

- (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 that \$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 be removed by a vote of any two of the remaining Trustees by instrument in writing and served personally on the trustee. Such removal and an appointment of a replacement trustee shall be confirmed by the Court.

5.3 The Trustees shall 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
) DAY OF MARCH, 2010
JUSTICE PEPALL)

**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.

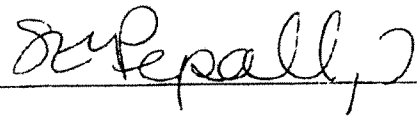
42. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

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.



LEZARDI, J. J.
LEZARDI, J. J.
LEZARDI, J. J.

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

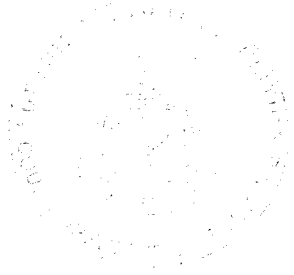
THE HONOURABLE MADAM)
)
JUSTICE PEPALL)

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) -

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.

SRP

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.

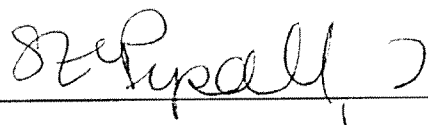
6. **THIS COURT ORDERS** that, subject to such fee arrangements as have been agreed to by the Applicant and Representative Counsel, all reasonable legal fees and other incidental fees and disbursements incurred by Representative Counsel, up to an aggregate amount of \$75,000, shall be paid by the Applicant 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;

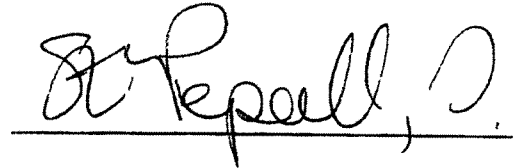
- (c) to cooperate with and provide information to regulatory authorities and law enforcement officials in a manner that he determines to be consistent with the best interests of the Noteholders and consistent with his duties of an officer of this Court;
- (d) to advise and assist the IOO in the performance 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.



ENTERED AT / INSCRIT A TORONTO
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

Douglas Turner Q.C.
63 Albert St.
Uxbridge, Ontario
L9P 1E5

Representative Counsel to Noteholders

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

Richard B. Jones (LSUC No. 11575V)
Tel: 416-863-0576
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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. It has now been discovered that Lendcare had provided Nelson Financial with hundreds of welcome call reports purportedly prepared by its staff that are entirely fictitious and fabricated calls to non-existent persons at non-existent phone numbers confirming the existence of non-existent goods at non-existent addresses. The IOO has instructed counsel to address legal remedies for 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 Avensare 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

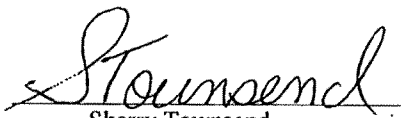
37. The IOO recommends to this Honourable Court as follows:

- 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 is respectfully submitted this 18th day of February, 2011.

A handwritten signature in cursive script, appearing to read "Stoumsend", written over a horizontal line.

Sherry Townsend
Interim Operating Officer of
Nelson Financial Group Ltd.

Nelson Financial Group Ltd
 Weekly Cash Flow Forecast
 For the 14 week period ending June 3, 2011

Unaudited

	Week Ending														Total
	04-Mar-11	11-Mar-11	18-Mar-11	25-Mar-11	01-Apr-11	08-Apr-11	15-Apr-11	22-Apr-11	29-Apr-11	06-May-11	13-May-11	20-May-11	27-May-11	03-Jun-11	
Opening Cash	\$7,427,737	\$7,507,272	\$7,573,867	\$7,614,650	\$7,654,809	\$7,688,944	\$7,720,367	\$7,750,944	\$7,780,677	\$7,810,410	\$7,840,143	\$7,870,876	\$7,901,609	\$7,932,342	\$7,963,075
Total Operating Receipts	189,655	251,735	184,258	183,193	182,122	313,851	180,120	179,177	178,246	310,103	176,575	175,834	175,102	174,380	2,854,341
Disbursements:															
Payroll and benefits	63,963	44,163	52,683	6,780	42,513	42,513	4,100	6,780	22,000	10,000	13,000	10,000	10,000	13,000	42,513
Rent	6,780	10,000	22,000	48,000	60,500	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000
SG&A	22,000	10,000	22,000	48,000	60,500	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Other	22,000	10,000	22,000	48,000	60,500	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Net new Deal Funding	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Disbursements	187,143	172,200	117,663	142,400	141,963	109,900	118,513	214,600	120,513	135,630	129,513	90,000	193,663	109,880	1,983,581
Net Operating Cash Flow	2,512	79,535	66,595	40,783	40,159	203,951	61,607	(35,423)	57,733	174,473	47,062	85,834	(18,561)	64,500	870,760
Closing Cash	\$7,427,737	\$7,507,272	\$7,573,867	\$7,614,650	\$7,654,809	\$7,688,944	\$7,720,367	\$7,750,944	\$7,780,677	\$7,810,410	\$7,840,143	\$7,870,876	\$7,901,609	\$7,932,342	\$7,963,075

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

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

Court File No. 10-8630-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

MOTION RECORD
OF
INTERIM OPERATING
OFFICER

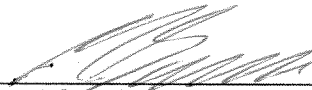
(Motion returnable February 22, 2011)

Richard B. Jones
Barrister & Solicitor
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Toronto, ON M5C 2W1

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Tel: 416-863-0576
Fax: 416-863-0092
Email: richard.jones@sympatico.ca

Special Counsel for the
Interim Operating Officer
of Nelson Financial Group Ltd.

This is Exhibit " K " referred to
in the Affidavit of Brenda Bissell
sworn before me herein
this 12th day of April, 2011.



A Commissioner for taking Affidavits, etc.

Michael David Saccucci, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires July 6, 2013.