting Creditor"** means a Creditor having a Proven Claim or a Disputed Claim but shall not include any Creditor in respect of an Equity Claim;

**“Equity Claim”** has the meaning set out in the CCAA and includes any Claim as a Creditor in respect of any shares of the Debtor issued and outstanding on or before the Filing Date and subject to the Order of the Honourable Madame Justice Pepall dated November 16, 2010;

**“Excluded Claim”** has the meaning set forth in Section 3.3 of this Plan;

**“Filing Date”** means March 23, 2010, being the date of the Initial Order;

**“Final Distribution Date”** means a Business Day to be chosen by the Monitor, in consultation with the Applicant, on which final distributions are to be made on account of Proven Claims and which shall be a date that occurs after all Disputed Claims have been finally determined in accordance with the Claims Procedure Order;

**“GST”** means goods and services tax under the *Excise Tax Act* (Canada), R.S.C., 1985, c. E-15, as amended to the date of this Plan;

**“Initial Distribution Date”** means a Business Day to be chosen by the Applicant, on which initial distributions of Common Shares and of New Special Shares are to be made on account of Proven Claims;

**“Initial Order”** means the Order granted by the CCAA Court in the CCAA Proceedings on March 23, 2010, as amended, restated, varied or extended from time to time by subsequent Orders of the CCAA Court;

**“Interim Operating Officer”** means the Interim Operating Officer, Ms. Sherry Townsend, appointed by the CCAA Court pursuant to the Order of the Honourable Madame Justice Pepall made on November 22, 2010 and any successor Interim Operating Officer hereafter appointed by the CCAA Court;

**“ITA”** means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5<sup>th</sup> Supp.), as amended to the date of this Plan;

**“Lien”** means any mortgage, charge, pledge, assignment by way of security, lien, hypothec, security interest, deemed trust or other encumbrance granted or arising pursuant to a written agreement or statute or otherwise created by law;

**“Litigation Trust”** means the trust established under the terms of the Declaration of Trust annexed to this Plan as Schedule “E” providing for the enforcement the Derivative Rights for the benefit of all Participating Creditors upon such Declaration of Trust being executed by the Applicant upon the implementation of the Plan;

**“Monitor”** means A. John Page & Associates Inc., in its capacity as the monitor of the Applicant in the CCAA Proceedings, and not in its corporate or personal capacity;

**“Monitor’s Website”** means the website maintained by the Monitor located at the following address: <http://www.ajohnpage.com/html/files.html>;

**“New Special Share”** means the New Special Share to be issued by the Applicant upon the implementation of this Plan and having the rights as authorized under the terms of the Articles of Reorganization;

**“Notice of Dispute”** means a written notice, substantially in the form attached as Schedule “4” to the Claims Procedure Order, delivered to the Monitor by a Creditor disputing either a Notice of Claim or Notice of Revision or Disallowance issued by the Monitor, with reasons for its dispute;

**“Notice of Revision or Disallowance”** means a written notice, substantially in the form attached as Schedule “5” to the Claims Procedure Order, delivered to a Creditor advising that the Monitor has revised or disallowed all or part of such Creditor’s Filed Claim (as defined in the Claims Procedure Order) for the purposes of voting and/or distribution and providing the reasons for the revision or disallowance;

**“Order”** means any order of the CCAA Court made in the CCAA Proceedings;

**“Participating Creditor”** means a Creditor who shall have elected to take benefits under the Plan and who shall have executed and delivered to the Applicant the Receipt, Release and Assignment required pursuant to Section 8.2 of this Plan;

**“Permitted Liens”** means any Lien arising or granted in relation to any of the Applicant’s property, assets and undertaking as a result of a borrowing transaction authorized by the by-laws of the Applicant, approved in accordance with the requirements of the Capital Recovery Debentures then outstanding, approved by special resolution of the voting shareholders of the Applicant or otherwise arising in the ordinary course of the operation of the business of the Applicant by operation of any law of general application;

**“Person”** shall be broadly interpreted and includes, without limitation, any individual, corporation, limited or unlimited liability company, general or limited partnership, association, firm, trust, unincorporated organization, joint venture, venture capital fund, administrator or committee in respect of a registered pension plan, unincorporated association or organization, syndicate, committee, the government of a country, province or political subdivision thereof, or any agency, board, tribunal, commission, bureau, instrumentality or department of such government or political subdivision, or any other entity, howsoever constituted, and the trustees, executors, administrators, or other legal representatives of an individual;

**“Plan”** means this Plan of Compromise and Arrangement, as it may be amended, restated, or supplemented from time to time in accordance with the provisions hereof;

**“Plan Implementation Date”** means a Business Day, as determined by the Applicant, once all conditions precedent to the implementation of this Plan set out in Section 6.2 have been satisfied or waived;

**“Plan Termination Date”** means that date being 90 days after the date of the granting of the Sanction Order;

**“Pre-Filing Claim”** means any Claim other than (i) an Excluded Claim, and (ii) a Subsequent Claim;

**“Proof of Assignment”** means a notice of transfer or assignment of an Affected Claim executed by a Creditor and the transferee or assignee, together with satisfactory evidence of such transfer or assignment as may be reasonably required by the Applicant, in accordance with Paragraph 11 of the Claims Procedure Order;

**“Proof of Claim”** means a proof of claim, in substantially the form attached as Schedule 3 to the Claims Procedure Order, as submitted to the Monitor by a Creditor in accordance with the Claims Procedure Order;

**“Proven Claim”** means the Claim of a Creditor, as finally determined in accordance with the Claims Procedure Order or any other order of the CCAA Court but for greater certainty shall not include any Equity Claim;

**“Proven Creditor”** means a Creditor holding a Proven Claim;

**“Receipt, Release and Assignment”** means the receipt, release and assignment required to be executed and delivered by all Creditors receiving distributions under this Plan in accordance with Section 8.2 of this Plan and in the form of Schedule “D”;

**“Representative Counsel”** means Douglas Turner, Q.C. in his capacity as Representative Counsel for the Noteholders of the Applicant pursuant to his appointment by the CCAA Court under the Order of the Honorable Madame Justice Pepall made on June 15, 2010 as amended by the Order made on November 22, 2010 and as such may be amended by further orders of the Court and such shall also include Richard B. Jones in his capacity as Special Counsel to the Representative Counsel as appointed pursuant to the Court Order of June 15, 2010 and such shall include any successor or replacement performing the same or similar functions as may be appointed by Order of the CCAA Court from time to time;

**“Representative Counsel’s Certificate”** has the meaning attributed to it in section 6.3 hereof;

**“Sanction Date”** means the date that the Sanction Order is granted;

**“Sanction Order”** means an Order sanctioning this Plan, ordering the filing of the Articles of Reorganization and giving all necessary directions regarding the implementation of this Plan, which shall include the provisions set forth in Sections 6.1, 8.1 and 8.5 of this Plan;

**“Secured Claim”** means any Claim or portion thereof that is secured by a validly attached and existing Lien on the property of the Applicant that was duly and properly registered or perfected in accordance with Applicable Law at the Filing Date or in accordance with the Initial Order, but only to the extent of the realizable value of the property of the Applicant subject to such security, still in the possession of the Applicant, having regard to, among other things, the priority of such security;

**“Subsequent Claim”** means any right or claim of any Person, that may be asserted in whole or in part against the Applicant, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, present or future, arising after the Filing Date (but before the Plan is sanctioned by the Court) by reason of any obligation incurred by the Applicant before the Filing Date, including any indebtedness, liability, or obligation

resulting from the termination of employment, or the disclaimer or resiliation by the Applicant in the CCAA Proceedings of an agreement that existed before the Filing Date, and any interest that may accrue thereon for which there is an obligation to pay, and costs payable at law or in equity in respect thereof, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature and that is provable under the BIA, but a “Subsequent Claim” shall not include an “Excluded Claim”;

“**Tax**” or “**Taxes**” means any and all taxes including all income, sales, use, goods and services, harmonized sales, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, levies, imposts and other assessments or similar charges in the nature of a tax including Canada Pension Plan and provincial pension plan contributions, employment insurance and unemployment insurance payments and workers’ compensation premiums, together with any instalments with respect thereto, and any interest, penalties, fines, fees, other charges and additions with respect thereto;

“**Tax Claim**” means any Claim against the Applicant for any Taxes in respect of any taxation year or period ending on or prior to the Filing Date, and in any case where a taxation year or period commences on or prior to the Filing Date, for any Taxes in respect of or attributable to the portion of the taxation period commencing prior to the Filing Date and up to and including the Filing Date. For greater certainty, a “Tax Claim” shall include, without limitation, any and all Claims of any Taxing Authority in respect of transfer pricing adjustments and any Canadian or non-resident Tax related thereto; and

“**Taxing Authorities**” means Her Majesty the Queen, Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of each and every province or territory of Canada and any political subdivision thereof, and any Canadian or foreign governmental authority exercising taxing powers in administering and/or collecting Taxes.

## **1.2 Article and Section Reference**

The terms “**this Plan**”, “**hereof**”, “**hereunder**”, “**herein**”, and similar expressions refer to this Plan, and not to any particular article, section, subsection, paragraph or clause of this Plan and include any variations, amendments, modifications or supplements hereto. In this Plan, a reference to an article, section, subsection, clause or paragraph shall, unless otherwise stated, refer to an article, section, subsection, paragraph or clause of this Plan.

## **1.3 Extended Meanings**

In this Plan, where the context so requires, any word importing the singular number shall include the plural and vice versa, and any word or words importing gender shall include all genders.

#### **1.4 Interpretation Not Affected by Headings**

The division of this Plan into articles, sections, subsections, paragraphs and clauses and the insertion of a table of contents and headings are for convenience of reference and shall not affect the construction or interpretation of this Plan.

#### **1.5 Inclusive Meaning**

As used in this Plan, the words “**include**”, “**includes**”, “**including**” or similar words of inclusion means, in any case, those words as modified by the words “**without limitation**” and “**including without limitation**”; so that references to included matters shall be regarded as illustrative rather than exhaustive.

#### **1.6 Currency**

Unless otherwise stated herein, all references to currency in this Plan are to Canadian Dollars. For the purposes of voting or distribution, Affected Claims shall be denominated in Canadian Dollars and all cash distributions under this Plan shall be paid in Canadian Dollars. Any Affected Claim in a currency other than Canadian Dollars will be deemed to have been converted to Canadian Dollars at the spot rate of exchange quoted by the Bank of Canada for exchanging such currency to Canadian Dollars as at noon on the Filing Date, which rate for greater certainty for the conversion of United States Dollars to Canadian Dollars was 1.0650.

#### **1.7 Statutory References**

Any reference in this Plan to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time to the date of this Plan and any statute or regulation that supplements or supersedes such statute or regulation to the date of this Plan.

#### **1.8 Successors and Assigns**

The rights, benefits and obligations of any Person named or referenced in this Plan shall be binding on and shall inure to the benefit of any heir, administrator, executor, legal personal representative, successor or assign, as the case may be, or a trustee, receiver, interim receiver, receiver and manager, liquidator or other Person acting on behalf of such Person, as permitted hereunder.

#### **1.9 Governing Law**

This Plan, shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to any conflict of law provision that would require the application of the law of any other jurisdiction. Any dispute or issue in connection with, or related to the interpretation, application or effect of this Plan and all proceedings taken in connection with this Plan and its revisions shall be subject to the exclusive jurisdiction of the CCAA Court.

### **1.10 Severability of Plan Provisions**

If any provision of this Plan is illegal, invalid or unenforceable, or becomes illegal, invalid or unenforceable on or following the Plan Implementation Date in any jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect the legality, validity or enforceability of the remaining provisions of this Plan, or the legality, validity or enforceability of that provision in any other jurisdiction.

### **1.11 Timing Generally**

Unless otherwise specified, all references to time herein, and in any document issued pursuant hereto, shall mean local time in Toronto, Ontario, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day.

### **1.12 Time of Payments and Other Actions**

Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the payment to the next succeeding Business Day if the last day of the period is not a Business Day. Wherever any payment to be made or action to be taken under this Plan is required to be made or to be taken on a day other than a Business Day, such payment shall be made or action taken on the next succeeding Business Day.

### **1.13 Schedules**

The following are the Schedules to this Plan, which are incorporated by reference into this Plan and form an integral part hereof:

Schedule "A" -	Form of Representative Counsel's Certificate
Schedule "B" -	Articles of Reorganization
Schedule "C" -	Form of Capital Recovery Debenture
Schedule "D" -	Form of Receipt, Release and Assignment
Schedule "E" -	Declaration of Trust – Litigation Trust
Schedule "F" -	Form of Proxy
Schedule "G" -	Form of Voting Letter
Schedule "H" -	Form of Cash Option Election

## **ARTICLE 2**

### **PURPOSE AND EFFECT OF PLAN**

#### **2.1 Purpose**

The purpose of this Plan is to provide for a compromise and arrangement of all Affected Claims against the Applicant in order to enable the business of the Applicant to continue as a going concern, in the expectation that a greater benefit will be derived by the Applicant and its stakeholders from the continued operation of the business of the Applicant and the distributions under the Plan than would result from the sale or forced liquidation of its assets.

