

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.**

APPLICANT

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

JULY 21, 2010

INTRODUCTION

1. By Order of this Honourable Court dated March 23, 2010 ("**the Initial Order**"), Nelson Financial Group Ltd. ("**Nelson**" or "**the Applicant**") obtained protection from its creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**the CCAA**"). A copy of the Initial Order is attached as **Exhibit "A"**. The CCAA proceedings with respect to the Applicant is referred to herein as "**the CCAA Proceedings**".
2. Pursuant to the Initial Order, A. John Page & Associates Inc. was appointed as monitor of the Applicant as part of the CCAA Proceedings ("**the Monitor**"). Pursuant to the Initial Order, all proceedings against the Applicant were stayed until April 22, 2010, or such later date as this Honourable Court may order.
3. By Order of this Honourable Court dated April 22, 2010, the stay of proceedings was extended from April 22, 2010 to and including April 30, 2010.
4. By Order of this Honourable Court dated April 30, 2010, the stay of proceedings was extended from April 30, 2010 to and including June 7, 2010. The First Report of the Monitor dated April 15, 2010 ("**the First Report**") was also approved.
5. By Order of this Honourable Court dated June 4, 2010, the stay of proceedings was extended

from June 7, 2010 to and including June 15, 2010. The Second Report of the Monitor dated June 2, 2010 ("**the Second Report**") was also approved.

6. By Order of this Honourable Court dated June 15, 2010, the stay of proceedings was extended from June 15, 2010 to July 30, 2010. The Third Report of the Monitor dated June 11, 2010 ("**the Third Report**") was also approved.
7. By Order of this Honourable Court dated July 7, 2010, Ms Elizabeth Pillon was appointed as independent counsel to the Monitor. The Fourth Report of the Monitor dated July 2, 2010 ("**the Fourth Report**") was also approved.
8. A. John Page & Associates Inc. also prepared a report dated March 22, 2010 in its capacity as proposed monitor ("**the Pre Filing Report**").

PURPOSE OF THE REPORT

9. This is the Fifth Report of the Monitor in the CCAA Proceedings ("**the Report**"). The purpose of the Report is to provide information to this Honourable Court on the activities of the Applicant and the Monitor since June 11, 2010 including, without limitation, the following:
 - a) the receipts and disbursements of the Applicant for the period from March 22 to July 9, 2010 including budget to actual variance analysis;
 - b) the development of a restructuring plan;
 - c) the Applicant's request to pay off the secured indebtedness of Foscarini Mackie Holdings Inc. ("**Foscarini**");
 - d) the Applicant's request for the approval of a claims procedure ("**the Claims Procedure**");
 - e) the Applicant's request for an extension of the stay of proceedings for the period commencing July 30, 2010 to and including October 1, 2010; and
 - f) the Applicant's request for the approval of the fees and disbursements of the Monitor and its legal counsel.

NOTICE TO READER

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

BACKGROUND

12. Background information pertaining to the Applicant and the CCAA Proceedings is contained in the Pre Filing Report and the First Report.

THE CLAIMS PROCEDURE

13. Pursuant to the Third Report, the Monitor advised this Honourable Court that the Monitor's next steps would include developing an appropriate claims procedure with the Applicant.
14. Since the date of the Third Report, the Monitor and its legal counsel have worked together with the Applicant and its legal counsel to develop an appropriate claims procedure to establish the claims of the holders of promissory notes issued by the Applicant ("**the Noteholders**"), the claims of any other creditors of the Applicant ("**the Trade Creditors**") and the claims of the

holders of preferred shares issued by the Applicant (**"the Preferred Shareholders"**) in the event that it is determined that the claims of the Preferred Shareholders (**"the Shareholdings"**) are provable in these CCAA Proceedings. The claims of Noteholders (**"the Noteholder Claims"**) and the claims of Trade Creditors (**"the Trade Creditor Claims"**) are referred to herein collectively as the **"Claims"**. Claims and other defined terms are more fully described in the draft Claims Procedure Order that is attached to the Applicant's Motion Record returnable on July 27, 2010.

15. The Monitor is of the view that it is necessary, at this time, to determine all of the Claims and Shareholdings as at the Applicant's filing date of March 23, 2010 (**"the Filing Date"**) so that the Applicant may develop an appropriate plan of compromise or arrangement and so that creditors may be able to properly assess their approximate recoveries and whether they should vote in favour of any such plan.

16. The main elements of the proposed Claims Procedure are set out herein.

(a) Claims Packages and Proving Claims

17. The Monitor will prepare a separate document package for the Noteholder Claims (**"the Noteholder Package"**), the Trade Creditor Claims (**"the Trade Creditor Package"**) and the Shareholdings (**the "Preferred Shareholder Package"**). The Noteholder Package, the Trade Creditor Package and the Preferred Shareholder Package are referred to herein collectively as the **"Documents Packages"**.

18. The Noteholder Package will consist of the following:

- a) an instruction letter to Noteholders;
- b) a notice of Noteholder Claim (**"the Notice of Noteholder Claim"**);
- c) a blank proof of claim form (**"the Proof of Claim"**); and
- d) a copy of the order of this Honourable Court establishing the claims procedure (**"the Claims Procedure Order"**).

19. The Trade Creditor Package will consist of the following:

- a) an instruction letter for Trade Creditors;
- b) a blank Proof of Claim; and
- c) a copy of the Claims Procedure Order.

20. The Preferred Shareholder Package will consist of the following:

- a) an instruction letter for Preferred Shareholders;
- b) a notice of Shareholding ("**Notice of Shareholding**");
- c) a blank proof of shareholding form ("**the Proof of Shareholding**");
- d) a blank Proof of Claim; and
- e) a copy of the Claims Procedure Order.

21. Copies of the Documents Packages are found in the Applicant's Motion Record returnable on July 27, 2010.

22. The Notice of Noteholder Claim will include the amounts due to the Noteholder as at the Filing Date, including the amount of accrued interest to the Filing Date, on each of the promissory notes issued by the Applicant and held by the Noteholder, all of which would be based on the books and records of the Applicant. This is the Noteholder's "**Recorded Noteholding**". To the extent that a Noteholder agrees with the Recorded Noteholding, then there would be no need for that Noteholder to take any further steps. In this circumstance, the Recorded Noteholding will be deemed to be a proven Noteholder Claim in these CCAA Proceedings. However, if the Noteholder disagrees with the Recorded Noteholding, then that Noteholder must complete and file a Proof of Claim with the Monitor by no later than 4:00 p.m. (Eastern Daylight Time) on September 15, 2010 ("**the Claims Bar Date**"). If that Noteholder fails to file a Proof of Claim with the Monitor by the Claims Bar Date, then the Recorded Noteholding is deemed to be a proven Noteholder Claim in these CCAA Proceedings.

