

**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. (the "Applicant")**

Applicant

**MOTION RECORD
(Returnable April 22, 2010)**

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INDEX

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INDEX

TAB		PAGE
1	Notice of Motion	1 - 3
A	Draft Order	4 - 7
2	Affidavit of Marc Boutet, sworn April 16, 2010	8 - 16
A	Exhibit "A" : Initial Order of the Honourable Madam Justice Pepall dated March 23, 2010	17 - 32
B	Exhibit "B" : Endorsement & Unofficial Transcript of Endorsement of the Honourable Madam Justice Pepall dated March 23, 2010	33 - 42
C	Exhibit "C" : Affidavit of Marc Boutet sworn March 22, 2010	43 - 63
D	Exhibit "D" : The Lendcare Agreement	64 - 75
E	Exhibit "E" : Letter from Counsel to the Mackie Parties dated April 5, 2010	76 - 78
F	Exhibit "F" : Correspondence Between Counsel to David Baker and Counsel to Nelson Financial	79 - 82

TAB 1

Court File No.: 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 OR COMPROMISE OR ARRANGEMENT
OF NELSON FINANCIAL GROUP LTD. (the "Applicant")**

Applicant

**NOTICE OF MOTION
(Returnable April 22, 2010)**

THE APPLICANT, NESLSON FINANCIAL GROUP LTD. ("Nelson Financial" or the "Applicant"), will make a motion to the Court on Thursday, April 22, 2010, at 10:00 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

1. **THE MOTION IS FOR AN ORDER**, substantially in the form attached as **Schedule "A"**, *inter alia*:
 - (a) Abridging the time for service of the Notice of Motion and Motion Record, if necessary, and declaring that this motion is properly returnable on April 22, 2010;
 - (b) Approving the First Report of the Monitor, A. John Page & Associates Inc. ("**AJP&AI**" or the "**Monitor**") to be filed (the "**First Report**"), and the activities of the Monitor as described therein;
 - (c) Declaring that the Lendcare Agreement as defined in the Affidavit of Marc Boutet sworn April 16, 2010, has been terminated and is of no force and effect as against Nelson Financial;
 - (d) Approving an extension of the stay of proceedings from April 23, 2010, to and including June 7, 2010; and

- (e) Such further and other relief as counsel may request and this Honourable Court deem just.

2. THE GROUNDS FOR THE MOTION ARE:

Background

- (a) On March 23, 2010, Nelson Financial filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), pursuant to an Order of the Honourable Madam Justice Pepall (the "Initial Order");
- (b) Pursuant to the Initial Order, AJP&AI was appointed as Monitor of Nelson Financial;

Restructuring Activities

- (c) Since the issuance of the Initial Order, Nelson Financial has been working diligently to stabilize its business and maintain operations in compliance with the cash projections filed with this Honourable Court;
- (d) Pending the outcome of the Monitor's review of the company's business and operations, Nelson Financial has not undertaken significant restructuring steps;
- (e) If the stay of proceedings is extended, Nelson Financial intends to formulate a plan of compromise and arrangement;
- (f) Since March 22, 2010, Lendcare Financial Services Inc. ("Lendcare") has failed to meet its obligations under the Lendcare Agreement. On April 6, 2010, Lendcare purported to terminate the Lendcare Agreement;
- (g) Lendcare's actions constitute a repudiation of the Lendcare Agreement and Nelson Financial has opted to treat the Lendcare Agreement as at an end;
- (h) Nelson Financial has made significant efforts to source new financings;

Stay Extension

- (i) The continuation of the stay of proceedings is necessary to provide the stability needed to continue the Applicant's restructuring activities which have been ongoing following the granting of the Initial Order;
- (j) Circumstances exist that make the extension of the stay of proceedings appropriate;
- (k) Nelson Financial has acted and continues to act in good faith and with due diligence;

General

- (l) The provisions of the CCAA, as amended, and the equitable jurisdiction of this Honourable Court;
- (m) Rules 1.04, 2.03, 3.02, 14.05(2) and 16.08 of the *Rules of Civil Procedure*, R.R.O. 1990, c. C.43; and
- (n) Such further and other grounds as counsel may advise and this Honourable Court may permit.

3. THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE MOTION:

- (a) The Affidavit of Marc Boutet, sworn April 16, 2010;
- (b) The First Report of A. John Page & Associates Inc. in its capacity as Monitor of Nelson Financial Group Ltd.; and
- (c) Such further and other materials as counsel may advise and this Honourable Court permits.

Date: April 16, 2010

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TO: THE SERVICE LIST

TAB A

Schedule "A"

Court File No. 10-8630-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE

)

THURSDAY, THE 22nd

JUSTICE

)

DAY OF APRIL, 2010

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

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

Applicant

STAY EXTENSION ORDER

THIS MOTION made by the Applicant, Nelson Financial Group Ltd. ("**Nelson Financial**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, for an Order, *inter alia*:

- (a) that the time for service of the Notice of Motion, the Motion Record and the First Report of the Monitor, A. John Page & Associates Inc. (the "**Monitor**") dated April 15, 2010 (the "**First Report**") is abridged and validated so that this Motion is properly returnable today and dispensing with further service thereof;
- (b) approving the First Report; and
- (c) approving an extension of the stay of proceedings from April 22, 2010, to and including June 7, 2010,

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

ON READING the material filed, including the Notice of Motion, the First Report and the Affidavit of Marc Boutet sworn April 15, 2010, and on hearing the submissions of counsel for the Applicant and counsel for the Monitor;

SERVICE

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

MONITOR'S ACTIVITIES

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

STAY EXTENSION

3. **THIS COURT ORDERS** that the Stay Period (as defined in paragraph 13 of the Initial Order of the Honourable Justice Pepall, dated March 23, 2010) is hereby extended until and including June 7, 2010.

TERMINATION OF LENDCARE AGREEMENT

4. **THIS COURT ORDERS AND DECLARES** that the Lendcare Agreement as defined in the Affidavit of Marc Boutet sworn April 15, 2010 has been terminated and is of no force and effect as against Nelson Financial.

Court File No. 10-8630-00CL

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

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE**

(PROCEEDING COMMENCED AT TORONTO)

STAY EXTENSION ORDER

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

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**NOTICE OF MOTION
(Returnable April 22, 2010)**

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Nelson Financial Group Ltd.

TAB 2

Court File No. 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. (the "Applicant")**

Applicant

**AFFIDAVIT OF MARC BOUTET
(Sworn April 16, 2010)**

I, **MARC BOUTET**, of the City of Pickering, in the Province of Ontario, **MAKE OATH
AND SAY AS FOLLOWS:**

Introduction

1. I am the President, Secretary and sole director of Nelson Financial Group Ltd. ("**Nelson Financial**" or the "**Applicant**"). Accordingly, I have personal knowledge of the matters deposed to in this Affidavit. Where this Affidavit is not based on my personal knowledge, it is based on information and belief and I verily believe such information to be true.
2. This Affidavit is sworn in support of Nelson Financial's motion for an extension of the stay of proceedings granted to the Applicant under the *Companies' Creditors Arrangement Act* (the "**CAA**") from April 23, 2010 to June 7, 2010.

Background

3. On March 23, 2010, Nelson Financial filed for and obtained protection from its creditors under the CCAA pursuant to the Order of the Honourable Madam Justice Pepall (the "Initial Order"). A copy of the Initial Order is attached hereto as **Exhibit "A"**. A copy of the Endorsement of the Honourable Justice Pepall dated March 23, 2010 (the "Initial Endorsement") in relation to the Initial Order and a copy of the unofficial typed transcription of the Initial Endorsement are attached hereto as **Exhibit "B"**.
4. Pursuant to the Initial Order, A. John Page & Associates Inc. ("AJP&AI") was appointed as Monitor of the Applicant (the "Monitor").

Restructuring Activities

5. Since the issuance of the Initial Order, Nelson Financial has been working diligently to stabilize its business and maintain operations in compliance with the cash projections filed with this Honourable Court. Details of such steps will be further described in the First Report of the Monitor.
6. Pending the outcome of the Monitor's review of the company's business and operations, which I understand will be outlined in the First Report of the Monitor, Nelson Financial has not undertaken significant restructuring steps. In the event that this Honourable Court grants the requested stay extension, Nelson Financial intends to take further steps in its restructuring, including:
 - (a) the development and implementation (with the approval of this Honourable Court) of a claims process;
 - (b) the development of a plan of compromise or arrangement to propose to creditors; and,

(c) the convening of a meeting of the company's creditors for the purposes of considering and voting on any plan put forward by the company.

7. As previously disclosed to this Honourable Court in my Affidavit sworn March 22, 2010, and if the stay of proceedings is extended, Nelson Financial intends to formulate a plan of compromise and arrangement which will include the following general features:

- (a) the conversion of some percentage of the existing promissory notes to new preferred shares (with rights and attributes to be determined) in the capital of the restructured Nelson Financial;
- (b) the conversion of the remainder of the existing promissory notes into a new series of notes;
- (c) the conversion of existing preferred shares into a new class (or classes) of preferred shares (with attributes and rights to be determined);
- (d) the provision for satisfaction of any valid prior secured claims in favour of the Mackie Parties (as defined below); and
- (e) the payment or assumption of all employee claims.

Attached hereto as **Exhibit "C"** is a copy of my Affidavit sworn March 22, 2010.

Lendcare

8. As noted in my Affidavit sworn March 22, 2010, Nelson Financial has previously partnered with Lendcare Financial Services Inc. ("**Lendcare**"). Lendcare is a national provider of financial services which specializes in consumer financing partnerships with finance companies, merchants, and distributors to offer retail and direct financing programs to customers. When partnered with Nelson Financial, Lendcare acts as a factor conduit to aggregate a significant percentage of the accounts receivable

financed by Nelson Financial. By engaging Lendcare, Nelson Financial reduces its credit risk and the costs associated with credit control and administration.