#### **2.2 Intended Effect of the Plan**

The effect of the Plan is that each Creditor holding a Proven Claim will receive a Capital Recovery Debenture in the principal amount of \$25.00, New Special Share with a stated capital and redemption value of \$25.00 and one Common Share with a stated capital of \$1.00 in full satisfaction of each \$100.00 of such Proven Claim. The value of the consideration being provided to Creditors under the Plan is determined by the Applicant to be the stated capital of the Shares and is less than the amount of the Proven Claims. Subject to a capped pool of funds, Proven Claims may elect to receive payment of 25% of the amount of their Proven Claim or such part as they may elect as an alternative and in full satisfaction of all rights and Claims against the Applicant and under this Plan. Convenience Class Proven Claims and Excluded Claims will be paid in full.

All Equity Claims will be discharged by the Plan and receive nothing under it. Under the Articles of Reorganization, all of the common shares, Series A Preferred Shares and Series B Preferred Shares previously issued by the Applicant and outstanding on the Filing Date will be cancelled and of no further force or effect as against the Applicant. After the Implementation of the Plan, all of the Proven Claims of Affected Creditors will be satisfied in full by the issuance of Common Shares and New Special Shares, such shares issued in Implementation of the Plan will be the only share capital of the Applicant then issued and outstanding, and all other Claims will be discharged and released.

#### **2.3 Releases**

The Plan provides for the release of Claims that Affected Creditors may have against the former director of the Applicant, Marc Boutet, that arose before the Filing Date and that relate to the obligations of the Applicant where he is by law liable solely in his capacity as a director for the payment of such obligations. This limited release does not affect or include any claims that relate to the contractual rights of any Creditor or that are based on allegations of misrepresentations made by Mr. Boutet or by any person other than the Applicant for which he is responsible as a matter of law to Creditors or any wrongful or oppressive conduct that he or persons for whom he is responsible may have committed. Otherwise, the Plan does not affect any claims that any of the Affected Creditors, including any persons holding Equity Claims, has or may have had as of the Filing Date against Mr. Boutet or any person or corporation other than the Applicant.

## **ARTICLE 3 CLASSIFICATION OF CLAIMS**

### **3.1 Classification of Claims**

For the purposes of considering and voting on this Plan and receiving a distribution hereunder, all Proven Claims shall be grouped into a single class and all Equity Claims shall be in a separate class. The Equity Claims shall not be entitled to vote on this Plan or to receive any distribution hereunder.

### **3.2 Affected Persons**

On the implementation of the Plan, this Plan shall be binding upon the Applicant, the Creditors, and their respective heirs, executors, administrators, legal representatives, successors and assigns in accordance with its terms, but shall not affect Excluded Claims.

### **3.3 Claims Excluded by the Plan**

This Plan does not compromise, release or otherwise affect the following Claims (collectively, “**Excluded Claims**”), and, subject to Section 3.4 hereof, such Excluded Claims shall be addressed by the Applicant in the ordinary course:

- (a) Claims for goods or services provided to the Applicant on or after the Filing Date;
- (b) Claims of the nature secured by the Administration Charge;
- (c) Crown Claims; and
- (d) Secured Claims, to the extent that they are Proven Claims.

### **3.4 Defences to Excluded Claims**

Nothing in this Plan shall affect the Applicant’s rights and defences, both legal and equitable, with respect to any Excluded Claims or any rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Excluded Claims. Nothing herein shall constitute a waiver of any right of the Applicant to dispute the entitlement to or quantum of an Excluded Claim.

### **3.5 Crown Claims**

All Crown Claims in respect of all amounts that were outstanding at the Filing Date or related to the period ending on the Filing Date shall be paid in full to the Crown within six months of the Sanction Order, as required by section 6(3) of the CCAA.

## **ARTICLE 4 TREATMENT OF CREDITORS**

### **4.1 Treatment of Convenience Class**

Proven Claims in the Convenience Class shall be paid by the Applicant upon the Implementation Date the lesser of the amount of the Proven Claim or a maximum of \$1,000.00 in full satisfaction of the Proven Claim.

### **4.2 Cash Exit Option**

During the period from the passing of the resolution of Creditors approving the Plan until ten (10) days after the Sanction Date, any Proven Creditor shall have the option to elect in writing by delivering the Cash Option Election in the form attached as Schedule "H" to take a payment of 25 cents on the dollar of such Creditor's Proven Claim or such part thereof as the Creditor shall elect in full satisfaction of all but not less than all of such Claim and of all rights and entitlements under this Plan. The Applicant shall satisfy Cash Exit Options only to the extent of a maximum of \$10,000,000 of electing Proven Claims. If more than \$10,000,000 of Proven Claims elect to take the Cash Exit Option, such electing Claims shall only be satisfied *pro rata* and the remaining balance of each Proven Claim shall continue as a Proven Claim under this Plan. Creditors electing and receiving a Cash Exit Option distribution under the Plan shall not participate thereafter in any benefits under this Plan in respect of the Proven Claim so satisfied including, without limitation, any rights under or future distributions from the Litigation Trust.

### **4.3 Treatment of Proven Claims**

In full and final satisfaction of its Proven Claims, the Applicant shall on the Implementation Date issue and deliver to each Proven Creditor:

- (a) a non-interest bearing convertible Capital Recovery Debenture in the principal amount of \$25.00 for each \$100.00 of the amount of the Proven Claim of the Proven Creditor, provided that a Proven Creditor shall have the right to elect in writing to receive on the Plan Implementation Date one (1) New Special Share in the place of each \$25.00 of principal amount of Capital Recovery Debenture that it would otherwise have been entitled to receive;
- (b) One (1) New Special Share from treasury with a redemption value and stated capital of \$25.00 for each \$100.00 of the amount of the Proven Claim of the Proven Creditor, rounded to the nearest integral number of hundreds of dollars, and such shares shall be issued as a fully paid and non-assessible shares and otherwise on and subject to the terms and conditions of the Articles of Reorganization; and
- (c) One (1) Common Share from treasury for each \$100.00 of the amount of the Proven Claim of the Proven Creditor, rounded to the nearest integral number of hundreds of dollars, issued with a stated capital of \$1.00 and as a fully paid and

non-assessible share and otherwise on and subject to the terms and conditions of the Articles of Reorganization.

#### **4.4 Excluded Claims**

All Excluded Claims shall be paid by the Applicant in accordance with and subject to the terms of Sections 3.3, 3.4 and 3.5 hereof.

### **ARTICLE 5 CREDITORS' MEETING**

#### **5.1 Creditors' Meeting and Conduct**

The Creditors' Meeting to consider and vote on this Plan shall be held and conducted by the Chair as chairman and with a scutineer as appointed by and in accordance with the terms of the Creditors' Meeting Order.

#### **5.2 Voting by Creditors**

Each Eligible Voting Creditor shall be entitled to cast a single vote on this Plan at the Creditors' Meeting which vote shall be tabulated in the aggregate dollar amount of such Creditor's Proven Claim and Disputed Claim, if any. The Chair of the Creditors' Meeting shall keep a separate record and tabulation of the votes cast by each Eligible Voting Creditor and of any votes cast in respect of Disputed Claims. The Chair shall report the result of the vote and the tabulation of votes by numbers of Creditors voting to approve or reject the Plan and by the amount of Proven Claims and Disputed Claims voting to approve or reject the Plan to the Creditors' Meeting and to the CCAA Court. If the vote on the approval or rejection of the Plan by Eligible Voting Creditors is decided by the votes in respect of the Disputed Claims, the Applicant shall seek an order for an expedited determination of any material Disputed Claims and an appropriate deferral of the application for the Sanction Order and any other applicable dates in the Plan. The fact that a Disputed Claim is allowed for voting purposes shall not preclude the Applicant and the Representative Counsel from disputing the Disputed Claim for distribution purposes.

#### **5.3 Acceptance of Plan**

If the Plan is approved by the required majorities of Eligible Voting Creditors entitled to vote at the Creditors' Meeting, being a majority in number of Eligible Voting Creditors present and voting either in person or by proxy, representing two thirds in value of the aggregate Proven Claims of such Eligible Voting Creditors present, then this Plan shall be approved and shall be deemed to have been agreed to, accepted and approved by the Creditors and shall be binding upon all Affected Creditors, if the Sanction Order is granted.

#### **5.4 Selection of Directors**

If the Plan is approved by the required majorities of Eligible Voting Creditors entitled to vote at the Creditors' Meeting, the Meeting shall then be open for nominations and shall proceed to select five (5) persons as the Creditors' selection of persons to be designated in the Articles of Reorganization to constitute the board of directors of the Applicant upon the filing of the Articles

of Reorganization pursuant to the Order of the Court in accordance with section 186 of the OBCA.

## **ARTICLE 6**

### **CONDITIONS OF PLAN IMPLEMENTATION**

#### **6.1 Sanction Order**

If this Plan is approved by the required majorities of Creditors entitled to vote at the Creditors' Meeting, the Applicant shall bring a motion before the CCAA Court seeking the Sanction Order as soon as reasonably practicable. The Sanction Order requested shall provide, among other things, that:

- (a) (i) this Plan has been approved by the required majorities of Creditors entitled to vote at the Creditors' Meeting in conformity with the CCAA; (ii) the Applicant acted in good faith and has complied with the provisions of the CCAA and the Orders made in the CCAA Proceedings in all respects; (iii) the CCAA Court is satisfied that the Applicant has not done nor purported to do anything that is not authorized by the CCAA; and (iv) this Plan and the transactions contemplated by it are fair and reasonable;
- (b) this Plan (including the compromises, arrangements, discharges and releases set out herein) shall be sanctioned and approved pursuant to Section 6 of the CCAA and will be binding and effective as herein set out on the Applicant, all Creditors and all other Persons as provided for in this Plan or in the Sanction Order;
- (c) subject to the performance by the Applicant of its respective obligations under this Plan, and except to the extent expressly contemplated by this Plan or the Sanction Order, all obligations or agreements to which the Applicant is a party, other than agreements which were terminated or repudiated by the Applicant prior to the deadline specified in the Creditors' Meeting Order and in accordance with the Initial Order, will be and shall remain in full force and effect as at the Plan Implementation Date, unamended except as they may have been amended by agreement of the parties subsequent to the Filing Date in accordance with the Plan, and no Person who is a party to any such obligations or agreements shall, following the Plan Implementation Date, accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, option, dilution or other remedy) or make any demand under or in respect of any such obligation or agreement, by reason of:
  - (i) any defaults or events of default arising as a result of the insolvency of the Applicant prior to the Plan Implementation Date;
  - (ii) any change of control of the Applicant arising from implementation of the Plan;

- (iii) the fact that the Applicant has sought or obtained relief under the CCAA or that this Plan has been implemented by the Applicant;
  - (iv) the effect on the Applicant of the completion of any of the transactions contemplated by this Plan;
  - (v) any compromises or arrangements effected pursuant to this Plan; or
  - (vi) any other event(s) which occurred on or prior to the Plan Implementation Date which would have entitled any Person to enforce rights and remedies, subject to any express provisions to the contrary in any agreements entered into with the Applicant after the Filing Date. For greater certainty, nothing in this paragraph shall waive any obligations of the Applicant in respect of any Excluded Claim;
- (d) the Articles of Reorganization, including the cancellation of all previously outstanding shares in the capital stock of the Applicant and the designation of those persons selected by the Creditors' Meeting in accordance with section 5.4 hereof to be the board of directors of the Applicant, shall be approved and ordered to be filed in accordance with section 186 of the *Business Corporations Act*;
  - (e) the Court declares that the issued and outstanding shares in the capital stock of the Applicant as of the Filing date have no economic value and the holders of such shares have no economic interest in the Applicant or under the Plan;
  - (f) the commencement or prosecution, whether directly, indirectly, derivatively or otherwise, of any demands, claims, actions, counterclaims, suits, judgment, or other remedy or recovery with respect to any Claim released, discharged or terminated pursuant to this Plan shall be permanently enjoined;
  - (g) the releases effected by this Plan shall be approved, and declared to be binding and effective as of the Plan Implementation Date upon all Creditors and all other Persons affected by this Plan and shall enure to the benefit of all such Persons; and
  - (h) all Charges established by the Initial Order or any other Order of the CCAA Court, shall be terminated, released and discharged effective on the Plan Implementation Date, save and except insofar as the Administration Charge has attached to the Administration Charge Reserve established by the Monitor, the Representative Counsel, the Interim Operating Officer and the Applicant pursuant to Section 1.1 herein.

