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Sent: February 25, 2011 2:20 PM
Attach: thorton grout doc.pdf
Subject: Nelson Financial

This is a resent email since the first was bounced by several recipients due to the size of the attachment. It is hoped that this attachment is smaller. Please confirm receipt.

Dear Counsel:

Further to the notice of motion and draft plan of arrangement served on you on February 14, 2011, please find attached the Motion Record of the Interim Operating Officer of Nelson Financial Group Ltd. seeking a meeting order and other relief. Three extra pages were inadvertently included in the service list ahead of the Index; please disregard them. This Motion Record is served on you in accordance with the Rules of Civil Procedure and the terms of the Initial Order in this proceeding.

Please note that the plan of arrangement found at Tab "A" has been amended to correct a number of typographical errors and to include schedules that were still in preparation last week. You should also note that the First Report of the Interim Operating Officer is included at Tab 6.

The scheduling of the motion will be addressed before Justice Morawetz at a 9:30 attendance on Monday, February 28, 2011. The schedule established then will be advised to all counsel. Please advise whether you will be responding to this motion on behalf of your clients and what position you will be taking. I remain

Yours truly

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25/02/2011

**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.**

**MOTION RECORD
OF THE INTERIM OPERATING OFFICER
Plan Filing, Meeting Order and Stay Extension
(Motion returnable February 22, 2011)**

February 11, 2011

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AND TO: **THE ATTACHED SERVICE LIST**

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Special Counsel to Representative Counsel

Court and the Monitor respectfully requests that, if necessary, this Honourable Court seal the Opinion pending further Order of this Honourable Court.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. the Sixth Report; and
2. such further and other material as counsel may advise and this Honourable Court may permit.

August 23, 2010

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Counsel for David Baker

INDEX

MOTION RECORD INDEX

Tab	Document
------------	-----------------

- | | |
|-----------|--------------------------------------------------------------------------|
| 1. | Notice of Motion returnable February 22, 2011 |
| 2. | Draft Order |
| A. | Plan of Arrangement of Nelson Financial Group Ltd. |
| B. | Notice of Meeting of Creditors |
| 3. | Initial Order made March 23, 2010 |
| 4. | Order Appointing Representative Counsel made June 15, 2010 |
| 5. | Order Appointing Interim Operating Officer made November 22, 2010 |
| 6. | First Report of Interim Operating Officer dated February 18, 2011 |

TAB 1

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

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

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

**NOTICE OF MOTION
OF THE INTERIM OPERATING OFFICER
Plan Filing, Meeting Order and Stay Extension
(Motion returnable February 22, 2011)**

Sherry Townsend, in her capacity as the Interim Operating Officer of Nelson Financial Group Ltd. appointed by this Court (the "IOO"), will make a motion before a judge of the Ontario Superior Court of Justice sitting on the Commercial List on February 22, 2011 at 10:00 a.m. or as soon after that time as the motion can be heard at 330 University Avenue, in the City of Toronto.

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

THE MOTION IS FOR an Order substantially in the form attached hereto as Schedule "A" granting, *inter alia*, the following relief:

1. An Order accepting for filing the Plan of Compromise and Arrangement in respect of Nelson Financial Group Ltd. (the "Applicant") dated

February 11, 2011 and directing the Applicant to seek acceptance and sanctioning of the Plan;

2. an Order directing that a meeting of the Creditors of the Applicant be called to be held on March 26, 2011 to consider and approve the Plan as such may be amended in accordance with its terms by the Applicant, together with such directions as are required for the proper conduct of such meeting;
3. an Order scheduling a sanction hearing, if the Plan should be approved by the requisite majorities of Creditors at the Meeting, on April 1, 2011 or such other and later date as the Court may approve;
4. an Order extending the Stay Termination Date under the Initial Order to May 31, 2011; and,
5. such further and other relief as this Honourable Court may permit.

THE GROUNDS FOR THE MOTION ARE:

- a) The terms of the Initial Order;
- b) The Applicant under the direction of the IOO has been proceeding diligently and in good faith with the preparation of the Plan, the cash flow position of the Applicant remains positive and the Creditors who are Noteholders of the Applicant have been and are actively engaged in the development of the Plan and are supportive of the restructuring efforts;

- c) The Plan provides for the exchange of the Proven Claim of each Proven Creditor for a Capital Recovery Debenture, Special Shares and Common Shares of the Applicant;
- d) The Plan provides an immediate payout option by way of a cash pool of \$2,500,000 for the full satisfaction of Claims electing this option by payment at the rate of 25 cents on the dollar of the Proven Claim amount, provided that if more than \$10,000,000 of Proven Claims elect this option such Claims shall only be permitted to exercise the option on a pro rata basis;
- e) The Plan further provides for the filing of Articles of Reorganization under section 186 of the Ontario *Business Corporations Act* to change the name of the Applicant to Provider Capital Group Inc., to cancel all of the currently issued and the authorized share capital of the Applicant, to authorize new Special Shares and new Common Shares to be issued under the Plan and to put in place a board of directors of the Applicant comprised of persons selected and designated by the Meeting of Creditors;
- f) The Plan further provides that, following the implementation of the Plan if approved, the only shares outstanding in the capital stock of the Applicant will be shares issued to eligible Creditors in proportion to their Proven Claims;
- g) The Applicant, the Interim Operating Officer and the Representative Counsel are of the opinion that the Plan proposed is fair and reasonable,

that the Plan should be accepted for filing and that the Plan should be presented to the Creditors for their approval at a meeting to be convened for that purpose;

- h) Sections 4 and 6 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;
- i) Rules 1.04, 3.02 and 37 of the *Rules of Civil Procedure*; and,
- j) Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- a) The Notice of Motion and draft Order herein;
- b) The Initial Order made by Madam Justice Pepall on March 23, 2010;
- c) The Representative Counsel Order made by Madam Justice Pepall on June 15, 2010;
- d) The Order appointing the Interim Operating Officer made by Madam Justice Pepall on November 22, 2010;
- e) The First Report of the Interim Operating Officer dated February 11, 2011;

- f) The Plan of Compromise and Arrangement of the Applicant dated February 11, 2011; and,
- g) Such further and other material as counsel may advise and this Honourable Court may permit.

February 11, 2011

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

TO: **THIS HONOURABLE COURT**

AND TO: **THE ATTACHED SERVICE LIST**

TAB 2

Schedule “A”

Draft Order

File No. CV-10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE)	DAY, THE
)	
JUSTICE)	DAY OF FEBRUARY, 2011

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

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

**ORDER
(Plan Filing, Creditor Meeting and Stay Extension)**

THIS MOTION, made by the Interim Operating Officer of the Applicant, Nelson Financial Group Ltd., seeking the relief set out in the Notice of Motion dated February 10, 2010, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion and the Motion Record and the First Report dated February 18, 2011 of Sherry Townsend in her capacity as Interim Operating Officer appointed by the Order of this Court made November 22, 2010 (the “IOO”), and on hearing the submissions of counsel for the IOO on behalf of Nelson Financial Group Ltd.

(the “Applicant”), the Representative Counsel and the Monitor, no other persons appearing although duly served;

Service

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

Plan of Compromise and Arrangement

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

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

The Meeting of Creditors

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

5. **THIS COURT ORDERS** that on or before February 28, 2011, the Applicant shall send or have sent by prepaid post to each Eligible Voting Creditor who has filed a

proof of claim in accordance with the Claims Procedure Order to the address set forth on the proof of claim filed by the Eligible Voting Creditor or whose Claim is deemed to be a Proven Claim by the terms of the Claims Procedure Order at the last known address for such creditor as shown on the records of the Applicant; (a) a Notice of Meeting in the form attached as Schedule "B" hereto; (b) a copy of this Order (without attachments); (c) a copy of the Plan; (d) a Report of the IOO describing the Plan and the business and future plans of the Applicant; and (e) forms of proxy and voting letter substantially in the forms attached as Schedules to the Plan.

6. **THIS COURT ORDERS** that the Meeting of Creditors of Nelson Financial Group Ltd. shall be held on Saturday, March 26, 2011 (the "Meeting Date") at 11:00 a.m. (Toronto time) at the Ajax Convention Centre, 550 Beck Crescent, Ajax, Ontario and the Applicant is hereby authorized, with the consent of the meeting, to adjourn the Meeting to such time and place as it deems necessary or desirable.

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

8. **THIS COURT ORDERS** that the Representative Counsel shall preside as the chairperson of the Meeting (the "Chair") and shall decide all matters relating to the rules and procedures at, and the conduct of, the Meeting.

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

10. **THIS COURT ORDERS** that Eligible Voting Creditors of the Applicant shall be entitled to attend and vote at the Meeting in respect of the Applicant's Eligible Voting Creditors in person, by proxy, or by voting letter.

11. **THIS COURT ORDERS** that the Chair be and is hereby authorized to accept and rely upon proxies and voting letters substantially in the form of such attached as Schedules "C" and "D" to the Plan or in such other form as the Chair determines to be functionally and substantively identical and acceptable.

12. **THIS COURT ORDERS** that the only persons entitled to attend the Meeting are (a) the Eligible Voting Creditors of the Applicant, including proxy holders and the legal counsel for any such creditor; (b) the IOO; (c) the Representative Counsel and the Special Counsel; (d) the Monitor; (e) the Applicant and their respective authorized representatives, officers, directors and legal counsel.

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

14. **THIS COURT ORDERS** that the amount of the Proven Claim that each Eligible Voting Creditor is entitled to vote at the Meeting shall be as established in accordance with the Claims Procedure Order.

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

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

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

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

19. **THIS COURT ORDERS** that, if the Plan is accepted by the required majority of Eligible Voting Creditors, the Applicant shall bring a Motion seeking an Order sanctioning the Plan and, if so sanctioned, directing the filing of the Articles of Reorganization pursuant to s.186 of the Ontario *Business Corporations Act* shall be returnable on Friday, April 1 , 2011, or such earlier or later date as the Court may order.