9. Nelson Financial's relationship with Lendcare was set out in (i) a Business Protection Agreement dated August 20, 2007, (ii) an Agreement Regarding Future Financings dated December 6, 2007, and (iii) an Amending Agreement dated December 21, 2009, (together, the "**Lendcare Agreement**"). Attached hereto and marked as **Exhibit "D"** is a copy of the Lendcare Agreement.
10. On Monday, March 22, 2010, contrary to its usual arrangements, Lendcare failed to provide Nelson Financial with the opportunity to finance any transactions within its customer lending programs. From March 22, 2010 forward, Lendcare failed to provide Nelson Financial with any further financing opportunities.
11. On April 6, 2010, I was advised by Lendcare's President, Mark Schell, that Lendcare was purporting to terminate the Lendcare Agreement.
12. In view of Lendcare's failure to meet its obligations under the Lendcare Agreement and its purported termination of the Lendcare Agreement, Nelson Financial elected to treat Lendcare's actions as constituting a repudiation of the Lendcare Agreement and has opted to treat the Lendcare Agreement as at an end.
13. As a result of Lendcare's breach of the Lendcare Agreement, Nelson Financial has not been able to reinvest proceeds from prior financings as quickly as it had projected. Accordingly, and as is reported in greater detail in the updated cash-flow projections which will be attached to the First Report of the Monitor, Nelson Financial has currently accumulated significantly more cash than initially projected and is taking steps to source new financings.
14. Following Lendcare's repudiation of the Lendcare Agreement and its termination, Nelson Financial's efforts to source new financings have included discussions with 932552 Ontario Ltd., a company carrying on business as Distribution Centre (the "**Distribution Centre**"). Distribution Centre previously provided vendor-assisted

financing opportunities to Nelson Financial through the Lendcare programs. The purpose of these discussions with Distribution Centre is to permit Nelson Financial to deal directly with Distribution Centre on a go forward basis.

15. In view of provisions in the repudiated Lendcare Agreement which purport to restrict Nelson Financial's ability to solicit financing opportunities from businesses that have dealt through Lendcare, Nelson Financial does not propose to enter into any binding agreements with the Distribution Centre until authorized by this Honourable Court.
16. Following my discussions with the Distribution Centre and other businesses wishing to provide vendor-assisted financing to their customers, including LG Electronics, I am very optimistic that Nelson Financial will be able to replace the business generated from the Lendcare financing opportunities with an improved portfolio of loans which carry substantially better profitability and risk.

Ontario Securities Commission

17. As previously disclosed to this Honourable Court in my Affidavit sworn March 22, 2010, Nelson Investment Group Limited ("**Nelson Investment**") has been the subject of a compliance review and investigation by the Ontario Securities Commission (the "**OSC**"). Nelson Financial has continued its cooperation with the OSC enforcement staff handling the investigation and is attempting to work with the OSC to ensure that issues raised are addressed with the OSC in a timely fashion.
18. I am informed by Kelley M. McKinnon of Gowling Lafleur Henderson LLP that the OSC staff appear generally to be inquiring into 2 areas as follows (i) in relation to Nelson Investment, the compliance systems and compliance steps of Nelson Investment in dealing with investors, particularly focusing on KYC (know-your-client) information and whether investors were qualified as accredited investors, and (ii) in relation to Nelson Financial, understanding the financial model, including things like the cash flow, profitability, bad debt and delinquency issues affecting the Nelson Financial results. I

am further informed by Kelley M. McKinnon of Gowling Lafleur Henderson LLP that the discussions with the OSC are focussed on the future viability of Nelson Financial.

Mackie Parties

19. On April 5, 2010, counsel for Glenn Mackie, Lisa Mackie, and Foscarini Mackie Holdings Inc. (the "**Mackie Parties**") wrote to both counsel to Nelson Financial and the Monitor regarding the Mackie Parties security. Counsel for Nelson Financial has had preliminary discussions with counsel for the Mackie Parties concerning their claims to security interests over certain contracts financed by Nelson Financial and discussions are ongoing involving counsel to Nelson, the Monitor and its counsel, concerning the validity, enforceability and perfection of the security interest in favour of the Mackie Parties. Nelson Financial anticipates that a formal response will be provided to counsel to the Mackie Parties shortly. A copy of the letter sent from counsel to the Mackie Parties is attached hereto as **Exhibit "E"**.

David Baker

20. On April 7, 2010, counsel for David Baker wrote to express Mr. Baker's concerns with certain statements made in my Affidavit sworn March 22, 2010 in respect of Nelson Financial's dealings with Mr. Baker. A copy of the letter from counsel to Mr. Baker and Nelson Financial's response are attached hereto as **Exhibit "F"**.

Monitor's Report on Viability

21. Following discussions involving the OSC, the Monitor and its counsel, and in consultation with Nelson Financial, it was determined that the Monitor should prepare a report on the ongoing financial viability of Nelson Financial's business and operations (the "**Viability Report**").
22. Since the granting of the Initial Order, and in addition to its ongoing efforts to support and stabilize its business, Nelson Financial has worked cooperatively with the Monitor

to supply the Monitor with a high level of detail concerning the company's business, in order to assist the Monitor in the preparation of the Viability Report.

23. I understand that the Monitor's Viability Report will be contained in the First Report. Based on my understanding of the conclusions of this report and the Monitor's recommendations, I continue to believe that Nelson Financial will be able to propose a plan of compromise or arrangement to its creditors that offers stakeholders a better result than bankruptcy or liquidation. Furthermore, Nelson Financial should be able to generate stable and increased margin from its business, based on a changed focus towards the financing of consumer goods for customers with stronger credit histories. My discussions with the Distribution Centre, LG Electronics and others are part of this process.

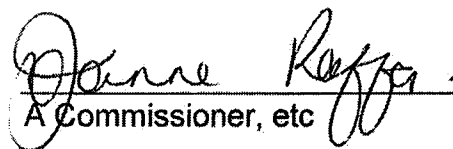
Stay Extension

24. In order to permit the Applicant to move forward with its restructuring in conjunction with the Monitor and interested stakeholders, it is appropriate and necessary to extend the stay of proceedings June 7, 2010.
25. The continuation of the stay of proceedings is necessary to provide the stability required to continue the Applicant's restructuring activities which have been ongoing following the granting of the Initial Order.
26. Nelson Financial has acted in good faith and with due diligence since the issuance of the Initial Order in pursuing its restructuring. In particular, with the assistance of the Monitor and its counsel, Nelson Financial has continued its discussions with the OSC with a view to addressing appropriate requests for information and generally responding to the OSC's investigation, as suggested by this Honourable Court in the Initial Endorsement.

Conclusion

27. The Applicant has taken significant steps, as outlined herein and as will be outlined in the First Report of the Monitor, towards its restructuring goals. The extension of the stay of proceedings will facilitate the continuation of these steps, which, if successful, will permit the Applicant to emerge from the protection of these CCAA proceedings as a viable going concern.
28. This Affidavit is made in support of Nelson Financial's motion to extend the stay of proceedings and for no other or improper purpose.

SWORN before me at the City of
 Pickering, in the Province
 of Ontario this 16th day of April, 2010.

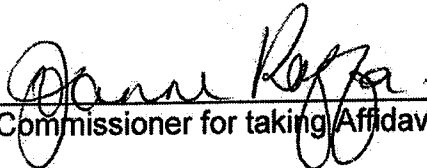

 A Commissioner, etc

**JOANNE JOSEPHINE RAFFA,
 A COMMISSIONER, ETC.,
 PROVINCE OF ONTARIO
 FOR NELSON FINANCIAL GROUP LTD
 EXPIRES FEBRUARY 1, 2011**



MARC BOUTET

This is **Exhibit "A"** to the
Affidavit of Marc Boutet
sworn before me, this 16th day of
April, 2010.


A Commissioner for taking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**

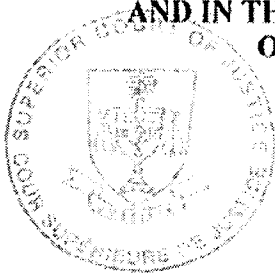
Court File No. 10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM)
)
JUSTICE PEPALL) TUESDAY, THE 23rd
 DAY OF MARCH, 2010

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

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



Applicant

INITIAL ORDER

THIS APPLICATION, made by the Applicant, Nelson Financial Group Ltd. ("Nelson Financial" or the "Applicant"), without notice, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Marc Boutet sworn March 22, 2010 and the Exhibits thereto, and the Report of A. John Page & Associates Inc. in its capacity as the Proposed Monitor to the Applicant dated March 22, 2010 and the Exhibits thereto, and on hearing the submissions of counsel for Nelson Financial, and counsel for A. John Page & Associates Inc., and on reading the consent of A. John Page & Associates Inc. to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. The Applicant shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.
6. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:
- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
 - (b) payment for goods or services actually supplied to the Applicant following the date of this Order.
7. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:
- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
 - (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
 - (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any

nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

8. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

9. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

10. THIS COURT ORDERS that the Applicant shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$50,000 in any one transaction or \$100,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and

- (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing.

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "Restructuring").

11. THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

12. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

13. THIS COURT ORDERS that until and including April 22, 2010, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

14. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data

services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant

after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

20. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraphs 31 and 33 herein.

21. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

APPOINTMENT OF MONITOR

22. THIS COURT ORDERS that A. John Page & Associates Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements;

- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicant in its development of the Plan and any amendments to the Plan;
- (d) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;
- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

24. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

25. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations

thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

26. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

27. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

28. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a bi-weekly basis.

29. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

30. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of

\$1,000,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 31 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

31. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$1,000,000.00); and

Second – Directors' Charge (to the maximum amount of \$200,000.00).

32. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge and the Administration Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

33. THIS COURT ORDERS that each of the Directors' Charge and the Administration Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, save and except the Encumbrances in favour of Glen Mackie and Lisa Mackie and Foscarini Mackie Holdings Inc., to the extent they are determined to be valid and enforceable and properly perfected by counsel to the Monitor.

34. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge or the DIP Lender's Charge, unless the Applicant also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

35. THIS COURT ORDERS that the Directors' Charge and the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

36. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.

SERVICE AND NOTICE

37. THIS COURT ORDERS that, subject to paragraph 38 of this Order, the Monitor shall (i) without delay, publish in the Globe and Mail newspaper a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the

estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

38. THIS COURT ORDERS that notwithstanding the provisions of paragraph 23(1)(a)(ii) of the CCAA, the Monitor shall not be obliged to publish and/or make publicly available the name or address of (i) any current and former Nelson Financial employees on account of employment-related liabilities, and (ii) any person holding securities issued by the Applicant which includes, but is not limited to, any person holding Notes and Pref Shares as defined in the Affidavit of Marc Boutet sworn March 22, 2010.

39. THIS COURT ORDERS that the Applicant and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

40. THIS COURT ORDERS that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at www.ajohnpage.com.

GENERAL

41. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

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

43. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

44. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.


45. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

46. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Daylight Time on the date of this Order.



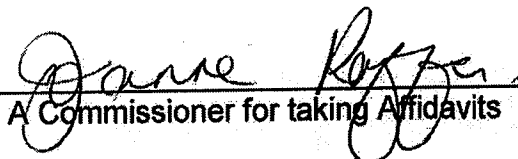
ENTERED AT / INSCRIT A TORONTO
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LE / DANS LE REGISTRE NO.