## **6.2 Conditions of Plan Implementation**

The implementation of this Plan shall be conditional upon the fulfillment or waiver, where applicable, of the following conditions on or before the Plan Implementation Date:

- (a) this Plan shall have been approved by the required majorities of Creditors entitled to vote at the Creditors' Meeting;
- (b) the CCAA Court shall have approved the Plan and ordered the filing of Articles of Reorganization in relation to the Applicant under the *Business Corporations Act* (Ontario), and in particular s.186 thereof, providing for the issuance of the New Special Shares and Common Shares in accordance with the Plan, the cancellation of all Existing Preferred Shares and common shares and the designation of those persons selected by the Creditors' Meeting in accordance with section 5.4 hereof to be the board of directors of the Applicant;
- (c) the Sanction Order shall have been granted by the CCAA Court in a form acceptable to the Applicant and shall be in full force and effect and not reversed, stayed, varied, modified or amended;
- (d) all applicable appeal periods in respect of the Sanction Order shall have expired and in the event of an appeal or application for leave to appeal, final determination shall have been made by the applicable appellate court;
- (e) all approvals, orders, determinations or consents required pursuant to Applicable Law (including approvals under the *Investment Canada Act* and the *Competition Act*, if applicable,) shall have been obtained on terms and conditions satisfactory to the Applicant, acting reasonably, and shall remain in full force and effect on the Plan Implementation Date;
- (f) all necessary corporate action and proceedings of the Applicant shall have been taken to approve this Plan and to enable the Applicant to execute, deliver and perform its obligations under the Capital Recovery Debentures, the shares, agreements, documents and other instructions to be executed and delivered by it pursuant to this Plan;
- (g) all agreements, resolutions, documents and other instruments, which are necessary to be executed and delivered by any director or officer of the Applicant in order to implement this Plan and perform their obligations under this Plan shall have been executed and delivered; and
- (h) the Representative Counsel shall file the Representative Counsel's Certificate with the CCAA Court and deliver a copy thereof to the Applicant.

Except for the conditions set out in 6.2(a), (b), (c) and (h), each of the conditions set out in this Section 6.2 may be waived in whole or in part by the Applicant by written notice to the Representative Counsel and to the Monitor. If a condition set out above has not been satisfied or waived in accordance with this Section 6.2 on or before the date of the Plan Termination Date, this Plan shall automatically terminate, in which case the Applicant shall not be under any further obligation to implement this Plan.

### **6.3 Representative Counsel's Certificate**

Upon written notice from the Applicant or the IOO (or respective counsel on their behalf) to the Representative Counsel that the conditions set out in Section 6.2, other than condition 6.2(h), have been satisfied or waived, the Representative Counsel shall, as soon as possible following receipt of such written notice, deliver to the Applicant and file with the CCAA Court a certificate which states that all conditions precedent set out in Section 6.2 have been satisfied or waived and in substantially the form of the Representative Counsel's Certificate.

## **ARTICLE 7 IMPLEMENTATION OF THE PLAN**

### **7.1 Articles of Reorganization**

Promptly following the granting of the Sanction Order, the Applicant shall file the Articles of Reorganization in accordance with the terms of the Sanction Order and the Interim Operating Officer shall be authorized to take all steps necessary on behalf of the Applicant to do so. On the Plan Implementation Date, the Applicant shall issue the New Special Shares and Common Shares to the Proven Creditors in accordance with its obligations under the Plan. As Disputed Claims are determined, any resulting additional Proven Claims shall be forthwith arranged by the issuance of further New Special Shares and Common Shares in accordance with the Plan. When all Disputed Claims have been determined and satisfied in accordance with the Plan, the Applicant shall give notice to the Monitor and to the Representative Counsel of the Final Distribution Date.

### **7.2 Effectuating Documents**

The Interim Operating Officer or such officers as shall be elected or appointed and designated by the board of directors of the Applicant put in place under the Articles of Reorganization shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures and other agreements or documents, and take such other actions, as may be necessary or appropriate, to effectuate and further evidence the terms and conditions of this Plan. The secretary or assistant secretary of the Applicant shall be authorized to certify or attest to any of the foregoing actions documents or things.

### **7.3 Administration Charge**

On the Plan Implementation Date, (i) all outstanding, invoiced obligations, liabilities, fees and disbursements of the type secured by the Administration Charge shall be fully paid by the Applicant, and (ii) a reserve for any uninvoiced amounts of the type secured by the Administration Charge as of the Plan Implementation Date (together with an estimated amount for future accruals) shall be fully funded by the Applicant ("Administration Charge Reserve"). The amount of the Administration Charge Reserve shall be agreed to by the Monitor, the Representative Counsel, the Interim Operating Officer and the Applicant, acting reasonably, and the Administration Charge Reserve shall be administered by the Representative Counsel. Subject to Section 6.1(h), upon payment of the amounts secured by the Administration Charge, or the funding of the Administration Charge Reserve, the Administration Charge shall be and be

deemed to be discharged from the assets of the Applicant and attach to the Administration Charge Reserve, if applicable. On the date of the Final Distribution, to the extent that the Administration Charge Reserve exceeds the actual costs paid or payable from the Administration Charge Reserve, the excess amount shall be returned to the Applicant.

#### **7.4 Discharge of Monitor and Representative Counsel**

When all distributions in accordance with the Plan have been made by the Applicant, the Monitor and the Representative Counsel shall be discharged.

### **ARTICLE 8 PROVISIONS GOVERNING DISTRIBUTIONS**

#### **8.1 Distributions on Proven Claims**

On the Initial Distribution Date, Proven Creditors will be entitled to receive distributions in accordance with Section 4.1, 4.2 and 4.3 hereof as may be applicable, provided, however, that with respect to a Creditor that is the holder of both a Proven Claim and a Disputed Claim, the Applicant may elect, in its sole discretion, to withhold distribution on such Creditor's Proven Claim on the Initial Distribution Date and make a single distribution to such Proven Creditor on the Final Distribution Date.

#### **8.2 Required Delivery to Receive Distribution**

To be entitled to receive a distribution under the Plan, a Proven Creditor must execute and deliver before delivery of its distribution a Receipt, Release and Assignment containing a receipt for the distribution, a release of all Claims and an assignment to the Litigation Trust, of all of its Derivative Rights. The Receipt, Release and Assignment shall be substantially in the form of the Receipt, Release and Assignment annexed as Schedule "D" to this Plan and including necessary modifications in respect of Creditors electing in whole or in part to exercise the Cash Exit Option or electing to take all or part of their entitlement to receive Capital Recovery Debentures as New Special Shares immediately.

#### **8.3 Distributions by the Applicant**

All distributions to be made under this Plan to a Proven Creditor shall be sent by regular mail to such Proven Creditor to the address provided by the Creditor on its Receipt, Release and Assignment delivered to the Applicant under the requirement of Section 8.2 of the Plan or such other address as the Proven Creditor may from time to time notify the Applicant in accordance with Section 12.7 of this Plan.

#### **8.4 Interest on Affected Claims**

No interest or penalties shall accrue or be paid on an Affected Claim from and after or in respect of the period following the Filing Date and no holder of an Affected Claim will be entitled to any interest in respect of such Affected Claim accruing on or after or in respect of the period following the Filing Date. All interest accruing on any Affected Claim after or in respect of the period following the Filing Date shall be forever extinguished and released under this Plan.

## **8.5 Distributions in respect of Transferred or Assigned Claims**

The Applicant and the Monitor shall not be obligated to deliver any distributions under this Plan to any transferee or assignee of an Affected Claim unless a Proof of Assignment has been delivered to the Monitor and the Applicant no later than five Business Days prior to the Initial Distribution Date or Final Distribution Date, as applicable to such assigned Affected Claim.

## **8.6 Undeliverable and Unclaimed Distributions**

If any delivery or distribution to be made pursuant to Sections 4.2, 4.3 and 8.1 of this Plan is not made because the Proven Creditor refuses or neglects to execute and return to the Applicant an executed Receipt, Release and Assignment required under Section 8.2 within 180 days following the Sanction Date or the delivery or distribution is returned as undeliverable and remains unclaimed by the Proven Creditor for 90 days thereafter, the Claim of the Proven Creditor with respect to such undelivered or unclaimed distribution shall be discharged and forever barred, notwithstanding any federal or provincial laws to the contrary, and any Common Shares and New Special Shares issued the Proven Creditor or allocable to the undeliverable or unclaimed distribution, shall be cancelled by the Applicant. Nothing contained in this Plan shall require the Applicant to attempt to locate any holder of any undeliverable or unclaimed distributions. Notwithstanding the foregoing, the Applicant or the Court shall have the right in its discretion to extend such time limits in equitable circumstances where such non-compliance is due to honest mistake by the Creditor or excusable inability, such as death, disability or third party delays.

## **8.7 Tax Matters**

- (a) **Allocation of Distributions.** All distributions made pursuant to this Plan in respect of a Proven Claim shall be applied first in consideration of the outstanding principal amount of such Proven Claim, and secondly in consideration of the accrued and unpaid interest and penalties, if any, which form part of such Proven Claim. Notwithstanding any other provision of this Plan, including subsection (b) below, each Proven Creditor that is to receive a distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any Authorized Authority on account of such distribution.

The Applicant has determined that the aggregate fair value of its assets and undertaking on a going-concern basis is such that the attributed fair market value of the distributions made by it under this Plan amounts to not more than fifty one percent (51%) of the aggregate of the Proven Claims. The Applicant will reflect that value in its books of account and will make its income tax and other filings on that basis.

- (b) **Withholding Rights.** All distributions hereunder shall be subject to any withholding and reporting requirements imposed by any Applicable Law or any Taxing Authority and the Applicant shall deduct, withhold and remit from any distributions hereunder payable to a Proven Creditor or to any Person on behalf of any Proven Creditor, such amounts as the Applicant determines that it is required

to deduct and withhold with respect to such payment under the ITA or any provision of federal, provincial, territorial, state, local or foreign tax law, in each case, as amended or succeeded. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the Proven Creditor in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Taxing Authority. The Applicant shall have no liability with respect to any claim arising from any failure to make withholdings from any distribution on account of a Proven Claim.

## **ARTICLE 9 AMENDMENTS TO THE PLAN**

### **9.1 Amendments to Plan Prior to Approval**

The Applicant reserves the right to file any variation or modification of, or amendment or supplement to, this Plan by way of a supplementary or amended and restated plan or plans of compromise or arrangement or both filed with the CCAA Court at any time or from time to time prior to the commencement of the Creditors' Meeting, provided that the Applicant obtains the prior consent of the Monitor to any such variation, modification, amendment or supplement. Any such supplementary or amended and restated plan or plans of compromise or arrangement or both shall, for all purposes, be deemed to be a part of and incorporated into this Plan. Any such variation, modification, amendment or supplement shall be posted on the Monitor's Website on the day on which it is filed with the CCAA Court and notice will be provided to the CCAA Proceedings service list. Creditors are advised to check the Monitor's Website regularly. Creditors who wish to receive written notice of any variation, modification, amendment or supplement to the Plan should contact the Monitor in the manner set out in Section 12.7 of this Plan. Creditors in attendance at the Creditors' Meeting will also be advised of any amendment made to the Plan.

In addition, the Applicant may propose a variation, modification of, or amendment or supplement to this Plan during the Creditors' Meeting, provided that (a) the Applicant obtains the prior consent of the Monitor to any such variation, modification, amendment or supplement, and (b) notice of such variation, modification, amendment or supplement is given to all Eligible Voting Creditors present in person or by proxy at the Creditors' Meeting prior to the vote being taken, in which case any such variation, modification, amendment or supplement shall, for all purposes, be deemed to be part of the Plan. Any variation, amendment, modification or supplement at the Creditors' Meeting will be promptly posted on the Monitor's Website and filed with the CCAA Court as soon as practicable following the Creditors' Meeting.

### **9.2 Amendments to Plan Following Approval**

After the Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), the Applicant may at any time and from time to time vary, amend, modify or supplement this Plan without the need for obtaining an Order of the CCAA Court or providing notice to the Creditors, if the Applicant and the Representative Counsel, acting reasonably and in good faith, determine that such variation, amendment, modification or supplement is of a technical or

administrative nature that would not be materially prejudicial to the interests of any of the Creditors under this Plan and is necessary in order to give effect to the substance of this Plan or the Sanction Order. The Representative Counsel shall post a notice of such variance, amendment, modification or supplement to the Plan on the Noteholders' Website, together with the varied, amended, modified or supplemented language.

## **ARTICLE 10**

### **PLAN IMPLEMENTATION AND EFFECT OF THE PLAN**

#### **10.1 Implementation**

On the Plan Implementation Date, subject to the satisfaction or waiver of the conditions contained in Section 6.2 of this Plan, this Plan shall be binding upon all Creditors in accordance with the terms of this Plan and the Sanction Order.

