

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

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

**APPLICANT**

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

**JUNE 11, 2010**

**INTRODUCTION**

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

was extended from April 30, 2010 to and including June 7, 2010. The First Report of the Monitor dated April 15, 2010 ("**the First Report**") was also approved.

5. By Order of this Honourable Court dated June 4, 2010, the stay proceedings was extended from June 7, 2010 to and including June 15, 2010. The Second Report of the Monitor dated June 2, 2010 ("**the Second Report**") was also approved.
6. A. John Page & Associates Inc. also prepared a report dated March 22, 2010 in its capacity as proposed monitor ("**the Pre Filing Report**").
7. This is the Third Report of the Monitor in the CCAA Proceedings ("**the Report**"). The purpose of the Report is to provide this Honourable Court with information on the activities of the Applicant and the Monitor since April 15, 2010, including, without limitation, the following:
  - a) the receipts and disbursements of the Applicant for the period from March 22, 2010 to May 28, 2010 including budget to actual variance analysis;
  - b) the lack of availability of external financing;
  - c) updated cash flow forecast as prepared by the Applicant for the period from May 31 to September 10, 2010;
  - d) the Monitor's review of Nelson's loan portfolio and the provision for bad debts;
  - e) the Monitor's review and update of its viability analysis of Nelson's business;
  - f) the Monitor's liquidation analysis;
  - g) the development of a restructuring plan;

- h) the Applicant's secured creditors;
- i) the Applicant's request for an extension of the stay of proceedings for the period commencing June 15, 2010 to and including July 30, 2010;
- j) the Statement of Allegations issued by Staff of the Ontario Securities Commission ("**OSC**");
- k) the Applicant's request for the appointment of representative counsel to represent the interests of the Noteholders (as defined below); and
- l) the Applicant's request for approval of a settlement agreement between the Applicant and Lendcare Financial Services Inc. ("**Lendcare**").

#### **NOTICE TO READER**

8. In preparing this Report and making the comments contained in the Report, the Monitor has been provided with and has relied upon unaudited financial information, information from the Applicant's books and records and financial information prepared by the Applicant and its advisors. In addition the Monitor has held discussions with management of the Applicant and has relied upon the information conveyed in those discussions. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy and completeness of any of the information obtained and, accordingly, expresses no opinion or other form of assurance in respect of the information contained in this Report. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future oriented financial information referred to or relied upon in this Report was

based on management's estimates and assumptions. Readers are cautioned that, since such information is based on assumptions about future events and conditions that are not ascertainable, the actual results will vary from the forecasts and projections and the variations may be material.

9. Unless otherwise stated, all monetary amounts referred to in this Report are expressed in Canadian dollars.

## **BACKGROUND**

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

## **THE APPLICANT'S RECEIPTS AND DISBURSEMENTS FOR THE PERIOD FROM MARCH 22, 2010 TO MAY 28, 2010**

11. The Applicant filed a 13-week weekly cash flow projection covering the period from March 22 to June 18, 2010 with its original application record ("**the Original Cash Flow Projection**").
12. The Monitor has been monitoring the Applicant's receipts and disbursements on a weekly basis in accordance with the Initial Order and the CCAA. The Monitor has been comparing the Applicant's actual results with the Original Cash Flow Projection. Attached as **Exhibit "B"** are the following three schedules:
  - a) the Original Cash Flow Projection;
  - b) the actual cash flow to May 28, 2010 and the projected cash flow from then on ("**the Actual/Projected Cash Flow to June 18, 2010**"); and

- c) the variance by week from the Original Cash Flow Projection ("**the Cash Flow Variance Report**").
13. The Cash Flow Variance Report demonstrates that the Applicant's cash position is much higher than anticipated in the Original Cash Flow Projection. On May 28, 2010, the Applicant had on hand \$3,006,086 whereas it was projected to have only \$373,233, a difference of \$2,632,853.
  14. The major reason for this difference is that Nelson has not been using its receipts to invest in as many new loans. The Cash Flow Variance Report shows that "Net new Deal Funding" was \$1,988,645 lower than originally projected. This is due primarily to the fact that the aggregator Nelson used to obtain about 65% of its business from, Lendcare, ceased providing loans to Nelson in mid/late March. Nelson's dealings with Lendcare are described in more detail below. In addition, Nelson's loan volumes from a new household goods vendor were approximately \$329,000 lower than projected. As described in more detail below, Nelson is in the process of replacing this business to bring its lending volumes to 50% of its historical lending volumes.
  15. The Cash Flow Variance Report also shows that Nelson's operating receipts are \$580,501 higher than originally projected. This is due primarily to the receipt of significant unanticipated refunds from Lendcare on account of customer transactions cancelled over the last few months.
  16. There are no other material differences between the Actual/Projected Cash Flow to June 18, 2010 as compared to the Original Cash Flow Projection.

#### **LACK OF AVAILABILITY OF EXTERNAL FINANCING**

17. As indicated in the First Report, Nelson's business model has been based on being able to raise money from investors through the issuance of promissory notes bearing

a rate of return of 12% (**"the Notes"**) or through the issuance of preference shares yielding an annual dividend of 10% (**"the Preference Shares"**) and, in turn, using that money to extend credit, at significantly higher rates, to customers in the vendor-assisted financing programs. Holders of Notes are referred to herein as **"the Noteholders"** and holders of Preference Shares are referred to herein as **"Preference Shareholders"**.

18. Historically, the Applicant has not had financing arrangements with a Chartered Bank or other financial institution. Nelson voluntarily suspended distribution of its Notes and Preference Shares on January 29, 2010 and has not raised any money from investors since that date.
19. On or about March 2010, Nelson determined that, in order to fund ongoing lending at its historical lending volumes and provide for the repayment of current investors in accordance with a successful restructuring plan, it needed to locate an alternative source of funding. Since that time, Nelson has been attempting to locate alternative financing, however, it has been unable to find any adequate, reasonably-priced, external source of funding.
20. Nelson has therefore decided to scale back its business by approximately 50% and has been working with the Monitor to create a restructuring plan that will enable it to continue in business using internal resources only (see later).

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

21. The Applicant has prepared an updated cash flow forecast for the period from May 31 to September 10, 2010 (**"the Updated Cash Flow Forecast"**), a copy of which is attached hereto as **Exhibit "C"**. The Updated Cash Flow Forecast reflects the loss of the Lendcare business and the decision to attempt to rebuild lending volumes to approximately 50% of historical levels.

22. The Updated Cash Flow Forecast suggests that Nelson will have sufficient cash at all time to operate its business and that, by September 10, 2010, it will have \$5,208,000 on hand.
23. "New net Deal Funding" is based on historical volumes over the past 15 weeks plus the addition of two new vendors in June 2010. This translates to annual lending volumes of approximately \$7.0 million. The new loans are to be funded from a combination of cash on hand and net cash flow generated from operations.
24. Overhead costs start to scale down marginally in June 2010 based upon the lower loan volumes going forward. Management is undertaking a detailed review of these costs as part of its move towards a scaled-down business model.
25. The Monitor does not have any basis for believing that the Updated Cash Flow Forecast is not, in all material aspects, reasonable having regard to the probable and hypothetical assumptions pursuant to which it was prepared. A representation letter of management of Nelson pertaining to the Updated Cash Flow Forecast and the Monitor's report on the reasonableness of it are attached hereto as **Exhibits "D" and "E"**, respectively.

#### **THE MONITOR'S REVIEW OF THE LOAN PORTFOLIO**

26. Pursuant to the Monitor's Viability Review Memorandum dated April 15, 2010 attached to the First Report ("**the April 15 Viability Review Memorandum**"), the Monitor explained that a key question in assessing the viability of Nelson's core business on a go-forward basis was its "bad debt reserve", that is, how much of the funds Nelson lends will never be collected. The April 15 Viability Review Memorandum explained how Nelson calculated its bad debt reserve to be equal to the loan write-offs for the preceding year. For the purposes of the April 15 Viability Review Memorandum, the Monitor applied this same logic to a go forward book of loans totalling \$24 million and calculated a bad debt reserve of 3.5% of loans made.

27. The Monitor has undertaken a review of Nelson's Itinerant Sales loan portfolio in order to, among other things, form an opinion on the adequacy of Nelson's current bad debt reserve. A memorandum summarizing the findings of the Monitor ("**the June 8 Loan Portfolio Review Memorandum**") is attached as **Exhibit "F"**.
28. The Monitor's review suggests that an additional bad debt reserve of \$6,446,000 should be booked against Nelson's Itinerant Sales loan portfolio as at March 31, 2010, thereby reducing the book value from \$25,325,000 to \$18,879,000.
29. The Monitor's review also suggests that a realistic bad debt reserve against current and future lending would be 5% of the amount lent rather than 3.5% used in the April 15 Viability Review Memorandum.
30. These findings have implications not just for the findings detailed in the April 15 Viability Review Memorandum but also for the Monitor's liquidation analysis and the development of a restructuring plan. These implications are discussed later in this Report.

#### **THE MONITOR'S UPDATE ON ITS VIABILITY ANALYSIS OF NELSON'S BUSINESS**

31. Pursuant to the April 15 Viability Review Memorandum, the Monitor advised that there was a realistic prospect that Nelson could restructure its debt and be able to service that debt and continue in business for the foreseeable future provided that it could obtain financing to assist in the redemption of existing debt in accordance with the debt maturity terms set down in an approved restructuring plan.
32. The Monitor has updated its viability analysis to reflect its findings from the loan portfolio review and the Applicant's decision to reduce its lending volumes to 50% of its historical levels. A memorandum summarizing the Monitor's updated review and



findings ("**the June 8 Viability Review Update**") is attached as **Exhibit "G"**.

33. The June 8 Viability Review Update suggests that, even with an increased bad debt reserve, reduced lending volumes and no external financing, there is a realistic prospect that the Applicant could restructure its debt and be able to service that debt and continue in business for the foreseeable future.

#### **THE MONITOR'S LIQUIDATION ANALYSIS**

34. Pursuant to the First Report and the Second Report, the Monitor advised that it was preparing a liquidation analysis to assist the Applicant in preparing a restructuring plan and to assist the stakeholders and this Honourable Court in assessing any such plan.
35. The Monitor has completed its liquidation analysis and has estimated the recovery to creditors in the event that Nelson was to liquidate its assets as opposed to developing a restructuring plan that would see Nelson continue in business. A memorandum setting out the Monitor's liquidation analysis ("**the Liquidation Analysis Memorandum**") is attached as **Exhibit "H"**.
36. Pursuant to the Liquidation Analysis Memorandum, the holders of Notes and other creditors would recover approximately 38% of their investment/claim. The holders of Preference Shares would not receive any recovery on account of their investment.

#### **THE DEVELOPMENT OF A RESTRUCTURING PLAN**

37. The Monitor has been working closely with Nelson to develop a restructuring plan. Early versions of a potential plan have had to be amended to accommodate the decision to scale down the business by reducing lending volumes and to fund all redemptions and new lending internally. The developing plan has also been adjusted to take account of the increased bad debt allowance discussed earlier.

38. Currently, the form of plan being developed would provide creditors with the following choices:
- a) to receive cash of between 20% and 25% of the debt due within a few months of plan acceptance. Creditors selecting this option would presumably be able to claim a tax loss for the balance of their investment in the current tax year. This option would be limited to the amount of cash Nelson felt it would have available for such redemptions; or
  - b) to receive new promissory notes with a face value of between 40% and 60% of the creditor's investment/claim. The new promissory notes would pay interest at 3% and would be redeemed from cash generated from the scaling back of the business and from future profits. Creditors could then either receive preference shares for the remaining amount of their investment/claim (with rights to be determined) or they could claim a tax loss for the balance of their claim.
39. Existing Preference Shareholders would have their existing shares cancelled. They would then be able to either immediately claim a tax loss on their investment or perhaps be given a new form of preference shares with rights to be determined.
40. The Monitor is looking into the potential tax impact of different restructuring options. Since different investors will have different tax positions, the Monitor is trying to give investors options in the restructuring plan that should help them to maximize their tax loss position and any resulting loss carry back or carry forward claim to suit that individual's tax position.
41. Over the next few weeks the Monitor and the Applicant intend to refine the restructuring plan.