MAR 23 2010

PER / PAR: 

<p style="text-align: center;">Court File No. 10-8630-00CL</p> <p style="text-align: center;">IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED</p> <p style="text-align: center;">AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD.</p> <p style="text-align: right;">Applicant</p>	<p style="text-align: center;">ONTARIO</p> <p style="text-align: center;">SUPERIOR COURT OF JUSTICE</p> <p style="text-align: center;">(PROCEEDING COMMENCED AT TORONTO)</p> <p style="text-align: center;">INITIAL ORDER</p> <p>GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 TORONTO, Ontario M5X 1G5</p> <p>Clifton P. Prophet / Frank Lamie LSUC No.: 34345K / 54035S</p> <p>Telephone: (416) 862-3509 / (416) 862-3609 Facsimile: (416) 862-7661</p> <p style="text-align: center;">SOLICITORS FOR THE APPLICANT</p>
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This is **Exhibit "B"** to the
Affidavit of Marc Boutet
sworn before me, this 16th day of
April, 2010.


A Commissioner for taking Affidavits

JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.

Superior Court of Justice (Commercial List)

Court Division: Superior Court of Justice (Commercial List)
Region: Toronto
Judge: Pepall
Date: 2010-03-23
Location: 330 University Ave
Room No.: 8-3
Start Time: 9:30 AM

Facsimile Transmittal Sheet

File Number: 10-8831-CL

File Name: ABC LTD

FAX NUMBER (s): 416-304-1313 593-2319 862-7661

FROM: Pepall, J. DATE: MARCH 23, 2010

TO: C. PROFFER

TO: J. BRANT

TO: P. FOLY

TO: _____

SUBJECT: _____

NUMBER OF PAGES INCLUDING COVER PAGE: 56

COMMENTS: _____

Court File Number: 10 - 8030 - 0004934

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

In the matter of the CCAA

Re Nelson Financial Group Ltd.
Plaintiff(s)

AND

Defendant(s)

Case Management Yes No by Judge: Repall

Counsel	Telephone No.:	Facsimile No.:

- Order Direction for Registrar (No formal order need be taken out)
- Above action transferred to the Commercial List at Toronto (No formal order need be taken out)

- Adjourned to: _____
- Time Table approved (as follows): _____

(NFG)

Nelson Financial Group Ltd seeks an initial order pursuant to the CCAA. NFG carries on a consumer finance business in Pickering Ontario. Its principal business is vendor assisted financing. Until recently, its principal business was sub-prime vehicle financing. The business was established in 1990 by its sole shareholder Marc Boulet.

NFG currently finances customers of vendors - the consumer household goods/appliances + food sectors to provide financing to customers. NFG has borrowed money from investors in the exempt market pursuant to a continuous offering of unsecured promissory notes + term preferred shares. The model is based on raising money from investors at a 12-14% rate of interest + using that money to

March 23, 2010

Date

Bob Repall J

Judge's Signature

Additional Pages _____

035

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsement Continued

extend credit at significantly higher rates
There are 685 outstanding investor
loan notes totaling approximately
\$37 million + 169 preferred share
holders with a par value of about
\$15 million. NPT was unable to make
a dividend payment payable on March 1
2010 for certain of the preferred shares.
On March 25, 2010, certain interest payments
are due on certain notes.

The required financial statements
have been filed. They reveal + NPT
acknowledges, that it is insolvent.
liabilities are stated to be approx \$37 milli
+ assets approx \$30 million in the most
recent internally prepared interim financial
statements.

The financial difficulties of NPT are likely
to have arisen due to higher than
anticipated losses on its non-prime +
sub-prime portfolio + its voluntary
cessation of the issuance of notes +
preferred shares pending completion of
a review by the OSC.

The OSC has conducted a compliance review
for the period Sept 1, 08 to Aug 31, 09 +
has identified a number of compliance
issues.

The OSC was served with the materials
this application late yesterday. It sought
an adjournment to file responses and/or
or to seek a s.129 application to appoint
a receiver in light of the March 25, 2010
payment deadline + the exclusion of the
OSC from the stay + the comeback of
possession. I declined the request for
the adjournment + granted the order
requested. The OSC is a regulatory body

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsement Continued

unaffected by the stay + is at liberty to
pursue its own proceedings to vary
this initial order.

NFCr does not appear to have
significant liabilities to secured
creditors + according to NFCr, the
restitutions under the PPSA noted -
para 41 of Mr Barlett's affidavit are
largely historical. The restitutions - para
of Nelson investment + to an affiliated
company of which Mr Barlett is the
principal + sole shareholder. The various
parties held securities, but they are
not owned by the proposed charges.
There is no PIP financing.

The trade debt is modest + NFCr
intends to continue to meet all
employee liabilities as they fall due
to remain current + payable. There
are 27 employees.

A charge of \$200,000 in favour of the
director is proposed together with
an administrative charge of \$1 million
for the fees of the monitor + its counsel,
NFCr's counsel. I am satisfied that
these charges are merited - the
circumstances + meet the requirements
imposed by the recent amendments
to the CAA.

A John Park + Associates has caused
to act, + is qualified to act as monitor
clearly NFCr is a debtor company
has met the other requirements for the
issuance of an initial order under
the CAA.

NFCr intends to continue to fund new
customer loans but will not issue
notes or preferred shares. A cash flow

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsement Continued

Statement has been filed as has a preliminary report been filed by the proposed Monitor on same. The statement suggests that NFA will be able to meet its operating costs during the stay period from cash flow generated by the business.

NFA has outlined the parameters of a proposed Plan + I am of the view that if Chabala has taken the opportunity, based on the evidence before me, to attempt a restructuring with its creditors, in this regard, I would urge counsel for NFA, the Monitor + the OSC to have a dialogue prior to any initiation of proceedings by the OSC.

hastily, the investors in NFA, many of whom are individuals, made their investments by way of a private placement in the exempt market. Given the anticipated reasonable expectation that their identities would not be disclosed, except as otherwise ordered by the court, the Monitor need not prepare a creditor list of note holders + holders of preferred shares as contemplated by s. 236(4)(c) of the CCAA. The same applies to the employees.

For these reasons, I granted the order requested.

Dr. [Signature]

Court File No. 10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM)	TUESDAY, THE 23rd
)	
JUSTICE PEPALL)	DAY OF MARCH, 2010

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

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

Applicant

**UNOFFICIAL TRANSCRIPT OF THE
ENDORSEMENT OF JUSTICE PEPALL
(March 23, 2010)**

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

NFG currently finances customers of vendors – the consumer household goods/appliances and food sectors. To provide financing to customers NFG has borrowed money from investors in the exempt market pursuant to a continuous offering of unsecured

promissory notes and/or preferred shares. The model is based on raising money from investors at a 12-10% rate of return and using that money to extend credit at significantly higher rates.

There are 685 outstanding investor loan notes totalling approximately 37 million and 169 preferred share holders with a par value of about 15 million. NFG was unable to make a dividend payment payable on March 16, 2010 for certain of the preferred shares. On March 25, 2010, certain interest payments are due on certain notes.

The required financial statements have been filed. They reveal and NFG acknowledges, that it is insolvent. Liabilities are stated to be approximately 37 million and assets approximately 30 million in the most recent internally prepared interim financial statements.

The financial difficulties of NFG are stated to have arisen due to higher than anticipated losses on its non-prime and sub-prime portfolio and its voluntary cessation of the issuance of notes and preferred shares pending completion of a review by the OSC.

The OSC has conducted a compliance review for the period September 1, 08 to August 31, 09 and has identified a number of compliance issues.

The OSC was served with the materials on this application late yesterday. It sought an adjournment to file responding materials or to seek a s.129 application to appoint a Receiver. In light of the March 25, 2010 payment deadline, the exclusion of the OSC from the stay and the comeback provision, I declined the request for the adjournment and granted the order requested. The OSC is a regulatory body unaffected by the stay and is at liberty to bring its own proceeding and/or to vary this initial Order.

NFG does not appear to have significant liabilities to secured creditors and according to NFG, the registrations under the PPSA noted in paragraph 41 of Mr. Boutet's affidavit are largely historical. The registration in favour of Nelson investment is to an affiliated company of

which Mr. Boutet is the principal and sole shareholder. The Mackie parties hold security but they are not primed by the proposed charges. There is no DIP financing.

The trade debt is modest and NFG intends to continue to meet all employee liabilities as they fall due and to remain current on payroll. There are 27 employees.

A charge of \$200,000 in favour of the director is proposed together with an administrative charge of 1 million for the fees of the Monitor and its counsel and NFG's counsel. I am satisfied that these charges are merited in the circumstances and meet the requirements imposed by the recent amendments to the CCAA.

A. John Page & Associates has consented to act and is qualified to act as Monitor.

Clearly NFG is a debtor company and has met the other requirements for the granting of an Initial Order under the CCAA.

NFG intends to continue to fund new customer loans but will not issue any notes or preferred shares. A cash flow statement has been filed as has a preliminary report been filed by the proposed Monitor reporting on same. The statement suggests that NFG will be able to meet its operating costs during the stay period from cash flow generated by the business.

NFG has outlined the parameters of a proposed plan and I agree that it should be given the opportunity based on the evidence before me to attempt a restructuring with its creditors. In this regard, I would urge counsel for NFG, the Monitor and the OSC to have a dialogue prior to any initiation of proceedings by the OSC.

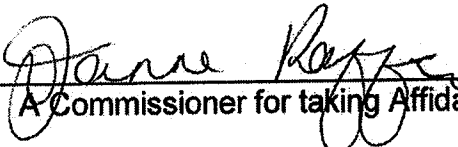
Lastly, the investors in NFG, many of whom are individuals, made their investments by way of a private placement in the exempt market. Given the anticipated reasonable expectation that their identities would not be disclosed, except as otherwise ordered by the court, the monitor need not prepare a creditor list of note holders and holders of preferred shares as contemplated by s. 23(i)(a)(ii) of the CCAA. The same applies to the employees.

For these reasons, I granted the order requested.

// Original Endorsement Signed by Madam Justice Pepall//

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This is **Exhibit "C"** to the
Affidavit of Marc Boutet
sworn before me, this 16th day of
April, 2010.


A Commissioner for taking Affidavits

JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.

Court File No. 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. (the "Applicant")**

Applicant

**AFFIDAVIT OF MARC BOUTET
(Sworn March 22, 2010)**

**I, MARC BOUTET, of the City of Pickering, in the Province of Ontario, MAKE OATH
AND SAY AS FOLLOWS:**

Introduction

1. I am the President, Secretary and sole director of Nelson Financial Group Ltd. ("Nelson Financial" or the "Applicant"). Accordingly, I have personal knowledge of the matters deposed to in this my Affidavit. Where this Affidavit is not based on my personal knowledge, it is based on information and belief and I verily believe such information to be true.
2. This Affidavit is sworn in support of Nelson Financial's application for protection from its creditors under the *Companies' Creditors Arrangement Act* (the "CCAA").