23. The Notice of Shareholding will include (i) the number of preferred shares issued by the

Applicant and held by the Preferred Shareholder as at the Filing Date; (ii) the amount of any due but unpaid dividends as at the Filing Date; and (iii) the amount of the accrued but unpaid dividends as at the Filing Date, all of which would be based on the books and records of the Applicant. This is the Preferred Shareholder's "**Recorded Shareholding**". To the extent that a Preferred Shareholder agrees with the Recorded Shareholding, then there would be no need for that Preferred Shareholder to take any further steps. In this circumstance, the Recorded Shareholding will be deemed to be a proven Shareholding in these CCAA Proceedings provided that it is determined by final Order of this Honourable Court that the Preferred Shareholders are entitled to recover in these CCAA Proceedings on account of their Shareholdings. However, if the Preferred Shareholder disagrees with the Recorded Shareholding, then that Preferred Shareholder must complete and file a Proof of Shareholding with the Monitor by no later than the Claims Bar Date. If that Preferred Shareholder fails to file a Proof of Shareholding with the Monitor by the Claims Bar Date, then the Recorded Shareholding is deemed to be a proven Shareholding in these CCAA Proceedings, again, provided that it is determined by final Order of this Honourable Court that the Preferred Shareholders are entitled to participate in these CCAA Proceedings on account of their Shareholdings.

24. The procedure for proving the Trade Creditor Claims will not consist of the "negative confirmation" that is proposed for proving the Noteholder Claims and the Shareholdings. Any Trade Creditor will have to prove its Trade Creditor Claim by completing the Proof of Claim and filing it with the Monitor by no later than the Claims Bar Date. Any Trade Creditor that does not file its Proof of Claim with the Monitor by the Claims Bar Date will have its Trade Creditor Claim forever extinguished and barred.
25. Any person who has a claim against any of the current and former directors, officers and persons acting in a management or other similar capacity of the Applicant is also required to file its Proof of Claim with the Monitor in respect of such claim by the Claims Bar Date or have its claim forever extinguished and barred.

(b) Adjudication of Claims

26. The Monitor will review all Proofs of Claim and Proofs of Shareholding received by the Claims Bar Date and will accept, revise or reject the amount of each Claim or Shareholding set out therein. If the Monitor does not accept the amount of a Claim or Shareholding, it will notify the respective Noteholder, Trade Creditor or Preferred Shareholder whether the Claim or Shareholding set out in its respective Proof of Claim or Proof of Shareholding has been revised or

rejected and the reasons therefor, by sending to such Noteholder, Trade Creditor or Preferred Shareholder a Notice of Disallowance by registered mail or courier. Such Notices of Disallowance will be deemed to have been received on the second business day after mailing if sent by registered mail or on the next business day after mailing if sent by courier.

27. If a Noteholder, Trade Creditor or Preferred Shareholder is dissatisfied with the determination of the Monitor as set down in the Notice of Disallowance, it may file a dispute notice ("**the Dispute Notice**") with the Monitor as soon as reasonably possible but in any event so that the Dispute Notice is received by the Monitor on or before 4:00 p.m. (Eastern Daylight Time) on the day that is fourteen days after the Monitor sends out the Notice of Disallowance failing which, the determination of the Monitor as set out in the Notice of Disallowance will be final and binding and such determination will constitute a proven Noteholder Claim, Trade Creditor Claim or Shareholding, as the case may be.
28. In all circumstances, a Shareholding will only be entitled to participate in these CCAA Proceedings if it is determined by final Order of this Honourable Court that the Shareholdings are provable claims in these CCAA Proceedings and do not constitute equity claims.

(c) Notice of the Claims Procedure

29. The Monitor will send by regular mail the Noteholder Package to each known Noteholder, the Trade Creditor Package to each known Trade Creditor and the Preferred Shareholder Package to each known Preferred Shareholder, each at its last known address based on the books and records of the Applicant. The date of the mailing of the Claims Packages will be no later than the "**Commencement Date**". The Commencement Date will be August 15, 2010, which is 30 days prior to the Claims Bar Date.
30. On or before the Commencement Date, the Monitor will post key documents from the Documents Packages on its website at www.ajohnpage.com/html/files.html and make them available for unrestricted download.
31. Within 12 days following the Commencement Date, the Monitor will publish a notice to Creditors and Preferred Shareholders in The Globe & Mail and the Toronto Star. The Monitor will also post a copy of this notice on its website. A copy of this notice is attached as Schedule "A" to the draft Claims Procedure Order found in the Applicant's Motion Record returnable on July 27, 2010.

(d) The Applicant's Books and Records

32. The amounts set out in the Notices of Noteholder Claim and the Notices of Shareholding will be completed by the Monitor based on the books and records of the Applicant.
33. The Monitor will be extracting information from the Applicant's database of Noteholders and Preferred Shareholders (**collectively, "the Investors"** and each, **"an Investor"**) as at the Filing Date (**"the Investor Database"**) to complete the Notices of Noteholder Claim and the Notices of Shareholding. Given that the proposed Claims Procedure for proving the Noteholder Claims and the Shareholdings is based on a negative confirmation, the Monitor is conducting a thorough review of the Investor Database at this time.
34. The Monitor has ascertained that some of the Investors purchased promissory notes or preferred shares jointly with another Investor. The Monitor has determined that, in certain circumstances, the Investor Database shows that the promissory note or preferred share is held by one Investor while the promissory note or preferred Shares itself provides for two Investors but is executed only by one and the corresponding term sheet is executed by only one Investor. In other circumstances, the Investor Database shows that the promissory note or preferred share is held jointly by two Investors while the promissory note or preferred share itself provides for two Investors but is executed only by one and the corresponding term sheet is executed by only one Investor.
35. The Monitor is of the view that the time and effort involved in ascertaining the Investors' wishes and updating the Investor Database would be extensive, costly and would delay the Claims Procedure and these CCAA Proceedings. Accordingly, the Monitor is of the view that it is appropriate to prepare the Notices of Noteholder Claim and the Notices of Shareholding based on the name or names shown in the Investor Database. If an Investor disputes or otherwise challenges the information contained in the Notice of Noteholder Claim or Notice of Shareholding, then that Investor must file a Proof of Claim or Proof of Shareholding with the Monitor by the Claims Bar Date.
36. The Monitor notes that if a co-Investor is now estranged from any Investor listed in the Investor Database, then it would have notice of the Claims Procedure and the Claims Bar Date from the Monitor's website and from the advertisements in the newspapers even if he or she was not able to access the Noteholder Package or the Preferred Shareholder Package, as the case may be. Furthermore, the Monitor notes that it may not matter to many Investors whether the

promissory notes and preferred shares are treated as being held by one person or jointly with another person in these CCAA Proceedings.

37. The Monitor is of the view that, despite the level of due diligence required in the proposed negative confirmation Claims Procedure, the type of claims involved, which include complex calculations of accrued interest, due and unpaid dividends and accrued dividends, would be best calculated by the Applicant and reviewed by the Monitor so that the calculations are consistent for all of the Noteholder Claims and Shareholdings.
38. In addition, the negative confirmation Claims Procedure eliminates the requirement that Investors prepare and file a Proof of Claim or Proof of Shareholding by the Claims Bar Date. Given the age of some of the Investors, the Monitor is of the view that a negative confirmation Claims Procedure is appropriate in the circumstances.
39. If the Monitor, as it completes its due diligence, becomes of the view that the Noteholder Claims and the Shareholdings should not be calculated based on the Investor Database, then the Monitor or the Applicant will seek this Honourable Court's approval of an amended claims procedure.