## SECURED CREDITORS

42. Foscarini Mackie Holdings Inc. registered a security interest in a pool of consumer loans (**“the Foscarini Loans”**) to secure an investment in a promissory note with a debt owing at March 31, 2010 of \$653,341.63. The Monitor’s legal counsel is of the opinion that this security is valid and enforceable. Nelson has set up a separate bank account and has started to transfer collections received by it on account of the Foscarini Loans. The amount being collected is approximately \$20,000 per month.
43. Glenn and Lisa Mackie registered a security interest in a pool of consumer loans to secure an investment of \$246,000 in preferred shares. The Monitor’s legal counsel is of the opinion that it is not possible to secure an investment in shares in this manner.
44. Nelson Investment Group Ltd. (**“Nelson Investment”**), an affiliated company, has registered a security interest under the *Personal Property Security Act* (Ontario) (**“the PPSA”**) to secure payment of earned but unpaid commissions in respect of the sale of Notes and Preference Shares. According to the Applicant’s internal March 31, 2010 financial statements, Nelson Investments is owed approximately \$168,793. The Monitor has been informed by the Applicant’s legal counsel that Nelson Investments will subordinate its secured position so it is treated in the restructuring on a pari-passu basis with all other unsecured creditors.
45. Several other parties have also registered security interests under the PPSA. The Applicant has advised the Monitor that these registrations are historic or otherwise not meaningful and that these parties are not valid secured creditors. The Applicant intends to have these interests dealt with and declared to be worthless as part of the claims process and restructuring plan. The Monitor is unaware of any information that would suggest any of these parties have a valid secured claim against Nelson.

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

46. The Applicant has asked this Honourable Court to extend the stay of proceedings for the period from June 15, 2010 to July 30, 2010. The basis for this request is to allow the Applicant an opportunity to continue to develop its restructuring plan.
47. The Updated Cash Flow Forecast suggests that the Applicant will have sufficient cash with which to fund the business through to September 10, 2010.
48. Since the issuance of the Initial Order, the Applicant has continued its business in the normal course on the basis of lower lending volumes as noted earlier (including ongoing collection activity on the large number of existing loans) and paying all of its obligations when due. The Applicant has not disposed of any material assets outside of the ordinary course.
49. Nelson continues to employ 28 employees. All employee-related payments are up to date. Nelson is commencing a review of its staffing needs given its scaled down business model.
50. The Applicant is also in the process of locating new sources of consumer loans to bring its lending volume up to the level of approximately 50% of its historical lending volume. In particular, over the last few weeks, it has been working to set up a consumer lending arrangement with LG Electronics to finance purchases of their products.
51. It is the Monitor's view that the Applicant has been acting in good faith and with due diligence since the issuance of the Initial Order and is in compliance with the provisions of the Initial Order.

52. Accordingly, and on the basis of the Monitor's June 8 Viability Memorandum Update, the Monitor supports the Applicant's request for this Honourable Court's approval of the extension of the stay period to July 30, 2010.

## THE ONTARIO SECURITIES COMMISSION

53. On May 12, 2010, Staff of the OSC issued a Notice of Hearing pursuant to Section 127(1) and 127.1 of the *Securities Act* (Ontario) and a Statement of Allegations (“**the Statement of Allegations**”) against, among others, the Applicant, Nelson Investment, Marc Boutet and Stephanie Lockman Sobol (**collectively, “the OSC Respondents**”). The Notice of Hearing and Statement of Allegations are attached as **Exhibit “I”**.
54. Pursuant to the Statement of Allegations, Staff of the OSC allege, among other things, that the OSC Respondents, which includes the Applicant, sold securities to non-accredited investors contrary to the provisions of the *Securities Act* (Ontario) and that the Applicant and Mr. Boutet made statements to the OSC and Staff of the OSC that were materially misleading and in breach of the *Securities Act* (Ontario).
55. Mr. Boutet is the sole officer and director of Nelson. Staff of the OSC has alleged that Ms. Sobol was employed by and was the *de facto* chief financial officer and chief operating officer of Nelson. Staff of the OSC is seeking to have both Mr. Boutet and Ms. Sobol removed as directors or officers.
56. The Applicant, Mr. Boutet and Ms. Sobol have retained counsel to defend them against the OSC proceeding. Currently, the Applicant is funding these defence costs.
57. Pursuant to section 6.2 of the Nelson’s by-laws, Nelson is required to indemnify a director or officer and its legal representatives against all costs, charges and expenses reasonably incurred by it in respect of any civil, criminal or administrative action or proceeding to which it is made a party by reason of being a director or

officer of Nelson if:

- a) the director or officer acted honestly and in good faith with a view to the best interests of Nelson; and
- b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the director or officer had reasonable grounds for believing that its conduct was lawful.

Attached hereto as **Exhibit "J"** is a copy of the Applicant's by-law.

58. Furthermore, under the terms of the Initial Order, the Applicant is authorized to continue business in the ordinary course and to continue to honour its obligations with respect to expenses and liabilities arising after the date of filing.
59. The Monitor understands that the OSC proceeding is in the early stages and that the parties thereto are still in the process of completing their due diligence.
60. Furthermore, it is the Monitor's view that Mr. Boutet and Ms. Sobol are integral to the restructuring and ongoing viability of the Applicant as they have all of the knowledge regarding the business and its financial affairs and Mr. Boutet has all of the relationships with the customers.
61. The Monitor is of the view that certain of the investors of Nelson share the Monitor's view regarding the integral role of the Mr. Boutet and Ms. Sobol in the successful restructuring and ongoing viability of Nelson.
62. On or about June 6, 2010, a significant investor of the Applicant wrote to the Monitor, the Monitor's legal counsel and the Applicant's legal counsel and expressed her view that Boutet's ongoing involvement in the business was essential to the success of any CCAA restructuring plan and that the removal of Boutet would not

serve to protect investors. The investor has requested that the Monitor put her position before this Honourable Court but not disclose her identity. Accordingly, a copy of the body of the investor's email dated June 6, 2010 is attached as **Exhibit "K"**.

63. The Monitor is of the view that, given the early stage of the OSC proceeding, the indemnity provided for in the Applicant's bylaws and the necessity of the continued involvement of Mr. Boutet and Ms. Sobol for the restructuring and ongoing viability of the Applicant, it is appropriate that the Applicant continue to pay Mr. Boutet's and Ms. Sobol's defence costs at this time.

64. With respect to the effect of the OSC proceeding on Nelson's intended restructuring, as indicated above, Nelson intends to continue its business using internal sources. Accordingly, Nelson will not require the ability to issue securities to the public in order to finance its operations (except in accordance with any creditor and Court-approved restructuring plan substituting new notes and preference shares for the existing Notes and Preference Shares). Furthermore, even if the OSC removed Mr. Boutet and Ms. Sobol from their positions as directors or officers, Mr. Boutet would remain in control as the common shareholder of Nelson.

#### **REPRESENTATIVE COUNSEL**

65. At the hearing of the stay extension motion returnable on June 4, 2010, counsel for the Applicant advised this Honourable Court that it would be seeking the appointment of representative counsel to represent the interests of the Noteholders. Counsel for the OSC also raised the issue of whether it would be appropriate to appoint representative counsel to represent the interests of the Preference Shareholders, which suggestion the Applicant's counsel took under advisement.

66. The Monitor supports the Applicant's request for the appointment of Mr. Turner as representative counsel to represent the interests of the Noteholders.

67. The Monitor is of the view that representative counsel for the Noteholders is appropriate and necessary so that the Noteholders have a collective voice pursuant to which they may express their views regarding the restructuring plan that will be put forth before them. To balance the benefit to the Noteholders of having representative counsel appointed and the added costs to the restructuring, the Monitor's legal counsel, the Applicant's legal counsel and Mr. Turner have discussed a defined and limited role of representative counsel where that role would cease upon the creditors voting in favour of the restructuring plan. This defined and limited role is set out in more detail in the draft Order being sought by the Applicant.
68. The Monitor understands that Mr. Turner currently acts for two of the Noteholders. The Monitor is of the view that Mr. Turner has the requisite level of experience to act as representative counsel. Mr. Turner was called to the bar in 1967, appointed as one of her Majesty's Counsel learned in the law in 1980 and called to the New York bar in 1993. While Mr. Turner's experience in CCAA matters is limited, he has extensive experience in insolvency and debtor-creditor matters including acting for banks in a series of receiverships, private receiverships, PPSA priority disputes (including disputing such issues before the Ontario Court of Appeal) and bankruptcy court matters. Furthermore, Mr. Turner has extensive experience in tax litigation.
69. The Monitor is of the view that Mr. Turner's experience in both insolvency matters and tax litigation would assist the Noteholders in understanding the compromise that will be required of them in order to effect a successful restructuring as well as understanding the benefits available as a result of the tax losses that would be generated by such compromise.
70. The Monitor is also of the view that representative counsel for the Preference Shareholders is not required at this time. The restructuring plan that is being developed contemplates that the Preference Shareholders will have their existing shares extinguished and that they may receive new shares with different rights



attached. At this time, it is contemplated that the Preference Shareholders would not be required to vote on any such restructuring plan.

71. Furthermore, the Monitor is of the view that the documentation on its face is clear that the Preference Shareholders were purchasing equity in Nelson. The Term Sheet pursuant to which the Preference Shares were sold clearly provide for the payment of dividends. Furthermore, the Preference Shareholders would have received dividends from Nelson on their investment including the beneficial tax treatment associated therewith. A copy of the Term Sheet for the purchase of Preference Shares is attached as **Exhibit "L"**.
72. Since its appointment, the Monitor and the Applicant have received approximately 500-600 phone calls from various investors. The Monitor is not aware of any investor who has claimed that it was given Preference Shares when it's intention was to purchase Notes.

#### **THE SETTLEMENT WITH LENDCARE**

73. As advised in the Second Report, the Applicant has previously partnered with Lendcare, which is a national provider of financial services that specializes in consumer financing partnerships with finance companies to offer retail and direct financing programs to customers.
74. The Applicant's relationship with Lendcare is set out in (i) a Business Protection Agreement dated August 20, 2007; (ii) an Agreement Regarding Future Financings dated December 6, 2007; and (iii) an Amending Agreement dated December 21, 2009 (**collectively, "the Lendcare Agreement"**).
75. On or about late March 2010, Lendcare ceased referring any lending customers to the Applicant.

76. On or about April 16, 2010, the Applicant served Lendcare with notice of its intention to seek to disclaim the Lendcare Agreement, including the non-compete provisions thereof, such that the Applicant would be free to solicit financing opportunities from Lendcare's customers ("**the Lendcare Motion**").
77. The Monitor understands that the Applicant and Lendcare have settled their dispute on the following principal terms:
- a) Lendcare is to pay the Applicant the sum of approximately \$158,000 in satisfaction of the Applicant's claims against Lendcare;
  - b) Lendcare is to pay the Applicant certain ongoing amounts on account of customer contracts until December 31, 2010;
  - c) the non-compete provisions of the Lendcare Agreement are amended such that the Applicant may solicit financing opportunities from one of Lendcare's customers; and
  - d) subject to any ongoing payment obligations of Lendcare to the Applicant and subject to the amended non-compete provisions, the Lendcare Agreement is terminated; and
  - e) the Applicant and Lendcare release each other from all claims relating to the Lendcare Agreement except for any claims arising from their settlement.
78. The Monitor is of the view that the dispute between the Applicant and Lendcare has been resolved fairly and reasonably and recommends that this Honourable Court approve the settlement.

## THE MONITOR'S OTHER ACTIVITIES

79. The Monitor and the Applicant have received well in excess of a further 200 telephone enquiries since April 15, 2010. The Monitor and the Applicant have also had a number of face to face meetings with individual investors. The Monitor set up a dedicated email address for enquiries (*Nelson@ajohnpage.com*). The Monitor has received and has responded to a number of investor email and mail enquiries.

80. The Monitor has posted all public documents related to the CCAA Proceedings, including copies of all court orders, motion records and court reports, on its website at *www.ajohnpage.com*. From feedback received by the Monitor, it seems this method of disseminating information is being well used by stakeholders.

## NEXT STEPS

81. No claims process has been created as yet. The Monitor and the Applicant anticipate devising a suitable claims process over the next few weeks and then seeking court approval for the proposed process.

## RECOMMENDATION

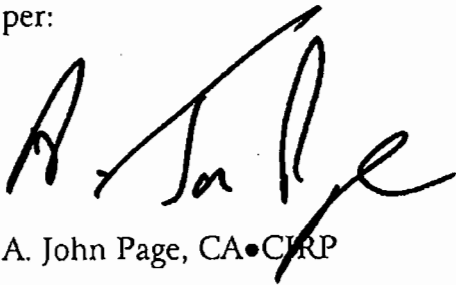
82. Based on the foregoing, the Monitor recommends that this Honourable Court:

- a. extend the stay of proceedings for the period from June 15, 2010 to July 30, 2010;
- b. appoint Mr. Doug Turner as representative counsel for the Noteholders for the defined and limited purpose outlined in the Applicant's draft Order; and
- c. approve the settlement between the Applicant and Lendcare.

All of which is respectively submitted this 11th day of June, 2010.

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

per:

A handwritten signature in black ink, appearing to read "A. John Page". The signature is written in a cursive style with a large, sweeping initial "A" and a long, horizontal stroke extending to the right.