Nature of Application and Overview of Relief Sought

3. Nelson Financial is in financial distress and has need of immediate relief.

- 2 -

4. Nelson Financial carries on a consumer finance business. In particular, its activities are predominantly focussed on vendor-assisted financing and small consumer loans. Historically, Nelson Financial also operated a sub-prime vehicle leasing business.
5. In order to fund its activities, Nelson Financial raises monies through the placement of investments in the exempt market, primarily through the issuance of unsecured promissory notes ("Notes") and, to a lesser extent, preferred shares ("Pref Shares").
6. Until January 29, 2010, Nelson Financial had offered Notes and Pref Shares to investors through Nelson Investment Group Ltd. ("Nelson Investment"), an affiliated company registered under applicable securities legislation to carry on business as an exempt market dealer.
7. Nelson Financial's current financial difficulties have largely arisen as a result of the following two factors:
 - (a) Higher than anticipated losses on its non-prime and sub-prime portfolio, in particular, historical losses attributable to its vehicle financing activities; and
 - (b) Its voluntary cessation of the issuance of Notes and Pref Shares, pending the completion of a review by the Ontario Securities Commission.
8. As a result of the factors referenced above, Nelson Financial needs to complete a financial restructuring in order to ensure the long term viability of its business and to enhance returns for its investors. Nelson Financial intends to formulate a plan of compromise and arrangement to be proposed to its stakeholders on terms that will preserve the long term value of the investors' Notes and Pref Shares. If such a restructuring can be achieved, Nelson Financial is confident that its ongoing business model will provide it with a stable financial base and permit it to pay returns to investors which are significantly better than recoveries that would be realized in the

event of a bankruptcy. Conversely, if Nelson Financial does not have the opportunity to propose and implement a financial restructuring, it is likely that its business will cease; its assets will be liquidated or collected; and, that investors will suffer a significant shortfall on the principal amounts of their investments.

9. Nelson Financial is therefore requesting relief that includes the following:
- (a) immediate relief in the form of a stay of proceedings;
 - (b) the appointment of A. John Page & Associates Inc. as Monitor;
 - (c) restructuring powers for Nelson Financial that will enable it to propose and implement a plan of compromise or arrangement with the assistance of the Monitor;
 - (d) a charge over the property of Nelson Financial in respect of the fees and expenses of the Monitor, its legal counsel and the Applicant's legal counsel; and
 - (e) a charge over the property of Nelson Financial to secure the indemnification of the directors and officers of Nelson Financial, to the extent permitted under the CCAA.

Corporate Structure and Management

10. Nelson Financial was incorporated under the *Business Corporations Act* (Ontario) pursuant to Articles of Incorporation dated September 4, 1990. As set out in more detail below, Nelson Financial currently has outstanding two classes of common shares and two series of Pref Shares, which are non-voting.
11. I am the owner of all of the issued and outstanding voting common shares in the capital of Nelson Financial.

12. Nelson Financial is affiliated with Nelson Investments (the exempt market dealer described above) and Nelson Mortgage Group Ltd. ("Nelson Mortgage"). I am also the owner of all of the issued and outstanding common shares of Nelson Investments and Nelson Mortgage. Nelson Mortgage carries on business as a mortgage broker and has no significant business connections with Nelson Financial.

13. As the President of Nelson Financial, I have overall executive responsibility for the company. Stephanie Sobol is the General Manager of Nelson Financial. Ms. Sobol oversees the Applicant's finances and its day-to-day operations. The Applicant's business affairs are organized into the following three departments, each with its own manager:
 - (a) Finance and Administration Department – Dorothy Inkster, Manager;
 - (b) Loans Department – Melissa Marten, Manager; and
 - (c) Customer Service, Collections and Legal Recovery Department – Al Garrison, Manager.

Nature of the Business

14. Nelson Financial carries on business from leased premises located at 900 Dillingham Road, Pickering, Ontario.

15. As indicated above, Nelson Financial's principal business is vendor-assisted financing. Until 2007, Nelson Financial's principal business was sub-prime vehicle financing. Nelson Financial's current business lines comprise (i) vendor-assisted financing, (ii) consumer loans, and (iii) its winding down portfolio of sub-prime vehicle leases.

Customer Profile

16. Nelson Financial's customers include a mix of prime borrowers, non-prime borrowers and sub-prime borrowers. Typically, its customers are individuals who are under-served by traditional banks and financial services companies. Customers of Nelson Financial's remaining vehicle-leasing business are, for the most part, sub-prime borrowers. Customers in Nelson Financial's vendor-assisted programs are typically a mix of prime borrowers and non-prime borrowers.
17. The non-prime and sub-prime credit markets provide financing to borrowers who may have limited or no credit histories, past credit problems and who are attempting to re-establish credit. As a result, non-prime and sub-prime lenders typically price their loans and design their portfolio management systems to withstand a higher level of delinquency and credit losses than those experienced by traditional lending sources. In order to compensate for this higher default risk, non-prime consumers are charged higher interest rates.
18. As is set out in more detail below, in order to provide financing to customers, Nelson Financial borrows money from investors in the exempt market pursuant to a continuous offering of Notes with a 12.00% rate of interest and/or Series A and Series B Pref Shares at an issue price of \$25.00 with a fixed preferential cumulative dividend at the rate of 10% per annum, payable monthly.

Business Model

19. Nelson Financial's business model is based on being able to raise money from investors and, in turn, use that money to extend credit at higher yields to vendor-assisted finance customers and sub-prime vehicle lessees. The "spread" is utilized by Nelson Financial for portfolio management, administration, payment of commissions to Nelson Investment and general working capital purposes, including repayment of Nelson Financial's investors.

- 6 -

20. In some circumstances, Nelson Financial has partnered with Lendcare Financial Services Inc. ("Lendcare"). Lendcare is a national provider of financial services which specializes in consumer financing partnerships with finance companies, merchants, and distributors to offer retail and direct financing programs to customers. When partnered with Nelson Financial, Lendcare acts as a factor conduit to aggregate a significant percentage of the accounts receivable of Nelson Financial. By engaging Lendcare, Nelson Financial reduces its credit risk and the costs associated with credit control and administration.

Vendor-Assisted Financing

21. Since 2005, Nelson Financial has provided vendor-assisted financing to vendors across Canada. Nelson Financial offers vendor-assisted financing to clients seeking to enhance sales levels through customer financing programs. Where possible, Nelson Financial enters into exclusivity arrangements with vendors for periods of up to ten (10) years. Vendors of consumer goods will often seek out third party financing arrangements in order to achieve sales goals and meet their customer's needs by offering flexible financing solutions. Nelson Financial currently provides vendor-assisted financing in two sectors: consumer household goods/appliances and food. In particular, Nelson Financial currently has arrangements with vendors that finance grocery delivery, water and air purification systems, furnaces, vacuums and energy efficient products.
22. In a typical transaction, once a customer's financing application is approved, Nelson Financial will pay the vendor the cost of the product being financed, usually at a discount to the purchase price. The customer will purchase the product from Nelson Financial, usually interest-free, by paying Nelson Financial monthly instalments. The return received by Nelson Financial following repayment of the full purchase price constitutes Nelson Financial's yield on the transaction. In some limited cases, Nelson Financial can increase its yield by receiving a discount on the purchase price of the product from the vendor plus an additional rate of interest on the purchase price

payable by the customer. Nelson Financial mitigates its risk by the discount rate and interest rate (if applicable) that it receives.

Sub-Prime Vehicle Financing

23. Historically, Nelson Financial offered financing in the sub-prime vehicle finance industry by offering consumer loans to sub-prime borrowers or lessees. Title to the vehicle would be retained by Nelson Financial, and ownership transfer would occur upon final payment of interest and principal. In view of significant losses in the sub-prime auto finance industry, Nelson Financial began its gradual exit from this portion of the financing industry.
24. Nelson Financial financed its last vehicle lease in the sub-prime auto industry in 2007 and has been winding down the portfolio of sub-prime auto leases from a high of approximately 4,500 vehicle leases to 713 vehicle leases remaining in its portfolio as of February, 2010.

Consumer Loans

25. Consumer loans, outside the vendor-assisted financing and sub-prime vehicle finance programs, have not comprised a significant portion of Nelson Financial's loan receivables. Further, Nelson Financial does not seek to make significant consumer loans outside of its vendor-assisted consumer financing programs. However, from time-to-time, consumer loans for a variety of purposes may be made to an existing customer that has previously been approved and borrowed under a vendor-assisted financing program. Consumer loans are made on terms determined between Nelson Financial and the customer.

Future Marketplace Opportunities

26. Over the past two (2) years, certain of large U.S. financing companies have exited the Canadian non-prime and sub-prime consumer finance marketplace. In view of this opportunity, greater room in the marketplace likely exists for vendor-assisted financing

- 8 -

for customers that do not meet bank level creditor requirements or that are too small to be underwritten by most banks.

27. Currently, Nelson Financial employs 27 people, split between its three departments as follows:
- (a) Finance and Admin – 9 people
 - (b) Loans – 4 people
 - (c) Customer Service and Collections – 14 people.

Financial Difficulties

28. As indicated above, the Applicant's financial difficulties can be primarily attributed to its sub-prime vehicle leasing business which began in 2003. At that time, Nelson Financial began a movement away from its traditional consumer finance business which had been focussed on financing the acquisition of computer systems. At its peak, Nelson Financial had more than 4,500 vehicle leases in its portfolio totalling \$32,000,000. Delinquencies and losses on this portfolio were substantially greater than forecast and Nelson Financial suffered ongoing losses as a result.
29. The problems caused by Nelson Financial's vehicle leasing portfolio were exacerbated by the Applicant's exposure to a car dealership that Nelson Financial had acquired in conjunction with its leasing programs. Nelson Financial provided operating financing for this dealership in excess of \$2,500,000.
30. When it became apparent to me that the vehicle leasing business was not going to be successful in the long term, I recommended that Nelson Financial exit the business, starting in or about early 2006. At that time, I had a partner in the Nelson Financial business, Mr. David Baker. Mr. Baker had a very different view of the potential of the leasing business (which proved to be an incorrect view). As a result of our differing views, Mr. Baker and I agreed to sever our business relationship and entered into a

series of agreements to accomplish this. Under these agreements (as ultimately structured), Mr. Baker agreed to assume and discharge the liabilities owing to Nelson Financial in relation to the owned car dealership and purchased a portion of the vehicle lease portfolio on credit terms.