Stay Extension

20. **THIS COURT ORDERS** that the Stay Period, as defined in the Initial Order dated March 23, 2010 be and is hereby extended to May 31, 2011.

Further and Other Orders

21. **THIS COURT ORDERS** that the Applicant, the IOO or the Representative Counsel may, from time to time, apply to this Court for directions in the discharge of their powers and duties under or in respect of the proper execution of this Order, including without limitation the holding of the Meeting or any adjournment thereof.

Approval of IOO's First Report

22. **THIS COURT ORDERS** that the First Report of the IOO dated February 18, 2011 and the activities of the IOO described therein be and are the same are hereby approved.

TAB A

Schedule “A”

Plan of Arrangement

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

**FEBRUARY 11, 2011
(Amended February 24, 2011)**

TABLE OF CONTENTS

	Page
ARTICLE 1 DEFINITIONS AND INTERPRETATION.....	1
1.1 Definitions.....	1
1.2 Article and Section Reference	8
1.3 Extended Meanings.....	8
1.4 Interpretation Not Affected by Headings.....	8
1.5 Inclusive Meaning.....	8
1.6 Currency.....	9
1.7 Statutory References	9
1.8 Successors and Assigns.....	9
1.9 Governing Law	9
1.10 Severability of Plan Provisions.....	9
1.11 Timing Generally	9
1.12 Time of Payments and Other Actions.....	10
1.13 Schedules	10
ARTICLE 2 PURPOSE AND EFFECT OF PLAN.....	10
2.1 Purpose.....	10
2.2 Intended Effect of the Plan	10
2.3 Releases.....	11
ARTICLE 3 CLASSIFICATION OF CLAIMS	11
3.1 Classification of Claims.....	11
3.2 Affected Persons	11
3.3 Claims Excluded by the Plan	11
3.4 Defences to Excluded Claims	12
3.5 Crown Claims	12
ARTICLE 4 TREATMENT OF CREDITORS	12
4.1 Treatment of Convenience Class	12
4.2 Cash Exit Option.....	12
4.3 Treatment of Proven Claims.....	12
4.4 Excluded Claims.....	13

TABLE OF CONTENTS
(continued)

	Page
ARTICLE 5 CREDITORS' MEETING	13
5.1 Creditors' Meeting and Conduct.....	13
5.2 Voting by Creditors.....	13
5.3 Acceptance of Plan	14
ARTICLE 6 CONDITIONS OF PLAN IMPLEMENTATION	14
6.1 Sanction Order	14
6.2 Conditions of Plan Implementation	16
6.3 Representative Counsel's Certificate.....	17
ARTICLE 7 IMPLEMENTATION OF THE PLAN	17
7.1 Articles of Reorganization	17
7.2 Effectuating Documents.....	17
7.3 Administrative Charge	17
7.4 Discharge of Monitor and Representative Counsel	18
ARTICLE 8 PROVISIONS GOVERNING DISTRIBUTIONS.....	18
8.1 Distributions on Proven Claims	18
8.2 Required Delivery to Receive Distribution.....	18
8.3 Distributions by the Applicant.....	18
8.4 Interest on Affected Claims	18
8.5 Distributions in respect of Transferred or Assigned Claims.....	18
8.6 Undeliverable and Unclaimed Distributions.....	19
8.7 Tax Matters	19
ARTICLE 9 AMENDMENTS TO THE PLAN	20
9.1 Amendments to Plan Prior to Approval.....	20
9.2 Amendments to Plan Following Approval	20
ARTICLE 10 PLAN IMPLEMENTATION AND EFFECT OF THE PLAN	21
10.1 Implementation	21
10.2 Effect of the Plan Generally	21
10.3 Compromise Effective for All Purposes	21
10.4 Contracts	21

TABLE OF CONTENTS
(continued)

	Page
10.5 Plan Releases	21
10.6 Stay of Proceedings.....	22
10.7 Exculpation	22
10.8 Waiver of Defaults	23
10.9 Consents and Releases	23
10.10 Deeming Provisions	23
ARTICLE 11 POST IMPLEMENTATION MATTERS	23
11.1 Lending, Financing and Disclosure	23
11.2 Derivative rights and the Litigation Trust.....	24
ARTICLE 12 GENERAL PROVISIONS.....	24
12.1 Different Capacities	24
12.2 Further Assurances.....	24
12.3 Set-Off.....	24
12.4 Paramountcy	24
12.5 Revocation, Withdrawal, or Non-Consummation	25
12.6 Preservation of Rights of Action.....	25
12.7 Notices	25
 SCHEDULES	
Form of Representative Counsel’s Certificate	A
Articles of Reorganization	B
Form of Capital Recovery Debenture	C
Form of Receipt, Release and Assignment	D
Declaration of Trust – Litigation Trust.....	E
Form of Proxy	F
Form of Voting Letter.....	G

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

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

FEBRUARY 10, 2010

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

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

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

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

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

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

“Applicant” means Nelson Financial Group Ltd.;

“Articles of Reorganization” means the Articles of Reorganization to be filed under and subject to the terms and conditions of this Plan, cancelling all issued and outstanding shares of the Applicant, authorizing the new share capital of the Applicant, changing the name of the Applicant to Provider Capital Group Inc. and substantially in the form annexed as Schedule “B” to this Plan;

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

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

- (d) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event;

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

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

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

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

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

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

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

“**CCAA Proceedings**” means the proceedings commenced by the Applicant under the CCAA on January 29, 2010 in the CCAA Court, Court File No. CV-10-8630-00CL;

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

“**Claim**” means any right or claim of any Person that may be asserted or made in whole or in part against the Applicant, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including without limitation, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, legal or equitable, secured or unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including, without limitation, any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future together with any other rights or claims of any kind that, if unsecured, would be a debt provable in bankruptcy within the meaning of the BIA if the Applicant were bankrupt, and for greater certainty, includes, without limitation (i) any Tax

Claim, (ii) any claims by any Person for obligations or indebtedness owing by the Applicant in respect of any Equity Claim, and (iii) any Subsequent Claim;

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

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

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

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

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

"Creditors' Meeting" means the meeting of Proven Creditors called for the purposes of considering and voting in respect of this Plan, which has been set by the Creditors' Meeting Order and, subject to such Order, to take place at 10:00 a.m. (Toronto Time) on March 26, 2011 and any postponements, adjournments or amendments thereof;

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

"Crown" means Her Majesty in right of Canada or a province of Canada;

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

- (a) subsection 224(1.2) of the ITA;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the ITA and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or
- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the ITA, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum

- (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the ITA; or
- (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a “province providing a comprehensive pension plan” as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection;

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

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

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

“Disputed Claims Reserve” shall have the meaning set out in Section 6.2;

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

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

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

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

“Final Distribution Date” means a Business Day to be chosen by the Monitor, in consultation with the Applicant, on which final distributions are to be made on account of Proven Claims and

which shall be a date that occurs after all Disputed Claims have been finally determined in accordance with the Claims Procedure Order;

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

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

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

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

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

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

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

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

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

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

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

“**Notice of Revision or Disallowance**” means a written notice, substantially in the form attached as Schedule “5” to the Claims Procedure Order, delivered to a Creditor advising that the Monitor has revised or disallowed all or part of such Creditor’s Filed Claim (as defined in the Claims

Procedure Order) for the purposes of voting and/or distribution and providing the reasons for the revision or disallowance;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Subsequent Claim” means any right or claim of any Person, that may be asserted in whole or in part against the Applicant, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, present or future, arising after the Filing Date (but before the Plan is sanctioned by the Court) by reason of any obligation incurred by the Applicant before the Filing Date, including any indebtedness, liability, or obligation resulting from the termination of employment, or the disclaimer or resiliation by the Applicant in the CCAA Proceedings of an agreement that existed before the Filing Date, and any interest that may accrue thereon for which there is an obligation to pay, and costs payable at law or in equity in respect thereof, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature and that is provable under the BIA, but a “Subsequent Claim” shall not include an “Excluded Claim”;

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

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

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

1.2 Article and Section Reference

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

1.3 Extended Meanings

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

1.4 Interpretation Not Affected by Headings

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

1.5 Inclusive Meaning

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

1.6 Currency

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

1.7 Statutory References

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

1.8 Successors and Assigns

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

1.9 Governing Law

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

1.10 Severability of Plan Provisions

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

1.11 Timing Generally

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

1.12 Time of Payments and Other Actions

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

1.13 Schedules

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

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

ARTICLE 2 PURPOSE AND EFFECT OF PLAN

2.1 Purpose

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

2.2 Intended Effect of the Plan

The effect of the Plan is that each Creditor holding a Proven Claim will receive a Capital Recovery Debenture in the principal amount of \$25.00, New Special Share with a stated capital and redemption value of \$25.00 and one Common Share with a stated capital of \$1.00 in full satisfaction of each \$100.00 of such Proven Claim. The value of the consideration being provided to Creditors under the Plan is determined by the Applicant to be the stated capital of the Shares and is less than the amount of the Proven Claims. Subject to a capped pool of funds,

Proven Claims may elect to receive payment of 25% of the amount of the Proven Claim as an alternative and in full satisfaction of all rights and Claims against the Applicant and under this Plan. Convenience Class Proven Claims and Excluded Claims will be paid in full.