A. John Page, CA•CRP  
President

**ONTARIO  
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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
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**EXHIBITS TO THE THIRD REPORT OF A. JOHN PAGE & ASSOCIATES INC.  
IN ITS CAPACITY AS THE MONITOR OF THE APPLICANT**

**JUNE 11, 2010**

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Term Sheet for the Purchase of Preference Shares	L



Exhibit "A"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**Initial Order**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MADAM )

JUSTICE PEPALL )

TUESDAY, THE 23<sup>rd</sup>

DAY OF MARCH, 2010

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

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

**Applicant**

**INITIAL ORDER**

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

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

## **SERVICE**

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

## **APPLICATION**

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

## **PLAN OF ARRANGEMENT**

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

## **POSSESSION OF PROPERTY AND OPERATIONS**

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

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

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



- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

6. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order.

7. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any

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

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

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

## **RESTRUCTURING**

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

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

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

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

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

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

## **NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY**

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

## **NO EXERCISE OF RIGHTS OR REMEDIES**

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

## **NO INTERFERENCE WITH RIGHTS**

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

## **CONTINUATION OF SERVICES**

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

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

### **NON-DEROGATION OF RIGHTS**

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

### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

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

### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

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

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

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

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

#### **APPOINTMENT OF MONITOR**

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

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

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

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

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

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

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

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

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

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

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

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



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

### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

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

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

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

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

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

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

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

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

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

#### **SERVICE AND NOTICE**

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

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

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

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

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

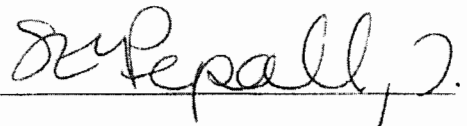
42. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

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.

  
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THE COURT OF CHIEM JUSTICE  
OF THE PROVINCE OF ONTARIO  
OFFICE OF THE CLERK OF THE COURT

MAR 23 2016

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)

**INITIAL ORDER**

**GOWLING LAFLEUR HENDERSON LLP**

Barristers and Solicitors  
1 First Canadian Place  
100 King Street West, Suite 1600  
TORONTO, Ontario  
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**Clifton P. Prophet / Frank Lamie**  
LSUC No.: 34345K / 54035S

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

**SOLICITORS FOR THE APPLICANT**

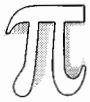


Exhibit "B"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**Original Cash Flow Projection, Actual/Projected  
Cash Flow to June 18, 2010 and Cash Flow Variance  
Report**

Nelson Financial Group Ltd  
 Weekly Cash Flow Forecast  
 For the 13 week period ending June 18, 2010

Unaudited

Original Cash Flow Projection

Week Ending

	26-Mar-10	02-Apr-10	09-Apr-10	16-Apr-10	23-Apr-10	30-Apr-10	07-May-10	14-May-10	21-May-10	28-May-10	04-Jun-10	11-Jun-10	18-Jun-10	Total
<b>Opening Cash</b>	\$405,004	\$455,153	\$421,478	\$382,965	\$354,710	\$420,539	\$374,141	\$376,606	\$274,363	\$419,631	\$373,233	\$402,196	\$299,953	\$405,004
<b>Total Operating Receipts</b>	411,124	428,113	314,541	395,145	402,116	353,619	400,200	314,541	471,555	353,619	416,698	314,541	400,623	4,976,435
<b>Disbursements:</b>														
Payroll and benefits	53,730	53,730	53,730	53,730	53,730	53,730	6,293	53,730	53,730	53,730	6,293	53,730	53,730	334,966
Rent	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	8,388	25,164
SG&A	8,664	17,047	25,431	17,047	8,664	8,664	25,431	25,431	8,664	8,664	25,431	25,431	8,664	213,233
Net new Deal Funding	322,311	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	4,133,787
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	30,000	65,000	10,000	35,000	10,000	20,000	40,000	20,000	0	20,000	30,000	20,000	10,000	310,000
<b>Total Disbursements</b>	360,975	461,788	353,054	423,400	336,287	400,017	397,735	416,784	326,287	400,017	387,735	416,784	336,287	5,017,150
<b>Net Operating Cash Flow</b>	50,149	(33,675)	(38,513)	(28,255)	65,829	(46,398)	2,465	(102,243)	145,268	(46,398)	28,963	(102,243)	64,336	(40,715)
<b>Closing Cash</b>	\$455,153	\$421,478	\$382,965	\$354,710	\$420,539	\$374,141	\$376,606	\$274,363	\$419,631	\$373,233	\$402,196	\$299,953	\$364,289	\$364,289

See attached schedule entitled - Notes/Probable and Hypothetical Assumptions underlying Weekly Cash Flow Forecast for the 13 week period ending June 18, 2010

NELSON FINANCIAL GROUP LTD. ("Nelson")  
NOTES/PROBABLE AND HYPOTHETICAL ASSUMPTIONS UNDERLYING  
WEEKLY CASH FLOW FORECAST FOR THE 13 WEEK PERIOD ENDED JUNE 18, 2010

1. The Cash Flow Forecast has been prepared in order to accompany, in accordance with Section 10(2)(a) of the Companies' Creditors Arrangement Act ("CCAA"), the initial application of Nelson for protection from its creditors under the CCAA.
2. Nelson is assumed to continue to operate on a going concern basis throughout the Cash Flow Period.
3. Opening Cash - This is the projected opening cash balance of the Applicant at the commencement of the CCAA proceedings based on the actual reconciled cash balance on March 12, 2010.
4. Sales forecasts are based on historical trends adjusted for a slight change in the mix as the Nelson replaces some of the existing business with a more profitable business line.
5. No significant changes to rates billed to client or accepted from vendors.
6. Collection of accounts receivable are based on historic average sales patterns over past six weeks.
7. Employee liabilities are assumed to be paid in the ordinary course. All other pre filing liabilities are stayed as a result of the CCAA proceedings
8. Payments of investor interest, investor redemptions, preferred share dividends and preferred share redemptions are stayed as a result of the CCAA proceedings
9. Post-filing rent payments are on the basis of existing lease arrangements.
10. Post-filing selling, general and administrative expenses are calculated based on existing arrangements and historical patterns of payment.
11. Restructuring costs represent projected payments on account of the fees and expenses of the Monitor, the Monitor's counsel and the Nelson's counsel. It is assumed that the fees and expenses billed by the Monitor during the Cash Flow Period will be paid by Nelson at the rate of \$30,000 per month through 2010.
12. The Cash Flow Forecast does not include any payments that might flow from of the successful adoption of a plan of compromise or arrangement.



**Actual/Projected Cash Flows to June 18, 2010**

Nelson Financial Group Ltd  
 Weekly Cash Flow Forecast  
 For the 13 week period ending June 18, 2010

Unaudited

Actual Results to May 28, 2010

Week Ending

	Actual													Projected			Total
	26-Mar-10	02-Apr-10	09-Apr-10	16-Apr-10	23-Apr-10	30-Apr-10	07-May-10	14-May-10	21-May-10	28-May-10	04-Jun-10	11-Jun-10	18-Jun-10				
<b>Opening Cash</b>	\$476,685	\$714,522	\$870,272	\$1,129,943	\$1,345,705	\$1,601,278	\$1,937,028	\$2,362,107	\$2,572,211	\$2,885,224	\$3,006,086	\$3,035,049	\$2,932,806	\$476,685			
<b>Total Operating Receipts</b>	392,276	406,306	363,865	433,705	474,413	540,157	611,667	417,666	518,824	266,195	416,698	314,541	400,623	5,556,936			
<b>Disbursements:</b>																	
Payroll and benefits	53,629			52,212	2,088	51,995	6,713	52,770		52,336	6,293	53,730		329,678			
Rent	6,300					6,300	1,044			5,244	8,388			29,364			
SG&A	6,886	24,797	9,970	13,262	12,835	14,209	24,543	17,606	13,646	12,026	25,431	25,431	8,664	209,306			
Net new Deal Funding	116,053	134,330	94,224	152,469	139,759	114,656	122,788	119,783	144,609	53,602	317,623	317,623	317,623	2,145,142			
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Restructuring Costs	31,500	31,500	0	0	64,158	17,247	31,500	17,403	47,556	22,125	30,000	20,000	10,000	322,989			
Other																	
<b>Total Disbursements</b>	154,439	250,556	104,194	217,943	218,840	204,407	186,588	207,562	205,811	145,333	387,735	416,784	336,287	3,036,479			
<b>Net Operating Cash Flow</b>	237,837	155,750	259,671	215,762	255,573	335,750	425,079	210,104	313,013	120,862	28,963	(102,243)	64,336	2,520,457			
<b>Closing Cash</b>	\$714,522	\$870,272	\$1,129,943	\$1,345,705	\$1,601,278	\$1,937,028	\$2,362,107	\$2,572,211	\$2,885,224	\$3,006,086	\$3,035,049	\$2,932,806	\$2,997,142	\$2,997,142			

**Cash Flow Variance Report**

Nelson Financial Group Ltd  
 Weekly Cash Flow Forecast  
 For the 13 week period ending June 18, 2010

Unaudited

Variance Report to May 28, 2010

Week Ending

	26-Mar-10	02-Apr-10	09-Apr-10	16-Apr-10	23-Apr-10	30-Apr-10	07-May-10	14-May-10	21-May-10	28-May-10	04-Jun-10	11-Jun-10	18-Jun-10	Total
<b>Opening Cash</b>	\$71,681	\$259,369	\$448,794	\$746,978	\$990,995	\$1,180,739	\$1,562,887	\$1,985,501	\$2,297,848	\$2,465,593	\$2,632,853	\$2,632,853	\$2,632,853	\$71,681
<b>Total Operating Receipts</b>	(18,848)	(21,807)	49,324	38,560	72,297	186,538	211,467	103,125	47,269	(87,424)	0	0	0	580,501
<b>Disbursements:</b>														
Payroll and benefits	0	(101)	0	(1,518)	0	(1,735)	420	(960)	0	(1,394)	0	0	0	(5,288)
Rent	0	(2,088)	0	0	2,088	6,300	(7,344)	0	0	5,244	0	0	0	4,200
SG&A	(1,778)	7,750	(15,461)	(3,785)	4,171	5,545	(888)	(7,825)	4,982	3,362	0	0	0	(3,927)
Net new Deal Funding	(206,258)	(183,293)	(223,399)	(165,154)	(177,864)	(202,967)	(194,835)	(197,840)	(173,014)	(264,021)	0	0	0	(1,988,645)
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	1,500	(33,500)	(10,000)	(35,000)	54,158	(2,753)	(8,500)	(2,597)	47,556	2,125	0	0	0	12,989
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Disbursements</b>	(206,536)	(211,232)	(248,860)	(205,457)	(117,447)	(195,610)	(211,147)	(209,222)	(120,476)	(254,684)	0	0	0	(1,980,671)
<b>Net Operating Cash Flow</b>	187,688	189,425	298,184	244,017	189,744	382,148	422,614	312,347	167,745	167,260	0	0	0	2,561,172
<b>Closing Cash</b>	\$259,369	\$448,794	\$746,978	\$990,995	\$1,180,739	\$1,562,887	\$1,985,501	\$2,297,848	\$2,465,593	\$2,632,853	\$2,632,853	\$2,632,853	\$2,632,853	\$2,632,853

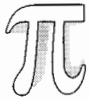


Exhibit "C"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**Updated Cash Flow Forecast from May 31  
to September 10, 2010**

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

Unaudited

	Week Ending															Total
	04-Jun-10	11-Jun-10	18-Jun-10	25-Jun-10	02-Jul-10	09-Jul-10	16-Jul-10	23-Jul-10	30-Jul-10	06-Aug-10	13-Aug-10	20-Aug-10	27-Aug-10	03-Sep-10	10-Sep-10	Total
<b>Opening Cash</b>	\$3,006,064	\$3,136,273	\$3,290,873	\$3,499,549	\$3,683,639	\$3,834,260	\$3,957,279	\$4,156,656	\$4,340,483	\$4,537,570	\$4,495,336	\$4,692,101	\$4,869,278	\$5,054,214	\$5,011,847	\$3,006,064
<b>Total Operating Receipts</b>	407,106	343,210	380,246	387,760	530,038	326,629	379,228	387,379	346,879	400,764	346,498	410,610	334,610	380,514	346,120	5,707,591
<b>Disbursements:</b>																
Payroll and benefits	6,293	53,730	53,730	53,730	6,293	53,730	53,730	53,730	53,730	60,023	60,023	53,730	60,023	60,023	60,023	401,282
Rent	8,388				6,300					6,300				6,300		27,288
SG&A	15,000	14,970	14,940	14,910	14,881	14,850	14,821	14,792	14,762	14,732	14,703	14,673	14,644	14,615	14,600	221,893
Other	40,826				20,413					20,413				20,413		102,065
Net new Deal Funding	119,910	119,910	126,630	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	1,986,810
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	86,500	0	30,000	0	196,500	0	30,000	0	0	206,500	0	30,000	0	186,500	0	766,000
<b>Total Disbursements</b>	276,917	188,610	171,570	203,670	379,417	203,610	179,851	203,552	149,792	442,998	149,733	233,433	149,674	422,881	149,630	3,505,338
<b>Net Operating Cash Flow</b>	130,189	154,600	208,676	184,090	150,621	123,019	199,377	183,827	197,087	(42,234)	196,765	177,177	184,936	(42,367)	196,490	2,202,253
<b>Closing Cash</b>	\$3,136,273	\$3,290,873	\$3,499,549	\$3,683,639	\$3,834,260	\$3,957,279	\$4,156,656	\$4,340,483	\$4,537,570	\$4,495,336	\$4,692,101	\$4,869,278	\$5,054,214	\$5,011,847	\$5,208,337	\$5,208,337

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

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

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

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

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Exhibit "D"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**Management Letter on Updated Cash Flow Forecast**

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

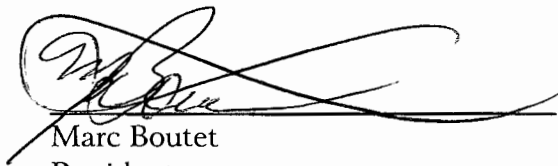
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT  
OF  
NELSON FINANCIAL GROUP LTD.