31. Although Nelson Financial had security over the vehicle leases sold to Mr. Baker and although the credit provided to Mr. Baker in connection with the acquisition of the portfolio was on "interest only terms" for a period of 36 months, Mr. Baker was unable to make required payments either on account of the lease portfolio or on account of the debt obligations of the automobile dealership which he had assumed. Ultimately, Nelson Financial had to take back the lease portfolio (following a substantial decrease in value due to write-offs, settlements and repossessions by Mr. Baker or his company while they had control of the portfolio) and had to write-off in total the outstanding loans in relation to the automobile dealership. These losses totalled in excess of \$3,000,000.00 and were in addition to the already noted losses incurred as a result of general difficulties with the vehicle lease program.
32. In view of the foregoing problems, Nelson Financial has been running down its vehicle leasing portfolio. From the peak noted above, Nelson Financial's vehicle leasing portfolio now comprises only 678 leases with a total exposure of \$2,900,000.

OSC Review of Nelson Investment Group Limited

33. October 19, 2009, the compliance staff of the Registrant Regulation Branch of the Ontario Securities Commission ("OSC") commenced a compliance review of Nelson Investment pursuant to their authority under applicable securities laws to undertake compliance reviews of registered firms.
34. The OSC review addressed the period from September 1, 2008 to August 31, 2009. On January 4, 2010, following the completion of the review, the OSC identified a significant number of compliance issues in relation to Nelson Investment under

securities law requirements, and indicated that the matter would be forwarded to the OSC Enforcement Branch.

35. To date, formal proceedings have not been initiated against Nelson Investment and Nelson Investment and its advisors continue to be in discussion with the OSC.
36. Nelson Investment has cooperated throughout the review with a view to making suitable adjustments to address the concerns raised by the OSC and continues to work with the OSC to ensure that issues raised are addressed with the OSC in a timely fashion.
37. While the OSC review is ongoing, Nelson Financial has voluntarily ceased the issuance of Notes and Pref Shares.

Assets and Current Financial Status

38. As at February 28, 2010, based on the Applicant's internal financial records, Nelson Financial had assets valued at \$30,565,759.72, consisting of the following:

<u>Description</u>	<u>Amount</u>
Cash and Cash Equivalents	\$805,304.05
Prepaid and Other Current Assets	\$1,817,336.15
Fixed Assets, net of depreciation	\$290,911.46
Loan Assets	\$27,457,935.11
Other Accounts Receivable	\$194,272.95
Total Assets	\$30,565,759.72

- 11 -

As can be seen from the foregoing, Nelson Financial's substantial portfolio of consumer loans (including residual vehicle leases) constitutes its largest asset class by far.

39. Nelson Financial's financial statements are prepared on a review engagement basis by PricewaterhouseCoopers LLP. The most current finalized financial statements for the Applicant are for the financial year ending July 31, 2008. Attached as **Exhibit "A"** is a copy of Nelson Financial's 2008 financial statements. Internally prepared statements for Nelson Financial, which have not been reviewed by PricewaterhouseCoopers LLP, for the year ending July 31, 2009, are attached as **Exhibit "B"**. Internally prepared financial statements, which have not been reviewed by PricewaterhouseCoopers LLP, for the interim period from August 1, 2009 to February 28, 2010, are attached as **Exhibit "C"**.
40. As can be noted from a review of the financial statements referred to above, Nelson Financial has been experiencing continuing losses for some time. These losses have been caused by the financial and business challenges referred to above. The cessation of the issuance of new Notes and new Pref Shares has recently exacerbated Nelson Financial's difficulties, since it has no bank or other source of financing. Nelson Financial is now insolvent.

Creditors

Secured Creditors

41. Nelson Financial does not have significant liabilities to secured creditors. I am advised by D'Arcy Doherty of Gowling Lafleur Henderson LLP and verily believe that a search of the records maintained under the *Personal Property Security Act*, current as at March 16, 2010, reveals the following parties as having registrations:
- (a) Marchant Securities Inc.;
 - (b) Exchequer Financial Limited Partnership;

- 12 -

- (c) The Toronto-Dominion Bank;
 - (d) Nelson Mortgage Group Ltd.;
 - (e) Nelson Investment Group Ltd.;
 - (f) Glenn Mackie and Lisa Mackie; and
 - (g) Foscarini Mackie Holdings Inc.
42. The registrations in favour of Marchant Securities Inc., Exchequer Financial Limited Partnership, the Toronto-Dominion Bank and Nelson Mortgage are historical and do not evidence security for any debt currently owed by Nelson Financial. Since Nelson Financial owes no money or obligations to these three parties, their registrations should be discharged.
43. The registration in favour of Nelson Investment is in favour of the affiliated corporation of which I am the sole shareholder and principal and relates to a security agreement securing payment of an intercompany amount owing from Nelson Financial to Nelson Investment. This intercompany indebtedness represents earned but unpaid commissions in relation to the sale by Nelson Investments of Notes and Pref Shares.
44. The registrations in favour of Glenn Mackie, Lisa Mackie and Foscarini Mackie Holdings Inc. (the "Mackie Parties") all relate to investments described as being issued on a secured basis. The security granted in favour of the Mackie Parties attaches to specific financed contracts with identified customers. The Mackie Parties' security does not attach to any of the other assets of Nelson Financial. The Applicant is consulting with its legal advisors and will consult with any Monitor appointed concerning the validity, enforceability and perfection of the security in favour of the Mackie Parties. Attached hereto as Exhibit "D" is a copy of the Mackie Parties' security agreements. The schedules to the Mackie Parties' security agreements have been redacted in order to maintain the confidentiality of the individual customers listed therein.

Noteholders and Pref Shareholders

45. As indicated above, Nelson Financial finances its business through the issuance of the Notes and the Pref Shares to accredited investors (respectively, the "Noteholders" and "Pref Shareholders") from time to time. In general terms, the Notes are unsecured debt obligations owed to investors by Nelson Financial. The Notes vary in term from 12 months to 60 months. More recently, most Notes issued were for 12 or 24 months terms. The Notes pay interest at 12% per annum, paid monthly. Certain of the Notes (the "P&I Notes") provide for blended payments of principal and interest over their term, such that the principal will be paid in full at maturity. Other Notes provide for the payment of interest only over their term, with the total principal amount to be paid at maturity.
46. Notes are made available for issuance by Nelson Financial on the second, sixteenth and twenty-fifth day of each month (the "Issue Dates"). Interest (or in the case of P&I Notes, principal and interest) is paid monthly on the Issue Date corresponding to the Note in question.
47. Sixty to ninety days in advance of the Issue Date which corresponds to the end of a Note's term, it is Nelson Financial's practice to contact each Noteholder to ascertain whether they wish to renew their investment for another term. If an investor wishes to renew, new documentation evidencing the renewed investment is prepared and executed. Investors who indicate that they do not wish to renew have amounts remaining unpaid under their Notes paid in full. Up to the date of filing, Nelson Financial has never failed to honour an obligation (including an interest obligation), under any of the Notes.
48. In addition to the Notes, Nelson Financial has issued two series of the Pref Shares, with identical terms. The Pref Shares were issued at an issue price of \$25.00. The Pref Shares pay a cumulative 10% dividend payable monthly. The Pref Shares rank ahead of the common shares of Nelson Financial both as to dividend rights and as to priority on wind-up. At the option of the Pref Shareholders, Nelson Financial has re-

- 14 -

invested certain dividends payable into additional Pref Shares. The Pref Shares are redeemable at the option of Nelson Financial.

49. Like the Notes, the Pref Shares were issued on the Issue Dates. Monthly dividend payments have been made on Pref Shares on the Issue Date corresponding to the particular Pref Share.
50. The Pref Shares did not provide Pref Shareholders with retraction rights, however, Nelson Financial had the unilateral right to redeem the Pref Shares at any time. Where a Pref Shareholder indicated that they wanted their shares redeemed, Nelson Financial, as a matter of practice, would generally exercise its right to redeem the shares.
51. As at February 28, 2010 there were approximately 323 Noteholders with total principal outstanding of \$36,647,019.03 and 79 Pref Shareholders holding Pref Shares with an aggregate issue price, including dividend re-investment, of \$14,636,274.93.
52. With respect to the dividends otherwise payable on the March 16 Issue Date for certain of the Pref Shares, the Applicant was unable to make this payment on March 16, 2010 and these shareholders are creditors of the Applicant in the aggregate amount of \$53,804.00.

Trade and Other Unsecured Creditors

53. As at February 28, 2010, Nelson Financial's total trade debt was approximately \$15,613.21. Nelson Financial is paying this debt current on 30 day terms. The trade debt is predominately owed to the providers of office supplies and equipment.

Employee Claims

54. Nelson Financial is current on all wages and benefits due and owing to its employees. Nelson Financial does not sponsor any registered pension plans in respect of its employees. Nelson Financial intends to continue to meet all employee liabilities as they fall due. As at February 28, 2010, Nelson Financial had accrued the sum of

\$1,788.40 and the sum of \$76,940.11 for accrued but unpaid vacation pay and bonuses, respectively.

55. Nelson Financial uses the Ceridian payroll service to process its employee payments. Nelson Financial is current and intends to remain current on all amounts required to be funded to Ceridian to meet payroll. Ceridian is responsible for the calculation and remittance of amounts to be withheld and remitted at source in respect of taxes, Canada Pension Plan contributions and Employment Insurance.

Taxes and Crown Claims

56. As indicated above, Nelson Financial is current on all amounts required to be withheld from employees at source and remitted. As at February 28, 2010, Nelson Financial's other tax liabilities/assets were as follows:
- (a) Net G.S.T. payable – \$1,070.92;
 - (b) Federal corporate income tax payable – \$2,202.70;
 - (c) Provincial corporate income tax receivable – \$48,891.49 (refund); and
 - (d) Provincial sales tax payable – \$6,185.56.
57. With respect to the P.S.T. and G.S.T. amounts referenced above, it should be noted that Nelson Financial is fully current and that these amounts were not due as at February 28, 2010.

Operations During CCAA and Cash Flow

58. If this Honourable Court grants Nelson Financial's application for protection under the CCAA, the Applicant intends to continue to carry on its business through the restructuring period. In particular, Nelson Financial intends to continue to fund new customer loans. Over the term of the restructuring period, Nelson Financial plans to

- 16 -

use net revenues generated from its existing portfolio of loans for the purpose of acquiring new customer loans and for general operating costs, including restructuring costs. The continuation of the business should mean that the overall value of the loan portfolio remains constant as individual customer loans turn over and new customer loans are acquired.