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

2.3 Releases

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

ARTICLE 3 CLASSIFICATION OF CLAIMS

3.1 Classification of Claims

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

3.2 Affected Persons

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

3.3 Claims Excluded by the Plan

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

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

3.4 Defences to Excluded Claims

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

3.5 Crown Claims

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

ARTICLE 4 TREATMENT OF CREDITORS

4.1 Treatment of Convenience Class

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

4.2 Cash Exit Option

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

4.3 Treatment of Proven Claims

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

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

4.4 Excluded Claims

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

ARTICLE 5 CREDITORS' MEETING

5.1 Creditors' Meeting and Conduct

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

5.2 Voting by Creditors

Each Eligible Voting Creditor shall be entitled to cast a single vote on this Plan at the Creditors' Meeting which vote shall be tabulated in the aggregate dollar amount of such Creditor's Proven Claim and Disputed Claim, if any. The Chair of the Creditors' Meeting shall keep a separate record and tabulation of the votes cast by each Eligible Voting Creditor and of any votes cast in respect of Disputed Claims. The Chair shall report the result of the vote and the tabulation of votes by numbers of Creditors voting to approve or reject the Plan and by the amount of Proven Claims and Disputed Claims voting to approve or reject the Plan to the Creditors' Meeting and to the CCAA Court. If the vote on the approval or rejection of the Plan by Eligible Voting Creditors is decided by the votes in respect of the Disputed Claims, the Applicant shall seek an order for an expedited determination of any material Disputed Claims and an appropriate deferral of the application for the Sanction Order and any other applicable dates in the Plan. The fact that a

Disputed Claim is allowed for voting purposes shall not preclude the Applicant and the Representative Counsel from disputing the Disputed Claim for distribution purposes.

5.3 Acceptance of Plan

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

ARTICLE 6 CONDITIONS OF PLAN IMPLEMENTATION

6.1 Sanction Order

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

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

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

6.2 Conditions of Plan Implementation

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

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

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

6.3 Representative Counsel's Certificate

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

ARTICLE 7 IMPLEMENTATION OF THE PLAN

7.1 Articles of Reorganization

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

7.2 Effectuating Documents

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

7.3 Administration Charge

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

Administration Charge Reserve exceeds the actual costs paid or payable from the Administration Charge Reserve, the excess amount shall be returned to the Applicant.

7.4 Discharge of Monitor and Representative Counsel

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

ARTICLE 8 PROVISIONS GOVERNING DISTRIBUTIONS

8.1 Distributions on Proven Claims

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

8.2 Required Delivery to Receive Distribution

To be entitled to receive a distribution under the Plan, a Proven Creditor must execute and deliver against delivery of its distribution a Receipt, Release and Assignment containing a receipt for the distribution, a release of all Claims and an assignment to the Applicant, in trust, of all of its Derivative Rights. The Receipt, Release and Assignment shall be substantially in the form of the Receipt, Release and Assignment annexed as Schedule "D" to this Plan.

8.3 Distributions by the Applicant

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

8.4 Interest on Affected Claims

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

8.5 Distributions in respect of Transferred or Assigned Claims

The Applicant and the Monitor shall not be obligated to deliver any distributions under this Plan to any transferee or assignee of an Affected Claim unless a Proof of Assignment has been

delivered to the Monitor and the Applicant no later than five Business Days prior to the Initial Distribution Date or Final Distribution Date, as applicable to such assigned Affected Claim.

8.6 Undeliverable and Unclaimed Distributions

If any delivery or distribution to be made pursuant to Sections 4.2, 4.3 and 8.1 of this Plan is not made because the Proven Creditor refuses or neglects to execute and return to the Applicant an executed Receipt, Release and Assignment required under Section 8.2 within 180 days following the Sanction Date or the delivery or distribution is returned as undeliverable and remains unclaimed by the Proven Creditor for 90 days thereafter, the Claim of the Proven Creditor with respect to such undelivered or unclaimed distribution shall be discharged and forever barred, notwithstanding any federal or provincial laws to the contrary, and any Common Shares and New Special Shares issued the Proven Creditor or allocable to the undeliverable or unclaimed distribution, shall be cancelled by the Applicant. Nothing contained in this Plan shall require the Applicant to attempt to locate any holder of any undeliverable or unclaimed distributions.

8.7 Tax Matters

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

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

- (b) **Withholding Rights.** All distributions hereunder shall be subject to any withholding and reporting requirements imposed by any Applicable Law or any Taxing Authority and the Applicant shall deduct, withhold and remit from any distributions hereunder payable to a Proven Creditor or to any Person on behalf of any Proven Creditor, such amounts as the Applicant determines that it is required to deduct and withhold with respect to such payment under the ITA or any provision of federal, provincial, territorial, state, local or foreign tax law, in each case, as amended or succeeded. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the Proven Creditor in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Taxing Authority. The Applicant shall have no liability with respect to any claim

arising from any failure to make withholdings from any distribution on account of a Proven Claim.

ARTICLE 9 AMENDMENTS TO THE PLAN

9.1 Amendments to Plan Prior to Approval

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

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

9.2 Amendments to Plan Following Approval

After the Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), the Applicant may at any time and from time to time vary, amend, modify or supplement this Plan without the need for obtaining an Order of the CCAA Court or providing notice to the Creditors, if the Applicant and the Representative Counsel, acting reasonably and in good faith, determine that such variation, amendment, modification or supplement is of a technical or administrative nature that would not be materially prejudicial to the interests of any of the Creditors under this Plan and is necessary in order to give effect to the substance of this Plan or the Sanction Order. The Representative Counsel shall post a notice of such variance, amendment, modification or supplement to the Plan on the Noteholders' Website, together with the varied, amended, modified or supplemented language.

ARTICLE 10

PLAN IMPLEMENTATION AND EFFECT OF THE PLAN

10.1 Implementation

On the Plan Implementation Date, subject to the satisfaction or waiver of the conditions contained in Section 6.2 of this Plan, the Applicant shall file the Articles of Reorganization in accordance with the terms of the Sanction Order and shall then proceed to issue the Capital Recovery Debentures, the New Special Shares and the Common Shares in accordance with the terms of this Plan in order to implement it. Upon the filing of the Articles of Reorganization and the authorization and issuance of the Shares, this Plan shall be binding upon all Creditors in accordance with the terms of this Plan and the Sanction Order.

10.2 Effect of the Plan Generally

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

10.3 Compromise Effective for All Purposes

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

10.4 Contracts

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

10.5 Plan Releases

On the Plan Implementation Date:

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

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

10.6 Stay of Proceedings

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

10.7 Exculpation

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

10.8 Waiver of Defaults

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

10.9 Consents and Releases

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

10.10 Deeming Provisions

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

ARTICLE 11 POST IMPLEMENTATION MATTERS

11.1 Lending, Financing and Disclosure

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

- (a) the Applicant shall prepare or cause to be prepared annual audited financial statements, which shall be distributed to all Creditors who receive New Special Shares and Common Shares under this Plan;
- (b) the Applicant shall prepare or cause to be prepared unaudited interim financial statements, on a quarterly basis, which shall be distributed by email or posting on the website of the Applicant to all Creditors who receive New Special Shares and Common Shares upon Implementation; and

- (c) the Applicant shall not grant, create, assume or suffer to exist any Lien affecting any of its property, assets or undertaking, except for a Permitted Lien.

11.2 Derivative Rights and the Litigation Trust

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

ARTICLE 12 GENERAL PROVISIONS

12.1 Different Capacities

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

12.2 Further Assurances

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

12.3 Set-Off

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

12.4 Paramountcy

Without limiting any other provision hereof, from and after the Plan Implementation Date, in the event of any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed, or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease, personal property lease or other agreement, written or oral and any and all amendments or supplements thereto existing between the Applicant and any other Persons affected by this Plan, the terms, conditions and provisions of this Plan shall govern and shall take precedence and priority.

To the extent the Plan is inconsistent with the report of the Monitor filed in connection with the Plan, the provisions of the Plan shall govern and shall take precedence and priority.

12.5 Revocation, Withdrawal, or Non-Consummation

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

12.6 Preservation of Rights of Action

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

12.7 Notices

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

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

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

Attention: Ms. Sherry Townsend
Interim Operating Officer

Fax: (905) 839-1761

E-mail: stownsend@providercapitalgroup.com

with a copy to:

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

Fax: (416) 863-0092
Email: richard.jones@sympatico.ca

and a copy to:

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

Fax: (905) 852-6197
E-mail: doug@pdturner.com

(b) if to a Creditor:

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

(c) if to the Monitor:

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

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

with a copy to:

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

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

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

EXECUTED at Pickering, Ontario as of this 11th day of February, 2011

NELSON FINANCIAL GROUP LTD.

Per: _____
Sherry Townsend
Interim Operating Officer

SCHEDULE "A"

FORM OF REPRESENTATIVE COUNSEL'S CERTIFICATE

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

REPRESENTATIVE COUNSEL'S CERTIFICATE

RECITALS

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

THE REPRESENTATIVE COUNSEL HEREBY CERTIFIES that it has been advised by the Applicant and the Interim Operating Officer in accordance with Section 6.3 of the Plan that the conditions precedent set out in Section 6.2 of the Plan, other than the delivery of this certificate, have been satisfied or waived in accordance with the Plan on , 2010 and that accordingly, the Plan Implementation Date is , 2011.

DATED at Toronto, Ontario, this day of , 2011.

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

SCHEDULE "B"
ARTICLES OF REORGANIZATION

Text for Articles of Reorganization

Page 1

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

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

[Page 1A through 1D]

2. The classes and shares that the Corporation is authorized to issue from and after the date of filing of these Articles of Reorganization shall be as follows:
 - a) The Corporation is authorized to issue an unlimited number of Common Shares and 50,000 New Special Shares;
 - b) The rights, privileges, restrictions and conditions attaching to the Common Shares shall include the following: Payment of Dividends: The holders of the Common Shares shall be entitled to receive dividends if, as and when declared by the Board of Directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the Board of Directors may from time to time determine. Subject to the rights of the holders of any other class of shares of the Corporation entitled to receive dividends in priority to or rateably with the holders of the Common Shares, the Board of Directors may in their sole discretion declare dividends on the Common Shares to the exclusion of any other class of shares in the Corporation.
 - (i) Participation upon Liquidation, Dissolution or Winding-Up: In the event of the Liquidation, Dissolution or Winding-Up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall, subject to the rights of the holders of any other class of shares of the Corporation entitled to receive the asset for the Corporation upon such a distribution in priority to or rateably with the holders of the Common Shares, be entitled to participate rateably in any distribution of the assets of the Corporation.