**Report on Cash Flow Statement  
(Paragraph 10.2(b) of the CCAA)**

The management of Nelson Financial Group Ltd. has developed the assumptions and prepared the attached "Weekly Cash Flow Forecast for the 15 Week Period Ended September, 10, 2010" ("the Projections").

1. The hypothetical assumptions are reasonable and consistent with the purpose of the Projections described in Note 1 to the Projections, and the probable assumptions are suitably supported and consistent with the plans of Nelson Financial Group Ltd. and provide a reasonable basis for the Projections. All such assumptions are disclosed in Notes 2 through 13 attached to the Projections.
2. Since the Projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.
3. The Projections have been prepared solely for the purpose described in Note 1 to the Projections, using the probable and hypothetical assumptions set out in Notes 2 through 13. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Pickering, Ontario this 10th day of June, 2010



Marc Boutet  
President  
Nelson Financial Group Inc.



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

	Week Ending															Total
	04-Jun-10	11-Jun-10	18-Jun-10	25-Jun-10	02-Jul-10	09-Jul-10	16-Jul-10	23-Jul-10	30-Jul-10	06-Aug-10	13-Aug-10	20-Aug-10	27-Aug-10	03-Sep-10	10-Sep-10	
<b>Opening Cash</b>	\$3,006,084	\$3,136,273	\$3,290,873	\$3,499,549	\$3,683,639	\$3,834,260	\$3,957,279	\$4,156,656	\$4,340,483	\$4,537,570	\$4,495,336	\$4,692,101	\$4,869,278	\$5,054,214	\$5,011,847	\$3,006,084
<b>Total Operating Receipts</b>	407,106	343,210	380,246	387,760	530,038	326,629	379,228	387,379	346,879	400,764	346,498	410,610	334,610	380,514	346,120	5,707,591
<b>Disbursements:</b>																
Payroll and benefits	6,293	53,730	53,730	53,730	6,293	53,730	53,730	53,730	53,730	60,023	60,023	53,730	60,023	60,023	60,023	401,282
Rent	8,388				6,300					6,300				6,300		27,288
SG&A	15,000	14,970	14,940	14,910	14,881	14,850	14,821	14,792	14,762	14,732	14,703	14,673	14,644	14,615	14,600	221,893
Other	40,826				20,413					20,413				20,413		102,065
Net new Deal Funding	119,910	119,910	126,630	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	1,986,810
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	86,500	0	30,000	0	196,500	0	30,000	0	0	206,500	0	30,000	186,500	186,500	0	766,000
<b>Total Disbursements</b>	276,917	188,610	171,570	203,670	379,417	203,610	179,851	203,552	149,792	442,988	149,793	293,433	149,674	422,881	149,630	3,505,338
<b>Net Operating Cash Flow</b>	130,189	154,600	208,676	184,090	150,621	123,019	199,377	183,827	197,087	(42,234)	196,765	177,177	184,936	(42,367)	196,490	2,202,253
<b>Closing Cash</b>	\$3,136,273	\$3,290,873	\$3,499,549	\$3,683,639	\$3,834,260	\$3,957,279	\$4,156,656	\$4,340,483	\$4,537,570	\$4,495,336	\$4,692,101	\$4,869,278	\$5,054,214	\$5,011,847	\$5,208,337	\$5,208,337

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

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

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

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

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Exhibit "E"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**Monitor's Report on Updated Cash Flow Forecast**

## MONITOR'S REPORT ON CASH FLOW FORECAST

The attached Weekly Cash Flow Forecast attached as Exhibit "C " to the Report of the Monitor dated June 11, 2010 (the "Cash Flow Forecast") of Nelson Financial Group Ltd., (the "Company") for the period from May 31, 2010 through to September 10, 2010, has been prepared by the management of the Company to support a further application to extend the stay of proceedings using the Probable and Hypothetical Assumptions set out in Exhibit C.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management and employees of the Company. Since Hypothetical Assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. We have also reviewed the support provided by management of the Company for the Probable Assumptions, and the preparation and presentation of the Cash Flow Forecast.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Forecast;
- b) as at the date of this report, the Probable Assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow Forecast, given the Hypothetical Assumptions; or
- c) the Cash Flow Forecast does not reflect the Probable and Hypothetical Assumptions.

Since the Cash Flow Forecast is based on Assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.

The Cash Flow Forecast has been prepared solely for the purpose described in Note 1 to the Cash Flow Forecast and readers are cautioned that it may not be appropriate for other purposes.

All of which is respectfully submitted at Toronto this 11th day of June, 2010

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

A. John Page, President

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

Unaudited

	Week Ending															Total
	04-Jun-10	11-Jun-10	18-Jun-10	25-Jun-10	02-Jul-10	09-Jul-10	16-Jul-10	23-Jul-10	30-Jul-10	06-Aug-10	13-Aug-10	20-Aug-10	27-Aug-10	03-Sep-10	10-Sep-10	
<b>Opening Cash</b>	\$3,006,084	\$3,136,273	\$3,290,873	\$3,499,549	\$3,683,639	\$3,834,260	\$3,957,279	\$4,156,656	\$4,340,483	\$4,537,570	\$4,495,336	\$4,692,101	\$4,869,278	\$5,054,214	\$5,011,847	\$3,006,084
<b>Total Operating Receipts</b>	407,106	343,210	380,246	387,760	530,038	326,629	379,228	387,379	346,879	400,764	346,498	410,610	334,610	380,514	346,120	5,707,591
<b>Disbursements:</b>																
Payroll and benefits	6,293	53,730	53,730	53,730	6,293	53,730	53,730	53,730	53,730	60,023	60,023	53,730	53,730	60,023	60,023	401,282
Rent	8,388				6,300					6,300				6,300	6,300	27,288
SG&A	15,000	14,970	14,940	14,910	14,881	14,850	14,821	14,792	14,762	14,732	14,703	14,673	14,644	14,615	14,600	221,893
Other	40,826				20,413					20,413				20,413	20,413	102,065
Net new Deal Funding	119,910	119,910	126,630	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	135,030	1,986,810
Payments to Noteholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments to Pref Shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring Costs	86,500	0	30,000	0	196,500	0	30,000	0	0	206,500	0	30,000	0	186,500	0	766,000
<b>Total Disbursements</b>	276,917	188,610	171,570	203,670	379,417	203,610	179,851	203,552	149,792	442,998	149,733	233,433	149,674	422,881	149,630	3,505,338
<b>Net Operating Cash Flow</b>	130,189	154,600	208,676	184,090	150,621	123,019	199,377	183,827	197,087	(42,234)	196,765	177,177	184,936	(42,367)	196,490	2,202,253
<b>Closing Cash</b>	\$3,136,273	\$3,290,873	\$3,499,549	\$3,683,639	\$3,834,260	\$3,957,279	\$4,156,656	\$4,340,483	\$4,537,570	\$4,495,336	\$4,692,101	\$4,869,278	\$5,054,214	\$5,011,847	\$5,208,337	\$5,208,337

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

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

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

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

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Exhibit "F"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**June 8 Loan Portfolio Review Memorandum**

# Memorandum

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**To:** Nelson File  
**From:** A. John Page  
**Date:** June 8, 2010  
**Subject:** Loan Portfolio Review

---

## Introduction

Over the last few weeks we performed a review of Nelson's loan portfolio in order to form an opinion on the adequacy of the current bad debt provision. We then assessed the impact of our findings on our viability review and the current draft restructuring plan. Our review has also assisted us in preparing a valuation of the loan portfolio on a liquidation basis.

We discussed our preliminary observations with Nelson senior management. At their request we then performed a similar review of only those loans in the portfolio that had been granted in 2009.

This memorandum provides a summary of our findings

## Background

The review detailed in this memorandum was of the loan portfolio comprising the Itinerant Loans and Consumer Loans of Nelson as at March 31, 2010 ("the Loan Portfolio"). This memorandum does not address the status of the Car Leasing Portfolio.

## Executive Summary

Based upon our limited review, the Monitor is of the view that the carrying value of the Loan Portfolio does not fully reflect the likelihood that some of the loans comprising the Loan Portfolio will never be paid in full. The Monitor's estimation of the additional bad debt provision that is required is as follows:

Total Loan Portfolio as at March 31, 2010

	Book Value	Value to Term
Per Nelson's records	\$25,325,000	\$40,127,000
Estimated Additional Bad Debt Provision	(\$6,446,000)	(\$11,550,000)
As Adjusted Value	\$18,879,000	\$28,577,000

The "Book Value" of the Loan Portfolio is the value that the Loan Portfolio is carried at on Nelson's balance sheet. This "value" is a complex mix of components. It is based upon the amount a customer would have had to pay to settle their loan on March 31, 2010. The value does not, however, include unpaid fees charged by Nelson where payments are late (as Nelson only books these fees to income when they are paid). It also does not include "overdue interest" generated when payments are late. Again Nelson only books this interest when paid. The value is further reduced by the unearned portion of loans "purchased" by Nelson from vendors at a discount. All of these deductions are a reflection of the normal conservative way of accounting for consumer loans in that Nelson does not treat something as income until it is "earned". In calculating the Book Value Nelson have also deducted a "bad debt provision". It is the bad debt provision that we think needs to be larger.

The "Value to Term" is the amount of cash that will be paid to Nelson over the remaining term of all the loans comprising the Loan Portfolio. (Loans are usually for terms of between 1 to 5 years). The calculation of this balance assumes all loans are paid in full and on time. The Value to Term includes all fees and interest on unpaid accounts charged to date. It does not incorporate any additional fees or interest that might be charged on current arrears or future payments that are not paid on time. It does not take any account of the time value of money.

The "Estimated Additional Bad Debt Provision" is the amount estimated by the Monitor (based upon our review of a selection of individual loans) to enable the Book Value and Value to Term to more accurately reflect the underlying collectibility of the loans comprising the Loan Portfolio.

### Qualifier

The financial information referred to or detailed in this memorandum has been obtained from Nelson without audit. The Loan Portfolio comprises approximately 12,000 separate loans. As detailed briefly later in this memorandum the Monitor has reviewed a small sample of these loans and has drawn conclusions from this small sample. The sample may not be "statistically valid" but is reasonable in the judgement of the Monitor having regard to the exigencies of the restructuring. The conclusions drawn from the sample are based to an extent on professional

judgement and it may be that different conclusions could have been drawn from a different sample. However, on an overall basis the Monitor thinks that the conclusion that a large additional bad debt provision is required is valid, whether it be the sum estimated by the Monitor or otherwise. Readers are cautioned that the actual amount of the Loan Portfolio that will ultimately be collected could be quite different to the As Adjusted Value detailed earlier. Care should therefore be taken in drawing conclusions and making decisions based upon the information in this memorandum.

### **Approach Taken**

Nelson manages the Loan Portfolio using software called "LMS" (Loan Management System). The Loan Portfolio comprises approximately 12,000 separate loans, almost all to individuals, with repayment terms up to five years. LMS did not seem to us to provide an easy overall way to assess the collectibility of individual accounts. We therefore had certain key data on each loan exported to an excel spreadsheet.

We then sorted the data in various ways and looked at loans with:

- High unpaid interest balances (implying a large number of missed or late payments)
- No payments made where the loan was over 6 months old (a number of loans were made with a 6 month payment free period)
- High fees charged (also implying a large number of missed or late payments)

We stratified the results and selected samples from the highest risk groups. We reviewed detailed information on the sample selected including the loan collector's reporting log and the LMS rolling loan history. We obtained commentary from Nelson staff on the selected samples. We formed a view on the collectibility and therefore the size of any delinquency provision on each of the individual accounts reviewed. Based on our findings on early samples we selected samples from additional risk groups. In total we reviewed 45 individual accounts in detail at this stage as well as reviewing summaries of key loan information. We formed an opinion on the appropriate size of the delinquency provision for each group we looked at. We built up our findings to give us an overall delinquency provision for the Loan Portfolio. We then compared it to the bad debt provision that Nelson had on the books.