#### **10.2 Effect of the Plan Generally**

The payment, compromise or satisfaction of any Affected Claims under this Plan, if sanctioned and approved by the CCAA Court, shall be binding upon each Creditor, his, her or its heirs, executors, administrators, legal personal representatives, successors and assigns, as the case may be, for all purposes and this Plan will constitute: (a) full, final and absolute settlement of all rights of any Creditor against the Applicant in respect of the Affected Claims; and (b) an absolute release and discharge of all indebtedness, liabilities and obligations of or in respect of the Affected Claims against the Applicant, including any interest or costs accruing thereon whether before or after the Filing Date.

#### **10.3 Compromise Effective for All Purposes**

No Person who has a Claim as a guarantor, surety, indemnitor or similar covenant in respect of any Claim which is compromised under this Plan or who has any right to claim over in respect of or to be subrogated to the rights of any Person in respect of a Claim which is compromised under this Plan shall be entitled to any greater rights than the Creditor whose Claim was compromised under this Plan. Accordingly, the payment, compromise or other satisfaction of any Claim under this Plan, if sanctioned and approved by the CCAA Court, shall be binding upon such Creditor, its heirs, executors, administrators, successors and assigns for all purposes and, to such extent, shall also be effective to relieve any third party directly or indirectly liable for such indebtedness, whether as guarantor, surety, indemnitor, director, joint covenantor, principal or otherwise.

#### **10.4 Contracts**

As of the Plan Implementation Date, each contract to which the Applicant is a party as at the Filing Date, as it may have been modified, amended or varied after the Filing Date remains in full force and effect as at the Plan Implementation Date (other than in respect of Claims that are affected by this Plan) unless such contract: (a) is the subject of a notice of repudiation or disclaimer delivered prior to the deadline specified in the Creditors' Meeting Order, or (b) has expired or terminated pursuant to its terms.

## **10.5 Plan Releases**

On the Plan Implementation Date:

- (a) The Applicant shall be forever released from all Affected Claims;
- (b) In consideration of the performance by the Applicant of the Plan, each Creditor of the Applicant shall be deemed to have released, subject to section 5.1(2) of the CCAA, the former director of the Applicant, Marc Boutet, and his heirs, successors and assigns from any claims that relate to the obligations of the Applicant where he is by law liable solely by reason of and in his capacity as a director for the payment of such obligations;

provided, however, that nothing in this Section 10.5 shall release (i) any Person from any liability for fraud, fraudulent misrepresentation, gross negligence, wilful misconduct, or criminal conduct, (ii) any Excluded Claim, or (iii) any Person's right to enforce the Applicant's obligations under this Plan.

## **10.6 Stay of Proceedings**

Any and all proceedings, including, without limitation, suits, actions, extra-judicial proceedings, enforcement processes or other remedies commenced, taken or proceeded with or that may be commenced, taken or proceeded with by any Person having a Claim, and by any employees, shareholders, customers, suppliers, contractors, lenders, equipment lessors, licensors, licensees, sub-licensors, sub-licensees, governments of any nation, province, state or municipality or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government in Canada or elsewhere and any corporation or other entity owned or controlled by or which is the agent of any of the foregoing, or by any other Person, firm, corporation or entity wherever situate or domiciled, against or in respect of the Applicant or in respect of any property, assets, rights, concessions and undertaking wherever located, whether held by the Applicant, in whole or in part, directly or indirectly, as principal, agent or nominee, beneficially or otherwise, whether pursuant to the BIA or otherwise, shall be permanently stayed as reflected in the Sanction Order.

## **10.7 Exculpation**

None of (i) the Applicant; (ii) the Monitor; (iii) the Representative Counsel; (iv) the Special Counsel to the Representative Counsel; (v) the Interim Operating Officer; and (vi) any of their respective directors, officers, employees, agents, professional advisors (including legal counsel) or successors and assigns, shall have or incur any liability to any holder of a Claim or Equity Claim in the Applicant, or other party in interest, or any of their respective members, officers, directors, employees, professional advisors (including legal counsel) or agents or any of their successors and assigns, for any act or omission in connection with, related to, or arising out of the CCAA Proceedings, the pursuit of the approval, implementation or administration of the Plan, or the property to be distributed under the Plan, including the negotiation and solicitation of support for the approval of the Plan, except for wilful misconduct or gross negligence, and, in all respects, all such persons and each other their respective members, officers, directors,

employees, professional advisors (including legal counsel) or agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

#### **10.8 Waiver of Defaults**

From and after the Plan Implementation Date, and subject to any express provisions to the contrary in any amending agreement entered into with the Applicant after the Filing Date, all Persons shall be deemed to have waived any and all defaults of the Applicant then existing or previously committed by the Applicant or caused by the Applicant or any of the provisions hereof or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, express or implied, in every contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease, personal property lease or other agreement, written or oral, any amendments or supplements thereto, existing between such Person and the Applicant. Any and all notices of default, acceleration of payments and demands for payments under any instrument, or other notices, including without limitation, any notices of intention to proceed to enforce security, arising from any of such aforesaid defaults shall be deemed to have been rescinded and withdrawn. For greater certainty, nothing in this paragraph shall waive any obligations of the Applicant in respect of any Excluded Claim.

#### **10.9 Consents and Releases**

From and after the Plan Implementation Date, all Persons with a Claim shall be deemed to have consented and to have agreed to all of the provisions of this Plan as an entirety. In particular, each Creditor shall be deemed to have granted, and executed and delivered to the Applicant all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan in its entirety.

#### **10.10 Deeming Provisions**

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

### **ARTICLE 11 POST IMPLEMENTATION MATTERS**

#### **11.1 Lending, Financing and Disclosure**

From and after the Plan Implementation Date and for as long as any of the Capital Recovery Debentures are outstanding, and without limiting the representations, warranties or covenants contained in the Capital Recovery Debentures, the Applicant covenants to and in favour of the Proven Creditors as follows:

- (a) the Applicant shall prepare or cause to be prepared annual audited financial statements, which shall be distributed to all Creditors who receive New Special Shares and Common Shares under this Plan and to their successors, assigns and transferees;

- (b) the Applicant shall prepare or cause to be prepared unaudited interim financial statements, on a quarterly basis, which shall be distributed by email or posting on the website of the Applicant to all Creditors who receive New Special Shares and Common Shares upon Implementation and to their successors, assigns and transferees; and
- (c) the Applicant shall not grant, create, assume or suffer to exist any Lien affecting any of its property, assets or undertaking, except for a Permitted Lien.

## **11.2 Derivative Rights and the Litigation Trust**

From and after the Plan Implementation Date, the Trustees from time to time under the Litigation Trust shall have the exclusive authority and capacity to assert and enforce the Derivative Rights or any of them assigned to the Litigation Trust by each Participating Creditor.

# **ARTICLE 12 GENERAL PROVISIONS**

## **12.1 Different Capacities**

Creditors whose Claims are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, each such Creditor shall be entitled to participate hereunder in each such capacity. Any action taken by a Creditor in any one capacity shall not affect the Creditor in any other capacity, unless expressly agreed by the Creditor in writing or unless the Claims overlap or are otherwise duplicative.

## **12.2 Further Assurances**

Notwithstanding that the transactions and events set out in this Plan may be deemed to occur without any additional act or formality other than as may be expressly set out herein, each of the Persons affected hereto shall make, do, and execute or cause to be made, done or executed all such further acts, deeds, agreements, assignments, transfers, conveyances, discharges, assurances, instruments, documents, elections, consents or filings as may be reasonably required by the Applicant in order to implement this Plan.

## **12.3 Set-Off**

The law of set-off applies to all Claims made against the Applicant and to all actions instituted by it for the recovery of debts due to the Applicant in the same manner and to the same extent as if the Applicant was plaintiff or defendant, as the case may be.

## **12.4 Paramountcy**

Without limiting any other provision hereof, from and after the Plan Implementation Date, in the event of any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed, or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease, personal property lease or other agreement, written or oral and any and all amendments or

supplements thereto existing between the Applicant and any other Persons affected by this Plan, the terms, conditions and provisions of this Plan shall govern and shall take precedence and priority.

To the extent the Plan is inconsistent with the report of the Monitor filed in connection with the Plan or the Information Circular distributed by the Applicant in connection with the Creditors' Meeting, the provisions of the Plan shall govern and shall take precedence and priority.

#### **12.5 Revocation, Withdrawal, or Non-Consummation**

The Applicant reserves the right to revoke or withdraw this Plan at any time prior to the Plan Implementation Date and to file subsequent plans of compromises or arrangement (or to file no subsequent plan), in each case with the consent of the Monitor. If the Applicant revokes or withdraws this Plan, or if the Sanction Order is not issued, (a) this Plan shall be null and void in all respects, (b) any Affected Claim, any settlement or compromise embodied in this Plan (including the fixing or limiting of any Affected Claim to an amount certain), assumption or termination, repudiation of contracts or leases effected by this Plan, any document or agreement executed pursuant to this Plan shall be deemed null and void, and (c) nothing contained in this Plan, and no action taken in preparation for consummation of this Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Affected Claims by or against the Applicant or any Person; (ii) prejudice in any manner the rights of the Applicant or any Person in any further proceedings involving the Applicant, or (iii) constitute an admission of any sort by the Applicant or any Person.

#### **12.6 Preservation of Rights of Action**

Except as otherwise provided in this Plan or in the Sanction Order, or in any contract, instrument, release, indenture or other agreement entered into in connection with the Plan, following the Plan Implementation Date, the Applicant will retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all claims, rights or causes of action, suits and proceedings, whether in law or in equity, whether known or unknown, that the Applicant may hold against any Person or entity without further approval of the CCAA Court.

#### **12.7 Notices**

Any notice or communication to be delivered hereunder will be in writing and will reference this Plan and may, subject to as hereinafter provided, be made or given by personal delivery or by facsimile or email transmission addressed to the respective parties as follows:

- (a) if to the Applicant, the Interim Operating Officer or the Representative Counsel:

Nelson Financial Group Ltd.  
900 Dillingham Road  
Pickering, Ontario L1W 1Z6

Attention: Ms. Sherry Townsend  
Interim Operating Officer

Fax: (905) 839-1761

E-mail: stownsend@providercapitalgroup.com

with a copy to:

Richard B. Jones  
Barrister & Solicitor  
100 Yonge Street, Suite 1201  
Toronto, Ontario  
M5C 2W1

Fax: (416) 863-0092

Email: richard.jones@sympatico.ca

and a copy to:

Douglas Turner Q.C.  
Barrister & Solicitor  
63 Albert Street, P.O. Box 760  
Uxbridge, Ontario L9P 1E5

Fax: (905) 852-6197

E-mail: doug@pdturner.com

- (b) if to a Creditor:

To the last known address (including fax number or email address) for such Creditor set out in the books and records of the Applicant or, if a Creditor filed a Proof of Claim, the address specified in the Proof of Claim filed by such Creditor or such other address as the Creditor may from time to time notify the Applicant and the Monitor in accordance with this Section.

- (c) if to the Monitor:

A. John Page & Associates Inc.  
100 Richmond Street West, Suite 447  
Toronto, Ontario M5H 3K6

Attention: John Page  
Fax: (416) 364-4894  
E-mail: [ajpage@ajohnpage.com](mailto:ajpage@ajohnpage.com)

with a copy to:

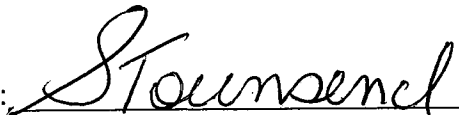
Thornton Grout Finnigan LLP  
Barristers & Solicitors  
Suite 3200, Canadian Pacific Tower  
100 Wellington Street West, P.O. Box 329  
Toronto-Dominion Centre  
Toronto, Ontario M5K 1K7

Attention: James H. Grout  
Fax: (416) 304-1313  
E-mail: [jgrout@tgf.ca](mailto:jgrout@tgf.ca)

or to such other address as any party may from time to time notify the others in accordance with this Section. All such notices and communications which are delivered will be deemed to have been received on the date of delivery. All such notices and communications which are faxed or emailed will be deemed to be received on the date faxed or emailed if sent before 5:00 p.m. (Toronto Time) on a Business Day and otherwise will be deemed to be received on the Business Day next following the day upon which such fax or email was sent.