59. During the period of the restructuring, Nelson Financial will not be making any payments on Noteholder debt. Similarly, no payments will be made to Pref Shareholders.
60. As described below, Nelson Financial intends to resume payment to investors (through payments of interest or principal and interest to Noteholders in accordance with their Notes and through discretionary dividends to Pref Shareholders) following a successful restructuring and on the basis of the new Notes and new Pref Shares which are intended to form the backbone of Nelson Financial's restructuring plan.
61. A projected cash flow for Nelson Financial has been prepared for the purposes of these proceedings for the period from March 22, 2010 to June 18, 2010 (the "Cash Flow Forecast"). A copy of the Cash Flow Forecast is attached hereto as Exhibit "E". As I understand it, A. John Page & Associates Inc., the proposed Monitor, has prepared a pre-filing report to the Court which comments upon the reasonableness of the Cash Flow Forecast and the assumptions which underlie it.
62. Based on the Cash Flow Forecast, Nelson Financial believes that it can meet all of its operating costs during the period of its restructuring from cash flow generated by the business and accordingly is not seeking authority to obtain debtor-in-possession financing.

Monitor and Charges

63. In early March, 2010, A. John Page & Associates Inc. ("AJP&AI") was engaged as an advisor to Nelson Financial to assist Nelson Financial with the assessment of its

restructuring options. AJP&AI has reviewed the draft initial order setting out the relief Nelson Financial is seeking and has conducted a general review of the Applicant's financial information, business and affairs. Following this review AJP&AI has consented to act as Monitor for the purposes of these CCAA proceedings. Attached hereto as **Exhibit "F"** is AJP&AI's Consent to act as Monitor.

64. As I understand it, the CCAA will require the Monitor to disclose the names and addresses of Nelson Financial's creditors on its website unless the Court directs otherwise.
65. The investors in Nelson Financial, many of whom are individuals, made their investments by way of a private placement in the exempt market. The investors had the expectation that the fact of their investment would remain private and that their identities would not be disclosed. Accordingly, as part of Nelson Financial's application, Nelson Financial is seeking an exemption from the Monitor's disclosure obligation with respect to the investors.
66. In order to adequately provide for the fees and disbursements of the Monitor, counsel for the Monitor and counsel to Nelson Financial, Nelson Financial is seeking a charge in favour of these professionals to secure payment of their fees and disbursements incurred both prior to filing and after filing (the "Administration Charge") in the amount of \$1,000,000. Nelson Financial is requesting that the Administration Charge have first priority over the Applicant's property, assets and undertaking, subject only to the security in favour of the Mackie Parties, to the extent that this security is valid and enforceable security and properly perfected. Since the other personal property registrations referenced above do not appear to relate to any debt obligation or liability actually owing by Nelson Financial to an arm's length party, it is Nelson Financial's view that none of these parties will be affected by the proposed administration. To the extent that they are secured creditors, Nelson Investment and Nelson Mortgage are consenting to the Administration Charge.

67. As indicated above, I am the sole director and officer of Nelson Financial. Although Nelson Financial intends to continue to comply with applicable laws with respect to matters affecting it, including without limitation the payment of wages, employee source deductions, vacation pay, GST, provincial sales tax and other requirements, the failure to successfully complete the restructuring may result in significant personal liabilities for me in my capacity as director and officer. Historically, Nelson Financial has not had insurance coverage for this sort of potential liability. Although Nelson Financial has recently attempted to secure coverage, its insurance broker has advised that it is unlikely that director's and officer's liability insurance can now be obtained. Nelson Financial is accordingly requesting court-ordered indemnification for its director and officer, to the extent permitted under the CCAA, and the creation of a charge in favour of the director and officer to secure payment and performance of this indemnity (the "Director's Charge") in the amount of \$200,000.00.
68. Nelson Financial is requesting that the Director's Charge have priority over all claims against the Applicant's property, assets and undertaking, save and except the Administration Charge and security in favour of the Mackie Parties, to the extent that this security is valid and enforceable and properly perfected.

Proposed Restructuring

69. In consultation with stakeholders and investors, and in particular the Noteholders and the Pref Shareholders, the Applicant intends to develop and propose a formal plan of compromise or arrangement and a plan of arrangement under applicable corporate legislation which will include the following general features:
- (a) the conversion of some percentage of the existing Notes to new preferred shares (with rights and attributes to be determined) in the capital of the restructured Nelson Financial;

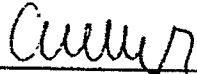
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- (b) the conversion of the remainder of the existing Notes into a new series of notes with substantially similar rights and attributes as the Notes (including interest rate and interest payment terms), but with amended maturity dates;
 - (c) the conversion of existing Pref Shares into a new class (or classes) of preferred shares (with attributes and rights to be determined);
 - (d) the provision for satisfaction of any valid prior secured claims in favour of the Mackie Parties; and
 - (e) the payment or assumption of all employee claims.
70. If Nelson Financial can achieve the proposed restructuring, it intends to exit the CCAA and, as soon as possible, resume sales of its securities in compliance with all applicable securities law.
71. Since Nelson Financial's current portfolio of assets has improved (exposure to sub-prime customers has been reduced as noted above), the Applicant believes that it will have a stable revenue base going forward.
72. The Applicant further believes that its revised business model, including a focus on vendor-assisted financing of a variety of consumer goods for customers with better credit histories, will generate a stable and increased margin from new activities following its restructuring. Accordingly, the Applicant is hopeful that investor returns can be enhanced and that it will pay meaningful recoveries on any securities issued as part of the restructuring plan described above.
73. The Applicant is strongly of the view that the proposed capital restructuring will represent a far better recovery alternative for investor stakeholders. In the event that a restructuring is impossible, the Applicant is concerned that very significant losses could be suffered by investors, with no prospect of investors sharing in revenues generated by Nelson Financial's business activities going forward.

Conclusion

74. I make this Affidavit in support of Nelson Financial's application for protection from its creditors under the CCAA, and for no other or improper purpose.

SWORN before me at the City of Pickering, in the Province of Ontario this 22nd day of March, 2010.



A Commissioner, etc

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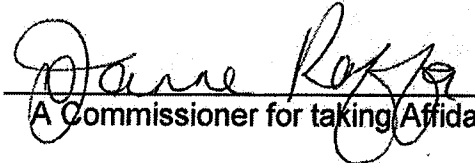


MARC BOUTET

Colleen Harriet Delaney,
a Commissioner, etc.,
Province of Ontario, for A. John Page
Chartered Accountant and A. John Page &
Associates Inc., Trustee in Bankruptcy.
Expires February 26, 2013.



This is Exhibit "D" to the
Affidavit of Marc Boutet
sworn before me, this 16th day of
April, 2010.


A Commissioner for taking Affidavits

JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.

AGREEMENT REGARDING FUTURE FINANCINGS

THIS AGREEMENT is dated the 6th day of December, 2007

BETWEEN:

NELSON FINANCIAL GROUP LTD.

("Nelson")

- and -

LEND CARE FINANCIAL SERVICES INC.

("Lendcare")

CONTEXT:

In consideration of Lendcare agreeing to seek the direct lending services of Nelson for financing of certain consumer transactions, Nelson agreed to certain non-solicitation covenants in favour of Lendcare set forth in a business protection agreement dated August 20, 2007 between Lendcare and Nelson (the "Non-Solicitation Agreement"). The Parties now wish to set forth the terms and conditions regarding the lending services of Nelson to Lendcare.

FOR GOOD AND VALUABLE CONSIDERATION, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following meanings:

- 1.1.1 "Agreement" means this agreement, as it may be supplemented, amended, restated or replaced by written agreement between the Parties.
- 1.1.2 "Business Day" means any day excluding a Saturday, Sunday or statutory holiday in the Province of Ontario.
- 1.1.3 "Communication" means any notice, demand, request, consent, approval or other communication which is required or permitted by this Agreement to be given or made by a Party.
- 1.1.4 "Parties" means Nelson and Lendcare, collectively, and "Party" means any one of them.

1.2 Business Day

Whenever any action to be taken under this Agreement is required to be taken on a day other than a Business Day, the action is to be taken on the next Business Day following.

1.3 Governing Law

This Agreement is governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario.

1.4 Certain Rules of Interpretation

- 1.4.1 In this Agreement, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the word "including" in this Agreement is to be construed as meaning "including, without limitation".
- 1.4.2 The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- 1.4.3 References in this Agreement to an Article or Section are to be construed as references to an Article or Section of this Agreement unless the context requires otherwise.
- 1.4.4 Unless otherwise specified in this Agreement, time periods within which or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day.

ARTICLE 2 RIGHT OF FIRST REFUSAL

2.1 Right of First Refusal; Right to Match

- 2.1.1 Nelson is hereby granted a right of first refusal to provide all externally-sourced future financing to Lendcare and its subsidiaries, affiliates, successors and permitted assigns for its existing and future vendor financing programs on the same terms and conditions that are currently in place for A, B, and C lending programs.
- 2.1.2 Upon making a proposal to Nelson to accept and fund all financing program transactions from a new or existing merchant (the "**Proposal**"), Lendcare shall provide Nelson with all material reasonably required to make a lending decision. Nelson shall have the right, but not the obligation, during the ten (10) Business Days from the delivery of the notice to exercise its right to provide such financing on the

terms in the Proposal. If Nelson does not so deliver notice to Lendcare in writing within such ten (10) Business Day period, Nelson will be deemed to have declined to exercise its right to provide financing on the terms set out in the Proposal.

- 2.1.3 If Nelson exercises its right to provide financing on the terms set out in the Proposal, Lendcare (or its subsidiary, affiliate, successor or permitted assign, as the case may be) shall complete such financing with Nelson.
- 2.1.4 If Nelson declines to exercise its right to provide financing on the terms set out in the Proposal, Lendcare shall have the right to solicit financing from a third party on the substantially the same terms as those set out in the Proposal. If Lendcare receives a *bona fide* offer from a third party to provide financing on such terms (a "**Third Party Offer**"), Lendcare shall promptly so notify Nelson in writing and Nelson shall have the right, but not the obligation, during the ten (10) Business Days from the delivery of such notice to match the Third Party Offer by written notice to Lendcare. If Nelson does not so deliver notice to Lendcare within such ten (10) Business Day period, Nelson will be deemed to have declined to match the Third Party Offer.
- 2.1.5 If Nelson matches the Third Party Offer, Lendcare (or its subsidiary, affiliate, successor or permitted assign, as the case may be) shall complete such financing with Nelson.
- 2.1.6 If Nelson declines to match the Third Party Offer, Lendcare shall have the right to accept the Third Party Offer, provided that such financing is completed on substantially similar terms to the terms set out in the Third Party Offer no later than the tenth (10th) Business Day from the delivery (or deemed delivery) of notice from Nelson that it is declining to match the Third Party Offer. If Lendcare does not close the financing with the third party within such ten (10) Business Day period or the terms of the Third Party Offer are amended in any way, Lendcare shall not proceed with such third party financing.
- 2.1.7 Lendcare acknowledges and agrees that each successive request for financing (including following the failure to close a financing with a third party because the conditions in Section 2.1.6 hereof were not met) shall constitute a new financing for the purposes of this Agreement and the provisions of this Article 2 shall apply to each such request for financing.