(e) Employee Claims

40. Pursuant to the Third Report, the Monitor advised that the Applicant's restructuring plan would include downsizing the business by approximately 50%. The Applicant is in the process of finalizing its downsizing plans which will include, among other things, reducing its staff.
41. Any unpaid claims by employees that arise prior to the date of the Claims Procedure Order would constitute Trade Creditor Claims and the Claims Procedure outlined herein with respect to Trade Creditor Claims would apply.
42. Any claims by employees that arise after the date of the Claims Procedure Order will be determined by the Monitor prior to the implementation of any restructuring plan on a case by case basis.
43. The Applicant will pay any employee claims arising in accordance with the CCAA and the Initial Order.

UPDATED CASH FLOW FORECAST FROM MAY 31 TO SEPTEMBER 10, 2010

44. The Applicant filed an updated cash flow projection covering the period from May 31 to September 10, 2010 ("**the Updated Cash Flow Forecast**") with its Motion Record dated June 11, 2010. The Monitor has been monitoring the Applicant's receipts and disbursements on a weekly basis in accordance with the Initial Order and the CCAA. The Monitor has been comparing the actual results with the Updated Cash Flow Forecast. Attached as **Exhibit "B"** are three schedules:

- a) the Updated Cash Flow Forecast;
- b) the actual cash flow to July 9, 2010, and the projected cash flow from then on ("**Actual/Projected Cash Flow to September 10, 2010**"); and
- c) the variance by week from the Original Cash Flow Projection ("**the Cash Flow Variance Report**").

45. Pursuant to the Cash Flow Variance Report, the Applicant's cash position is higher than the cash position anticipated pursuant to the Updated Cash Flow Forecast. The Applicant had on hand \$4,256,092 on July 9, 2010 whereas it had projected to have only \$3,957,279 on hand, being a difference of \$298,813.

46. The major reason for this difference is that Nelson's rate of lending is lower than it had planned. Nelson is working to address the drop in lending at the present time by sourcing new vendors.

UPDATED CASH FLOW FORECAST FROM MAY 31 TO OCTOBER 1, 2010

47. Since the Applicant is asking this Honourable Court to approve an extension of the stay of proceedings from July 30, 2010 to and including October 1, 2010, the Applicant is in the process of preparing a new cash flow forecast extending the Updated Cash Flow Forecast by three weeks to October 1, 2010. The Monitor will file a copy of this updated cash flow forecast with this Honourable Court in a Supplementary Report to this Report prior to the hearing that is scheduled for July 27, 2010.

THE DEVELOPMENT OF A RESTRUCTURING PLAN

48. The Monitor has continued working closely with Nelson to develop a restructuring plan.
49. As noted in the Third Report, the form of plan currently being worked on would give creditors a choice as follows:
- a) to receive cash of between 20% and 25% of the amount of their claim within a few months of plan acceptance. Noteholders selecting this option would presumably be able to claim a tax loss for the balance of their investment in the current tax year. Nelson would make available a limited pool of funds to be distributed *pro rata* to all creditors exercising this option; or
 - b) to receive new promissory notes with a face value of approximately 50% of the creditor's claim. The new promissory notes would pay interest at 3% per annum and would be redeemed from the future profits of Nelson resulting from a scaled back business. Creditors could then either receive preferred shares for the remaining 50% of their claim (with rights to be determined) or they could claim a tax loss for the balance of their claim.
50. Existing Preferred Shareholders would have their existing preferred shares cancelled. They would then be able to either immediately claim a tax loss on their investment or perhaps be given a new form of preferred shares with rights to be determined.
51. In order to understand the tax implications to stakeholders of any restructuring plan, the Monitor has retained Evans Martin LLP, a firm of chartered accountants experienced in income tax matters, to provide it with such advice. Attached as **Exhibit "C"** is a copy of a letter from Evans Martin LLP to the Monitor dated July 16, 2010 on the possible income tax implications to the Investors with respect to various restructuring alternatives.
52. In order to properly advance and finalize a restructuring plan, the Applicant must determine the total amount of outstanding claims. In that regard, and as reported earlier, the Applicant has, in conjunction with the Monitor, prepared a Claims Procedure for the determination of the claims of Noteholders and other creditors. The Claims Procedure also determines the

Shareholdings of Preferred Shareholders. The Applicant must also determine whether Preferred Shareholders are entitled to participate in these CCAA Proceedings and to receive a distribution under any restructuring plan. In that regard, the Applicant has applied for and obtained the appointment of Independent Counsel to the Monitor to assist the Monitor with this determination.

CCAA DRAFT CRITICAL PATH TIMETABLE TO IMPLEMENTATION

53. The Monitor is of the view that there would be a significant tax benefit to Investors if any restructuring plan is implemented in the 2010 tax year. Accordingly, the Monitor and the Applicant have prepared a draft timetable setting out the key dates by which certain aspects of the restructuring must be completed in order to achieve this objective (**"the Timetable"**). The Timetable is dependent upon the acceptance of any restructuring plan by the Applicant's creditors and this Honourable Court. A copy of the latest version of the Timetable is attached as **Exhibit "D"**.

SECURED CREDITORS

54. Foscarini registered a security interest in a pool of consumer loans (**"the Foscarini Loans"**) to secure the Applicant's obligations pursuant to a promissory note dated November 16, 2009 in the principal amount of \$653,341.63 (**"the Foscarini Promissory Note"**). Interest accrues on the Foscarini Promissory Note at a rate of 12% per annum. As at July 27, 2010, the total amount owing to Foscarini including principal, interest and fees will be \$695,772.49.
55. After the date of filing, Nelson began transferring collections received by it on account of the Foscarini Loans to a separate bank account established for such purpose. Nelson collects approximately \$20,000 per month on account of the Foscarini Loans and has transferred approximately \$60,000 to the separate bank account to date.
56. Subject to this Honourable Court's approval, the Applicant has entered into a settlement with Foscarini on the following terms:
- a) the Applicant will pay all outstanding amounts owing to Foscarini on account of the Foscarini Promissory Note;

- b) Foscarini will discharge its security interest;
- c) the Applicant, including its directors and officers, and Foscarini will exchange mutual releases.

57. If Foscarini's security is valid and enforceable, then the Monitor is of the view that this Honourable Court should approve the payment by the Applicant of all outstanding amounts owing by the Applicant to Foscarini. As indicated above, the Foscarini Promissory Note accrues interest at 12%. The discharge of this secured indebtedness would stop the accrual of interest and would also eliminate the Applicant's costs associated with the collection and segregation of the Foscarini Loans and the legal costs associated with this debt.

58. The Monitor has requested an opinion from its legal counsel on the validity and enforceability of the Foscarini Promissory Note and the associated security. The Monitor will include this opinion in its supplementary report that will be served and filed prior to the hearing on July 27, 2010.