We discussed our findings with Nelson senior management. At their request we extended testing in a few areas. We and Nelson reviewed a further 85 accounts. We then revised our assessment based on that additional testing.

The management of Nelson accepted that a larger bad debt provision was warranted and do not object to the estimates that we have made.

### Management Comments

Nelson have commented that, in 2007 and 2008, as they moved away from car leasing they were experimenting with lending and credit worthiness models for this new line of business. As time went on they made refinements to their underwriting approach and, based on their experiences, in January 2009 they implemented a "credit matrix" clearly setting down the lending they were willing to write and the terms on which they would write those loans.

Nelson noted that they transitioned to the LMS reporting software in mid 2009 and that this software has not been providing them with the full level of management information that they were wanting. They have recently made changes to collection department procedures and supervision to mitigate perceived shortcomings in LMS and specifically to ensure that all delinquent accounts are reviewed and actioned on a regular basis. Nelson are also working on updating their collection procedures.

### Review of the Loans Granted in 2009

Nelson management, while acknowledging that a much larger overall bad debt provision is warranted, felt that most of the problem accounts were loans made in 2008 or earlier. As noted earlier, they commented that they had revised their lending criteria in January 2009 and that it would therefore be misleading to draw conclusions about the likely delinquency ratio for new loans based on our work on the whole Loan Portfolio. They suggested that we conduct a review, on the same basis as before, of just loans made in 2009 to see if it confirmed their suggestion that these loans should be better quality.

We therefore conducted a review on loans granted in 2009. We and Nelson reviewed an additional sample of 37 accounts. Our findings confirmed the suggestions of management that these loans seemed to be of better quality. In summary:

<u>Loans Granted in 2009</u>	<u>Book Value</u>
Loan Value per Nelson's LMS records 31/3/10	\$8,919,125
Total Lending in 2009	17,653,033
Estimated Bad Debt Provision re loans granted in 2009 that were on Nelson's books at 31/3/10	767,315
Accounts written off prior to 31/3/10	<u>112,739</u>
Total Bad Debt Provision re all 2009 Lending	<u>\$880,054</u>
Provision as a percentage of 2009 Lending	5.0%

### **Implications for Viability Review**

In our viability review memorandum dated April 15, 2010 we assumed that an appropriate bad debt reserve percentage would be 3.5%. Our work above suggests that a reserve of 5% would be more appropriate. It also suggests that the gross return being made on new loans should be higher than previously estimated because the amount of collectible loans is lower than previously estimated. We have prepared a revised Viability Review Memorandum incorporating the findings of this review.

### **Implications for Liquidation Analysis**

This review suggests that the gross loan value that forms the starting point of the liquidation analysis should be \$28,577,000 rather than \$40,177,000. We have prepared our Liquidation Analysis Memorandum using the findings summarized in this memorandum.

### **Implications for Plan Projections**

We have incorporated the findings from this review into the plan scenarios we and Nelson are currently modelling.

### **Procedural Improvements being adopted by Nelson as a Result of the Monitor's Review**

Nelson have acknowledged certain shortcomings in both the reporting provided by their LMS software and their follow up on delinquent accounts. They are addressing both issues and are in the process of putting into place procedures that will ensure that all loans with an overdue balance are pursued on a timely basis.

Since our assessment of Nelson's viability etc. is based on their historical practices, these changes should increase Nelson's profitability.

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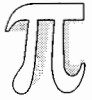


Exhibit "G"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**June 8 Viability Review Update**

# Memorandum

---

**To:** Nelson File 620  
**From:** A. John Page  
**Date:** June 8, 2010  
**Subject:** Viability Review Update

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## Purpose of Memorandum

In our memorandum dated April 15, 2010 ("the April 15, 2010 Viability Review Memorandum") we documented our viability review of Nelson Financial Group Ltd. ("Nelson"). This memorandum is to update that review for developments since April 15, 2010, particularly:

- the findings of our Loan Portfolio review that are documented in a memorandum dated June 8, 2010 ("the June 8, 2010 Loan Portfolio Review Memorandum") and
- the impact of the planned scaling back by Nelson of lending to approximately 50% of earlier levels

## Summary of Findings from Loan Portfolio Review

We determined that the carrying value of the Loan Portfolio (as at March 31, 2010) did not fully reflect the likelihood that some of the loans comprising the Loan Portfolio will never be paid in full. (See June 8, 2010 Loan Portfolio Review Memorandum for more information).

## Key numbers

Total Loan Portfolio as at March 31, 2010

	Book Value	Value to Term
Per Nelson's records	\$25,325,000	\$40,127,000
Estimated Additional Bad Debt Provision	(\$6,446,000)	(\$11,550,000)
As Adjusted Value	<u>\$18,879,000</u>	<u>\$28,577,000</u>



<u>Loans Granted in 2009</u>	<u>Book Value</u>
Loan Value per Nelson's LMS records 31/3/10	\$8,919,125
Total Lending in 2009	17,653,033
Estimated Bad Debt Provision re loans granted in 2009 that were on Nelson's books at 31/3/10	767,315
Accounts written off prior to 31/3/10	112,739
Total Bad Debt Provision re all 2009 Lending	<u>\$880,054</u>
Provision as a percentage of 2009 Lending	5.0%

### **Notice to Reader**

This memorandum is an extension of the April 15, 2010 Viability Review Memorandum and is subject to the same caveats.

### **Volume of Nelson's Business**

In the April 15 Viability Review Memorandum we assumed that Nelson had about \$24 million of Itinerant Sales loans. We now think that a figure of approximately \$19 million is more realistic.

Nelson had been making loans at the rate of something in excess of \$16,000,000 per year. Approximately 2/3rds of that lending was through an intermediary called Lendcare Financial Services Inc. ("Lendcare"). However Lendcare has not referred any vendor loans to Nelson since the CCAA filing. Since that time Nelson have been making loans at an annualized rate of approximately \$6,200,000. Nelson are now looking at stabilizing their business at approximately \$8,000,000 per year. This memorandum is written on the assumption that it will be able to do that.

### **Profitability of Itinerant Sales Lending (Before Write-Offs)**

In the April 15, 2010 Viability Review Memorandum we noted that, in the eight months ended March 31, 2010, Nelson had been booking income relating to Itinerant Sales loans at an annualized rate of \$6,000,000. We went on to note that, with approximately \$24,000,000 of Itinerant Loans this implied a gross return of about 25%. Our Loan Portfolio Review suggests that the value of Itinerant Loans is closer to \$19 million suggesting a gross return of 32%.

### Bad Debts and Delinquencies

In the April 15, 2010 Viability Review Memorandum we assumed that a bad debt charge of 3.5% of new loans granted was realistic. Based on the work done in our Loan Portfolio Review on loans granted in 2009 it seems that a charge of 5% would be a more appropriate go forward charge.

### Overhead

In the April 15, 2010 Viability Review Memorandum we assumed an annual overhead cost of \$2,400,000 based on lending volumes of \$16,000,000 per annum. Nelson are now looking at scaling back their operations to a level of about \$8,000,000 per annum. We have reviewed the key components of their overhead expenditures, the largest being employee costs. Based on our review we think it is reasonable to assume that \$500,000 of overhead is fixed in the near term and the remaining \$1,900,000 is variable and will reduce by 50% to \$950,000 in line with reduced lending volumes. We are therefore assuming that overheads at the reduced 50% volumes will be about \$1,450,000 per annum.

### Profitability Before Taking Into Account the Cost of Funds

	Pre Filing Volumes	Reduced Volumes
Annual Lending	\$16,000,000	\$8,000,000
Normalized Loan Portfolio	19,000,000	9,500,000
Income @32%	6,080,000	3,040,000
Overhead	(2,400,000)	(1,450,000)
Allowance for Bad Debts @ 5% of lending	(800,000)	(400,000)
Funds Available for Interest/Profit	<u>\$2,880,000</u>	<u>\$1,190,000</u>
Net Margin %	18%	14.9%

### Availability of Funding

In the April 15, 2010 Viability Review we assumed that Nelson would be obtaining financing to assist in repayment of notes and to fund its expansion. It now appears that Nelson is unable to obtain external funding at a reasonable price.

Nelson is therefore currently developing (with us) a restructuring plan which anticipates not

Memorandum

Page 4

requiring external funding and the historical volumes of lending previously provided by Lendcare. Initial indications are that it will be possible to create such a plan for consideration by the creditors/investors.

### **Ongoing Viability**

The above margin suggests that, even at reduced volumes, Nelson can generate sufficient cash/profits from its lending activities to offer investors a reasonable return on moneys invested.

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Exhibit "H"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**Liquidation Analysis Memorandum**

# Memorandum

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**To:** Nelson File  
**From:** A. John Page  
**Date:** June 9, 2010  
**Subject:** Liquidation Analysis

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## Introduction

As part of our work in determining possible restructuring options we have performed a "Liquidation Analysis" of the assets of Nelson Financial Group Ltd. ("Nelson") in order to estimate the amount that creditors might expect to recover if the going concern restructuring plan currently being developed is not approved by the creditors and the court and if Nelson had to liquidate its assets.

The results of this analysis should assist Nelson in formulating a going concern restructuring plan that is better for stakeholders than the liquidation alternative. It should also assist creditors in evaluating the plan that Nelson presents to them in light of their own individual circumstances.

## Notice to Reader

The information, estimates and conclusions in this memorandum are subject to the same qualifications as can be found in the "Notice to Reader" qualifications included in our reports to the court. Readers are therefore cautioned that actual results from a liquidation could be quite different from the estimates provided here.

## Method of Liquidation

We have assumed that Nelson's business and loan portfolio is not saleable in that no buyer would offer more for the portfolio than the value we estimate will be obtained from an orderly wind down by Nelson of their existing loan portfolio. In light of our knowledge of the Canadian marketplace we think this is a reasonable assumption at this time.

We are therefore assuming that Nelson staff would continue to collect the outstanding loans over a five year period and, as loans are collected, Nelson would contract and, as it did, would scale back its costs. We are further assuming that any such wind down would be done as a "Liquidating CCAA" and that there would be an ongoing role for the Monitor in overseeing

Memorandum

Page 2

the liquidation and ensuring that the funds being realized from the liquidation are distributed to the creditors.

### **Results**

Attached to this memorandum is a worksheet prepared by us summarizing the results of our work and setting down the key assumptions adopted by us.

We have estimated that, in a liquidation, unsecured promissory note holders and other unsecured creditors get back approximately 38% of their investment/claim. Preferred shareholders only receive a payment if all unsecured creditors are paid in full. Therefore, in this insolvency, preferred shareholders would receive no payment.

It is likely that, in a liquidation, unsecured creditors would receive one or two interim distributions, probably in years 2 and 4 of the liquidation and then a final payment at the conclusion of the wind up after all litigation has been completed and all final tax returns etc. have been filed. This could easily be about 7 or 8 years after the commencement of the liquidation.

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**Nelson Financial Group Ltd.**  
**CCAA Liquidation Analysis Work Sheet**  
**Based on Assets as at March 31, 2010**

unaudited

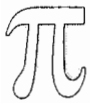
Cash on Hand - March 31, 2010		\$794,090
Itinerant Loans - Value to Term		28,576,884
Less - reserve	15%	<u>(4,286,533)</u>
Estimated Realizable Value		24,290,351
Fixed Assets		46,650
Car Leases		560,980
Misc Receivables and Other Assets		<u>82,701</u>
		<u>25,774,772</u>
Net Expenditures April 1 to Sept. 10, 2010		(1,813,000)
Estimated Liquidation Costs		(9,400,000)
Total Net Recovery		<u>14,561,772</u>
<b>Distribution</b>		
Secured Creditor		
To Foscarini, including interest and costs		(750,000)
Available for Unsecured Creditors		<u><u>\$13,811,772</u></u>
Unsecured Creditors		
Promissory Notes		36,764,803
less Foscarini		<u>(653,342)</u>
Net Promissory Notes		36,111,461
Other Creditors - estimated		<u>300,000</u>
Total Unsecured Creditors		<u><u>\$36,411,461</u></u>
Percentage distribution to unsecured creditors		37.9%
Percentage distribution to preferred shareholders		0.0%

**Major Assumptions and Notes**

- 1 The information contained in this estimate was obtained from Nelson without audit; Actual results may well be different from the estimates in this schedule and the difference may be material
- 2 Liquidation will commence September 13, 2010
- 3 The recovery from Itinerant Loans will be reduced by 15% to allow for the impact of the liquidation on collection efforts
- 4 Net Expenditures from April 1 to September 10, 2010 comprise regular operating expenses and restructuring costs net of the anticipated income to be earned on loans made during the period