- (ii) Voting Rights: The holders of the Common Shares shall be entitled to receive notice of and to attend all annual and special meetings of the shareholders of the Corporation and to one vote in respect of each Common Share held at all such meetings.
- c) The rights, privileges, restrictions and conditions attaching to the New Special Shares are as follows:
 - (i) The New Special Shares authorized to be issued shall consist of 50,000 shares.
 - (ii) Except as required by the *Business Corporations Act*, the holders of the New Special Shares shall not be entitled to receive notice of or to attend any meeting of shareholders of the Corporation except for a meeting at which the holders of the New Special Shares are entitled to vote separately as a class.
 - (iii) The holders of the New Special Shares, in priority to the holders of the Common Shares and all other shares ranking junior to the New Special Shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends, fixed preferential cumulative cash dividends at the rate of Six (6%) percent per annum on the Redemption Price (as hereinafter defined) per share. The holders of the New Special Shares shall not be entitled to any dividends other than or in excess of the preferential cumulative cash dividends hereinbefore provided.
 - (iv) Except with the consent in writing of the holders of all of the New Special Shares outstanding, no dividend shall at any time be declared and paid on or set apart for payment on the Common Shares or on any other shares ranking junior to the New Special Shares in any financial year unless and until the approved preferential cumulative cash dividends on all of the New Special Shares outstanding have been declared and paid or set apart for payment.
 - (v) Redemption
 - (a) Subject to the *Business Corporations Act*, the Corporation may redeem or purchase the New Special Shares in accordance with the following terms and conditions. In these share provisions, "Redemption Price" shall be equal to Twenty Five (\$25.00) dollars per share. The "Redemption Amount" for each New Special Share shall be the Redemption Price, together with all cumulative dividends which shall have accrued thereon but shall be unpaid or undeclared and which shall be treated as accruing to the date of such redemption.

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

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

Page 2

6. Provider Capital Group Inc.

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

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

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

[Add Page Numbers 1A etc.]

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

SCHEDULE "C"
FORM OF CAPITAL RECOVERY DEBENTURE

PROVIDER CAPITAL GROUP INC.
CAPITAL RECOVERY DEBENTURE

\$,000.00

April , 2011

ARTICLE 1 - PROMISE TO PAY

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

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

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

ARTICLE 2 - INTERPRETATION

2.1 **Definitions.** In this Debenture, capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Plan. Unless there is something in the subject matter or context inconsistent therewith:

- (a) "**Applicable Law**" means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws and regulations, and all applicable official directives, orders, judgments and decrees of Governmental Bodies;
- (b) "**Business Day**" means any day, other than Saturday, Sunday or any statutory holiday in Toronto, Ontario;
- (c) "**Corporation**" means the party described as such in Article 1 hereof, its successors and permitted assigns;

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

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

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

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

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

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

2.6 Invalidity of Provisions. Each of the provisions contained in this Debenture is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court

of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof.

ARTICLE 3 - REPAYMENT

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

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

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

ARTICLE 4 – CONVERSION RIGHTS

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

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

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

ARTICLE 5 - REPRESENTATIONS, WARRANTIES AND COVENANTS

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

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

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

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

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

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

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

- (h) **Reporting Requirements.** Furnish to the Holder:
 - (i) annually, as soon as available and in any event within ninety (90) days after the end of each fiscal year:
 - (A) the consolidated audited financial statements of the Corporation and the unconsolidated financial statements for each of its Subsidiaries for such fiscal year, consisting of balance sheets, statements of operations, retained earnings and changes in financial positions setting forth the corresponding figures of the previous fiscal year in comparative form, together with the unqualified opinion of the auditors thereon;
 - (B) a certificate of the Corporation signed on its behalf by a senior officer of the Corporation stating that as of the date of such certificate that no Event of Default has occurred and that no material adverse change has occurred in its business or operations during the most recent fiscal year or, if such is not the case, describing such Event of Default or material adverse change;
 - (ii) promptly upon becoming aware thereof, notice of any material fact or material change which has had, is having, or is expected to have, a material adverse effect on the business or condition, financial or otherwise, of the Corporation; and
 - (iii) such other information respecting the business and affairs, financial or otherwise, or its assets, as the Holder may from time to time reasonably request;
- (i) **Notice of Default.** Advise the Holder forthwith upon becoming aware of the occurrence of a Default or an Event of Default hereunder and deliver to the Holder at least annually a certificate signed by a senior officer of the Corporation certifying the particulars of any Default or Event of Default which shall have occurred and the steps being taken to remedy the same, in form and substance satisfactory to the Holder; and
- (j) **Subsidiaries.** Maintain directly or indirectly (through the ownership of a wholly-owned incorporated entity) ownership of all issued and outstanding shares of each of the Subsidiaries.

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

- (a) **Not To Encumber Property.** Create, grant, assume or suffer to exist any Encumbrance upon any of its properties or assets other than Permitted Encumbrances;
- (b) **Change of Business.** Make any material change in the nature of its business or enter into or commence any business activities which are not conducted by it as at the date hereof;

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

ARTICLE 6 - DEFAULT

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

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

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

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

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

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

ARTICLE 7 – SERIES RIGHTS, ENFORCEMENT AND WAIVERS

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

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

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

ARTICLE 8 - MISCELLANEOUS

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

(a) If to the Holder:

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

(b) If to the Corporation:

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

Attention: Ms. Sherry Townsend
Interim Operating Officer

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF the Corporation has duly executed this Debenture this _____ day of April, 2011.

PROVIDER CAPITAL GROUP INC.

Per: _____
President
I have authority to bind the corporation

Notice of Conversion of Debenture

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

Dated at _____, this _____ day of _____, 201____

Witness

Signature

Print Name:
Address:

SCHEDULE "D"
FORM OF RECEIPT, RELEASE AND ASSIGNMENT

RECEIPT, RELEASE AND ASSIGNMENT

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

Attention: The President

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

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

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

NOW THEREFORE, in accordance with the Plan of Arrangement of Nelson Financial Group Ltd. dated February 11, 2011, as amended, and as approved and sanctioned by the Order of the Superior Court of Justice of Ontario made on April [*], 2011, (the "Plan"), the undersigned hereby acknowledges receipt of the following securities delivered to it and registered in its name in satisfaction of its Proven Claim in accordance with the Plan:

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

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

Further and for the same consideration, the undersigned hereby assigns, transfers and sets over to Provider Capital Group Inc., as Trustee, and to the other trustees from time to time under the Litigation Trust as provided for under the terms of the Plan, all of its rights, claims and causes of action in law or in equity in respect of any loss or damages that it may have suffered or any other right that it may have by reason of its investment in Nelson Financial Group Ltd. and including, without limitation, any and all claims for damages for fraudulent misrepresentation, negligent misrepresentation, conversion, breach of statutory duty or any other wrongful act and any claims to trace or recover any part of any investment made by the undersigned in Nelson Financial Group Ltd. or any other property or investment into which any such may have been

converted or transferred by any person, against any associate or affiliate of Nelson Financial Group Ltd. or any third party who owed or owes any duties at law or in equity to the undersigned, to Nelson Financial Group Ltd. or to any associate or affiliate of Nelson Financial Group Ltd. For greater certainty, the rights assigned and transferred hereunder shall include rights to recover by tracing in law or in equity any advances previously made by the undersigned in respect of its investment in Nelson Financial Group Ltd. into accounts, property, rights or things held by or owing from or to any associate or affiliate of Nelson Financial Group Ltd., including, without limitation, Nelson Investment Group Ltd., Nelson Mortgage Group Ltd., Nelson Capital Group Ltd., Marc Boutet or any affiliate or associate of any of them, with such relationship to be determined as at March 23, 2010. The undersigned will execute such assignments or consents, including consents to proceedings to be taken in its name provided that the Litigation Trust shall indemnify it for any costs or liabilities in connection therewith, as may be requested at any time and from time to time by the trustees of the Litigation Trust. If this assignment is given by a Creditor who has elected the Cash Exit Option under Section 4.2 of the Plan, the Creditor acknowledges and confirms that it shall have no right or entitlement to receive any future benefits under from or out of the Litigation Trust.

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

the Ontario Superior Court of Justice and the parties consent to and attorn to the jurisdiction of that Court.

DULY EXECUTED as an Instrument under seal at _____,
_____, this _____ day of April, 2011.

(s)

Witness

Proven Creditor

Print Full Name of Proven Creditor: _____

Address: _____

Telephone:
Email (if any):

SCHEDULE “E”

DECLARATION OF TRUST – LITIGATION TRUST

LITIGATION TRUST

Provider Capital Group Inc.(the “Company”)

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

1. PARTIES:

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

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

2. PURPOSE OF LITIGATION TRUST:

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

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

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

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

3. VESTING OF ASSETS AND POWERS OF TRUSTEES:

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

- (1) hold legal title (on behalf of the trust as Trustees, but not individually) to the litigation trust assets, including, but not limited to, any causes of action;
- (2) retain counsel or other professionals to conduct any actions in any court or administrative tribunal or any other body;
- (3) protect and enforce the rights to the trust assets by any method deemed appropriate in their sole discretion, including, without limitation, by judicial proceedings or pursuant to any applicable bankruptcy, insolvency, moratorium or similar law and general principles of equity;
- (4) prosecute, defend, compromise, adjust, arbitrate, abandon, estimate, or otherwise deal with and settle, in accordance with the terms set forth herein, the litigation trust assets;
- (5) pay expenses and make disbursements necessary to preserve, liquidate, and enhance the trust assets out of an initial fund of \$250,000.00 contributed to the trust by Nelson, plus such additional funds which Nelson shall contribute after written demand from the Trustees, provided

that such additional advances shall not exceed \$250,000.00; in addition, after consultation with the Creditors, the Trustees may obtain further financing to further the purposes of the trust;

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

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

(8) operate any bank accounts; and

(9) report to and distribute from time to time in the discretion of the Trustees any proceeds from the trust litigation assets to the beneficiaries.