**EXECUTED** at Pickering, Ontario as of this 12<sup>th</sup> day of April, 2011

**NELSON FINANCIAL GROUP LTD.**

Per:   
Sherry Townsend  
Interim Operating Officer

**SCHEDULE "A"**

**FORM OF REPRESENTATIVE COUNSEL'S CERTIFICATE**

Court File No. CV-10-8630-00CL

**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.**

**REPRESENTATIVE COUNSEL'S CERTIFICATE**

**RECITALS**

- A. Pursuant to the order of this Honourable Court dated March 23, 2010 (the "Initial Order") Nelson Financial Group Ltd. ("the Applicant") filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended.
- B. The Applicant has filed a Plan of Compromise and Arrangement under the CCAA dated February 11, 2011 (the "Plan"), which Plan has been approved by the Creditors and the Court; and
- C. Unless otherwise indicated herein, initially capitalized terms used herein have the meaning set out in the Plan.

**THE REPRESENTATIVE COUNSEL HEREBY CERTIFIES** that it has been advised by the Applicant and the Interim Operating Officer in accordance with Section 6.3 of the Plan that the conditions precedent set out in Section 6.2 of the Plan, other than the delivery of this certificate, have been satisfied or waived in accordance with the Plan on \_\_\_\_\_, 2011 and that accordingly, the Plan Implementation Date is \_\_\_\_\_, 2011.

**DATED** at Toronto, Ontario, this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

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**DOUGLAS TURNER, Q.C.** in his capacity as the Representative Counsel for the Noteholders of Nelson Financial Group Ltd. and not in his personal capacity

**SCHEDULE "B"**  
**ARTICLES OF REORGANIZATION**

Text for Articles of Reorganization

Page 1

1. NELSON FINANCIAL GROUP LTD.
2. PROVIDER CAPITAL GROUP INC.
3. 1990 Sept 4
4. 2011 March \*
- 5.

1. The issued and outstanding Class A common shares, Class B common shares, Series A Preferred Shares and Series B Preferred Shares are cancelled and of no further force or effect.

[Page 1A through 1D]

2. The classes and shares that the Corporation is authorized to issue from and after the date of filing of these Articles of Reorganization shall be as follows:
  - a) The Corporation is authorized to issue an unlimited number of Common Shares and 1,000,000 New Special Shares;
  - b) The rights, privileges, restrictions and conditions attaching to the Common Shares shall include the following: Payment of Dividends: The holders of the Common Shares shall be entitled to receive dividends if, as and when declared by the Board of Directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the Board of Directors may from time to time determine. Subject to the rights of the holders of any other class of shares of the Corporation entitled to receive dividends in priority to or rateably with the holders of the Common Shares, the Board of Directors may in their sole discretion declare dividends on the Common Shares to the exclusion of any other class of shares in the Corporation.
    - (i) Participation upon Liquidation, Dissolution or Winding-Up: In the event of the Liquidation, Dissolution or Winding-Up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall, subject to the rights of the holders of any other class of shares of the Corporation entitled to receive the asset for the Corporation upon such a distribution in priority to or rateably with the holders of the Common Shares, be entitled to participate rateably in any distribution of the assets of the Corporation.

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

- (b) The Corporation may redeem all or from time to time any of the outstanding New Special Shares on payment to the holders thereof of the Redemption Amount. If less than all of the outstanding shares are to be redeemed, the shares to be redeemed shall be selected by lot or, disregarding fractions, *pro rata* to the number of shares registered in the name of each shareholder or in such other manner as the directors may determine with the written consent of all of the holders of the New Special Shares.
- (c) At least thirty (30) days before any redemption date, the Corporation shall give written notice of redemption to each holder of the shares to be redeemed. The notice shall set out the Redemption Amount, the redemption date, the place of redemption and the number of shares to be redeemed. Accidental failure to give such notice shall not affect the validity of any redemption.
- (d) On or after the redemption date, the Corporation shall cause the Redemption Amount to be paid over to the order of the holders of the shares to be redeemed, on surrender of the certificates representing such shares at the redemption place. Such shares shall thereupon be redeemed. From and after the redemption date, the holders of the shares called for redemption shall cease to be entitled to any rights of shareholders in respect thereof except to receive the Redemption Amount, unless it is not paid or deposited in accordance with (in which case their rights shall remain unimpaired).
- (e) The Corporation may at any time deposit the Redemption Amount of any New Special Shares called for redemption with any Canadian chartered bank or trust company or solicitors of the Corporation named in the Notice of Redemption or in a subsequent notice to the holders of the shares in respect of which the deposit is made, in a special account for the holders of such shares. On the date of deposit, or redemption date if later, the shares in respect of which such deposit is made shall be redeemed and from and after such date the rights of their holders shall be limited to severally receiving out of the monies so deposited, without interest, the Redemption Amount of their redeemed shares upon surrender to such bank, trust company or solicitors, as the case may be, of the certificates representing such shares. Any interest earned on any such deposit belongs to the Corporation.

In the event of the liquidation, dissolution or winding up of the Corporation or any distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the New Special Shares shall be entitled to receive the Redemption Amount of such shares and shall not share further in any final distribution.

6 The following five (5) persons are hereby designated to be the directors of the Corporation to hold office from the date of filing of these Articles until their successors shall be elected at the next annual general meeting of the shareholders of the Corporation:

Name	Address
[to be determined by the Creditor's Meeting]	

Page 2

7. Provider Capital Group Inc.

[Description of office to right of signature line] – “Interim Operating Officer”

[Down a few lines – to be added to form]:

“Attachment: Order of Superior Court of Justice in Court File No. 10-8630-00CL made on April \*, 2011”

[Add Page Numbers 1A etc.]

[Last Page (execution page) is numbered page 2]

**SCHEDULE "C"**  
**FORM OF CAPITAL RECOVERY DEBENTURE**

**PROVIDER CAPITAL GROUP INC.**  
**CAPITAL RECOVERY DEBENTURE**

**\$       ,000.00**

**May 1, 2011**

**ARTICLE 1 - PROMISE TO PAY**

- 1.1 **Promise to Pay.** **Provider Capital Group Inc.** (the "**Corporation**") for value received hereby acknowledges itself indebted to and promises to pay to or to the order of \_\_\_\_\_ (the "**Creditor**") and any subsequent Holder of this Debenture at Pickering, Ontario, the principal amount of [25% of *Proven Claim Amount*] (\$[•]) (the "**Principal Amount**"), in lawful money of Canada, without interest, until payment in full of all amounts owing to the Holder hereunder in accordance with its terms.

This Debenture is one of a Series of Capital Recovery Debentures issued by the Corporation in the aggregate Principal Amount of not more than Ten Million (\$10,000,000.00) Dollars as part of the Implementation of the Plan of Arrangement of the Corporation. All of the Debentures in the Series shall rank in all respects *parri passu*. The rights to enforce any default under the Debenture is subject to the prior consent, waiver and amendment of and by certain majorities of the Holders of Debentures in the Series as provided in Article 7.

This Debenture is issued on and shall be subject to the following terms and conditions:

**ARTICLE 2 - INTERPRETATION**

- 2.1 **Definitions.** In this Debenture, capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Plan. Unless there is something in the subject matter or context inconsistent therewith:
- (a) "**Applicable Law**" means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws and regulations, and all applicable official directives, orders, judgments and decrees of Governmental Bodies;
  - (b) "**Business Day**" means any day, other than Saturday, Sunday or any statutory holiday in Toronto, Ontario;

- (c) **“Corporation”** means the party described as such in Article 1 hereof, its successors and permitted assigns;
- (d) **“Creditor”** means the party described as such in Article 1 hereof, its successors and permitted assigns;
- (e) **“Debenture”** refers to this debenture and any other debenture issued and outstanding in the Series and not to any particular Article, Section, subsection, paragraph, clause, subdivision or other portion thereof, and includes any and every instrument supplemental or ancillary hereto or in implementation hereof;
- (f) **“Default”** means any event which with the giving of notice or passage of time or both would constitute an Event of Default;
- (g) **“Encumbrance”** means any mortgage, lien, pledge, assignment, charge, security interest, lease intended as security, title retention agreement, rights reserved in any Governmental Body, registered lease of real property, hypothec, levy, execution, seizure, attachment, garnishment or other similar encumbrance and includes any contractual restriction which, if contravened, may give rise to an encumbrance;
- (h) **“Event of Default”** has the meaning attributed to such term in Section 6.1;
- (i) **“Generally Accepted Accounting Principles”** means generally accepted accounting principles in Canada from time to time;
- (j) **“Governmental Body”** means any government, parliament, legislature, or any regulatory authority, agency, commission or board of any government, parliament or legislature, or any court or (without limitation to the foregoing) any other laws, regulation or rule-making entity (including, without limitation, any central bank, fiscal or monetary authority or authority regulating banks), having or purporting to have jurisdiction in the relevant circumstances, or any Person acting or purporting to act under the authority of any of the foregoing (including, without limitation, any arbitrator);
- (k) **“Holder”** means the Creditor and any successor, transferee or lawful assignee of all but not less than all of the rights of the Holder under this Debenture provided that no such shall be recognized as such by the Corporation until an irrevocable transfer of this Debenture or other evidence satisfactory to the Corporation shall have been delivered to the Corporation and the Corporation shall have confirmed the recording of the Holder as such;
- (l) **“Intellectual Property”** means all computer software programs, trade marks, trade mark registrations and pending trade mark applications, patents and pending patent applications and copyrights and all other intellectual property of the Corporation;
- (m) **“Permitted Encumbrance”** means an Encumbrance granted by the Corporation in the course of securing funded debt from an arms length financial institution and used in the expansion of the business of the Corporation when the Corporation is in good standing under all of the Debentures and was profitable in its last completed fiscal year;

- (n) **“Person”** means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, government or governmental authority or entity, however designated or constituted;
- (o) **“Plan”** means the Plan of Arrangement of the Corporation dated February 11, 2011 as amended in accordance with its terms and as approved and sanctioned by the Order of the Superior Court of Justice made on April 20, 2011;
- (p) **“Principal Amount”** has the meaning ascribed to such term in Article 1 hereof;
- (q) **“Series”** means the series of all of the Capital Recovery Debentures issued by the Corporation upon the implementation of the Plan and in the aggregate Principal Amounts of not more than \$10,000,000.00;
- (r) **“Subsidiaries”** means any corporation which is or hereafter becomes directly or indirectly controlled by the Corporation and for the purposes of this definition, the Corporation shall be deemed to control a corporation if the Corporation beneficially owns, directly or indirectly, shares to which are attached more than 50% of the voting rights ordinarily exercisable at meetings of shareholders of such corporation, and the Corporation shall be deemed to own beneficially shares beneficially owned by a corporation controlled by it, and so indefinitely, and **“Subsidiary”** means any one of them; and
- (s) **“Taxes”** means all taxes of any kind or nature whatsoever including, without limitation, income taxes, sales or goods and services taxes, levies, stamp taxes, royalties, duties, and all fees, deductions, compulsory loans and withholdings imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future, by any Governmental Body of or within Canada or any other jurisdiction whatsoever having power to tax, together with penalties, fines, additions to tax and interest thereon.

2.2 **Number, Gender, Etc.** Words importing the singular include the plural and vice versa and words importing gender include all genders.

2.3 **Interpretation Not Affected By Headings, Etc.** The division of this Debenture into articles, sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

2.4 **Monetary References.** Any reference in this Debenture to “Dollars”, “dollars” or the sign “\$” shall be deemed to be a reference to lawful money of Canada.

2.5 **Day Not a Business Day.** In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the first Business Day thereafter.

2.6 **Invalidity of Provisions.** Each of the provisions contained in this Debenture is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof.

### **ARTICLE 3 - REPAYMENT**

3.1 **Principal Repayment.** The Principal Amount shall be paid by the Corporation to the Holder in equal monthly installments of 0.5% of the Principal Amount to be paid on the first day of each month from June 1, 2011 to April 1, 2021 and the then remaining balance of the Principal Amount, if any, shall be payable in full on May 1, 2021.

3.2 **Optional Prepayment.** Subject to the terms and conditions of this Debenture, the Corporation shall at any time when not in Default hereunder, have the privilege of prepaying, on any Business Day, all or any part of the outstanding Principal Amount without bonus or penalty, provided that:

- (a) any such prepayment shall not result in any breach by the Corporation of or any Default by the Corporation under the terms and conditions of this Debenture; and
- (b) any such prepayment shall only be made on at least two Business Days' prior notice to the Holder, which notice, once given, shall be irrevocable and binding upon the Corporation.

### **ARTICLE 4 – CONVERSION RIGHTS**

4.1 The Holder shall have the right at any time or times to convert all or any part of the then outstanding balance of the Principal Amount into New Special Shares of the Corporation at the rate of \$25.00 of principal for each share. The Corporation shall issue such shares on the first day of the month following receipt by it of such notice. Cumulative dividend rights on New Special Shares shall cumulate from such date of issue.

4.2 The Holder may exercise such conversion right by giving notice in writing in the form annexed as Schedule "A" to this Debenture and surrendering this Debenture for endorsement to reduce the Principal Amount if only part is converted or to cancel the Debenture if the entire balance is converted.