- 5 New lending and net expenditures from April 1 to September 10, 2010 are consistent with actual results to May 28, 2010 and those estimated in the cash flow forecast for the period from May 31 to September 10, 2010 that is to be included in the Monitor's Third Report
- 6 New Lending will earn 32% of the funds outstanding
- 7 Estimated liquidation costs comprise staff costs, overhead costs, restructuring professional costs and a \$500,000 cost contingency reserve
- 8 The only secured creditor of Nelson is Foscarini Mackie Holdings Inc.
- 9 It is assumed that the asset liquidation will take at least 5 years to complete





**Exhibit "I"**

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**Notice of Hearing and Statement of Allegations  
issued by the OSC dated May 12, 2010**



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

P.O. Box 55, 19<sup>th</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

CP 55, 19<sup>e</sup> étage  
20, rue queen ouest  
Toronto ON M5H 3S8

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**IN THE MATTER OF THE *SECURITIES ACT*  
R.S.O. 1990, c.S.5, AS AMENDED**

**- AND -**

**IN THE MATTER OF  
NELSON FINANCIAL GROUP LTD., NELSON INVESTMENT GROUP LTD.,  
MARC D. BOUTET, STEPHANIE LOCKMAN SOBOL,  
PAUL MANUEL TORRES, H. W. PETER KNOLL**

**NOTICE OF HEARING  
(Sections 127(1) and 127.1 of the *Securities Act*)**

**TAKE NOTICE** that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 127(1) and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), at the offices of the Commission located at 20 Queen Street West, Toronto, in Hearing Room A, 17<sup>th</sup> Floor, commencing on June 3, 2010, at 11:30 a.m. or as soon thereafter as the hearing can be held;

**AND TAKE NOTICE** that the purpose of the hearing is to consider whether to make orders:

- (a) pursuant to clause 1 of section 127(1) of the Act, that the registration of the respondents Nelson Investment Group Ltd. ("Nelson Investment"), Marc D. Boutet ("Boutet") and Paul Manuel Torres ("Torres") be terminated;
- (b) pursuant to clause 2 of section 127(1) of the Act, that trading in any securities by or of the respondents cease permanently or for such period of time as is specified by the Commission;
- (c) pursuant to clause 2.1 of section 127(1) of the Act, that the acquisition of any securities by the respondents is prohibited permanently or for such period as is specified by the Commission;
- (d) pursuant to clause 3 of section 127(1) of the Act, that any exemptions contained in Ontario securities law do not apply to the respondents permanently or for such period as is specified by the Commission;

- (e) pursuant to clause 6 of section 127(1) of the Act, that the respondents be reprimanded;
- (f) pursuant to clause 7 of section 127(1) of the Act, that the respondent Boutet resign any position that he holds as a director or officer of an issuer;
- (g) pursuant to clause 8 of section 127(1) of the Act, that Boutet and Sobol each be prohibited from becoming or acting as a director or officer of any issuer;
- (h) pursuant to clause 8.2 of section 127(1) of the Act, that Boutet, Sobol, Knoll and Torres each be prohibited from becoming or acting as a director or officer of a registrant;
- (i) pursuant to clause 8.5 of section 127(1) of the Act, that the respondents be prohibited from becoming or acting as a registrant;
- (j) pursuant to clause 9 of section 127(1) of the Act, that Nelson Investment, Boutet, Sobol, Knoll and Torres each pay an administrative penalty for each failure to comply with Ontario securities law;
- (k) pursuant to clause 10 of section 127(1) of the Act, that Nelson Investment, Boutet, Sobol, Knoll and Torres each disgorge to the Commission any amounts obtained as a result of their non-compliance with Ontario securities law;
- (l) pursuant to section 127.1 of the Act, that Nelson Investment, Boutet, Sobol, Knoll and Torres pay the costs of the investigation and hearing;
- (m) such other orders as the Commission considers appropriate.

**BY REASON OF** the allegations set out in the Statement of Allegations of Staff of the Commission dated May 12, 2010, and such additional allegations as counsel may advise and the Commission may permit;

**AND TAKE FURTHER NOTICE** that any party to the proceeding may be represented by counsel, if that party attends or submits evidence at the hearing;

**AND TAKE FURTHER NOTICE** that upon the failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party, and such party is not entitled to any further notice of the proceeding.

**DATED** at Toronto this 12<sup>th</sup> day of May, 2010

*“John Stevenson”*

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John Stevenson  
Secretary to the Commission



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

P.O. Box 55, 19<sup>th</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

CP 55, 19<sup>e</sup> étage  
20, rue queen ouest  
Toronto ON M5H 3S8

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**IN THE MATTER OF THE *SECURITIES ACT*  
R.S.O. 1990, c.S.5, AS AMENDED**

**- AND -**

**IN THE MATTER OF  
NELSON FINANCIAL GROUP LTD., NELSON INVESTMENT GROUP LTD.,  
MARC D. BOUTET, STEPHANIE LOCKMAN SOBOL,  
PAUL MANUEL TORRES, H. W. PETER KNOLL**

**STATEMENT OF ALLEGATIONS  
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“the Commission”) make the following allegations:

**I. OVERVIEW**

1. This proceeding relates to an illegal distribution of securities in breach of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the “Act”), by the respondent issuer, Nelson Financial Group Ltd. (“Nelson Financial”), its related investment company, Nelson Investment Group Ltd. (“Nelson Investment”), the directing mind of these entities, Marc D. Boutet (“Boutet”), and by the other individually named respondents, H. W. Peter Knoll (“Knoll”), Paul Manuel Torres (“Torres”) and Stephanie Lockman Sobol (“Sobol”), who were employees and/or agents of Nelson Financial and/or Nelson Investment (collectively, the “Respondents”).

2. Between December 19, 2006 and January 31, 2010 (the “Material Time”), Nelson Financial, through Nelson Investment and/or its employees and agents, including the individual Respondents, raised investor funds of over \$50 million (net of redemptions) from approximately 500 Ontario investors by issuing non-prospectus qualified securities. Although the Respondents purported to rely upon the Accredited Investor Exemption (defined below) in selling securities of Nelson Financial, a significant percentage of investors were not accredited.

3. Throughout the Material Time, Nelson Financial operated at an increasing accumulated deficit and was unable to meet its obligations to investors without the receipt of new investor capital. In addition to its ongoing working capital requirements and contrary to express representations to investors about the use of their capital, Nelson Financial used investor funds that it had obtained in breach of the Act to pay other investors the returns on their investment and continued to accept additional investor funds in order to do so when Nelson Financial was insolvent. Boutet, as the directing mind of the Nelson entities, and Sobol, as Nelson Financial's *de facto* chief financial and chief operating officer, were aware of and/or directed this conduct. This conduct was misleading to investors and was abusive to the integrity of the capital markets.

4. In addition to the unlawful conduct identified above, Nelson Financial, Nelson Investment and Boutet made statements to the Commission and to Staff of the Commission that were materially misleading and in breach of the Act.

## **II. THE RESPONDENTS**

5. Nelson Financial was incorporated in Ontario on September 14, 1990. Nelson Financial is not a reporting issuer and is not registered under the Act. Nelson Financial provides vendor assisted financing for the purchase of home consumable products, either through a vendor (or an aggregator of vendors), or directly to the consumer (the "Consumer Loans").

6. Nelson Investment was incorporated in Ontario on September 14, 2006 for the sole purpose of selling securities of Nelson Financial. On December 19, 2006, Nelson Investment obtained registration under the Act as a dealer in the category of limited market dealer ("LMD"), now exempt market dealer ("EMD").

7. Boutet is a resident of Ontario and was at all material times listed as the sole officer and director of Nelson Financial and Nelson Investment (together, the "Nelson Entities"). Boutet is the directing mind of the Nelson Entities. Throughout the Material Time and, in addition to acting as the directing mind of the Nelson Entities, Boutet acted as a salesperson at Nelson Investment and dealt with a select group of investors.

8. Throughout the Material Time, Boutet was registered with the Commission: first as a trading officer under the category of LMD with Nelson Investment and then subsequently as the ultimate designated person and chief compliance officer under the firm registration category of EMD.

9. Knoll was initially employed by Nelson Financial in the Fall of 2005 and was then later employed by Nelson Investment as a salesperson and its compliance officer from at least December 19, 2006 until September 15, 2009. In that period, Knoll was registered with the Commission as a trading officer and the designated compliance officer of Nelson Investment. Upon Knoll's departure from Nelson Investment, Boutet took over as the compliance officer of Nelson Investment.

10. Torres was employed by and acted as a salesperson for Nelson Investment beginning in or around August 2008. Torres has been registered under the Act as a salesperson (now dealing representative) with Nelson Investment since November 13, 2008.

11. Sobol is employed by and was the *de facto* chief financial officer ("CFO") and *de facto* chief operating officer ("COO") of Nelson Financial and has been so employed since May 2008. Sobol was a key member of the management team of the Nelson Entities. Sobol is not and has never been registered with the Commission.

### **III. BACKGROUND AND PARTICULARS TO ALLEGATIONS**

#### **A. Illegal Distribution – Sections 25 and 53 of the Act**

12. Nelson Investment was incorporated by Boutet in 2006 for the sole purpose of selling securities of Nelson Financial and, throughout the Material Time, Nelson Investment's business was limited to selling securities of Nelson Financial.

13. During the Material Time and through Nelson Investment, Nelson Financial raised approximately \$82 million through the sale and distribution of securities of Nelson Financial to (almost exclusively) Ontario investors. As of February 28, 2010, there were approximately 500

Nelson investors with a total investment amount outstanding of approximately \$51.2 million, net of redemptions.

14. The securities sold and distributed by Nelson Financial were in the form of fixed term promissory notes and preferred shares and were offered by Nelson Financial at fixed/guaranteed annual rates of return of 12% and 10%, respectively, typically paid to investors on a monthly basis.

15. Nelson Investment, Boutet, Knoll and Torres each received commissions on the funds raised by the sale of Nelson Financial securities, including on amounts “rolled over” by investors upon maturity of the promissory notes, i.e. where an investor opted to remain invested with Nelson Financial instead of redeeming their investment.

16. Throughout the Material Time, the scope of registration for Nelson Investment, Boutet, Knoll and Torres was limited to the sale of securities for which a prescribed exemption was properly available.

17. In distributing securities of Nelson Financial, the Nelson Entities purported to rely upon the accredited investor exemption as set out in section 2.3 of National Instrument 45-106 (the “AI Exemption”).

18. A significant percentage of the investors to whom securities were issued by Nelson Financial either did not meet the requirements necessary to qualify as accredited investors or there was insufficient information for the Nelson Entities and their employees and/or agents to make that determination.

19. In many instances, the Respondents knew or ought to have known that the investors were not accredited and failed to make further inquiries to determine whether investors were, in fact, accredited.

20. For each investment up to October 2009, Boutet signed the respective offering and issuance documents in his capacity as President of Nelson Financial, including the term sheet for each promissory note/preferred share, and each promissory note issued by Nelson Financial. After that time and upon Boutet's replacement of Knoll as the compliance officer of Nelson Investment, Sobol signed the issuance documents on behalf of Nelson Financial in lieu of Boutet. As of October 2009, Sobol was aware of significant compliance issues and/or deficiencies at Nelson Investment. In many instances, Boutet and Sobol knew or ought to have known that the investors were not accredited and failed to make further inquiries to determine whether investors were, in fact, accredited.

21. All of the Respondents traded, either directly or through acts in furtherance of trading, in securities of Nelson Financial. The trades in the securities of Nelson Financial were trades in securities not previously issued and were therefore distributions. No preliminary prospectus or prospectus was filed and no receipts were issued for them by the Director to qualify the trading of the securities.

22. The Respondents failed to ensure that the requirements of the AI Exemption were met and, therefore cannot rely on the AI Exemption in respect of many of the trades of Nelson Financial securities. The Respondents breached section 53 of the Act by distributing securities of Nelson Financial without a prospectus in circumstances where no exemption was properly available.

23. Further, as no exemption was properly available, the trades in the securities of Nelson Financial were beyond the registerable activity permitted by the category of registration under the Act and thus in breach of section 25 of the Act.

#### **B. Misleading Staff of the Commission – Section 122(1)(a) of the Act**

24. Boutet made a number of materially misleading statements to Staff, including by providing inaccurate or untrue information and/or failing to provide relevant information about the business and operations of Nelson Investment and Nelson Financial in a) a Risk Assessment Questionnaire ("RAQ") he completed and submitted on behalf of Nelson Investment on October



6, 2009; and b) during the course of an on-site compliance review of Nelson Investment by Staff of the Commission in October and November 2009.

25. Boutet's misrepresentations in the RAQ included statements regarding the disclosure of commissions and risks to investors, the strength and nature of Nelson Investment's compliance system, and the relatedness of the parties involved in the distribution of the securities.

26. Boutet's misrepresentations to Staff during the on-site compliance review related primarily to statements about the financial position of Nelson Financial.

27. Staff allege that Boutet's misrepresentations were material and contrary to section 122(1) of the Act and contrary to the public interest.