ARTICLE 3 GENERAL

3.1 Term

This Agreement shall terminate on the earlier of (i) termination of the Non-Solicitation Agreement by Nelson for any reason whatsoever, as provided in Section 3 of the Non-Solicitation Agreement; or (ii) five (5) years from the date of this Agreement. Except where this Agreement is terminated as set out above, Nelson shall have the right, but not the obligation, in

its sole discretion, to renew this Agreement for one (1) additional term of five (5) years by providing notice of its desire to exercise the renewal option to Lendcare prior to expiry of the first five (5) year term, provided that Nelson advises Lendcare in writing that it wishes to extend the term not more than twelve months and not less than six months prior to the expiration of the original term, failing which this right of renewal shall be rendered null and void.

3.2 Remedies on Breach of Covenant

3.2.1 Lendcare hereby acknowledges and agrees that all provisions of this Agreement are reasonable, valid and binding, and necessary in the circumstances. Lendcare agrees that: (i) Lendcare shall be liable for all damages or losses caused to Nelson as a result of any breach of the covenants contained in this Agreement, including loss of profits and other economic losses and costs and interest (including legal costs on a substantial indemnity basis), and (ii) Nelson shall be entitled to restrain any ongoing breaches of these obligations by way of an interim and final injunction obtained at Lendcare's expense.

3.2.2 Without limiting the remedies available to Nelson, Lendcare acknowledges that damages at law will be an insufficient remedy to Nelson in view of the irrevocable harm which will be suffered by Nelson if Lendcare violates any of the provisions of Article 2 of this Agreement, and it agrees that Nelson may apply for and have interim and final injunctive relief in any court of competent jurisdiction specifically to enforce any of such provisions upon the breach or threatened breach thereof, or otherwise specifically to enforce any of such provisions, and Lendcare hereby waives all defences to the strict enforcement thereof by Nelson to the fullest extent permitted by law.

3.3 Survival

Despite anything contained in this Agreement to the contrary, all claims against and liabilities of either Party arising under this Agreement or from events beginning before the expiration or earlier termination of this Agreement, will survive such expiration or earlier termination.

3.4 Notices

Any Communication must be in writing and either personally delivered, sent by prepaid registered mail, or sent by facsimile, e-mail or functionally equivalent electronic means of recorded communication, charges prepaid. Any Communication must be sent to the intended recipient at its address as follows:

to Nelson at:

1739 Orangebrook Court
Pickering, Ontario
L1W 3G8

Attention: Marc Boutet
Facsimile No.: 905-839-7002

to the Lendcare at:

Unit 7
1035 Toy Avenue
Pickering, Ontario
L1W 3N9

Attention: Ali Metel
Facsimile No.: 905-426-2053

or at any other address as any Party may from time to time advise the other by Communication given in accordance with this Section 3.4. Any Communication delivered to the Party to whom it is addressed will be deemed to have been given and received on the day it is so delivered at that Party's address, provided that if that day is not a Business Day then the Communication will be deemed to have been given and received on the next Business Day. Any Communication transmitted by facsimile or other form of recorded communication will be deemed to have been given and received on the day on which it was transmitted (but if the Communication is transmitted on a day which is not a Business Day or after 3:00 p.m. (local time of the recipient)), the Communication will be deemed to have been received on the next Business Day. Any Communication given by registered mail will be deemed to have been received on the fifth Business Day after which it is so mailed. If a strike or lockout of postal employees is then in effect, or generally known to be impending, every Communication must be effected by personal delivery or by facsimile transmission.

3.5 Amendment and Waiver

No supplement, modification, amendment, waiver, discharge or termination of this Agreement is binding unless it is executed in writing by the Party to be bound. No waiver of, failure to exercise or delay in exercising, any provision of this Agreement constitutes a waiver of any other provision (whether or not similar) nor does such waiver constitute a continuing waiver unless otherwise expressly provided.

3.6 Assignment and Enurement

Neither this Agreement nor any right or obligation hereunder may be assigned by either Party without the prior consent of the other Party. This Agreement enures to the benefit of and is binding upon the Parties and their respective successors and permitted assigns.

3.7 Severability

Each provision of this Agreement is distinct and severable. If any provision of this Agreement, in whole or in part, is or becomes illegal, invalid or unenforceable in any jurisdiction by a court of competent jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect the legality, validity or enforceability of the remaining provisions of this Agreement.

3.8 Counterparts

This Agreement may be executed and delivered by the Parties in one or more counterparts, each of which when so executed and delivered will be an original, and those counterparts will together constitute one and the same instrument.

3.9 Facsimile Signatures

Delivery of this Agreement by facsimile transmission or functionally equivalent electronic means constitutes valid and effective delivery.

Each of the Parties has executed and delivered this Agreement, as of the date noted at the beginning of the Agreement.

NELSON FINANCIAL GROUP LTD.

Per

Name:

Title:

LENCARE FINANCIAL SERVICES INC.

Per

Name:

Title:

AMENDING AGREEMENT

THIS AMENDING AGREEMENT ("**Amending Agreement**"), effective as of December 21, 2009 (the "**Effective Date**"), is between:

NELSON FINANCIAL GROUP LTD. ("**Nelson**")

-AND-

LENDCARE FINANCIAL SERVICES INC. ("**Lendcare**")

(collectively, the "**Parties**").

WHEREAS Nelson and Lendcare entered into and executed an Agreement Regarding Future Financings, dated December 6, 2007 (the "**Original Agreement**"); and

WHEREAS the Parties have reviewed the Original Agreement and determined that one of the sections therein is not clear and does not articulate clearly the intention of the Parties in respect of the Original Agreement; and

WHEREAS the Parties specifically wish to address Section 2.1.1 of the Original Agreement to clarify that this section contemplates that Nelson has a right of first refusal to purchase from Lendcare and affiliates consumer debt financing "paper" (i.e., consumer credit application and agreements) which new or existing merchants have executed in favour of Lendcare or its affiliates pursuant to Lendcare's A, B and C lending programs; and

WHEREAS the Parties agree to amend the Original Agreement as more fully set forth below;

NOW THEREFORE, in consideration of the sum of one dollar (\$1.00), and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), each of Nelson and Lendcare covenants and agrees as follows:

1. Interpretation

Unless otherwise defined herein, all capitalized terms used in this Agreement shall have the respective meanings ascribed thereto in the Original Agreement.

2. **Amendment to Original Agreement**

(a) **Section 2.1.1 of the Original Agreement reads as follows:**

"Nelson is hereby granted a right of first refusal to provide all externally-sourced financing to Lendcare and its subsidiaries, affiliates, successors and permitted assigns for its existing and future vendor financing programs on the same terms and conditions that are currently in place for A, B, and C lending programs."

(b) **The Parties hereby acknowledge and agree that the amended language of Section 2.1.1 shall now read and state as follows:**

"Nelson is hereby granted a right of first refusal to acquire and purchase from Lendcare and its subsidiaries, affiliates, successors and permitted assigns, any and all consumer credit applications and agreements with new or existing merchants which Lendcare and its subsidiaries, affiliates, successors and permitted assigns propose to sell to external third parties, on the same terms and conditions that are currently in place for Lendcare's A, B, and C lending programs."

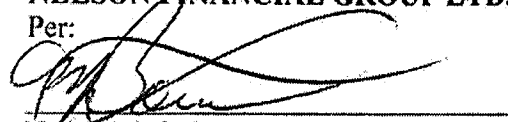
3. **Effect of Amendment**

The parties hereto agree that the Original Agreement shall remain in full force and effect in its entirety except for the specific amendment specified in Section 2 above. For certainty, the amendments contained in Section 2 above will amend the Original Agreement and, upon the execution of this Amending Agreement, the Original Agreement and this Amending Agreement shall be deemed to constitute the full and complete agreement between the Parties in respect of the matters therein.

IN WITNESS WHEREOF, this Amending Agreement has been executed by the Parties as of the Effective Date.

NELSON FINANCIAL GROUP LTD.

Per:




Name: Mark Boutet

Title: President

I have authority to bind the company.

LENDCARE FINANCIAL SERVICES INC.

Per:



Name: Mark Schell

Title: President

I have authority to bind the company.

BUSINESS PROTECTION AGREEMENT

TO: LENDCARE FINANCIAL SERVICES INC., with an office located at Unit 7 – 1035 Toy Avenue, Pickering Ontario L1W 3N9 (“LEND CARE”)

FROM: NELSON FINANCIAL GROUP LTD., with an office located at 1739 Orangebrook Court, Pickering, Ontario L1W 3G8 (“NELSON”)

DATE: AUGUST 20TH, 2007

In consideration of Lendcare agreeing to seek the direct lending services of Nelson for financing of certain consumer transactions, and for other good and valuable consideration, Nelson acknowledges and agrees with the following:

1. **Non-Solicitation:** Nelson acknowledges that in its relationship with Lendcare, it will gain a knowledge of certain of Lendcare’s clients, contractors, suppliers and employees which would injure Lendcare if used for competitive purposes. Nelson therefore agrees that during the relationship with Lendcare, and for a period of two (2) years following the Cessation Date, neither it nor any of its affiliates, nor any officer, director, shareholder, employee of Nelson or any of its affiliates, will either individually or in conjunction with any other person, business, corporation or any other entity that is competitive with Lendcare, directly or indirectly:
 - (i) solicit, attempt to solicit or endeavour to entice away from Lendcare any clients of Lendcare to whom Nelson has provided lending services or with whom Nelson has had contact, in either case as a result of providing direct lending services for financing of certain consumer transactions during the two (2) year period prior to the Cessation Date, with respect to any direct lending services or products or services competitive with those of Lendcare; or
 - (ii) solicit, induce or cause, or attempt to solicit, induce or cause, any of the present or future employees, representatives, contractors or suppliers of Lendcare with whom Nelson has had direct dealings, as a result of providing direct lending services for financing of certain consumer transactions at the request of Lendcare, to terminate his, her or their employment or relationship with Lendcare, including referring employees of Lendcare to competitors or to head hunters or employment agencies; or
 - (iii) accept business from any client of Lendcare described in sub-paragraph 1(i), with respect to any direct lending services similar to those of Lendcare.
2. **Termination:** Notwithstanding any provision of this Agreement, this Agreement shall terminate and be of no force or effect if (a) Lendcare shall terminate its existence or voluntarily file for or otherwise commence or have commenced corporate proceedings with respect to bankruptcy, reorganization, receivership or similar status.