4.3 Upon and after the conversion of any part of this Debenture, the monthly payment of principal required to be made by the Corporation under this Debenture shall be adjusted in the proportion that the remaining balance of the Principal Amount bears to the balance of the Principal Amount immediately before the conversion *mutatis mutandis*.

## ARTICLE 5 - REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1 **Representations and Warranties.** The Corporation represents and warrants to the Holder as follows and acknowledges that the Holder is relying on such representations and warranties without independent inquiry thereon in entering into this Debenture:

- (a) **Corporate Organization.** The Corporation is duly incorporated and organized and is validly subsisting and in good standing under the laws of the Province of Ontario. The Corporation is duly qualified as a foreign or extra-provincial corporation, as the case may be, and is in good standing, in all jurisdictions outside of its jurisdiction of incorporation where it carries on business;
  - (b) **Corporate Power.** The Corporation has full corporate right, power and authority to enter into and perform its obligations under this Debenture and has full corporate right, power and authority to own and operate its assets and to carry on its business as now conducted and as presently proposed to be conducted;
  - (c) **Conflict with Other Instruments.** The execution, delivery and performance by the Corporation of this Debenture and any other agreement contemplated or referred to herein do not and will not conflict with or result in a breach of any term or provision of any of:
    - (i) the articles, by-laws or other constating documents of the Corporation;
    - (ii) any Applicable Law applicable to the Corporation or any of its assets;
    - (iii) the Plan or any other material agreement to which the Corporation is a party or which is binding on or affecting the Corporation; or
    - (iv) the Sanction Order or any writ, order, judgment, injunction or determination which is binding on or affects the Corporation or any of its assets;
- nor will the execution, delivery and performance by the Corporation of this Debenture and any other agreement contemplated or referred to herein result in, require or permit:
- (i) the imposition of any Encumbrance in or with respect to any of its assets;  
or
  - (ii) the acceleration of the maturity of any debt obligation of the Corporation under any contractual provision binding on or affecting the Corporation or any of its assets.
- (d) **Authorization.** The execution and delivery of this Debenture by the Corporation and the performance of its obligations hereunder have been duly authorized by all necessary corporation action on the part of the Corporation, its directors and shareholders.

- (e) ***No Consents Required.*** No consent, approval, order, authorization, licence, exemption or designation of or by any Governmental Body is required in connection with the execution, delivery and performance by the Corporation of this Debenture; and no registration, qualification, designation, declaration or filing with any Governmental Body is or was necessary to enable or empower the Corporation to enter into and to perform its obligations under this Debenture except such as have been made or obtained and are in full force and effect as of the date hereof;
- (f) ***Due Execution and Enforceability.*** This Debenture has been duly executed and delivered by the Corporation and constitutes a legal, valid and binding obligation of the Corporation enforceable against it in accordance with its terms, subject only to the effect of any bankruptcy, insolvency, moratorium or similar laws affecting the enforceability of creditors' rights generally, the discretion that a court of competent jurisdiction may exercise in the granting of equitable remedies, and the statutory powers of a court of competent jurisdiction to stay proceedings and stay the execution of judgment in proceedings before it;
- (g) ***No Default.*** The Corporation is not in violation of its articles of incorporation, as amended, its by-laws or any shareholders' agreement, if any, to which it is a party;
- (h) ***Ownership of Assets.*** The Corporation is the sole and beneficial owner of its assets and, where appropriate, is duly registered as the owner thereof, with a good and marketable title thereto, free and clear of all Encumbrances except Permitted Encumbrances;
- (i) ***Insurance.*** The assets of the Corporation are insured against loss or damage covering such risks, in such amounts and on such terms as such assets are commonly insured against for not less than the full replacement cost thereof. The Corporation is not in default with respect to any of the provisions contained in any such insurance policies and the Corporation has given all notices required under each of the insurance policies in a due and timely fashion;
- (j) ***No Burdensome Agreements.*** The Corporation is not a party to any agreement or instrument or subject to any restriction (including any restriction set forth in its constituting documents) materially and adversely affecting its operations, business, financial condition or its assets;
- (k) ***No Litigation.*** Other than the CCAA proceeding, there are no actions, suits, grievances or proceedings threatened or taken before or by any Governmental Body or by any elected or appointed public official or private person, which challenges the validity or propriety of the transactions contemplated under this Debenture, or any of the documents, instruments and agreements executed or delivered in connection therewith or related thereto which could be reasonably anticipated to have a material adverse effect on the business, operations, properties, assets, capitalization, financial condition or prospects of the Corporation and the Corporation is not in default under any material applicable statute, rule, order, decree or regulation of any Governmental Body having jurisdiction over it or any of its assets;

- (l) **Taxes.** The Corporation has filed all tax returns which are required to be filed and has paid all Taxes, interest and penalties, if any, which have become due pursuant to such returns or pursuant to any assessment received by it and adequate provision for payment has been made for Taxes not yet due, except as otherwise disclosed to the Holder;
- (m) **Use of Lands.** The Corporation is not aware, after making all reasonable inquiry, that the uses to which the owned or leased by the Corporation are being put are in material breach of any statutes, by-laws, ordinances, regulations, covenants, restrictions or official plans;
- (n) **Work Orders.** There are no material outstanding work orders, deficiency notices, remedial or removal orders or other similar compliance orders from any Governmental Body (each a “**Work Order**”) relating to the lands owned or leased by the Corporation or the operation of the Corporation's business from or required by any Governmental Body, nor are any material matters relating to the lands owned or leased by the Corporation or the operation of the Corporation's business under discussion with any such departments or authorities relating to any Work Orders;
- (o) **Intellectual Property.** The Corporation and the Subsidiaries possess all the trademarks, trade names, copyrights, patents, licenses and other Intellectual Property or rights material to the conduct of their respective businesses as now conducted and presently proposed to be conducted, without knowledge of any circumstances which could give rise to any conflict with the rights of others;
- (p) **No Infringement.** The Corporation and the Subsidiaries are not knowingly infringing or alleged to be infringing on the rights of any third party with respect to any patent, trademark, trade name, copyright (or any application or registration respecting any thereof), licence, discovery, improvement, process, formula, know-how, data, plan, specification, drawing or the like and the Corporation does not know of any facts which may result in the assertion against the Corporation or a Subsidiary of a claim for such an infringement;
- (q) **Permits, etc.** The Corporation and the Subsidiaries possess all licenses, permits, approvals and consents of, and has performed all registrations required by, all Governmental Bodies and other third parties as required to properly conduct their respective businesses and own, lease and operate the Charged Assets; and
- (r) **Compliance with Laws.** The Corporation and the Subsidiaries have complied and are complying in all material respects with all federal, provincial and local laws, rules, regulations, notices, approvals, ordinances and orders applicable to its business, property, assets and operations.

5.2 **Survival of Representations and Warranties.** The representations and warranties herein set forth or contained in any certificates or documents delivered to the Holder shall survive the execution and delivery of this Debenture and, notwithstanding such execution and delivery, shall remain in full force and effect.

5.3 **Affirmative Covenants.** So long as this Debenture remains outstanding, and unless the Holder otherwise consents in writing, the Corporation covenants and agrees with the Holder that:

- (a) ***Punctual Payment.*** The Corporation shall pay or cause to be paid all amounts payable to the Holder hereunder on the dates and in the manner specified herein;
- (b) ***Preservation of Corporate Existence.*** The Corporation shall preserve and maintain its corporate existence and rights and the corporate existence and rights of each of its Subsidiaries.
- (c) ***Conduct of Business.*** The Corporation shall do or cause to be done, and shall cause each Subsidiary to do or cause to be done, all things necessary or desirable to maintain its corporate existence in its present jurisdiction of incorporation, and to maintain its corporate power and capacity to own its properties and assets;
- (d) ***Compliance with Applicable Law and Contracts.*** The Corporation shall, and shall cause each of its Subsidiaries to, comply with the requirements of all Applicable Law and all obligations which, if contravened, could give rise to an Encumbrance over any of the Charged Assets, and all insurance policies and all contracts to which it is a party or by which it or its properties are bound, non-compliance with which would, singly or in the aggregate, have a material adverse effect upon its business, property, financial condition or prospects or upon its ability to perform its obligations under this Debenture;
- (e) ***Insurance.*** The Corporation shall keep, and shall cause each of the Subsidiaries to keep, its assets insured with reputable insurers, in amounts not less than the replacement cost thereof and against such losses as are insured against by comparable corporations engaged in comparable businesses;
- (f) ***Payment of Taxes and Claims.*** The Corporation shall, and shall cause each of its Subsidiaries to:
  - (i) pay and discharge all lawful claims for labour, material and supplies;
  - (ii) pay and discharge all Taxes payable by it;
  - (iii) withhold and collect all Taxes required to be withheld and collected by it and remit such Taxes to the appropriate Governmental Body at a time and in the manner required; and
  - (iv) pay and discharge all obligations incidental to any trust imposed upon it by statute which, if unpaid, might become an Encumbrance upon any of its assets;
- (g) ***Keeping of Books.*** Keep proper books of record and account in which full and correct entries shall be made of all financial transactions, assets and businesses of the Corporation in accordance with Generally Accepted Accounting Principles;

(h) **Reporting Requirements.** Furnish to the Holder:

(i) annually, as soon as available and in any event within ninety (90) days after the end of each fiscal year:

(A) the consolidated audited financial statements of the Corporation and the unconsolidated financial statements for each of its Subsidiaries for such fiscal year, consisting of balance sheets, statements of operations, retained earnings and changes in financial positions setting forth the corresponding figures of the previous fiscal year in comparative form, together with the unqualified opinion of the auditors thereon;

(B) a certificate of the Corporation signed on its behalf by a senior officer of the Corporation stating that as of the date of such certificate that no Event of Default has occurred and that no material adverse change has occurred in its business or operations during the most recent fiscal year or, if such is not the case, describing such Event of Default or material adverse change;

(ii) promptly upon becoming aware thereof, notice of any material fact or material change which has had, is having, or is expected to have, a material adverse effect on the business or condition, financial or otherwise, of the Corporation; and

(iii) such other information respecting the business and affairs, financial or otherwise, or its assets, as the Holder may from time to time reasonably request;

(i) **Notice of Default.** Advise the Holder forthwith upon becoming aware of the occurrence of a Default or an Event of Default hereunder and deliver to the Holder at least annually a certificate signed by a senior officer of the Corporation certifying the particulars of any Default or Event of Default which shall have occurred and the steps being taken to remedy the same, in form and substance satisfactory to the Holder; and

(j) **Subsidiaries.** Maintain directly or indirectly (through the ownership of a wholly-owned incorporated entity) ownership of all issued and outstanding shares of each of the Subsidiaries.

5.4 **Negative Covenants.** So long as this Debenture remains outstanding and unless the a majority by Principal Amount of the Holders of Debentures in the Series consents in writing or at a meeting, the Corporation covenants and agrees that it shall not, nor shall it permit any of its Subsidiaries to:

(a) **Not To Encumber Property.** Create, grant, assume or suffer to exist any Encumbrance upon any of its properties or assets other than Permitted Encumbrances;

(b) **Change of Business.** Make any material change in the nature of its business or enter into or commence any business activities which are not conducted by it as at the date hereof;

- (c) **Mergers.** Enter into or permit any Subsidiary to enter into any transaction (whether by way of reconstruction, reorganization, arrangement, consolidation, amalgamation, merger, joint venture, transfer, sale, lease or otherwise) whereby any part of the Charged Assets would become the property of any Person other than the Corporation or its Subsidiaries, as the case may be, or whereby all or any material part of the undertaking, property and assets of any Person other than the Corporation or its Subsidiaries, as the case may be, would become the property of the Corporation or its Subsidiaries, as the case may be, or in the case of any amalgamation involving the Corporation or its Subsidiaries of the continuing company resulting therefrom;
- (d) **Guarantees.** Guarantee, endorse or otherwise become surety for or upon the obligations of any Person;
- (e) **Dividends and other Distributions.** Unless all payments under this Debenture are current, declare or pay any dividends on or make any other payment or distribution in respect of any shares of its capital or make any change in its issued or authorized share capital either by way of redemption or otherwise; and
- (f) **Cross-Default.** Default in its obligations under any indebtedness to its bankers or any other contract whose default may reasonably be expected to have a material adverse effect on the Corporation or its Subsidiaries.