OPERATIONS

59. Since the issuance of the Initial Order, the Applicant has continued its business in the normal course on the basis of lower lending volumes (including ongoing collection activity on the large number of existing loans) and by paying all of its obligations when due. The Applicant has not disposed of any material assets outside of the ordinary course.

EMPLOYEES

60. In the Third Report, the Monitor noted that Nelson had 28 employees. Nelson currently has 27 employees as one part time employ recently terminated its employment and was not replaced. All employee-related payments are up to date. Nelson is in the process of concluding a review of its staffing needs given its scaled down business model.

DEALINGS WITH INVESTORS

61. The Monitor and the Applicant have received a further approximately 200 telephone enquiries since June 11, 2010. The Monitor and the Applicant have also had a number of face to face

meetings with individual Investors. The Monitor has received and has responded to a number of Investor email, mail and fax enquiries.

DEALINGS WITH NOTEHOLDER REPRESENTATIVE COUNSEL

62. By Order of this Honourable Court dated June 15, 2010, Mr. Douglas Turner was appointed representative counsel to represent the interests of the Noteholders with respect to the mandate described therein. The Monitor has met with Mr. Turner and his special CCAA counsel, Mr. Richard Jones, and has had numerous telephone and email discussions with them.
63. Mr. Turner has assembled a group of Noteholders to advise and assist him. The Monitor has met with Mr. Turner, Mr. Jones and that group of Noteholders.
64. The Monitor assisted Mr. Turner in organizing an information meeting for Noteholders that was held in Ajax, Ontario on July 21, 2010. Further details regarding this meeting will be provided to this Honourable Court in the Monitor's supplementary report.

DEALINGS WITH INDEPENDENT COUNSEL

65. By Order of this Honourable Court dated July 7, 2010, the Monitor was authorized and directed to retain Ms Elizabeth Pillon as the Monitor's independent counsel for the sole purpose of advising the Monitor with respect to the legal relationship between the Applicant and the Preferred Shareholders and the nature of the claims of the Preferred Shareholders. The Monitor has met with Ms Pillon and has supplied her with information to enable her to commence her review.

WEBSITE

66. The Monitor has posted all public documents related to the CCAA Proceedings, including copies of all court orders, motion records and court reports, on its website at www.ajohnpage.com/html/files.html. Based on the feedback received by the Monitor, the Monitor is of the view that this method of disseminating information to the Applicant's stakeholders is being well-used.

REQUEST FOR APPROVAL OF THE FEES OF MONITOR AND ITS COUNSEL

67. The Applicant has requested that this Honourable Court approve the fees and disbursements of the Monitor and its legal counsel to June 30, 2010. Details of those fees and disbursements, including fee affidavits of the Monitor and its legal counsel, are included in the Applicant's Motion Record returnable on July 27, 2010.

THE APPLICANT'S REQUEST FOR AN EXTENSION OF THE STAY OF PROCEEDINGS

68. The Applicant has asked this Honourable Court to approve an extension of the stay of proceedings from July 30, 2010 to and including October 1, 2010. The basis for this request is to allow the Applicant an opportunity to take further steps in its restructuring, including implementing the Claims Procedure and a continuing to develop a restructuring plan.
69. The Updated Cash Flow Forecast prepared by the Applicant provides that the Applicant will have sufficient cash with which to fund the business through to September 10, 2010. As advised above, the Applicant is in the process of further updating the Updated Cash Flow Forecast to October 1, 2010. Subject to the further updated Updated Cash Flow Forecast, the Monitor is of the view that the Applicant will have sufficient cash to fund the business through to October 1, 2010 and will confirm this in its supplementary report.
70. Since the issuance of the Initial Order, the Applicant has continued its business in the normal course on the basis of lower lending volumes and by paying all obligations when due. The Applicant has not disposed of any material assets outside of the ordinary course.
71. Nelson continues to employ 27 employees. All employee-related payments are up to date. Nelson is concluding its review of staffing levels.
72. The Applicant is also continuing to work to locate new sources of consumer loans to bring its lending volume up the level of approximately 50% of its historical lending volume.
73. It is the Monitor's view that the Applicant has been acting reasonably and with due diligence in compliance with the provisions of the Initial Order.

74. Accordingly, the Monitor supports the Applicant's request for this Honourable Court's approval of the extension of the stay of proceedings from July 30, 2010 to and including October 1, 2010.

RECOMMENDATION

75. Based on the foregoing, the Monitor recommends that this Honourable Court:

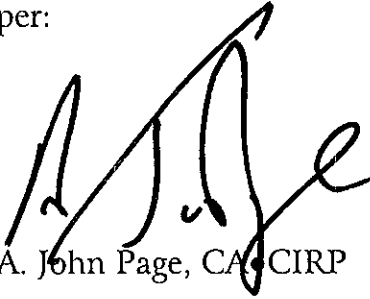
- a) extend the stay of proceedings for the period from July 30 to and including October 1, 2010;
- b) approve the Claims Procedure;
- c) approve the Monitor's fees and disbursements and those of its legal counsel; and
- d) approve this Report and the Monitor's conduct and activities as described herein.

[The Remainder of this Page is Intentionally Blank]

All of which is respectively submitted this 21th day of July, 2010.

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

per:

A handwritten signature in black ink, appearing to read 'A. John Page', written over the printed name.

A. John Page, CA, CIRP

President

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

JULY 21, 2010

Initial Order	A
Updated Cash Flow Forecast, Actual/Projected Cash Flow to September 10, 2010 and Cash Flow Variance Report	B
Letter from Evans Martin LLP dated July 16, 2010	C
CCAA Draft Critical Path Timetable to Implementation – July 20, 2010	D

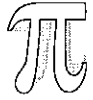


Exhibit "A"

**Fifth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
Dated July 21, 2010**

Initial Order

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM)	TUESDAY, THE 23 rd
)	
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

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.

Dr. Repall, J.

16/1/2010 10:00 AM

MAR 23 2010

PER / PAR JV

<p>Court File No. 10-8630-00CL</p> <p>IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED</p> <p>AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON FINANCIAL GROUP LTD.</p>	
	<p>Applicant</p>
<p>ONTARIO</p> <p>SUPERIOR COURT OF JUSTICE</p> <p>(PROCEEDING COMMENCED AT TORONTO)</p>	
<p>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>SOLICITORS FOR THE APPLICANT</p>	

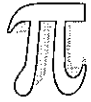


Exhibit "B"

**Fifth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
Dated July 21, 2010**

**Updated Cash Flow Forecast, Actual/Projected
Cash Flow to September 10, 2010 and
Cash Flow Variance Report**

Nelson Financial Group Ltd
Weekly Cash Flow Forecast
For the 15 week period ending Sept 10, 2010

