

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

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

NFG currently finances customers of vendors - the consumer household goods/appliances and food sectors to provide financing to customers. NFG has borrowed money from investors in the exempt market pursuant to a continuous offering of unsecured promissory notes and for preferred shares. The model is based on raising money from investors at a 12-10% rate of return and using that money to extend credit at significantly higher rates. There are 685 outstanding investor loan notes totalling approximately \$37 million and 169 preferred share holders with a par value about \$15 million. NFG was unable to make a dividend payment payable on March 16, 2010 for certain of the preferred shares. On March 25, 2010, certain interest payments are due on certain notes.

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

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

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

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

NFG does not appear to have significant liabilities to secured creditors and according to NFG, the registrations under the PPSA noted para 41 of Mr. Boutet's affidavit are largely historical. The registration in favour of Nelson Investment is to an affiliated company of which Mr. Boutet is the principal and sole shareholder. The Mackie parties hold security but they are not primed by the proposed charges. There is no DIP financing.

The trade debt is modest and NFG intends to continue to meet all employee liabilities as they

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fall due and to remain current on payroll. There are 27 employees.

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

A. John Page & Associates has consented to act, and is qualified to act as Monitor. Clearly NFG is a debtor company and has met the other requirements for the granting of an Initial Order under the CCAA.

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

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

Lastly, the investors in NFG, many of whom are individuals, made their investments by way of a private placement in the exempt market. Given the anticipated reasonable expectation that their identities would not be disclosed, except as otherwise ordered by the court, the monitor need not prepare a creditor list of noteholders and holders of preferred shares as contemplated by s. 23(1)(d)(ii) of the CCAA. The same applies to the employees.

For these reasons, I granted the order requested.