3. **Cessation Date:** The Cessation Date for purposes of this Agreement shall occur upon (a) either party giving notice to the other terminating the relationship, or (b) Nelson provides written notice to Lendcare that Lendcare failed to request funding and Nelson declined to fund at least \$400,000 in any three (3) month period, which notice shall be provided not less than ten (10) days after the expiry of such three (3) month period.
4. **Covenants Unrelated to Other Covenants Given:** The covenants given by Nelson pursuant to this Agreement are independent from and shall not be pleaded in reduction or derogation of the covenants given by Nelson pursuant to any other agreement or agreements.
5. **No Media Contact:** Nelson agrees that, except with the written permission of Lendcare, Nelson will make no comments to, and have no communication with, any media concerning the affairs of Lendcare or its clients, employees, representatives, contractors or suppliers.
6. **Covenants Reasonable:** The covenants contained in this Agreement are given by Nelson acknowledging that it has, or will obtain and have, specific knowledge of certain of the business and affairs of Lendcare and of the direct lending services of Lendcare and a close working relationship with certain clients, employees, independent contractors, suppliers and agents of Lendcare, all of which would injure Lendcare if made available to a competitor or if used for competitive purposes or if made public. Nelson hereby acknowledges and agrees that all restrictions contained in this Agreement are reasonable, valid and binding, and necessary in the circumstances in order to protect the economic interests of Lendcare. Without the covenants set forth in this Agreement, Lendcare would not have agreed to employ the services of Nelson and, accordingly, Nelson to the fullest extent permitted by law hereby waives all defences to the strict enforcement thereof by Lendcare.
7. **Remedies on Breach of Covenant:** Nelson agrees that: (i) Nelson shall be liable for all damages or losses caused to Lendcare as a result of any breach of the covenants contained in this Agreement, including loss of profits and other economic losses and costs and interest (including legal costs on a substantial indemnity basis), and (ii) Lendcare shall be entitled to restrain any ongoing breaches of these obligations by way of an interim and final injunction obtained at Nelson's expense.
8. **Damages Insufficient:** Without limiting the remedies available to Lendcare, Nelson acknowledges that damages at law will be an insufficient remedy to Lendcare in view of the irrevocable harm which will be suffered by Lendcare if Nelson violates any of the provisions of paragraph 1 in this Agreement, and it agrees that Lendcare may apply for and have interim and final injunctive relief in any court of competent jurisdiction specifically to enforce any of such provisions upon the breach or threatened breach thereof, or otherwise specifically to enforce any of such provisions, and Nelson hereby waives all defences to the strict enforcement thereof by Lendcare to the fullest extent permitted by law.

9. **Severability:** Subject to the provisions of paragraph 4 above, in the event that any sentence, paragraph, sub-paragraph or term in this Agreement, or any part thereof, shall be deemed to be void, illegal, invalid or unenforceable by a court of competent jurisdiction, such offending sentence, paragraph, sub-paragraph, term or part (as the case may be) shall be severed from this Agreement and the remaining provisions of this Agreement shall remain in full force and effect and be binding upon Nelson and unaffected thereby.
10. **Governing Law:** This Agreement, and all rights and obligations arising out of the parties' relationship hereunder, including but not limited to matters of construction, validity and performance, shall be governed by, and be interpreted under, the laws of the Province of Ontario without giving effect to its conflict of law principles, and the courts of Ontario, shall have exclusive jurisdiction in the event of any dispute or litigation between the parties arising out of the terms of this Agreement. This Agreement shall be deemed to have been made in Ontario.
11. **Waiver:** The failure of either party at any time to require performance by the other party of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall waiver by either party of the breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or as a waiver of the provision itself.
12. **Captions for Convenience Only:** The captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of the paragraphs that follow each particular caption, nor in any way affect this Agreement.
13. **Interpretation:** This Agreement shall be read with such changes in number and gender as the context or the reference to the parties may require. In particular, words importing the singular include the plural and vice versa, and words importing gender include the masculine, feminine and neuter genders. Further, this Agreement shall be deemed to have been written by both parties acting together.

IN WITNESS WHEREOF, Nelson has executed this Agreement as of the date first written above, and accepts and agrees to the terms of this Agreement.

NELSON FINANCIAL GROUP LTD.

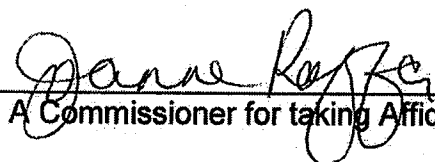
Per: 

Name:

Title:

I have the authority to bind the corporation.

This is **Exhibit "E"** to the
Affidavit of Marc Boutet
sworn before me, this 16th day of
April, 2010.


A Commissioner for taking Affidavits

JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.

AIRD & BERLIS LLP

Barristers and Solicitors

Sanjeev Mitra
Direct: 416.865.3085
Email: smitra@airdberlis.com

April 5, 2010

Gowling Lafleur Henderson LLP
Suite 1600, 1 First Canadian Place
100 King St. W.
Toronto, ON, M5X 1G5Attention: Clifton P. (Cliff) Prophet
Email: clifton.prophet@gowlings.comA. John Page & Associates Inc.
100 Richmond Street West, Suite 447
Toronto, ON M5H 3K6Attention: A. John Page
Email: ajpage@ajohnpage.com

Dear Sirs

Re: Loans to Nelson Financial Group Ltd.

As you are aware we are counsel to Glenn Mackie, Lisa Mackie and Foscarini Mackie Holdings Inc. Our clients are important stakeholders in this restructuring. Our clients have security over certain of the assets of the debtor. We would like the status of the portfolio of loans over which our clients hold security. For each loan, we would like to know (a) the monthly payments; (b) the maturity date; and (c) whether the contract is in default. We would also like to know how our clients are intended to be dealt with in the proposed restructuring plan. We may have further inquiries but will hold off on same pending the response to this letter.

Further, is the Ontario Securities Commission agreeable to a share exchange as contemplated presently in the materials.

Finally, please ensure that all future Court attendances are scheduled with the prior input of the writer.

We look forward to hearing from you.

April 5, 2010
Page 2

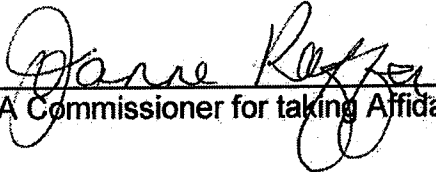
Yours truly,

AIRD & BERLIS LLP

Sanjeev Mitra

SPM
/ed
6578853 1

This is Exhibit "F" to the
Affidavit of Marc Boutet
sworn before me, this 16th day of
April, 2010.


A Commissioner for taking Affidavits

JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.



Suite 800
 1315 Pickering Parkway
 Pickering, ON L1V 7G5
 www.walkerhead.com

Pickering: (905) 839-4484
 Whitby: (905) 683-3444
 Toll Free: 1-877-839-4484
 Fax: (905) 420-1073

Extension 110
 E-mail: p.przybylo@walkerhead.com

- Michael F. Head*
- Victor A. Sgro
- Ronald P. Kaufman
- E. Drew Dowling
- Andrew D. Felker**
- Fiona Empke
- Paula R. McMurtry
- Kyle C. Armagon
- Paul S. Przybylo

April 7, 2010

Sent by fax: 416-862-7661
 Gowlings Lefleur Henderson LLP
 Barristers and Solicitors
 Suite 1600
 First Canadian Place
 100 King St., W.
 TORONTO, Ontario
 M5X 1G5

Attention: Clifton P. Profit

Dear Sirs:

Re: Nelson Financial Group Ltd. ("Nelson")

I am counsel for David Baker. I direct you to the affidavit of Mark Boutet sworn March 22, 2010 which is located at tab 2 of the application record for Court File No. 10-8630-00CL. Specifically, it is our client's position the comments made in paragraphs 30 and 31 are false and inaccurate.

Please have Mr. Boutet amend his affidavit to properly reflect Nelson's dealings with Mr. Baker.

I ask that you forward me a copy of the amended affidavit.

Sincerely yours,

WALKER HEAD

A handwritten signature in black ink, appearing to read 'P. Przybylo', is written over the printed name.

Paul S. Przybylo

PSP:lb
 cc: David Baker



montréal · ottawa · toronto · hamilton · waterloo region · calgary · vancouver · moscow · london

Frank Lamie
Direct (416) 862-3609
frank.lamie@gowlings.com
File No. T965434

April 12, 2010

VIA E-MAIL

Mr. Paul S. Przybylo
Walker, Head Lawyers
Suite 800, 1315 Pickering Parkway
Pickering, ON L1V 7G5

Dear Mr. Przybylo:

Re: Nelson Financial Group Ltd. - Court File No. 10-8630-00CL

Thank you for your letter dated April 7, 2010.

Mr. Boutet advises that the statements contained at paragraphs 30 and 31 of his affidavit sworn March 22, 2010, are accurate and true based on his information and belief.

As I am sure you are aware, an absolute privilege attaches to evidence given in Court proceedings, including evidence given by way of affidavit.

In view of the foregoing, Mr. Boutet will not amend his affidavit as requested.

Yours very truly,

GOWLING LAFLEUR HENDERSON LLP

Frank Lamie

FL/adcs

TOR_LAW\7347728\1

Court File No. 10-8630-00CL

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

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE**

(PROCEEDING COMMENCED AT TORONTO)

**AFFIDAVIT OF MARC BOUTET
(Sworn April 16, 2010)**

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
TORONTO, Ontario
M5X 1G5

**Clifton P. Prophet / Frank Lamie
LSUC No.: 34345K / 54035S**

Telephone: (416) 862-3509 / (416) 862-3609
Facsimile: (416) 862-7661

**SOLICITORS FOR THE APPLICANT,
NELSON FINANCIAL GROUP LTD.**

Court File No.: 10-8630-00CL

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

Applicant

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

(PROCEEDING COMMENCED AT TORONTO)

**MOTION RECORD
(Returnable April 22, 2010)**

GOWLING LAFLEUR HENDERSON LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Clifton P. Prophet (LSUC# 34845K)
Frank Lamie (LSUC #54035S)
Tel: (416) 862-3509
Fax: (416) 863-3509

**Solicitors for the Applicant,
Nelson Financial Group Ltd.**