Updated Cash Flow Projection

Unaudited

Week Ending

	04-Jun-10	11-Jun-10	18-Jun-10	25-Jun-10	02-Jul-10	09-Jul-10	16-Jul-10	23-Jul-10	30-Jul-10	06-Aug-10	13-Aug-10	20-Aug-10	27-Aug-10	03-Sep-10	10-Sep-10	Total
Opening Cash	\$3,006,084	\$3,136,273	\$3,290,873	\$3,499,549	\$3,683,639	\$3,834,260	\$3,957,279	\$4,156,656	\$4,340,483	\$4,537,570	\$4,495,336	\$4,692,101	\$4,869,278	\$5,054,214	\$5,011,847	\$3,006,084
Total Operating Receipts	407,106	343,210	380,246	387,760	530,038	326,629	379,228	387,379	346,879	400,764	346,498	410,610	334,610	380,514	346,120	5,707,591
Disbursements:																
Payroll and benefits	6,293	53,730		53,730	6,293	53,730		53,730		60,023		53,730		60,023		401,282
Rent	8,388				6,300					6,300				6,300		27,288
SG&A	15,000	14,970	14,940	14,910	14,881	14,850	14,821	14,792	14,762	14,732	14,703	14,673	14,644	14,615	14,600	221,893
Other	40,828				20,413					20,413				20,413		102,065
Net new Deal Funding	119,910	119,910	126,630	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	1,986,810
Payments to Noteholders		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	86,500	0	30,000	0	196,500	0	30,000	0	0	206,500	0	30,000		186,500		766,000
Total Disbursements	276,917	188,610	171,570	203,670	379,417	203,610	179,851	203,552	149,792	442,998	149,733	233,433	149,674	422,881	149,630	3,505,338
Net Operating Cash Flow	130,189	154,600	208,676	184,090	150,621	123,019	199,377	183,827	197,087	(42,234)	196,765	177,177	184,936	(42,367)	196,490	2,202,253
Closing Cash	\$3,136,273	\$3,290,873	\$3,499,549	\$3,683,639	\$3,834,260	\$3,957,279	\$4,156,656	\$4,340,483	\$4,537,570	\$4,495,336	\$4,692,101	\$4,869,278	\$5,054,214	\$5,011,847	\$5,208,337	\$5,208,337

See attached schedule entitled - Notes/Probable and Hypothetical Assumptions underlying Weekly Cash Flow Forecast for the 15 week period ending September 10, 2010

NELSON FINANCIAL GROUP LTD. ("Nelson")
NOTES/PROBABLE AND HYPOTHETICAL ASSUMPTIONS UNDERLYING
WEEKLY CASH FLOW FORECAST FOR THE 15 WEEK PERIOD ENDED
SEPTEMBER 10, 2010

1. The Cash Flow Forecast has been prepared by Nelson to support a further application to extend the stay of proceedings first ordered when Nelson filed for and obtained protection from its creditors pursuant to the Companies Creditors' Arrangement Act ("CCAA") on March 23, 2010
2. Nelson is assumed to continue to operate on a going concern basis throughout the Cash Flow Period.
3. Opening Cash - The actual reconciled cash balance on May 28, 2010.
4. Sales forecasts are based on historical trends and the removal of Lendcare as a vendor. Included in operating receipts is a lump sum cash settlement expected from Lendcare during the week ended July 2, 2010. Nelson has also included minimal sales estimates from two new, more profitable vendors starting in June 2010.
5. No significant changes to rates billed to client or accepted from vendors.
6. Collection of accounts receivable are based on historic average sales patterns over past six weeks.
7. Employee liabilities are assumed to be paid in the ordinary course. All other pre filing liabilities are stayed as a result of the CCAA proceedings.
8. Payments of investor interest, investor redemptions, preferred share dividends and preferred share redemptions are stayed as a result of the CCAA proceedings
9. Post-filing rent payments are on the basis of existing lease arrangements.
10. Post-filing selling, general and administrative expenses are calculated initially based on existing arrangements and historical patterns of payment but then trending down to reflect lower loan volumes.
11. Restructuring costs represent projected payments on account of the fees and expenses of the Monitor, the Monitor's counsel, Nelson's counsel and "rep counsel" to represent promissory note holders. It is assumed that the unpaid balance of the fees and expenses billed by the Monitor up to June 30, 2010 will be paid by Nelson at the rate of \$30,000 per month through 2010. All other fees and expenses to be paid as billed.
12. The Cash Flow Forecast does not include any payments that might flow from of the successful adoption of a plan of compromise or arrangement.

13. The disbursement labelled "Other" reflects the transfer monthly to a separate bank account of an estimate of the amount collected on account of loan payments over which a secured creditor, Foscarini Mackie Holdings Inc., has a secured charge.

S:\DATA\WP\CLIENTS\NELSON\CFASS5B.WPD

Nelson Financial Group Ltd
 Weekly Cash Flow Forecast
 For the 15 week period ending Sept 10, 2010

Actual/Projected Cash Flows to September 10, 2010
 Unaudited

Week Ending

	Actual						Projected										Total
	04-Jun-10	11-Jun-10	18-Jun-10	25-Jun-10	02-Jul-10	09-Jul-10	16-Jul-10	23-Jul-10	30-Jul-10	06-Aug-10	13-Aug-10	20-Aug-10	27-Aug-10	03-Sep-10	10-Sep-10		
Opening Cash	3,006,084	\$3,216,140	\$3,386,351	\$3,673,519	\$3,901,079	\$4,340,163	\$4,256,092	\$4,455,469	\$4,639,296	\$4,836,383	\$4,794,149	\$4,990,914	\$5,168,091	\$5,353,027	\$5,310,660	\$3,006,084	
Total Operating Receipts	446,928	321,023	406,927	389,063	609,006	277,988		387,379	346,879	400,764	346,498	410,610	334,610	380,514	346,120	5,783,537	
Disbursements:																	
Payroll and benefits	7,105	51,995		52,321		58,863		53,730		60,023		53,730		60,023			
Rent	3,144			1,044	6,300	2,088				6,300				6,300			
SG&A	22,616	9,390	14,896	10,131	24,164	16,772	14,821	14,792	14,762	14,732	14,703	14,673	14,644	14,615	14,600		
Other	40,826				20,413	(3)				20,413				20,413			
Net new Deal Funding	131,681	89,427	104,863	80,374	80,374	113,347	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030		
Payments to Noteholders		0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Payments to Pref Shareholders		0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Restructuring Costs	31,500	0	0	17,633	38,671	170,992	30,000	0	0	206,500		30,000		186,500			
Total Disbursements	236,872	150,812	119,759	161,503	169,922	362,059	179,851	203,552	149,792	442,998	149,733	233,433	149,674	422,881	149,630	3,282,471	
Net Operating Cash Flow	210,056	170,211	287,168	227,560	439,084	(84,071)	199,377	183,827	197,087	(42,234)	196,765	177,177	184,936	(42,367)	196,490	2,501,066	
Closing Cash	\$3,216,140	\$3,386,351	\$3,673,519	\$3,901,079	\$4,340,163	\$4,256,092	\$4,455,469	\$4,639,296	\$4,836,383	\$4,794,149	\$4,990,914	\$5,168,091	\$5,353,027	\$5,310,660	\$5,507,150	\$5,507,150	

Nelson Financial Group Ltd
Weekly Cash Flow Forecast
For the 15 week period ending Sept 10, 2010