**C. Misleading the Commission – Section 122(1)(b)**

28. During the Material Time, Nelson Financial filed 45-106F1s – Report of Exempt Distribution (the "Forms 45-106") with the Commission relating to the distribution of securities of Nelson Financial to investors in Ontario.

29. The Forms 45-106 did not accurately report either the commissions paid in connection with the distribution or the nature of the securities that were distributed, including by failing to identify approximately \$2 million in commissions charged by Nelson Investment.

30. Staff allege that Nelson Financial's misrepresentations were material and contrary to section 122(1) of the Act and contrary to the public interest.

**D. Conduct Abusive to the Integrity of the Capital Markets**

31. Nelson Financial relied on investors' funds for liquidity throughout the relevant period and raised new investor funds in a manner that was misleading to investors and abusive to the capital markets.

32. In soliciting investors, Nelson Investment and Nelson Financial expressly and implicitly represented to investors that Nelson Financial's business model, and consequently the success of the Nelson Financial investments, was premised upon applying investor capital to fund the Consumer Loans so that Nelson Financial would generate a higher return on the Consumer Loans than the returns promised to investors, as follows: a) investors' funds are used directly to fund the Consumer Loans; b) the Consumer Loans are extended at interest rates ranging from 29.9%; c) the fixed rates of return of 10-12% on the securities are paid to investors from the high interest rates earned on the Consumer Loans; and d) the "remaining spread" is used by Nelson Financial for "portfolio management, administration, underwriting and profit".

33. Throughout the Material Time, Nelson Financial made all of its monthly interest and "dividend" payments to investors and, for those who elected to redeem their investments upon maturity or otherwise, Nelson Financial repaid investors their full principal.

34. Throughout the Material Time, however, Nelson Financial's operations did not generate sufficient revenue for it to cover its operating expenses or its interest, "dividend", and principal repayment obligations to investors. During the Material Time, Nelson Financial had no other source of financing available to it and was solely dependant on the receipt of new investor capital.

35. In addition to its ongoing working capital requirements and contrary to express representations to investors about the use of their capital, Nelson Financial used at least part of the new investor funds that it obtained in breach of ss. 25 and 53 of the Act to offset its growing accumulated deficit, to pay other investors their monthly returns and to repay investors their principal upon redemption. Nelson Financial's continued acceptance of new investor funds in order to do meet its obligations to investors was abusive to investors in the circumstances.

36. At no time did the Respondents advise investors that Nelson Financial was insolvent or that their funds would be used either in whole or in part to pay or repay other investors.

37. On or about January 31, 2010, due to regulatory concerns raised by Staff following its on-site compliance review, Nelson Financial temporarily suspended the distribution of any of its securities.

38. On March 23, 2010, less than two months after suspending its capital raising activities, Nelson Financial was required to seek an order for creditor protection and restructuring under the *Companies' Creditors Arrangement Act* on the basis that it was insolvent.

39. During the Material Time, Boutet, as the directing mind of the Nelson entities, and Sobol, as Nelson Financial's *de facto* COO and *de facto* CFO, were aware of and/or directed Nelson Financial to continue to accept investors' funds in circumstances where it was misleading to investors and was abusive to the integrity of the capital markets.

#### **IV. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST**

40. Staff allege that the foregoing conduct engaged in by the Respondents constituted breaches of Ontario securities law and/or was contrary to the public interest:

- (a) Nelson Financial, Nelson Investment, Boutet, Knoll, Torres and Sobol traded securities of Nelson Financial without a prospectus in circumstances where no exemption was available contrary to the prospectus requirements of section 53 of the Act and contrary to the public interest;
- (b) Boutet, as an officer and director of Nelson Financial and Nelson Investment, authorized, permitted or acquiesced in the breaches of 53 of the Act by Nelson Financial and Nelson Investment contrary to section 129.2 of the Act and contrary to the public interest;
- (c) Sobol, from at least October 2009, as a *de facto* officer of Nelson Financial, authorized, permitted or acquiesced in the breaches of 53 of the Act by Nelson Financial contrary to section 129.2 of the Act and contrary to the public interest;

- (d) Nelson Investment, Boutet, Knoll and Torres traded securities of Nelson Financial where no exemption was available contrary to the scope of their registration and the registration requirements of section 25 of the Act and contrary to the public interest;
- (e) Boutet, as an officer and director of Nelson Investment, authorized, permitted or acquiesced in the breaches of section 25 by Nelson Investment contrary to section 129.2 of the Act and contrary to the public interest;
- (f) Nelson Financial made statements in the Forms 45-106 filed with the Commission that were materially misleading or untrue and/or failed to state facts which were required to be stated contrary to subsection 122(1) of the Act and contrary to the public interest;
- (g) Nelson Investment made statements in the Risk Assessment Questionnaire filed with the Commission that were materially misleading or untrue and/or failed to state facts which were required to be stated contrary to subsection 122(1) of the Act and contrary to the public interest;
- (h) Boutet, as an officer and director of the Nelson Entities, authorized, permitted or acquiesced in the breaches of section 122(1) by Nelson Financial and Nelson Investment (described in subparagraph (e)-(f)) which was contrary to subsection 122(3) of the Act and contrary to the public interest;
- (i) Boutet made statements to Staff of the Commission during the course of its on-site review of Nelson Investment that were materially misleading or untrue and/or failed to state facts which were required to be stated contrary to subsection 122(1) of the Act and contrary to the public interest; and
- (j) Boutet, as the directing mind of the Nelson Entities, and Sobol, as a key member of the management team of the Nelson Entities and as a *de facto* officer of Nelson Financial, permitted, authorized or acquiesced in Nelson Financial's continued distribution of securities and continued acceptance of new investor capital in circumstances where it was

misleading to investors, abusive to the integrity of the capital markets and contrary to the public interest.

41. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto this 12<sup>th</sup> day of May, 2010.

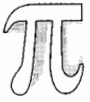


Exhibit "J"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**Applicant's By-law**

**BY-LAW NO. 2**  
a by-law relating generally to the  
transaction of the business and affairs of  
**NELSON FINANCIAL GROUP LTD.**  
(hereinafter called the "Corporation")

**CONTENTS**

1	Definitions & Interpretation	7	Meetings of Shareholders
2	Directors	8	Shares
3	Meetings of Directors	9	Dividends
4	Delegation	10	Notices
5	Officers	11	Execution of Contracts
6	Protection of Directors, Officers and Others	12	Shareholders' Agreement

BE IT ENACTED as a by-law of the Corporation as follows:

1 **DEFINITIONS & INTERPRETATION**

1.1 In this by-law:

- (a) "Act" means *The Business Corporations Act (Ontario)*, and the regulations thereunder, as amended from time to time, or any successor Act or regulations thereto, as the case may be;
- (b) "Board" means the board of directors of the Corporation;
- (c) "meetings of shareholders" includes annual and special meetings.

Unless it is otherwise provided for herein, any other words and expressions used in this by-law have the meaning attributed thereto in the Act.

1.2 Words importing the singular include the plural and vice versa, and words importing gender include the masculine, feminine and neuter genders.

2 **DIRECTORS**

2.1 **Election and Term**

Shareholders of the Corporation shall at the first meeting of shareholders and at each succeeding annual meeting of shareholders, elect directors to hold office for a term expiring at the first annual meeting of shareholders following their election.

## 2.2 Resignation

A director who is not named in the articles may resign from office upon giving a written resignation to the Corporation and such resignation becomes effective when received by the Corporation or at the time specified in the resignation, whichever is later. A director named in the articles shall not be permitted to resign from his office unless at the time the resignation is to become effective a successor is elected or appointed.

## 2.3 Removal

Subject to the provisions of the Act, the shareholders may, by ordinary resolution passed at an annual or special meeting remove any director or directors from office before the expiration of his term and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the directors.

## 2.4 Vacancies

Subject to the Act, a quorum of the Board may fill a vacancy in the Board, except a vacancy resulting from an increase in the number of directors or in the maximum number of directors or from a failure of the shareholders to elect the number of directors. In the absence of a quorum of the Board, or if the vacancy has arisen from a failure of the shareholders to elect the number of directors, the Board shall forthwith call a special meeting of shareholders to fill the vacancy. If the Board fails to call such a meeting or if there are no such directors then in office, any shareholder may call the meeting.

## 3 MEETINGS OF DIRECTORS

### 3.1 Meetings by Telephone

If all of the directors present at or participating in the meeting consent, any director may participate in a meeting of the Board or of a committee of the Board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such meeting by such means is deemed for the purposes of the Act and this by-law to be present at that meeting.

### 3.2 Calling of Meetings

The Board, a quorum of directors, the president or the secretary may at any time call a meeting of the Board to be held at the time and place determined by the Board or by the person calling the meeting. Meetings of the Board may be held at any place within or outside Ontario. In any financial year of the Corporation, a majority of the meetings of the Board need not be held within Canada. Notice of every meeting so called shall be given to each director not less than forty-eight (48) hours (excluding any part of a Sunday and of a holiday as defined by the Interpretation Act) before the day on which the meeting is to be held. A director may in any manner and at any time waive notice of a meeting of directors and attendance by a director at a meeting of directors is a waiver of notice of the meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.



If a quorum of directors is present, each newly elected Board may without notice hold its first meeting for the purposes of its organization and the appointment of officers immediately following the meeting of shareholders at which such Board was elected.

- 3.3 A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified.

3.4 Quorum

Subject to the articles of the Corporation, a quorum at any meeting of the Board is:

(a) where the articles set out the number of directors, a majority of that number;  
or

(b) where the articles set out the minimum and maximum number of directors, a majority of the number of directors which then constitutes the Board.

3.5 Chairman of Directors' Meeting

In the event that the Chairman of the Board, if any, the President or any Vice-President fails to assume the chairmanship of a meeting within 15 minutes after the time appointed for the holding of the meeting, the persons present at the meeting and entitled to vote thereat shall choose a person from their number to be the chairman of the meeting.

3.6 Votes to Govern

At all meetings of the Board, every question shall be decided by a majority of the votes cast on the question. In the case of an equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote.

3.7 Disclosure of Interest in Contracts

Every director or officer of the Corporation who is party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or transaction, or a proposed material contract or transaction with the Corporation shall disclose in writing to the Corporation or request to have entered in the minutes of the meeting of directors the nature and extent of his interest as required by the Act. Any such contract or transaction or proposed contract or transaction shall be referred to the Board or shareholders for approval even if such contract or transaction or proposed contract or transaction is one that in the ordinary course of the Corporation's business would not require approval by the Board or shareholders, and a director interested in a contract or transaction or proposed contract or transaction so referred to the Board shall not vote on any resolution to approve same except as provided by the Act.

3.8 Resolution in Lieu of Meeting

A resolution in writing, signed by all of the directors entitled to vote on that resolution at a meeting of directors or a committee of directors, is as valid as if it had been passed at a meeting of directors or a committee of directors. A copy of every such resolution shall be kept with the minutes of the proceedings of the directors or committee of directors.

## 4 DELEGATION

### 4.1 Managing Director and Committee of Directors

The Board may appoint from their number a managing director who is a resident Canadian or a committee of directors, and delegate to such managing director or committee any of the powers of the Board except those which, under the Act, a managing director or committee of directors has no authority to exercise. A majority of the members of such committee shall be resident Canadians.

The powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all of the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. A meeting of such committee may be held at any place within or outside Ontario.

Unless otherwise determined by the Board, each committee shall have the power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure. To the extent that the committee does not establish rules to regulate its procedure, the provisions of this by-law applicable to meetings of the Board shall apply mutatis mutandis.

## 5 OFFICERS

5.1 Subject to the articles and any unanimous shareholder agreement, the Board may from time to time appoint a president, one or more vice presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the Board may determine, including one or more assistants to any of the officers so appointed. The Board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Two or more offices of the Corporation may be held by the same person.

### 5.2 Chairman of the Board

The Board may from time to time appoint a chairman of the Board who shall be a director. If appointed, the chairman shall, subject to the provisions of the Act, the articles or any unanimous shareholder agreement, preside at all meetings of the shareholders and the Board and have such other powers and duties as the Board may specify. During the absence or disability of the chairman of the Board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

### 5.3 President

Subject to any duties imposed upon the chairman of the Board, if one is appointed, the president shall preside at all meetings of the shareholders and of the Board and is responsible for the general supervision of the business of the Corporation.

5.4 Vice-President

During the absence or inability of the President to act, his duties shall be performed and his powers shall be exercised by the vice-president, or if there is more than one, by the vice-president selected by the Board. A vice-president shall also perform such duties and exercise such powers as the president or the Board may from time to time delegate to him.

5.5 Secretary

The secretary shall:

- (a) attend all meetings of the directors, shareholders and committees and enter or cause to be entered in books kept for that purpose minutes of all proceedings at such meetings;
- (b) give or cause to be given all notices required to be given to shareholders, directors, officers, auditors and members of committees;
- (c) be the custodian of all books, papers, records, documents, corporate seals, if any, and other instruments of the Corporation, except when some other officer or agent of the Corporation has been appointed for that purpose by resolution of the Board.