## ARTICLE 6 - DEFAULT

6.1 **Events of Default.** The Corporation shall be in default under this Debenture if any one or more of the following events (each an “**Event of Default**”) occurs, the Holder may, subject to the rights of the Holders of all other Debentures in the Series, including those rights and powers provided in Article 7 hereof, and to the extent permitted by Applicable Law, declare the outstanding Principal Amount hereunder to be immediately due and payable:

- (a) the Corporation defaults in payment of all or any part of the outstanding Principal Amount when due and such default continues for a period of five (5) Business Days after notice has been given to the Corporation by the Holder specifying such default and requiring the Corporation to rectify same;
- (b) the Corporation is in breach of or defaults in observing or performing any other covenant or condition of this Debenture on its part to be observed or performed and if such default continues for a period of twenty (20) Business Days after notice has been given to the Corporation by the Holder specifying such default and requiring the Corporation to rectify the same or cause to be rectified the same;
- (c) the Corporation or a Subsidiary defaults in the payment when due of any amount payable by it to another creditor and such default is not waived or cured within the applicable cure period, if any, in respect of such payment or the Corporation or a Subsidiary, as

applicable, is diligently and in good faith contesting such default through all reasonable lawful means;

- (d) any representation and warranty made in this Debenture is found to be false or incorrect in any way so as to make it materially misleading when made or deemed to have been made;
- (e) an order is made or an effective resolution is passed for the winding-up or liquidation of the Corporation or in the event of any other dissolution of the Corporation by operation of law; or
- (f) the Corporation ceases or threatens to cease to carry on business or becomes insolvent or bankrupt or ceases paying its debts generally as they become due, other than any such debts as are contested in good faith and by appropriate proceedings and for which adequate provision has been made, or the Corporation commits any act of bankruptcy or makes an assignment for the benefit of creditors or otherwise acknowledges its insolvency, or a trustee, receiver, receiver and manager or liquidator is appointed for the Corporation or any material part of the assets of any of its Subsidiaries, or bankruptcy, reorganization, proposal (including, without limitation, the serving of a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) or the commencement of proceedings under the CCAA in respect of the Corporation), arrangement, moratorium, compromise or similar proceedings shall be instituted by or against the Corporation or any of its Subsidiaries under the laws of any jurisdiction.

**6.2 Notice to other Holders in the Series.** If the Corporation receives a notice from any Holder of the Debenture declaring the outstanding Principal Amount to be due by reason of an Event of Default, the Corporation shall forthwith give notice to the Holders of all outstanding Debentures in the Series of such declaration and stating whether it admits or contests the claimed Event of Default. If so advised, the Corporation shall on not less than 14 days nor more than 21 days notice convene a meeting of the Holders of the outstanding Debentures. Pending the convening and until the adjournment of such meeting, the Holder shall not exercise any remedy under this Debenture.

**6.3 Remedies.** Upon the occurrence and continuation of an Event of Default, the Holder may in conjunction with and subject to the rights of the Holders of other Debentures in the Series, in addition to exercising any other rights available to it under Applicable Law, proceed to demand payment of the balance of the Principal Amount of the Debenture. The Holder shall take no other steps to enforce payment without complying with the requirements of Section 7.2.

## **ARTICLE 7 – SERIES RIGHTS, ENFORCEMENT AND WAIVERS**

**7.1 Series.** This Debenture is one of the Series issued by the Corporation under and in the course of the implementation of its Plan sanctioned by the Court pursuant to the CCAA. The rights of the Holder are subject to the rights of the holders of all other debentures issued in the Series.

7.2 **Consent to Enforcement.** An Event of Default under any Debenture in the Series shall only be enforceable by proceedings against the Corporation by the Holder if the Holders of twenty (20%) percent of the Principal Amount of the Debentures outstanding in the Series shall have consented to such enforcement by an instrument or instruments in writing executed by such Holders and no Holder may take any steps to enforce rights including by action or otherwise unless and until such consent shall have been obtained.

7.3 **Waivers and Amendment.** The terms of all Debentures in the Series may be amended and any Default or Events of Default may be waived or amended by an instrument or instruments in writing executed by a majority of the Holders of a two thirds majority by Principal Amount of the Debentures in the Series. In the alternative, such waiver or amendment shall be effective if made by a resolution passed by a two thirds majority of those present and voting in person or by proxy at a meeting of the Holders of the Debentures in the Series convened on not less than 14 days notice in writing delivered by ordinary mail to the address of the Holder as recorded on the records of the Corporation.

## **ARTICLE 8 - MISCELLANEOUS**

8.1 **Notice.** Any demand, notice or other communication (hereinafter in this section referred to as a “**Communication**”) to be given in connection with this Debenture shall be given in writing and may be given by personal delivery or facsimile transmission addressed to the recipient as follows:

(a) If to the Holder:

At such address and facsimile number designated by the Holder to the Corporation in writing.

(b) If to the Corporation:

Provider Capital Group Inc.  
900 Dillingham Road  
Pickering, Ontario L1W 1Z6

Attention: Ms. Sherry Townsend  
Interim Operating Officer

Fax: (905) 839-1761  
E-mail: stownsend@providercapitalgroup.com

or such other address, facsimile number or individual as may be designated by notice by any party to the other. Any Communication given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and any Communication given by facsimile transmission shall be conclusively deemed to have been given on the day following the date of transmittal thereof.

**8.2 No Creditor Liability.** The Corporation acknowledges that the Holder has requested and reviewed and may in the future request and review information pertaining to this Debenture. The Corporation hereby agrees that, in the course of undertaking such due diligence investigation, the Holder has not influenced and shall not influence or exercise any control over the Corporation's decisions regarding the indebtedness evidenced by this Debenture, and that any and all determinations which the Holder has made or may make, or opinions which it or any of its respective employees may express in the course of such investigations have been, and shall be made or expressed, as the case may be, solely for its own purposes acting in good faith. The Corporation further expressly agrees that the Holder may disclose to any potential assignee or participant of all or a part of the Debenture any and all information which the Holder may obtain about the Corporation's business and affairs without incurring any liability to the Corporation for so doing; provided that such potential assignee agrees to treat such information as confidential in accordance with procedures and standards of confidentiality no less rigorous than those maintained by the Holder.

**8.3 Evidence of Debt.** The indebtedness of the Corporation in respect of or in connection with the Debenture shall, absent manifest error, be conclusively evidenced by the books and records of the Corporation. At the request of the Holder from time to time the Corporation shall provide the Holder with a statement of the indebtedness of the Corporation to the Holder.

**8.4 Assignment.** The Corporation may not assign this Debenture without the written consent of the Holder. The Holder may assign and transfer this Debenture in whole or in part. The Corporation shall execute any and all documents reasonably required by the Holder in connection with any such assignment, provided that such documents do not prejudice the rights of the Corporation under this Debenture or result in any increase in any amounts payable by the Corporation.

**8.5 Amendment, Waiver.** No amendment or waiver of this Debenture will be binding unless executed in writing by the Corporation if it is to be bound thereby, or, subject to the rights of the requisite majorities of the Holders of other Debentures issued in the Series by the Corporation to waive defaults or to consent to certain amendments as provided in Article 7 hereof, by the Holder if it is to be bound thereby. No waiver of any provision of this Debenture will constitute a waiver of any other provision nor will any waiver of any provision of this Debenture constitute a continuing waiver unless otherwise expressly provided.

**8.6 Binding Effect.** This Debenture shall be binding upon and shall enure to the benefit of the Holder and shall be binding upon and shall enure to the benefit of the Corporation and its successors and permitted assigns.

**8.7 Entire Agreement.** This Debenture constitutes the entire agreement between the Holder and the Corporation and supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements and understandings, whether written or oral, express or implied, with respect to the subject matter hereof and shall not be amended or modified in any respect except with written agreement signed by the parties hereto.

8.8 **Governing Law.** This Debenture shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Corporation hereby irrevocably submits to the jurisdiction of the Courts of the Province of Ontario in respect of any action, suit or proceeding arising out of or relating to this Debenture and hereby irrevocably agrees that all claims in respect of any such action, suit or proceeding may be heard and determined in any such Court.

**IN WITNESS WHEREOF** the Corporation has duly executed this Debenture this 1<sup>st</sup> day of May, 2011.

**PROVIDER CAPITAL GROUP INC.**

Per: \_\_\_\_\_  
President  
I have authority to bind the corporation

**Notice of Conversion of Debenture**

The undersigned Holder of this Debenture hereby converts the outstanding Principal Amount [or in the alternative, the amount of \$ \_\_\_\_\_.00 of the outstanding Principal Amount] of this Debenture into New Special Shares of the Corporation at the rate of \$25.00 per New Special Share to be issued a sfully paid and non-assessable shares with dividends cumulating thereon from the date of issue which shall be the first day of the next month following the delivery of this Notice together with the Debenture for endorsement as to the balance if any of the Principal Amount to be outstanding after such conversion and all on and subject to the terms of Article 4 of the Debenture.

Dated at \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_

\_\_\_\_\_  
Full name of Holder:  
Address:

## **SCHEDULE "D"**

### **FORM OF RECEIPT, RELEASE AND ASSIGNMENT**

#### **RECEIPT, RELEASE AND ASSIGNMENT**

**WHEREAS** Nelson Financial Group Ltd. has filed Articles of Reorganization and has changed its name to Provider Capital Group Inc. (the "Corporation"); and

**AND WHEREAS** the Plan of Arrangement of Nelson Financial Group Ltd. has been approved by the requisite majorities of its creditors and sanctioned by an Order of the Ontario Superior Court of Justice made on April 20, 2011 (the "Plan") and the Plan is now being implemented.; and

**AND WHEREAS** the Undersigned, **[Insert Full Name]**, represents and warrants that it is a Proven Creditor of Nelson Financial Group Ltd. holding a Proven Claim in the amount of \$ **[Insert Net Amount]**, net of any amount for which the undersigned has elected to receive the Cash Exit Option in accordance with and subject to section 4.2 of the Plan.

**NOW THEREFORE**, in accordance with the Plan, the undersigned Creditor hereby acknowledges receipt of the following securities and payment delivered to it and registered in its name in full satisfaction of its Proven Claim in accordance with the Plan:

- i) A Capital Recovery Debenture issued by Provider Capital Group Inc. in the Principal Amount of \$ **[Insert Amount equal to .25 times the Proven Claim amount]**;
- ii) A certificate registered in the name of the undersigned and representing [ **[Insert Number being the Amount of the Proven Claim divided by 100 and rounded to the nearest integer]** New Special Shares in the capital stock of Provider Capital Group Inc.;
- iii) A certificate registered in the name of the undersigned and representing [ **Same Number as in (ii) above**] Common Shares in the capital stock of Provider Capital Group Inc.; and
- iv) Payment of the sum of \$ \_\_\_\_\_ in respect of the elected Cash Exit Option portion of the original Proven Claim amount of the undersigned Creditor.

Further, in consideration of the delivery of such securities, the undersigned accepts the foregoing securities in full satisfaction for all of its Proven Claims against Nelson Financial Group Ltd. and hereby releases the Corporation of and from any and all claims that it had as of March 23, 2010, together with any claim for interest or costs in respect of any such claim.

Further and for the same consideration, the undersigned hereby assigns, transfers and sets over to Douglas Turner, Q.C., as Trustee, and to the other trustees from time to time under the Nelson Litigation Trust as provided for under the terms of the Plan, all of its rights, claims and causes of action in law or in equity in respect of any loss or damages that it may have suffered or any other right that it may have by reason of its investment in Nelson Financial Group Ltd. and including, without limitation, any and all claims for damages for fraudulent misrepresentation, negligent misrepresentation, conversion, breach of statutory duty or any other wrongful act and any claims to trace or recover any part of any investment made by the undersigned in Nelson Financial Group Ltd. or any other property or investment into which any such may have been converted or transferred by any person, against any associate or affiliate of Nelson Financial Group Ltd. or any third party who owed or owes any duties at law or in equity to the undersigned, to Nelson Financial Group Ltd. or to any associate or affiliate of Nelson Financial Group Ltd.

For greater certainty, the rights assigned and transferred hereunder shall include rights to recover by tracing in law or in equity any advances previously made by the undersigned in respect of its investment in Nelson Financial Group Ltd. into accounts, property, rights or things held by or owing from or to any associate or affiliate of Nelson Financial Group Ltd., including, without limitation, Nelson Investment Group Ltd., Nelson Mortgage Group Ltd., Nelson Capital Group Ltd., Marc Boutet or any affiliate or associate of any of them, with such relationship to be determined as at March 23, 2010.

The undersigned agrees to execute such assignments or consents, including consents to proceedings to be taken in its name provided that the Litigation Trust shall indemnify it for any costs or liabilities in connection therewith, as may be requested at any time and from time to time by the trustees of the Nelson Litigation Trust. If this assignment is given by a Creditor who has elected the Cash Exit Option under Section 4.2 of the Plan, the Creditor acknowledges and confirms that it shall have no right or entitlement to receive any future benefits under from or out of the Nelson Litigation Trust in respect of its Claim to the extent so elected.