For the purposes aforesaid, the Trustees may apply at any time to the Court for directions.

The Trustees may also commence any proceeding using the name of the Company or any successor name or corporation, including any assignees or creditors.

4. LIMITATIONS ON TRUSTEES POWERS:

4.1 The Trustees shall not carry on any business.

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

5. DUTIES AND RIGHTS OF TRUSTEES:

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

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

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

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

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

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

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

6. ACCEPTANCE OF TRUSTS

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

WITNESS:

Schedule 2:

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

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

SCHEDULE "F"

FORM OF PROXY

File No. CV-10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

PROXY

I/We _____
(Name of Creditor)

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

☐ (a) _____ or ☐ (b) _____
(insert name of proxy)

to be my/our proxy to vote at the meeting of the Creditors of Nelson Financial Group Ltd.
to be held on March 26, 2011 or any adjournment of such meeting in respect of the
approval of the Plan of Arrangement, any related matters or other matters that may
properly come before such meeting, except as to the receipt of any distributions under the
Plan, with power to appoint another proxy in his or her place.

DATED this _____ day of March, 2011.

Print Name of Creditor

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

Name: _____
Title: _____

SCHEDULE "G"
FORM OF VOTING LETTER

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

VOTING LETTER

THE UNDERSIGNED has reviewed the Plan of Compromise or Arrangement dated February 11, 2011 (the "**Plan**") and hereby instructs Douglas Turner Q.C., in his capacity as Representative Counsel for the Noteholders of Nelson Financial Group Ltd. and chair of the meeting of creditors to be held on March 26, 2011 to record a vote by the undersigned and in the amount of the Proven Claim of the undersigned in respect of the Plan, as follows (please check one of the boxes below; if neither box is checked or if both boxes are checked, your vote will be counted in favour of the Plan) and to vote on behalf of the undersigned in respect of any other business that may come before the meeting of creditors or any adjournment thereof:

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

DATED this _____ day of March, 2011.

Print Name of Creditor

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

Name: _____

Title: _____
(If signing for a corporation)

TAB B

Schedule “B”

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

NOTICE IS HEREBY GIVEN that a meeting of the Eligible Voting Creditors¹ of Nelson Financial Group Ltd. will be held at the Ajax Convention Centre, 550 Beck Crescent, Ajax, Ontario, on **Saturday, the 26th day of March, 2011 at 11:00 a.m.** (Toronto time) for the following purposes:

1. to consider and vote on, with or without variation, a resolution to approve the Plan of Compromise and Arrangement (the “Plan”) proposed by the Applicant under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985,

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

- c. C-36, as amended, and dated February 11, 2011 as such may be amended;
2. if a resolution to approve the Plan shall have been passed by the requisite majorities of the Eligible Voting Creditors present in person or by proxy, to proceed to accept nominations and to elect and designate persons to be named in the Articles of Reorganization to be the directors of Provider Capital Group Inc., formerly named Nelson Financial Group Ltd.; and,
3. to transact such other business as may properly become before the Meeting or any adjournment(s) thereof.

The Plan is being considered pursuant to the Creditors' Meeting Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on February 22, 2011. The Plan, if the resolution of Creditors to approve it is passed by the requisite majorities, must then be approved by an order of the Court (the "Sanction Order") before it can be implemented. A motion seeking a Sanction Order is scheduled to be heard on April 1, 2011 at 10:00 a.m., or such later date as may be scheduled by the Applicant or ordered by the Court, at 330 University Avenue, Toronto, Ontario. Any change to the date or location of the motion will be posted on the Monitor's website.

Eligible Voting Creditors requiring information or additional copies of the Plan, the Creditors' Meeting Order, the form of Proxy or the Voting Letter for the Meeting may contact the Court-appointed Representative Counsel for the Noteholders, Douglas Turner, Q.C., in writing to request such or may visit the Monitor's website at

www.ajohnpage.com and download such documents. The documents are not available in a French version.

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

Eligible Voting Creditors who are not attending the Meeting in person and who wish to vote on the resolution to approve the Plan are required to date, sign and return either the enclosed form of Proxy or the enclosed form of Voting Letter in the enclosed pre-addressed envelope so that it is received by the Representative Counsel by no later than 5:00 p.m. (Toronto time) on Friday, March 25, 2011. Proxies and voting letters may also be accepted if deposited with the Chair at the Meeting or, for purposes of voting at an adjourned, postponed or other rescheduled Meeting, if received by the Representative Counsel prior to 5:00 p.m. Eastern time on the Business Day immediately proceeding any adjourned, postponed or otherwise rescheduled Meeting. The Proxy or Voting Letter will not be valid and will not be acted upon, voted or recorded unless it is completed as specified in the form of Proxy or Voting Letter and the related instructions.

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

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

Douglas Turner, Q.C.
63 Albert Street
P.O. Box 760
Uxbridge, ON L9P 1E5

Tel: 905-852-6196
Fax: 905-852-6197
Email: doug@pdturner.com

DATED at Pickering, Ontario, this 22nd day of February, 2011.

NELSON FINANCIAL GROUP LTD.

Per: _____
Ms. Sherry Townsend
Interim Operating Officer

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM

)

TUESDAY, THE 23rd

)

JUSTICE PEPALL

)

DAY OF MARCH, 2010

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

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

Applicant

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.

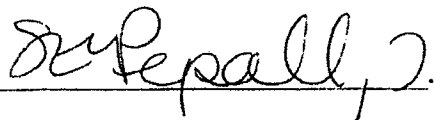
42. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

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.



J. Repall, J.
JUDGE OF THE COURT
LE JUDICIAIRE DU QUÉBEC

MAR 23 2010

PER / PAR JV

Court File No. 10-8630-00CL

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

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE**

(PROCEEDING COMMENCED AT TORONTO)

INITIAL ORDER

GOWLING LAFLEUR HENDERSON LLP

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SOLICITORS FOR THE APPLICANT

TAB 4

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**THE HONOURABLE MADAM)
JUSTICE PEPALL)**

**TUESDAY, THE 15th
DAY OF JUNE, 2010**

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

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

Applicant



**ORDER
(Appointing Representative Counsel)**

THIS MOTION, made by Nelson Financial Group Ltd. (the "**Applicant**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of the Applicant, the Affidavit of Marc Boutet sworn June 11, 2010 and the Third Report (the "**Third Report**") of A. John Page & Associates

Inc. in its capacity as Court-appointed monitor of the Applicant (the "**Monitor**") and on hearing

from counsel for the Applicant, the Monitor, ~~and such other counsel as were present, no one else~~ *the Ontario Securities Commission, Foscarini Mackie Holding* ~~and such other counsel as were present, no one else~~ *s. G+ machie, Noel and Lorna D'Elves and Lendcare Financial Services Inc., no one else* appearing although duly served as appears from the affidavit of service, filed.

svf

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

- subject to 3(e) -

of

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

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

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

✓ wilful misconduct on his part; and,

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

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

8NP

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

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

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

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

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

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



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

JUN 15 2010

PER / PAR:



Court File No. 10-8630-00CL

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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(PROCEEDING COMMENCED AT TORONTO)

ORDER
(Appointing Representative Counsel)

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SOLICITORS FOR THE APPLICANT

TAB 5

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM)
JUSTICE PEPALL)
)
)

MONDAY, THE 22nd DAY
OF NOVEMBER, 2010

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

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

Applicant

ORDER

THESE MOTIONS made by **Douglas Turner, Q.C.**, in his capacity as the Court-appointed Representative Counsel (the "**Representative Counsel**") for the holders of promissory notes issued by the Applicant (collectively, the "**Noteholders**" and each a "**Noteholder**"), for the relief set out in the Amended Notice of Motion dated November 12, 2010 (the "**Representative Counsel Notice of Motion**") and made by A. John Page & Associates Inc., in its capacity as the Court-appointed Monitor of the Applicant (the "**Monitor**") for the relief set out in its Notice of Motion dated November 12, 2010 (the "**Monitor Notice of Motion**") were heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the material filed, including the Representative Counsel Notice of Motion, the First Report of the Representative Counsel dated November 3, 2010 (the “**Rep Counsel First Report**”), the Second Report of the Representative Counsel dated November 15, 2010 (the “**Rep Counsel Second Report**”), the Affidavit of Douglas Turner sworn November 16, 2010, the Affidavit of Richard B. Jones sworn November 17, 2010, the Monitor’s Motion Record dated November 12, 2010, the Ninth Report of the Monitor dated November 15, 2010 (the “**Ninth Report**”), the Supplemental to the Ninth Report of the Monitor dated November 18, 2010 and the Affidavit of A. John Page sworn October 26, 2010, the Affidavit of James H. Grout sworn October 29, 2010 and the two Affidavits of Tina M. Woodside sworn November 17, 2010 (collectively, the “**Motion Materials**”), and on hearing from counsel for the Representative Counsel, counsel for the Monitor, counsel for the Applicant, counsel for Staff of the Ontario Securities Commission (the “**OSC**”), no one else appearing although duly served as appears from the Affidavits of Service filed:

SERVICE

1. **THIS COURT ORDERS** that, *nunc pro tunc*, the Monitor shall serve the Motion Materials on the holders of preferred shares issued by the Applicant (the “**Preferred Shareholders**”) as follows:
 - (a) by posting copies of the Motion Materials on the Monitor’s website; and
 - (b) by delivering, by courier, copies of the Motion Materials to all of the Preferred Shareholders who made oral submissions to this Court on October 18, 2010 except for Mr. John McVey who shall be served by email.