Unaudited

Cash Flow Variance Report

Week Ending

	04-Jun-10	11-Jun-10	18-Jun-10	25-Jun-10	02-Jul-10	09-Jul-10	16-Jul-10	23-Jul-10	30-Jul-10	06-Aug-10	13-Aug-10	20-Aug-10	27-Aug-10	03-Sep-10	10-Sep-10	Total
Opening Cash	0	\$79,867	\$95,478	\$173,970	\$217,440	\$505,903	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$0
Total Operating Receipts	39,822	(22,187)	26,681	1,303	78,988	(48,641)	0	0	0	0	0	0	0	0	0	75,946
Disbursements:																
Payroll and benefits	812	(1,735)	0	(1,409)	(6,293)	5,133	0	0	0	0	0	0	0	0	0	(3,492)
Rent	(5,244)	0	0	1,044	0	2,088	0	0	0	0	0	0	0	0	0	(2,112)
SG&A	7,616	(5,580)	(44)	(4,779)	9,283	1,922	0	0	0	0	0	0	0	0	0	8,418
Other	0	0	0	0	0	(3)	0	0	0	0	0	0	0	0	0	(3)
Net new Deal Funding	11,771	(30,483)	(21,767)	(54,656)	(54,656)	(21,653)	0	0	0	0	0	0	0	0	0	(171,474)
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	(55,000)	0	(30,000)	17,633	(157,829)	170,992	0	0	0	0	0	0	0	0	0	(54,204)
Total Disbursements	(40,045)	(37,798)	(51,811)	(42,167)	(209,495)	158,449	0	0	0	0	0	0	0	0	0	(222,867)
Net Operating Cash Flow	79,867	15,611	78,492	43,470	288,463	(207,050)	0	0	0	0	0	0	0	0	0	298,813
Closing Cash	\$79,867	\$95,478	\$173,970	\$217,440	\$505,903	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813	\$298,813



Exhibit "C"

**Fifth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
Dated July 21, 2010**

**Letter from Evan Martin LLP
dated July 16, 2010**

July 16, 2010

Mr. John Page
A. John Page & Associates Inc.
CCAA Monitor of Nelson Financial Group Ltd.
100 Richmond Street West
Suite 447
Toronto, Ontario
M5H 3K6

Dear Mr. Page:

Re: Nelson Financial Group Ltd. and Tax Loss Implications

As Chartered Accountants experienced in income tax matters, you have requested a letter on the possible income tax implications to the investors of Nelson Financial Group Ltd. ("Nelson") with respect to various restructuring alternatives. In connection with this task, we have examined relevant sections in the Income Tax Act ("the Act") and Interpretation Bulletins and formed our analysis as follows:

Introduction

As indicated in paragraph 40, page 10 of the June 11, 2010 Report of the Monitor, there will be differing tax outcomes for the investors of Nelson, depending on the nature of the investor and the investment held.

Non-Capital Losses

Those holding Nelson promissory notes and/or preferred shares as inventory will be considered carrying on a business of trading securities. If expenses exceed revenues, the resulting business loss may be deducted from any other income for the year the loss occurred. To the extent the losses exceed income; you will have a "non-capital loss" carryover. Such a carryover may be

carried-back three years to recover prior years' taxes paid or carried-forward for 20 years to offset future taxes. However, it would appear that those holding their Nelson securities as inventory would be in the minority.

Capital Losses

The presumption is that the majority of investors hold their investments in Nelson as capital assets, the disposition of which will result in either a capital gain or a capital loss. A capital loss will arise where the adjusted cost base of the Nelson investment (plus costs of disposition) exceed the proceeds of disposition. Ordinary capital property losses (such as the above) incurred in the current year are applied in the year only against ordinary capital gains. Capital losses to the extent they exceed capital gains for the year, may be carried-back against capital gains of the three preceding years. This should be done by filing Canada Revenue Agency ("CRA") form T1A with your return by April 30 of the calendar year following the loss year. Failure to file a timely carry-back request may result in forfeiture of the right to apply losses to prior years. If you have no prior years' gains to absorb, or if you choose not to carry-back losses (although you would want to do this only in very limited circumstances) capital losses may be carried-forward indefinitely to be applied against future capital gains.

Business Investment Losses

A special category of capital losses exist called Business Investment Losses ("BIL's"). A BIL must first and foremost qualify as a capital loss. BIL's are given special treatment by the Act under paragraph 39(1)(c). One-half, or 50%, of a BIL (called an Allowable Business Investment Loss ("ABIL")) can be applied against income from any source (unlike capital losses, which can only be applied against capital gains). ABIL's are treated like non-capital losses with a carryover period which is 3 years back and 20 years forward.

ABIL's arise from the disposition of shares or debt of a Small Business Corporation ("SBC"). An SBC is generally defined to be a Canadian-controlled private corporation, where all or substantially all of the fair market value of the assets were, at that time, used principally in an active business carried on primarily in Canada. Although we have not been asked to opine on whether Nelson is an SBC, in conversations with the Monitor, we see no reason to believe that Nelson is not an SBC at this time. For purposes of an ABIL only, an SBC which ceases to meet the conditions in the definition of an SBC will still be considered an SBC if at any time in the 12 months preceding the disposition it met the conditions of an SBC.

Tax Implications - Promissory Note Holders

For purposes of this analysis, we are assuming that Nelson would be an SBC and furthermore, that there would be a disposition of the Nelson promissory notes.

A plan is being developed by Nelson and the Monitor that would provide the holder of a promissory note the option of receiving cash of between 20% and 25% of the debt (within a few months of plan acceptance) as full settlement of the note. The balance of debt would then become uncollectible.

The tax impact to the creditor in this case would be that the note has been settled for a lesser amount than the face value. The balance of the note would then qualify as a BIL, 50% of which would be an ABIL, enabling the creditor to apply it to income from any source as previously discussed.

Alternatively, Nelson will provide the holder of the promissory note with a new promissory note with a face value of between 40% and 60% of the creditor's investment/claim. The new promissory note would pay interest at 3% per annum and would be redeemed from cash generated from the scaling back of the business and from future profits. Creditors would then be given the option of:

- (i) receiving preferred shares (with rights to be determined) for the remaining amount of their investment/claim, or
- (ii) claiming a tax loss for the balance of their claim.

With respect to the tax implications of (i) above, where the new promissory note together with the preferred shares were in full settlement of the existing promissory note and such consideration was equal in value to the existing promissory note, then the creditor would have disposed of the existing promissory note for proceeds equal to his/her adjusted cost base in the said promissory note, resulting in a nil capital gain or loss.

With respect to the tax implications of (ii) above, where the new promissory note (for 40% to 60% of the creditors investment/claim) was issued in full settlement of the existing promissory note, the balance of the note would qualify as a BIL, 50% of which would be an ABIL, enabling the creditor to apply it to income from any source as previously discussed.

Tax Implications – Preferred Shareholders

For purposes of this analysis, we are assuming that Nelson would be an SBC.

As part of Nelson's restructuring plan, the existing Preferred Shareholders would have their existing shares cancelled. They would then have the option of:

- (i) claiming a tax loss on their investment, or
- (ii) be given a new form of preferred shares with rights to be determined.