The Receipt, Release and Assignment above shall enure to the benefit of the successors and lawful assigns of the Corporation and of the trustees of and the beneficiaries under the Nelson Litigation Trust and shall be binding upon the undersigned Creditor and its heirs, administrators, successors and assigns. Any capitalized terms in this instrument not otherwise defined shall have the meaning attributed to such in the Plan. This instrument shall be governed by the laws of the Province of Ontario and any proceeding to interpret or enforce its terms shall be subject to the exclusive jurisdiction of the Ontario Superior Court of Justice and the parties consent to and attorn to the jurisdiction of that Court.

**DULY EXECUTED** as an Instrument under seal at \_\_\_\_\_,  
\_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

(s)

---

Witness

---

Proven Creditor

Print Full Name of Proven Creditor: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone:

Email (if any):

## **SCHEDULE "E"**

### **DECLARATION OF TRUST – LITIGATION TRUST**

#### **NELSON LITIGATION TRUST**

#### ***Provider Capital Group Inc.(the "Company")***

**THIS TRUST DEED** made as of April , 2011 establishes a litigation trust with respect to certain causes of action held by creditors of and arising from the insolvency of Nelson Financial Group Ltd. for the collective benefit of those creditors of the Company who participated in the Plan of Arrangement approved and sanctioned by Order of the Ontario Superior Court of Justice by Order dated April 20, 2011, a true copy of which is annexed as schedule 1. The Trust is established for the purposes of the Plan of Arrangement and it is to be interpreted with reference to the Plan

#### **1. PARTIES:**

1.1 **TRUSTEES:** The Trustees appointed by the Court or their successors as provided for in schedule 2, (the "Trustees") and

1.2 **BENEFICIARIES:** The Creditors as described in schedule 3 as amended from time to time pursuant to the terms of this Trust (the "Creditors").

#### **2. PURPOSE OF LITIGATION TRUST:**

2.1 This trust is created for the benefit of the Creditors to preserve, protect, and enforce all causes of action and inchoate rights the Creditors have had in respect of or through their investment in the Company against any persons, other than the Company, by reason of acts of persons affecting such investment prior to the commencement of the proceedings under the *Companies' Creditors Arrangement Act* RSC 1985, c. C-36, as amended and the Orders of the Court for the period March 22, 2010 to April , 2011 (the "litigation trust assets").

2.2 The litigation trust assets include all Derivative Rights, as defined in the Plan of Arrangement, which a Creditor had against third parties, which rights were assigned to and were vested in the Trustees in the implementation of the Plan.

2.3 The duties of the Trustees are to enforce the Derivative Rights of the Creditors against such parties as the Trustees in their unfettered discretion deem advisable under the powers, rights, and duties granted by this trust.

2.4 The Creditors listed in schedule 3 by virtue of approval of the Plan of Arrangement confirmed by Court Order dated April 20, 2011 and the execution of the Plan of Arrangement documents have hereby established this litigation trust on behalf of the Creditors who are to be deemed settlers and grantors and beneficial owners of the litigation trust assets who have transferred, assigned, and delivered to the trust their right, title, and interest in the litigation trust assets.

### **3. VESTING OF ASSETS AND POWERS OF TRUSTEES:**

3.1 The litigation trust assets are hereby vested in the Trustees who are authorized to perform those acts necessary to accomplish the purposes of the litigation trust, which are, without limitation, evaluating and determining strategy with respect to causes of action, and litigating, settling, transferring, releasing or abandoning any and all causes of action on behalf of the litigation trust, in each case, on any terms and conditions as the Trustees may determine in good faith based on the best interests of the Creditors, which powers to include the powers to:

- (1) hold legal title (on behalf of the trust as Trustees, but not individually) to the litigation trust assets, including, but not limited to, any causes of action;
- (2) retain counsel or other professionals to conduct any actions in any court or administrative tribunal or any other body;
- (3) protect and enforce the rights to the trust assets by any method deemed appropriate in their sole discretion, including, without limitation, by judicial proceedings or pursuant to any applicable bankruptcy, insolvency, moratorium or similar law and general principles of equity;
- (4) prosecute, defend, compromise, adjust, arbitrate, abandon, estimate, or otherwise deal with and settle, in accordance with the terms set forth herein, the litigation trust assets;
- (5) the Trustees may commence any proceeding using the name of the "Nelson Litigation Trust" and may join as a plaintiff or co-applicant in any action with the Company and on such

arrangements as to the sharing of costs and proceeds as the Trustees and the Company may agree;

(6) pay expenses and make disbursements necessary to preserve, liquidate, and enhance the trust assets out of an initial fund of \$250,000.00 advanced to the trust by the Company, plus such additional funds which the Company shall contribute after written request from the Trustees, provided that such additional advances shall not exceed \$250,000.00; in addition, after consultation with the Creditors, the Trustees may obtain further financing to further the purposes of the trust, provided that such advances shall be reimbursed by the Trust prior to any distribution of the proceeds of the Trust actions being made to Creditor beneficiaries;

(7) assume such other powers as may be vested in or assumed by the trust as may be necessary and proper to carry out the provisions of the trust;

(8) make any arrangement deemed by the Trustees in their unfettered discretion for the payment of any proper expenses of the trust, including the borrowing of any money on any security that may be required;

(9) operate any bank accounts; and

(10) report to the board of directors of the Company as to the steps that the Trust has taken to maximize recoveries for the beneficiaries and distribute from time to time in the discretion of the Trustees any net proceeds from the trust litigation assets to the beneficiaries provided that all advances previously made to the Trust by the Company shall have been first reimbursed.

For any of the purposes aforesaid, the Trustees may apply at any time and from time to time to the Court for advice and directions pursuant to the *Trustee Act* or pursuant to the CCAA.

#### 4. **LIMITATIONS ON TRUSTEES POWERS:**

4.1 The Trustees shall not carry on any business.

4.2 The Trustees shall not hold or represent any interest adverse to the interests of the trust.

**5. DUTIES AND RIGHTS OF TRUSTEES:**

5.1 Replacement of Trustees: Any trustee may resign on two weeks' notice in writing to the other Trustees. The remaining Trustees shall forthwith appoint a successor to the retiring trustee which shall be confirmed by the Court.

5.2 A Trustee may be removed by a vote of any two of the remaining Trustees by instrument in writing and served personally on the Trustee. Such removal and an appointment of a replacement trustee shall be confirmed by the Court.

5.3 The Trustees shall each be entitled to receive compensation at reasonable and comparable professional rates plus reimbursement of out-of-pocket costs and expenses incurred in connection with the duties of trustee.

5.4 The fees, costs and expenses of all professionals retained by the Trustees in connection with the performance of the Trustee's duties shall be initially paid from funds as provided by section 4.1(5).

5.5 The Trustees shall not be liable for any action reasonably taken or not taken in accordance with the advice of a Professional or Non-Professional; and persons dealing with the Trustees shall look only to the litigation trustee assets to satisfy any liability incurred by the Trustees to such person in carrying out the terms of this trust, and the Trustees shall not have any personal obligation to satisfy any such liability, except to the extent that actions taken or not taken by the Trustee are determined to be solely due to the trustee's own gross negligence, wilful misconduct, fraud or breach of fiduciary duty.

5.6 The Trustees shall not incur any liability or obligation as a result of their appointment or the carrying out of any of their duties under the trust, save and except for gross negligence or wilful misconduct. Nelson and the Creditors shall indemnify and hold the Trustees harmless with respect to any liability incurred by the Trustees in fulfilment of their duties under the trust, and no action may be commenced in any court against the Trustees without leave of the Ontario Superior Court of Justice.

5.7 Any indemnity shall survive any termination or replacement of any trustee.

## 6. ACCEPTANCE OF TRUSTS

6.1 The Trustees accept the terms of the trust as evidenced by their signatures hereto under seal at Toronto, Ontario this       day of May, 2011

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Trustee

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Trustee

\_\_\_\_\_  
witness

\_\_\_\_\_  
Trustee

### Schedule 2:

The Trustees shall be Officers of the Court appointed by the Ontario Superior Court of Justice and the first Trustees are:

Sherry Townsend  
Douglas Turner Q.C.  
Richard B. Jones, Barrister.

**SCHEDULE "F"**  
**FORM OF PROXY**

File No. CV-10-8630-00CL

**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.**

**PROXY**

I/We \_\_\_\_\_  
*(Name of Creditor)*

a Proven Creditor of Nelson Financial Group Ltd. hereby irrevocably appoint

☐ (a) \_\_\_\_\_ or ☐ (b) \_\_\_\_\_  
*(insert name of proxy)*

to be my/our proxy to vote at the meeting of the Creditors of Nelson Financial Group Ltd.  
to be held on April 16, 2011 or any adjournment of such meeting in respect of the  
approval of the Plan of Arrangement, any related matters or other matters that may  
properly come before such meeting, except as to the receipt of any distributions under the  
Plan, with power to appoint another proxy in his or her place.

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Print Name of Creditor

\_\_\_\_\_  
Signature of Creditor or, if the Creditor is a  
corporation, signature of an authorized signing  
officer of the corporation

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SCHEDULE "G"**  
**FORM OF VOTING LETTER**

Court File No. CV-10-8630-00CL

**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.**

**VOTING LETTER**

**THE UNDERSIGNED** has reviewed the Plan of Compromise or Arrangement dated February 11, 2011 (the "**Plan**") and hereby instructs Douglas Turner Q.C., in his capacity as Representative Counsel for the Noteholders of Nelson Financial Group Ltd. at the meeting of creditors to be held on April 16, 2011 to record a vote by the undersigned and in the amount of the Proven Claim of the undersigned in respect of the Plan, as follows (please check one of the boxes below; if neither box is checked or if both boxes are checked, your vote will be counted in favour of the Plan) and to vote on behalf of the undersigned in respect of any other business that may come before the meeting of creditors or any adjournment thereof:

- ☐ **VOTE FOR** approval of the Plan
- ☐ **VOTE AGAINST** approval of the Plan.

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Print Name of Creditor

\_\_\_\_\_  
Signature of Creditor or, if the Creditor is a  
corporation, signature of an authorized signing  
officer of the corporation

Name: \_\_\_\_\_

Title: \_\_\_\_\_  
(If signing for a corporation)

**SCHEDULE "H"**

**FORM OF CASH OPTION ELECTION**

**TO: PROVIDER CAPITAL GROUP INC.**  
900 Dillingham Road  
Pickering, ON L1W 1Z6

Attention: The President

**WHEREAS** Nelson Financial Group Ltd. has filed Articles of Reorganization and has changed its name to Provider Capital Group Inc. (the "Corporation"); and

**AND WHEREAS** the Plan of Arrangement of Nelson Financial Group Ltd. has been approved by the requisite majorities of its creditors and sanctioned by an Order of the Ontario Superior Court of Justice (the "Plan") and the Plan is now being implemented.; and

**AND WHEREAS** the Undersigned, **[Insert Full Name]**, represents and warrants that it is a Proven Creditor of Nelson Financial Group Ltd. holding a Proven Claim in the amount of \$ **[Insert Amount]**.

**NOW THEREFORE** the undersigned hereby elects to accept the Cash Exit Option in respect of \$ \_\_\_\_\_, being a portion / all **[Delete whichever does not apply]** of the amount of its Proven Claim, in accordance with and subject to the terms of the Plan, including without limitation section 4.2 thereof.

The undersigned agrees that any balance of its Proven Claim in respect of which it does not so elect, together with any portion of the elected amount that may be prorated by reason of more than \$10,000,000 of Proven Claims electing the Cash Exit Option, shall be dealt with as a Proven Claim under section 4.3 of the Plan. The undersigned agrees that it will execute and deliver a Receipt, Release and Assignment before the Corporation shall make any payment to it and that it will have no further rights or entitlements under the Plan including without limitation any rights as a beneficiary under the Litigation Trust in respect of the elected amount.

**DULY EXECUTED** as an Instrument under seal at \_\_\_\_\_,  
\_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

(s)

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Proven Creditor

Print Full Name of Proven Creditor: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

---

Telephone:  
Email (if any):



Court File No. CV-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)

**PLAN OF COMPROMISE  
AND ARRANGEMENT OF  
NELSON FINANCIAL GROUP LTD.**

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

**Richard B. Jones**  
LSUC No.: 11575V

Telephone: (416) 863-0576  
Facsimile: (416) 863-0092

**COUNSEL FOR THE  
INTERIM OPERATING OFFICER**

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

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Court File No. CV-10-8630-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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**SECOND REPORT OF SHERRY  
TOWNSEND  
in her capacity as the Interim Operating Officer  
of the Applicant**

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**Richard B. Jones  
Barrister and Solicitor  
Suite 1201, 100 Yonge Street  
Toronto, ON M5C 2W1  
T. 416-863-0576  
F. 416-863-0092  
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Special Counsel to the Interim Operating Officer  
and to the Representative Counsel