2. **THIS COURT ORDERS** that the time for service of the Motion Materials is hereby abridged so that this Motion is properly returnable today and hereby dispenses with further service thereof.

CHANGE OF MANAGEMENT OF APPLICANT: APPROVAL OF THE HEADS OF AGREEMENT

3. **THIS COURT ORDERS** that the arrangements proposed between the Applicant, Nelson Financial Group Ltd., and each of Marc Boutet (“Boutet”) and Stephanie Lockman Sobol (“Sobol”) as set out in the Heads of Agreement dated November 11, 2010 attached as Exhibit “C” to the Ninth Report of the Monitor filed (the “Heads of Agreement”) be and the same are hereby approved and the Applicant is authorized and directed to take all reasonable steps to implement the same, including without limitation to enter into the engagement letter with Ms Sherry Townsend or her service corporation for her retainer as the Interim Operating Officer as hereinafter defined of the Applicant, to accept the common shares of Marc Boutet or any associate or affiliate for cancellation, to accept the resignation of Marc Boutet as an officer, employee and the director of the Applicant, to exchange general releases with Marc Boutet and with Nelson Mortgage Group Ltd., to grant the limited release to Stephanie Lockman Sobol and to enter into the interim employment arrangements with Stephanie Lockman Sobol all and on the terms provided for in the Heads of Agreement.

THE APPOINTMENT AND ROLE OF THE INTERIM OPERATING OFFICER

4. **THIS COURT ORDERS** that the engagement by the Applicant of Ms. Sherry Townsend as its interim chief executive officer to direct and manage all of its business operations and to manage all efforts to develop a plan for the restructuring of the Applicant or of its business,

assets and undertaking on and subject to the Engagement Letter filed and the Orders of this Court be and it is hereby approved and the Applicant is authorized to enter into such engagement and to give it full force and effect.

5. **THIS COURT ORDERS** that Ms. Sherry Townsend is hereby appointed to be the Interim Operating Officer (“IOO”) of the Applicant on and subject to the terms of the Engagement Letter and of this Order.
6. **THIS COURT ORDERS** that Ms Sherry Townsend shall be and she is hereby appointed as an officer of this Court to be the IOO over and in respect of all of the Property (as defined in the Initial Order of the Honourable Madam Justice Pepall dated March 23, 2010 (the “**Initial Order**”)) of the Applicant and is hereby directed and empowered to supervise and manage the business and affairs of the Applicant and shall have the powers, responsibilities and duties of the chief executive officer of the Applicant, subject to the supervision of the Monitor. In particular, the IOO is authorized and empowered to do the following:
 - (a) enter into and execute any and all ancillary documents and take all such other steps or acts necessary to implement the terms of the Heads of Agreement, including, without limitation, executing the releases in favour of Boutet, Sobol and Nelson Mortgage Group Inc. contemplated therein;
 - (b) approve all expenditures and commitments of the Applicant, provided that the IOO shall be required to approve all expenditures and commitments of the Applicant in excess of \$10,000.00 and shall be required to obtain the approval, in advance, of the Monitor for all expenditures and commitments over \$20,000.00;

- (c) authorize payments out of any account of the Applicant whether by cheque, internet banking or otherwise, provided that the IOO shall be required to actively authorize all payments in excess of the amount of \$10,000.00 and shall be required to obtain the approval, in advance, of the Monitor of all payments over the amount of \$20,000.00;
- (d) take such actions and steps, and execute such documents and writings as may be required to cause or permit the Applicant to do all things authorized, directed and permitted pursuant to the terms of the Initial Order and any subsequent Orders of this Court, subject to the terms of those Orders;
- (e) take such steps as in the opinion of the IOO are necessary or appropriate to maintain control over all receipts and disbursements of the Applicant including, without limiting the generality of the foregoing, take such steps as are necessary or desirable to control and use all bank accounts, investment accounts or financial instruments of the Applicant;
- (f) the IOO, together with such other persons as she may designate in writing with the approval of the Monitor, shall become signing officers of all bank accounts of the Applicant and the Applicant's banks are hereby directed, when notified in writing by the IOO and the Monitor, to revoke any existing signing authorities in respect of any accounts of the Applicant and to act on the instructions only all of the IOO and her designated signing officers;

- (g) retain and terminate the employment or services contracts of employees, agents or consultants of the Applicant and otherwise deal with human resources and other organization issues on behalf of the Applicant;
- (h) conduct such inquiries and investigations as she shall determine to be necessary to identify the fair value of the assets, undertaking and business enterprise of the Applicant for the purposes of a viable restructuring of such for the benefit of the creditors of the Applicant and to represent the Applicant having regard to the best interests of its creditors in any negotiations with any prospective acquirer or plan sponsor in respect of any restructuring plan for the Applicant or its business or assets;
- (i) retain advisory counsel, including the Representative Counsel and its special counsel, to review claims and rights that the Applicant may have against any person or persons and to cause the Applicant to commence such actions or proceedings as may be recommended by such counsel and approved by the Monitor or further Order of this Court to preserve or perfect such claims and rights;
- (j) communicate with and provide information to the Monitor, the Representative Counsel and the Court regarding the business and affairs of the Applicant and the progress of plans for the restructuring of the Applicant or its business or assets; and
- (k) take all such steps and actions, enter into and execute all such agreements and documents and incur such expenses and obligations for or on behalf of the Applicant as may be necessary or incidental to the exercise of the powers of the IOO in order to continue the operation of the business of the Applicant and to preserve and protect its

assets and undertaking including its going-concern business, including preparing plans for any restructuring.

7. **THIS COURT ORDERS** that the IOO shall be entitled to all of the benefits and protections afforded to the Monitor or to any director of the Applicant under the terms of the Initial Order made on March 23, 2010 in this proceeding including, without limitation, those provided in paragraphs 18, 19, 20, 25 and 27 of the Initial Order, provided that, for the benefit of the IOO only, the amount of the Directors' Charge as defined in the Initial Order is hereby increased to \$1,000,000 in both paragraphs 20 and 31 of the Initial Order.
8. **THIS COURT ORDERS AND DIRECTS** that the IOO shall immediately advise the Monitor if, in the opinion of the IOO, there is a material adverse change in the operations of the Applicant or in the event that the IOO has any major concerns regarding the operations of the Applicant.
9. **THIS COURT ORDERS** that none of the IOO and any of the employees of or consultants to the IOO or to the Applicant shall be deemed to be a director of the Applicant pursuant to section 115(4) of the *Business Corporations Act* (Ontario) or otherwise.
10. **THIS COURT ORDERS** that the IOO may from time to time apply to this Court for advice and directions in the discharge of her powers and duties hereunder.

EXPANSION OF MONITOR'S POWERS UNDER INITIAL ORDER

11. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the "CCAA") and the Initial Order be and it is hereby empowered and directed to:

- (i) supervise, cooperate with and complement the work of the IOO and the Representative Counsel in the development of plans for the restructuring and refinancing of the business, assets and undertaking of the Applicant and the development and negotiation of transactions to implement such plans with a view to the maximization of recoveries for the unsecured creditors;
- (ii) have full continuing access to all transactions in the bank accounts, payments and receipts of the Applicant while such shall be controlled and operated by the IOO;
- (iii) provide full access to all records of or pertaining to the Applicant as are in the possession or under the control of the Monitor, on the execution of confidentiality agreements satisfactory to the Monitor and its counsel, for the coordination and provision of opportunities for prospective investors or plan sponsors to conduct due diligence investigations with respect to any such restructuring opportunities as the Monitor, the IOO and the Representative Counsel shall determine may be beneficial to the interests of the unsecured creditors; and
- (iv) Consult with the IOO and the Representative Counsel with respect to the restructuring of the Applicant.

12. THIS COURT ORDERS AND DIRECTS that the Monitor, in addition to its duties under the CCAA, the Initial Order and any other Orders in these proceedings, is hereby empowered to take such other actions and fulfil such other roles as are authorized by this Order and the CCAA and that, in taking such other actions and in fulfilling such other roles, the Monitor shall have all of the benefits and protections afforded to the Monitor pursuant to the CCAA, the Initial Order and this Order.

13. **THIS COURT ORDERS** that the Monitor shall continue to have the benefit of all of the protections and priorities as set out in the CCAA and the Initial Order and any such protections and priorities shall apply to the Monitor in fulfilling its duties under this Order or carrying out the provisions of this Order.