With respect to the tax implications of (i) above, paragraph 13 of CRA Interpretation Bulletin 484R2 states that, "If a shareholder is dealing at arm's length with an SBC, a BIL may arise when the shares of that corporation are purchased for cancellation. Subsection 84(9) provides

that shares are disposed of by the shareholder to the corporation at the time they are . . . cancelled by the corporation.” That being the case, the cancellation for nil proceeds would result in the claim of a BIL for the amount of the preferred shares, 50% of which would be an ABIL, enabling the shareholder to apply it to income from any source as previously discussed.

With respect to the tax implications of (ii) above, if the new preferred shares were equal in value to the old preferred shares, there would be no tax impact to the shareholder, since the proceeds of disposition would be equal to his/her adjusted cost base in the existing preferred shares, resulting in a nil capital gain or loss. Alternatively, subsection 51(1) could deem the exchange of the existing preferred shares for the new preferred shares not to be a disposition (where no consideration other than the shares are received by the shareholder). Again, there would be no tax impact to the shareholder.

Rejection of Nelson’s CCAA Restructuring Plan

It is possible that the Nelson investors would reject Nelson’s restructuring plan. We assume that if that were to happen Nelson would then go into some form of liquidation. New lending would cease and existing loans would be collected with a view to paying off the Nelson creditors with the net cash from the winding-up.

Winding-up and Promissory Note Holders

Where a debt (promissory note) owed to you by an SBC is established to be a bad debt (see below) and you elect to have a deemed disposition of the debt in your return of income for the year, the debt is deemed to have been disposed of at the end of your taxation year for nil proceeds of disposition, and to have been reacquired immediately after the end of that year at a cost of nil.

A debt is considered to have become a bad debt if all legal means of collecting it has been exhausted or the debtor has become insolvent. The CRA considers that the whole debt has to be uncollectible or a portion has to be settled and the balance has to be wholly uncollectible.

The Monitor has estimated that, if Nelson were to be liquidated, the promissory note holders might see a return of 38 cents for every dollar of promissory notes held. Then it reasonably follows that 62 cents for every dollar of promissory note held would be a bad debt.

Since there are filed documents estimating the liquidation outcome, we will assume that the CRA considers that a portion of the debt will be settled. However, there is the possibility that the CRA may dispute such a claim. Promissory note holders may wish to seek their own professional counsel to enable them to better assess this risk and the potential impact on their own tax position.

A disposition for nil proceeds, in this case, results in a BIL, in the year of the claim, 50% of which would be an ABIL, enabling the creditor to apply it to income from any source as previously discussed.

If there happens to be a future recovery, over and above what was estimated by the Monitor, any subsequent collection will result in a capital gain to you in the year of collection (since the debt, or some portion of it, is disposed of for proceeds in excess of its nil cost base). If there happens to be an additional loss in a future year (proceeds received that are less than the estimated 38 cents), the short-fall will not result in an additional BIL, however it should still qualify as a capital loss.

No form has been prescribed for the election referred to above. The CRA has said that the election is to be made by attaching to your return a letter signed by you stating that you want subsection 50(1) of the Act to apply to the particular debt.

Investors seeking to support a bad debt or ABIL claim should obtain documentation (ideally starting when the financial problems begin) to justify that the debt has gone bad. One should endeavour to claim their BIL in the year of commencement of the liquidation.

Please see Appendix A – Winding-up and Promissory Note Holders.

Winding-up and Preferred Shareholders

If Nelson were to be wound up by filing an assignment in bankruptcy then preferred shareholders would be able to claim an ABIL in the year of the assignment. If Nelson does not go into bankruptcy but is otherwise wound up, for example through a liquidating CCAA, there are rules to alleviate the problem of recognizing a loss where the corporation is clearly defunct, but not formally in bankruptcy.

Sub-paragraph 50(1)(b)(iii) allows you to elect to have a disposition of your preferred shares where, at the end of your taxation year:

- (a) the issuing corporation is insolvent, in fact;
- (b) neither the corporation nor a corporation controlled by it carries on business;
- (c) the fair market value of the share is nil; and,
- (d) it is reasonable to expect that the issuing corporation will be dissolved or wound up and will not commence to carry on business.

Where a deemed disposition of the preferred shares occurs at the end of a taxation year and the issuing corporation is an SBC, the shareholder is deemed to have disposed of the shares for nil proceeds and to have reacquired the shares at nil cost at the beginning of the immediately following taxation year. It follows that any actual disposition for more than nil proceeds will result in a capital gain.

The outcome for the preferred shareholder is that the deemed disposition for nil proceeds in this case results in a BIL, for the full amount (face value) of the preferred share, 50% of which would be an ABIL enabling the shareholder to apply it to income from any other source as previously discussed.

No form has been prescribed for the election referred to above. The CRA has said that the election is to be made by attaching to your return a letter signed by you stating that you want subsection 50(1) of the Act to apply to the particular shares in question.

Investors seeking to support an ABIL claim for their preferred share investment should obtain documentation (ideally starting when the financial problems begin) to justify that their shares have no value.

Please see Appendix B – Winding-up and Preferred Shareholders.

It should be noted that BIL's will be reduced by Capital Gains Exemptions taken by the taxpayer in previous years. Please seek your own professional counsel, if this is the case.

Where you are not at arm's length with Nelson or are related to a shareholder (or related group) that controls Nelson, please seek your own professional counsel as the tax implications of the restructuring eg what you can claim as an ABIL are or may be different.

Please see Appendix C – Supporting Documentation Required to Claim a BIL.

We frequently provide taxation advice and assistance to our clients. You will appreciate that tax planning and advice of even the highest standard is based on interpretation of the law and experience with the revenue authorities. Therefore, the conclusions reached and views expressed are matters of opinion rather than of certainty.

Page 9
Mr. John Page
A. John Page & Associates Inc.
CCAA Monitor of Nelson Financial Group Ltd.
July 16, 2010

Yours very truly,

EVANSMARTIN LLP

A handwritten signature in black ink, appearing to read "Paul Howlett". The signature is fluid and cursive, with a long horizontal stroke at the end.

Paul Howlett

PGH:ker

Appendix A – Winding-up and Promissory Note Holders

1) Establishing a Bad Debt

The CRA's position on when a debt can be established to have become a bad debt is found in paragraph 10 of IT-159R3:

"The time at which a debt becomes a bad debt is a question of fact and any decision made must be dependent upon the circumstances in each case. A determination by a creditor that a debt has become bad in a particular taxation year must be supported by all relevant and material facts. Generally, a debt will not be uncollectible at the end of a particular taxation year unless the creditor has exhausted all legal means of collecting it or where the debtor has become insolvent and has no means of paying it. A debt is considered bad for the purpose of section 50 only when the whole amount is uncollectible or when a portion of it has been settled and the remainder is uncollectible. Otherwise, where a portion of a debt can be considered uncollectible, this portion is not considered to be bad for the purpose of section 50 even though accounting practice may require a write-down to realizable value."