THE REPRESENTATIVE COUNSEL

14. **THIS COURT ORDERS** that the Order of this Court made on June 15, 2010 appointing the Representative Counsel is hereby amended to expand the Mandate of the Representative Counsel to include the following:

- (a) To take such steps, in consultation with representative Noteholders as he may determine, the Monitor and the IOO that he may determine in his professional judgment to be prudent and reasonable, for the preservation and protection of the rights of Noteholders generally in respect of their investment in and claims against the Applicant, including the prosecution of such proceedings including preference, fraudulent conveyance, derivative or oppression actions as the Representative Counsel may determine to be necessary to preserve, protect or enforce any such rights;
- (b) to develop, in consultation with representative Noteholders as he may determine, the Monitor and the IOO, transactions with any persons willing to invest capital or management skills in the Applicant or otherwise to sponsor any restructuring plan for the restructuring or refinancing of the Applicant or its business and assets to be implemented by way of a plan or plans of compromise and arrangement in respect of the Applicant or its assets and undertaking for the purpose of maximizing the recovery of the unsecured creditors of the Applicant;

- (c) to cooperate with and provide information to regulatory authorities and law enforcement officials in a manner that he determines to be consistent with the best interests of the Noteholders and consistent with his duties of an officer of this Court;
- (d) to advise and assist the IOO in the performance of the powers and functions of the IOO, including without limitation the review of the claims and rights that the Applicant may have or be entitled to assert as against any other person;
- (e) to inform and cooperate with the Monitor in respect to such functions and the taking of any such actions and proceedings and, subject to further order of this Court, to coordinate all such with the Monitor and the IOO to ensure that such are conducted by the most appropriate party and without duplication of costs to the estate;
- (f) to report to this Court on such activities from time to time as required by this Court and in conjunction with the Monitor; and
- (g) the Representative Counsel may from time to time apply to this Court for advice and directions in the discharge of his powers and duties hereunder.

15. **THIS COURT ORDERS** that paragraph 6 of the Order of this Court made June 15, 2010 appointing the Representative Counsel is replaced *nunc pro tunc* with the following:

“THIS COURT ORDERS that the remuneration and disbursements of the Representative Counsel, including professional fees and disbursements of the special counsel retained by the Representative Counsel, in each case at their standard rates and charges, shall be paid by the Applicant as part of these proceedings on a bi-weekly basis and such fees and disbursements of the Representative Counsel and his special counsel outstanding from time to time shall have the benefit of the Administration Charge

established under the Initial Order and the Representative Counsel and his special counsel shall pass all accounts in respect of their fees and disbursements from time to time, and for this purpose the accounts of the Representative Counsel and his special counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.”

16. **THIS COURT ORDERS** that the motions seeking approval of all professional fees and disbursements and of the Monitor’s reports be adjourned to December 1, 2010.
17. **THIS COURT ORDERS** that any interested party 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.



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ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

NOV 25 2010

PER / PAR:



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

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

APPLICANT

Court File No.:10-8630-00CL

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

Proceedings commenced at Toronto

ORDER

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**Special Counsel for the Representative Counsel for
the Noteholders**

TAB 6

**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.**

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

February 18, 2011

Introduction

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

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

Activities of the IOO

3. Following the grant of the appointment Order on November 22, 2010, the IOO gathered her team of professional advisors and financial and management consultants. She established that her first priority once her authority as chief executive officer was confirmed would be the establishment of proper operating procedures and the implementation of operating efficiencies. The next priority would be the determination of whether or not the business of Nelson Financial could be organized to have a competitive advantage in a niche market for financial services and to identify what that market and advantage could be. If that was established, the IOO identified a final task as the restructuring of the ownership, balance sheet and management of Nelson Financial to exploit the identified opportunity in a way that would maximize the value for and recovery of investment by the unsecured creditors, particularly the Noteholders.

4. In accordance with the approval of the Court of November 22, 2010, the IOO retained the services of Avansare and provided them with access to all available data concerning the present and past business operations of Nelson Financial. They proceeded

immediately with their review based on that information as to how the business had been operated, exactly what niche it purported to serve and what competitive landscape it faced.

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

6. The IOO discovered that substantial resources of Nelson Financial were continuing to be utilized by other businesses and corporations owned by Marc Boutet. Most conspicuously, it was discovered that Nelson Mortgage Group Ltd. was occupying space, utilizing the computer, accounting and internet systems, using the same telephone lines and systems and was using administrative staff of Nelson Financial for its secretarial and accounting support. The IOO established that there were no contractual arrangements in place for these relationships or for any contribution by Nelson Mortgage Group Ltd. to the costs being born by Nelson Financial. She has taken steps to remove the operations

and employees of Nelson Mortgage Group Ltd. from the premises. The computers and servers owned by Nelson Financial have been secured. It was also discovered that mortgage brokers and administrators employed by Nelson Mortgage Group Ltd. were conducting business, utilizing business cards identifying them as employees of Nelson Financial. The IOO has halted such practices.

7. The review of the loan portfolio of Nelson Financial was identified by the IOO as the highest priority issue. This review has identified major deficiencies in the Loan Management System ("LMS") software system that Nelson Financial had purchased in 2008. This does not readily produce reliable aging reports and had not been able to be used effectively as an essential management tool.

8. A substantial dollar value of delinquent accounts has been identified. It was also identified that collection procedures were not consistently applied. Under the IOO's direction, some \$21 million of loans that had been carried on the books of Nelson Financial have been fully reserved and assigned to third party collection agencies under procedures that will ensure consistent follow up on recoveries and write offs. New collection procedures based on industry standards are being implemented with the assistance of consultants. These will ensure an industry-standard delinquency and write off schedule and timely election efforts on delinquent loans. In-house management of delinquencies and of some collection procedures has been reorganized.

9. The IOO also identified problems in loan origination. Nelson Financial had lending standards, including minimum credit scores for loan approvals. The IOO determined that these standards were being routinely disregarded. The manager responsible was

terminated and new loan origination was sharply curtailed through December. The IOO has confirmed to credit approval staff that only good quality paper is to be approved. Consequently, credit scores on new business written have been raised from earlier levels that approached 500 to current levels of about 700. Loan volumes are now rising steadily in February and will continue to rise in future months. The important difference is that the loans now being booked are of a materially better credit quality, which will significantly reduce future credit losses, reserves and write offs.

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

11. Under the direction of previous management, prior to the commencement of the CCAA proceedings, Lendcare Financial Inc. was the aggregator and supplier of more than half of the loan volume for Nelson Financial. The contractual arrangements between Nelson Financial and Lendcare were terminated under an agreement approved by the Court on June 15, 2010. That agreement contained certain continuing rights for Nelson Financial to receive adjustments on cancelled or bad loan accounts. The deadline for the application for such adjustments was December 31, 2010. The IOO directed an urgent

review of all Lendcare originated accounts and finalization of all claims for adjustments. As a result, a demand was made on Lendcare in December for over \$800,000 of adjustment recoveries under the June agreement.

12. In the course of this review, a number of other problems were identified in the portfolio of consumer loans supplied by Lendcare to Nelson Financial. These included a number of retail vendors dealing with Lendcare that are now seen to be identity theft fraud operations. The non-existent or phantom borrower for the financing of non-existent goods and services is a well-understood credit risk in this finance business. It is supposed to be managed by a credit agency review and by a direct communication between the lender and the borrower known in the trade as a “welcome call”. It has been discovered that identity theft frauds are adept at creating files for the non-existent consumers on the records of a number of the credit agencies. Consequently, the welcome calls are particularly important. The IOO has instructed counsel to address legal remedies for Nelson Financial.

Business Identity

13. On December 15, 2010, the IOO and her advisors, including members of the Noteholders’ Committee advising the Representative Counsel, received a phase one briefing from Avensare as to its initial review of the business and business prospects of Nelson Financial. That review supported the conclusion that there is a viable business and that Nelson Financial can be positioned to advantageously access a market opportunity. Major players have withdrawn from retail consumer financing, in the case of some American-owned bank affiliates due to the fact that their capital was needed for

survival of their parents. The preliminary conclusions of the consultants also included the identification of the fact that Nelson Financial had utilized less than industry-standard management practices in almost every aspect of its activities. The consultants confirmed that, from financial record-keeping through information technology systems, loan origination, credit management and marketing, the business had been managed incompetently. Fortunately, it was immediately obvious that large numbers of these deficiencies could be easily remedied, although there will also be a long period of steady improvement required.

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

15. The IOO instructed Aversare to proceed with Phase two of their consulting process to develop specific detailed recommendations or a management action plan and to set out a business plan and financial projection for a restructured enterprise.

16. One immediate conclusion reached by the consultants and the IOO was that the Nelson Financial brand had been substantially destroyed by the activities of Marc Boutet, by the CCAA proceeding itself and by the proceedings before the Ontario Securities Commission. The IOO concluded that a re-branding and fresh start was essential to create an acceptable profile and credibility in the marketplace for the restructured business. A new name and style has been developed and, as of January 21, 2011, Nelson

Financial Group Ltd. commenced doing business under the name and style of Provider Capital Group Inc. The domain name www.providercapitalgroup.com has been registered and the website is functioning, although still under construction. The IOO has directed that the corporate name of Nelson Financial Group Ltd. will be changed under the terms of the Plan of Arrangement to become Provider Capital Group Inc.

17. During the last several weeks, the IOO has directed the attention of her staff to business development. A number of new vendors have been signed up and are already online. During January and so far in February, there has been a dramatic increase in loan origination. There are additional new vendors in negotiation who have committed that they will deal with Provider Capital Group Inc. once the restructuring is completed and the uncertainty of the CCAA proceeding has ended.

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

Information Systems

19. The IOO and consultants advising her have identified that the computer systems and software programs utilized by Nelson Financial were highly deficient and that these contributed materially to its financial losses. IT consultants with specialist experience in

the consumer finance industry are preparing new systems for loan adjudication, loan management and financial reporting. These will require capital expenditure and will only be implemented after the plan of arrangement is approved..

Employees

20. The IOO identified immediately that there were redundant and unproductive employees. She also identified employees who were either incapable of or intentionally refusing to follow established good practices. Serious deficiencies were discovered in credit approval as referred to above. In collections, several employees were discovered to be utilizing abusive, threatening and obscene communications in their collection calls. The IOO has terminated the employment of three employees on this basis. She has also reduced staff by terminating the employment of a number of other redundant or improperly qualified personnel. Since November 22, the payroll of Nelson Financial has been reduced from 24 personnel to **15** persons.

21. The IOO is satisfied that the business of Nelson Financial to be carried on in the future as Provider Capital Group Inc. can be conducted at these lower levels of staffing efficiently and effectively. As a result, significantly less space is required than the over 7,000 square feet represented by the premises at 900 Dillingham Road, Pickering. Even though large portions of that space were actually used by Marc Boutet for his personal use and for his other businesses, the costs and terms of the non-arm's length lease with Paladin Investment Holdings Ltd. are more than the business needs or can afford. The IOO recommends that the company should be authorized to terminate the lease as of July 31, 2011 under section 32 of the CCAA.

The Plan of Arrangement

22. The IOO, together with several members of the Noteholders' Advisory Committee with relevant business skills and experience and with the support and assistance of the consultants, Avensare, under the consulting arrangements authorized by the Court, has developed a Business Plan for the development and growth of the consumer and finance business to be conducted by Provider Capital Group Inc. That Plan and its financial projections are currently being finalized. A summary of the Business Plan will be provided to all creditors before the Meeting of Creditors to consider the Plan of Arrangement. However, the details of the Plan have elements of commercial confidentiality and their public disclosure could give competitors of Provider Capital Group Inc. an inappropriate commercial advantage. The IOO asks that the Court permit the filing of the full Business Plan on a sealed basis and that it be provided to the Monitor, Representative Counsel and the Special Counsel under their commitments of confidentiality. Such commitments have already been received from the Representative Counsel and the Special Counsel, both of whom have contributed to and participated in the development of the Business Plan.

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

creditors. It is possible that the business can develop to a level that will provide a full recovery in the future.

24. The Plan of Arrangement dated February 11, 2011 has been filed with the Court. The Plan is based upon the determination made by the IOO and confirmed by the financial advisers and the consultants that, at the present time, the going concern value of the assets, principally funds on hand and the loan portfolio, of the company is about \$18 million. There is a concern that a sale in distress circumstances or a liquidation of these assets would produce less due to the costs that would be associated with such proceedings. The Plan believes that that level of value should be reflected in securities that will have that cost basis for tax purposes and can be redeemed in the future as funds permit. The future value that may be generated by successful business operations of Provider Capital Group Inc. should belong to the creditors whose assets will be utilized to develop that business. The Plan provides for that result by distributing to the creditors 100% of the common shares in proportion to each creditor's Proven Claim. Those common shares represent the future recovery of the losses that the creditors, principally the Noteholders, have suffered on their total claims of approximately \$37 million.

25. The Representative Counsel and the Noteholders' Advisory Committee have been directly engaged in the process of developing the specific terms of the Plan of Arrangement. The Noteholders' Committee felt that an expectation had been created by the proposal presented by the Monitor on behalf of Marc Boutet at the July 20, 2010 meeting of Noteholders, notwithstanding that it is now clear that the past activities of Marc Boutet made such a Plan impossible even when it was proposed. Those expectations however persist and they included an early cash check out option for some

creditors at a substantial discount. That option has been included in the Plan and provides for a 25 cents on the dollar alternative, although it is necessarily limited to not more than \$10 million. It is the opinion of the IOO that this alternative is very disadvantageous to creditors and she will not recommend that creditors should exercise it.

26. A more substantive area of debate has been the nature of the securities that should record the estimated current value of the interests of the creditors in Nelson Financial. It had been first suggested that that should be represented entirely by preferred shares. Although Provider Capital Group Inc. will conduct itself on a completely different basis than that followed by Nelson Financial Group Ltd. under the control of Marc Boutet, including, for example, the provision of audited financial statements to all shareholders, the calamity suffered by the investors who were persuaded to accept preferred shares in Nelson Financial is fresh in creditors' minds. Members of the Committee appreciated that a strong opening balance sheet would benefit the business prospects of their company. However, some wanted to see part of their stake in the form of a debt instrument and wanted to see some assured cash flow return after a year of receiving nothing.

27. The Plan provides that each creditor will receive 25% of their Proven Claim in the form of special shares bearing a cumulative dividend at 6% per annum which will only be paid in the future when the business is well established. Next they will each receive 25% of their Proven Claim in the form of what has been designated as a capital recovery debenture. This debenture will have mandatory principal payments equal to .5% each month (equivalent to the retirement of 6% of the original principal amount each year). The debentures will be unsecured debt and will permit the raising of expansion capital by

borrowings from arm's length financial institutions provided that the corporation is profitable. The debentures are convertible at any time into special shares so that they will thereafter earn a return of 6% per annum as a cumulative dividend although payment of such return may be deferred.

28. The IOO, the Representative Counsel and members of the Noteholders' Advisory Committee are satisfied that these terms produce a reasonable compromise between the differing needs and wishes of differently situated Noteholders.

29. The IOO recognizes that there are a number of small, unsecured trade creditors who were caught on the date of filing of the CCAA proceedings. The IOO is satisfied that the use of a "convenience class" to a maximum of \$1,000 per creditor is reasonable in the circumstances of Nelson Financial and will not be material to its financial position.

The Approval Process

30. The IOO is satisfied that the Representative Counsel and, particularly the work of the volunteer Noteholders serving on the Advisory Committee of Noteholders, has established active and effective communication with all Noteholders who are interested in addressing the restructuring of their investments. A website has been established and it is well used for communication to the Noteholders and by them to obtain information. In terms of Noteholder communication, the meeting of Noteholders held on July 20, 2010 was much appreciated by the Noteholders in attendance and they were a clear majority of the entire body of Noteholders. The IOO recommends the same format of meeting for the Meeting of Creditors to be convened to consider the Plan. The IOO is satisfied that the Representative Counsel is a suitable, experienced and neutral professional who is well

qualified to conduct the Meeting in a fair and proper manner so that any opinions of any of the creditors will be properly heard and considered by the Meeting.

31. The IOO is satisfied that the facilities of Nelson Financial, together with other resources available to her, are more than adequate to handle the logistics of mailing, proxy solicitation, voting letter recording and the scrutinizing functions at the Meeting of Creditors. The IOO has satisfied herself that the terms proposed in the draft meeting order are practical and will be effective.

Extension of the Stay

32. The cash position of Nelson Financial is currently very strong with bank balances of about \$2 million and rising. In addition to these funds, \$5,000,000 of funds belonging to Nelson Financial are continuing to be held by the Monitor notwithstanding the Order of December 9, 2010.

33. Attached to this report is an updated cash flow projection for the period through to the end of May, 2011. This projection reflects the substantial reduction of lending that the IOO directed in December following the discovery that prudent and established credit practices were not being followed. As new vendors have been brought on stream and as Nelson Financial has renegotiated its arrangements with some existing vendors, lending activity has increased. From a weekly low of \$24,249, lending is now back to \$75,752 in the first week of February and is expected to continue to rise substantially during the next few months. The IOO expects that there will be a further major increase in activity once a plan of arrangement is approved. As discussed earlier in this Report, the credit quality

of the new loans now being made is significantly better than that achieved by Nelson Financial in the past.

34. The cash flow impact of implementation of the Plan of Arrangement is not reflected in the attached projection even though it is expected that implementation will take place in the forecast period. There are an adequate reserves for the maximum requirement of \$2,500,000 under the terms of the cash exit option contained in the Plan.

35. Nelson Financial and the Noteholder creditors have been and continue to proceed diligently in their efforts to complete a restructuring of the Nelson Financial. The Applicant is now under the firm control and direction of the IOO with the support and assistance of the Representative Counsel. These officers of the Court are acting in good faith, with due diligence and in compliance with the orders of this Court made in the CCAA proceeding.

36. The Plan of Arrangement, subject to the finalization of the Litigation Trust, together with the Notice of Motion seeking a meeting order and an extension of the stay under the Initial Order were served on the service list on February 14, 2011. The Court is asked to order a meeting of the creditors with proven claims to be convened on Saturday, March 26, 2011. The IOO has been advised by the Monitor that its principal will be out of Canada on that date. It may be necessary to move the date of the meeting to April 2, 2011 to accommodate the Monitor's schedule. While the IOO expects that the Plan will be approved by the creditors and thereafter by the Court, appeal periods and other matters may delay implementation until late April or early May. The IOO considers that an extension of the stay in the Initial Order to May 31, 2011 will provide adequate time for

this restructuring to be completed or for other contingencies to be addressed in a timely manner with the Court.

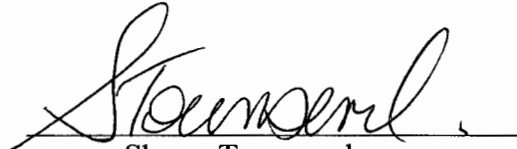
Recommendations of the Interim Operating Officer

37. The IOO recommends to this Honourable Court as follows:

- a) That the Plan of Arrangement dated February 11, 2011 be accepted for filing;
- b) That the Plan of Arrangement be referred to a meeting of the creditors of Nelson Financial Group Ltd. holding Proven Claims as unsecured creditors as established under the terms of the Claims Procedure Order to be convened on March 26, 2011 at the Ajax Convention Centre, 550 Beck Crescent, Ajax, Ontario;
- c) That the Representative Counsel be directed to Chair the Meeting and to conduct it in accordance with the terms of the draft Order;
- d) That, if the Plan should be approved by resolution passed at the Meeting by the requisite majorities, that the Meeting further consider nominations and by resolution make its selections as to five qualified persons to be designated as the directors of Provider Capital Group Inc. in accordance with the Articles of Reorganization provided for under the Plan and to be filed upon the order of this Honourable Court pursuant to s.186 of the Ontario *Business Corporations Act*; and

- e) That the stay of any proceedings against Nelson Financial Group Ltd. under the Initial Order be extended to May 31, 2011.

The foregoing Report, as amended, is respectfully submitted this 19th day of December, 2011.

A handwritten signature in black ink, appearing to read 'Sherry Townsend', is written over a horizontal line.

Sherry Townsend
Interim Operating Officer of
Nelson Financial Group Ltd.

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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