Existing case law casts some doubt on the CRA's position that the full amount of a debt must be uncollectible for subsection 50(1) to apply. The *Hogan* case, 56 DTC183, is frequently cited when determining whether a debt has become a bad debt:

For the purposes of the Income Tax Act, therefore, a bad debt may be designated as the whole or a portion of a debt which the creditor, after having personally considered the relevant factors mentioned above in so far as they are applicable to each particular debt, honestly and reasonably determines to be uncollectible at the end of the fiscal year when the determination is required to be made, notwithstanding that subsequent events may transpire under which the debt, or any portion of it, may in fact, be collected....

The precedent set in *Hogan* (and used in other cases) may provide some hope that the CRA's hard-line position on writing off bad debts under subsection 50(1), may be challenged by law.

Although this report is not a substitute for legal advice, if the Monitor estimates that the promissory note holders will see a return of say, 38 cents for every dollar of promissory notes held (in the year that Nelson is still a SBC) then it reasonably follows that 62 cents for every dollar of promissory note held would be a bad debt.

2) Timing Issues and the Subsection 50(1) Election

It is common for ABIL claims to be triggered from a subsection 50(1) election because it is often impractical to sell shares or debt of an insolvent corporation to an arm's length person in order to meet the requirements of subparagraph 39(1)(c)(ii). Subsection 50(1) is an elective provision and a taxpayer must elect in their return of income for the year to effect a deemed disposition. The election deems the taxpayer to have disposed of the property at the end of the year for nil proceeds and to have reacquired the property for a cost of nil.

Because the election deems the taxpayer to have disposed of the property at the end of the year for nil proceeds, it can complicate the timing of an ABIL claim. As previously noted above, an ABIL can only be claimed on shares or indebtedness of a corporation that was a SBC within twelve months of the date of the disposition. Thus, the underlying corporation must have been a SBC at some point in time within the taxation year in respect of which the 50(1) election is made. In practice, the investor may not be provided with sufficient information to make an ABIL claim within the filing deadline for their tax return. For example, consider a situation in which a corporation becomes insolvent and discontinues operations on October 1, 2010. The investor takes the necessary steps to obtain the information needed to substantiate their claim and to ascertain that they will not recover their investment. The investor finishes compiling the information in the fall of 2011, well past the filing deadline of April 30, 2011. If the investor reports the disposition and files the subsection 50(1) election in respect of the 2011 calendar year, the SBC test is not met and the ABIL will be denied. To remedy this problem, a taxpayer could request an amendment to their 2010

Page 12
Mr. John Page
A. John Page & Associates Inc.
CCAA Monitor of Nelson Financial Group Ltd.
July 16, 2010

personal tax return. The Act provides the Minister with the discretion to permit a late-filed subsection 50(1) election. A taxpayer requesting to file a late filed-election should do so by filing CRA form RC 4288 – Request for Taxpayer Relief.

Appendix B – Winding-up and Preferred Shareholders

1) Establishing a Loss on Preferred Share Investment

The criteria for electing to have a deemed disposition on the share of the capital stock of the corporation is found in subparagraph 50(1)(b)(iii) as previously mentioned.

“...at the end of a year:

- (a) the issuing corporation is insolvent, in fact;
- (b) neither the corporation nor a corporation controlled by it carries on business;
- (c) the fair market value of the share is nil; and,
- (d) it is reasonable to expect that the issuing corporation will be dissolved or wound up and will not commence to carry on business.”

Where the corporation in question has ceased making new loans and is being wound up under a liquidating CCAA then a simple affirmation of the above four criteria would suffice.

2) Timing Issues and Subsection 50(1) Election

For share investments, paragraph 50(1)(b) of the Act requires that the corporation must be bankrupt, in the course of a formal windup, or otherwise insolvent and inactive. The above requirements may create a further timing issue for a taxpayer. For example, consider a situation in which a corporation ceases operations in October 2010. An individual taxpayer is unable to determine whether the shares meet the conditions of subparagraph 50(1)(b)(iii) in 2010 because the liquidation of assets occurs in 2011. The taxpayer makes the subsection 50(1) election with respect to the shares in 2011 and the deemed disposition occurs on December 31, 2011. Since the deemed disposition occurs more than twelve months after ceasing normal business operations, it becomes questionable whether the resulting loss will qualify as an ABIL. The taxpayer could request an amendment to their 2010 personal tax return and file CRA form RC 4288 – Request for Taxpayer Relief.

Appendix C – Supporting Documentation Required to Claim a BIL

It is almost certain that individual BIL claims will be subject to pre-assessment review, so it is imperative that the taxpayer make their best attempt to substantiate the claim. Chart six in the CRA's Capital Gains Guide (T4037) recommends that the taxpayer attach a note to their return listing the facts surrounding the claim including:

- name of the small business corporation;
- number and class of shares, or type of debt disposed of;
- insolvency, bankruptcy, or wind up date;
- date the shares or debt were acquired;
- amount of the proceeds of disposition;
- adjusted cost base of the shares or debt;
- outlays and expenses on the disposition; and
- amount of the loss.



Exhibit "D"

**Fifth Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
Dated July 21, 2010**

**CCAA Draft Critical Path Timetable
to Implementation - July 20, 2010**

Nelson - CCAA Draft Critical Path Timetable to Implementation July 20, 2010

There would appear to be a significant benefit to the Investors of Nelson to have any successful restructuring plan ("the Plan") implemented in 2010 so that Investors can gain the benefits of any tax losses that might be triggered in the 2010 tax year rather than having to wait another year. The Monitor has therefore set down the timetable below to enable all concerned to see what needs to have happened by when in order that the Investors can gain those benefits in 2010.

The critical path timetable below is on the assumption that the Creditors of Nelson vote in favour of the Plan and the Court then sanction or approve the Plan.

Event	Likely Date or Deadline	Notes
Claims Procedure Court Hearing	July 27, 2010	
Mail out Claims Procedure forms using negative confirmation; Post Claims Procedure on website	August 15, 2010	
Advertisement in newspapers	August, 27, 2010	Ad 12 days after mail to avoid noteholders filing Claims where their notice is in mail
Preferred Share priority status resolved	September 15, 2010	Cannot finalize Plan until resolved
Claims Bar Date	September 15, 2010	Cannot finalize Plan and monitor's report on same until extent of Claims is known
Court hearing to approve calling meeting to consider Plan and next extension application; Mail Plan and meeting/voting details to creditors	October 1, 2010	To include form re option selection with voting letter
Creditors meeting and vote on Plan	November 1, 2010	
Court hearing to sanction approved Plan	November 15, 2010	
Implement Plan: "QuickPay" payment Issuance of new Promissory Notes	December 15, 2010	

S:\DATA\WP\CLIENTS\NELSON\TIMTBL3.WPD

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

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

Court File No.: 10-8630-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

**FIFTH REPORT OF A. JOHN PAGE &
ASSOCIATES INC. IN ITS CAPACITY AS THE
MONITOR OF THE APPLICANT
DATED JULY 21, 2010**

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

A. John Page
Tel: 416-364-4894
Fax: 416-364-4869