The secretary may delegate his duties to a nominee from time to time.

5.6 Treasurer

The treasurer shall keep or cause to be kept full and accurate accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the Board whenever required of him, an account of the financial affairs of the Corporation.

5.7 Powers and Duties of Other Officers

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the Board or the president may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the Board or the president otherwise directs.

5.8 Variation of Powers and Duties

The Board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

5.9 Term of office

The terms of employment of the officers shall be settled by the Board. In the absence of written agreement to the contrary, each officer holds office until he resigns, his successor is appointed or he is removed by the Board at its pleasure.

## 6 PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

### 6.1 Limitation of Liability

No director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

### 6.2 Indemnity

Subject to the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor (or a person who undertakes or has undertaken any liability on behalf of the Corporation or any such body corporate) and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the corporation or such body corporate, if:

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

## 7 MEETINGS OF SHAREHOLDERS

### 7.1 Annual meetings

The annual meeting of shareholders shall be held at the time and place determined by the Board, the president or the secretary for the purpose of considering the financial statements and reports required by the Act to be read or laid before the shareholders of the Corporation at an annual meeting, electing directors, appointing an auditor, if any, and fixing or authorizing the Board to fix the auditor's remuneration and for the transaction of such other business as may properly be brought before the meeting.

7.2 Special Meetings

Subject to the Act, the Board, the president or the secretary may at any time call a special meeting of the shareholders of the Corporation to be held at the time and place determined by the Board or the person calling the meeting.

7.3 Notice of Meetings

Notice of the time and place of each meeting of the shareholders shall be sent not less than ten (10) and not more than fifty (50) days before the date of the meeting to each director, to the auditor, if any, and to each shareholder entitled to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the minutes of an earlier meeting, financial statements the auditors' report, if any, election of directors and reappointment of the incumbent auditor, if any, shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A shareholder may in any manner waive notice of or otherwise consent to a meeting of shareholders.

7.4 Scrutineers

At each meeting of the shareholders one or more scrutineers may be appointed to serve at the meeting by a resolution of the meeting or by the chairman of the meeting with the consent of the meeting. Such scrutineers need not be shareholders of the Corporation.

7.5 Persons Entitled to be Present

The only persons entitled to attend a meeting of shareholders are those persons entitled to vote thereat, the directors of the Corporation, the auditors of the Corporation, if any, and others who are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

7.6 Quorum

For all purposes a quorum of shareholders is a person or persons present at the opening of the meeting, holding shares of the Corporation enjoying not less than 51% of the voting rights exercisable at such meeting. Provided that, if at the time of the meeting, the Corporation has only one shareholder, or only one holder of any class or series of shares enjoying voting rights at the meeting, the shareholder present in person or by proxy, constitute a meeting. If a quorum is present at the opening of a meeting of shareholders, the shareholders present may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting.

7.7 Proxies

(a) A shareholder entitled to vote at a meeting of shareholders may by means of a proxy appoint a proxyholder, or one or more alternative proxyholders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized by the proxy.

(b) A proxy shall be executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a body corporate, by an officer or attorney thereof duly authorized and shall conform with the requirements of the Act.

7.8 Representative

If a body corporate or association is a shareholder of the Corporation, the Corporation shall recognize any individual authorized by a resolution of the Board of directors or governing body of the body corporate or association to represent it at meetings of shareholders of the Corporation. An individual so authorized may exercise on behalf of the body corporate or association he represents all the powers it could exercise if it were an individual shareholder.

7.9 Votes to Govern

Subject to the Act or the articles of the Corporation or any unanimous shareholder agreement, at all meetings of shareholders all questions proposed for the consideration of the shareholders shall be determined by the majority of the votes cast on the question. In the case of an equality of votes the chairman shall not be entitled to a second or casting vote.

7.10 Voting

(a) Show of Hands

Voting at a meeting of shareholders shall be by show of hands except where a ballot is demanded by a shareholder or proxyholder entitled to vote at the meeting. A shareholder or proxyholder may demand a ballot either before or after any vote by show of hands. Upon a show of hands every person present and entitled to vote has one vote. Whenever a vote by show of hands has been taken upon a motion, unless a ballot thereon is demanded, a declaration by the chairman of the meeting that the vote upon the motion has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting is prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the motion and the result of the vote so taken is the decision of the shareholders of the Corporation upon the motion. A demand for a ballot may be withdrawn at any time prior to the taking of the ballot.

(b) Ballot

Upon a ballot each shareholder who is present or represented by proxy is entitled, in respect of the shares which he is entitled to vote at the meeting upon the motion, to that number of votes provided by the Act or the articles in respect of those shares and the result of the ballot is the decision of the shareholders of the Corporation upon the motion.

7.11 Chairman of Shareholders' Meeting

In the event that the chairman of the Board, if any, the president or any vice president fails to assume the chairmanship of a meeting in accordance with this by-law within 15 minutes after the time appointed for the holding of the meeting, the persons present at the meeting and entitled to vote thereat shall choose a person from their number to be the chairman of the meeting.

7.12 Resolution in Writing

A resolution in writing signed by all of the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless a written statement or representation with respect to the subject matter of the resolution is submitted by a director or the auditors in accordance with the Act.

8 SHARES

8.1 Share Certificates

Every shareholder is entitled, at his option, to a share certificate, or to a non-transferrable written acknowledgement of his right to obtain a share certificate from the Corporation in respect of the shares of the Corporation held by him, but the Corporation is not bound to issue more than one share certificate in respect of a share or shares held jointly by several persons, and delivery of a share certificate to one of several joint shareholders is sufficient delivery to all.

(a) A share certificate shall be signed manually by at least one director or officer of the Corporation or by or on behalf of a registrar, transfer agent, branch transfer agent or other authenticating agent of the Corporation.

(c) Notwithstanding the foregoing, a fractional share certificate need not be manually signed.

8.2 Replacement of Share Certificates

Where the registered holder of a share certificate claims that the share certificate has been lost, apparently destroyed or wrongfully taken, the Corporation shall issue a new share certificate in place of the original share certificate if the owner:

(a) so requests before the Corporation has notice that the share certificate has been acquired by a bona fide purchaser;

(b) files with the Corporation an indemnity bond sufficient in the Corporation's opinion to protect the Corporation and any transfer agent, registrar or other agent of the Corporation from any loss that it or any of them may suffer by complying with the request to issue a new share certificate; and

(c) satisfies any other reasonable requirements imposed by the Corporation.

### 8.3 Lien on Shares

The Corporation has a lien on each share registered in the name of a shareholder or his legal representative for a debt of that shareholder to the Corporation.

### 8.4 Enforcement of Lien

If any shareholder (the "Defaulting Shareholder") defaults in payment of any monies owing by such shareholder to the Corporation, which default continues for a period of 30 days after notice in writing of such default has been given by the Corporation to such shareholder, the Corporation may sell all or any part of the shares then registered in the name of the Defaulting Shareholder (the "shares") at a bona fide public or private sale or auction, at which sale or auction any director, officer or shareholder of the Corporation may purchase the shares or the Corporation may purchase the shares free of any right or equity of redemption, which right or equity is hereby expressly waived. The terms and manner of auction or sale shall be at the sole discretion of the Corporation. The Corporation may accept any offer which it in its absolute discretion considers advisable upon such terms, whether cash or credit or partly cash and partly credit, as it in its discretion considers advisable. Notice of any public or private sale or auction shall be given to the Defaulting Shareholder at least 15 days prior to the date on which such sale is to be held. The proceeds of such sale shall be used and applied firstly to the cost and expense of such sale incurred by the Corporation, including legal fees, secondly to reimburse the Corporation for out-of-pocket expenses incurred in connection with the sale and thirdly, for the payment in full of the monies due to the Corporation from any Defaulting Shareholder. The balance of the proceeds, if any, shall be paid to the Defaulting Shareholder. If the proceeds of the sale are insufficient to pay the amount due to the Corporation, then the Defaulting Shareholder shall remain liable to the Corporation for any such deficiency. The rights of the Corporation hereunder shall be in addition to any rights at law available to the Corporation for the enforcement of its liens or for the collection of the debt of the Defaulting Shareholder.

## 9 DIVIDENDS

### 9.1 Dividends

Subject to the provisions of the Act, the Board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully-paid shares of the Corporation or rights to acquire fully-paid shares of the Corporation.

A dividend payable in cash shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which such dividend has been declared and mailed by prepaid ordinary mail postage prepaid to such registered holder at his recorded address, unless such holder otherwise directs in writing. In the case of joint holders the cheque shall, unless such joint holders otherwise direct in writing, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing or delivery of such cheque as aforesaid shall satisfy and discharge all liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.



In the event of non-receipt of any dividend cheque by the person to whom it is mailed or delivered as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount upon being furnished with such indemnity, reimbursement of expenses and evidence of non-receipt as the Board may from time to time prescribe, whether generally or in any particular case.

## 9.2 Joint Shareholders

If two or more persons are registered as joint holders of any share, any one of such persons may give effectual receipts for the certificates issued in respect thereof and for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

## 10 NOTICES

### 10.1 Method of Giving Notice

A notice or document required by the Act, the articles or the by-laws to be sent to a shareholder, director, auditor or member of a committee of the Board may be sent by prepaid mail addressed to, or may be delivered personally to:

(a) the shareholder at his latest address shown in the records of the Corporation or its transfer agent; and

(b) the director at his latest address as shown in the records of the Corporation or in the most recent notice filed under the Corporations Information Act, whichever is the more current.

### 10.2 Notice to Joint Shareholders

All notices with respect to any shares registered in more than one name may, if more than one address appears on the books of the Corporation in respect to such joint holding, be given to such joint shareholders at the first address so appearing, and notice so given shall be sufficient notice to all the holders of such shares.

### 10.3 Signature of Notices

The signature of any notice to be given by the Corporation may be written or printed or partly written and partly printed.

### 10.4 Omissions and Errors

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the Board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof, shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

10.5 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, becomes entitled to any share or shares, shall be bound by every notice in respect of such share or shares which is duly given to the shareholder from whom he derives his title to such share or shares until such time as his name and address are entered on the books of the Corporation (whether it be before or after the event upon which he became so entitled).

10.6 Waiver of Notice

Where a notice or document is required by the Act or by any by-law to be sent, the notice may be waived or the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.

11 EXECUTION OF CONTRACTS

11.1 Execution of Instruments

Deeds, transfers, assignments, contracts and any other documents of the Corporation shall be signed on behalf of the Corporation by:

two directors or the President together with the Secretary.

Any director or officer of the Corporation is hereby authorized and directed to sign any articles on behalf of the Corporation.

Notwithstanding any provision to the contrary contained in the by-laws of the Corporation, the Board may at any time or times direct the manner in which and the person or persons by whom any particular deed, transfer, assignment, contract or other document, or any class of deeds, transfers, assignments, contracts or other documents, shall be signed.

11.2 Banking Arrangements

All funds of the Corporation shall be deposited in its name in such account or accounts as are designated by the Board. Withdrawals from such account or accounts and the making, signing, drawing, accepting, endorsing, negotiating, lodging, depositing or transferring of any cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money with the institution maintaining such account or accounts shall be made by such person or persons as the Board from time to time determines.


12 SHAREHOLDERS' AGREEMENT

- 12.1 Notwithstanding anything contained in this by-law and any amendment or supplement hereto, the provisions of this by-law and any amendment or supplement hereto shall be amended to the extent necessary to give effect to the provisions of any shareholders' agreement in force between the Corporation and its shareholders, and to the extent that there is any conflict between the provisions of this by-law and any amendment or supplement hereto and any such shareholders' agreement, the provisions of such shareholder's agreement shall prevail.

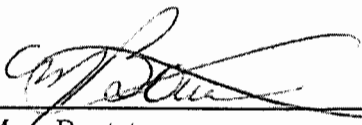
13 REPEAL

- 13.1 By-law No.1 and any other by-laws inconsistent herewith be and the same are hereby repealed.

**ENACTED** by the Board on the 29th day of June, 2003.

  
\_\_\_\_\_  
Marc Boutet  
President and Secretary

**CONFIRMED** by the shareholder in accordance with the Act on the 29th day of June, 2003.

  
\_\_\_\_\_  
Marc Boutet  
Secretary

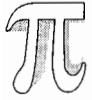


Exhibit "K"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**Email from Investor dated June 6, 2010 (Redacted)**

----- Original Message -----

**From:** [REDACTED]

**To:** [kelley.mckinnon@gowlings.com](mailto:kelley.mckinnon@gowlings.com) ; [clifton.prophet@gowlings.com](mailto:clifton.prophet@gowlings.com) ; [A. John Page](#) ; [James Grout](#)

**Cc:** [mark@nelsoninvestment.ca](mailto:mark@nelsoninvestment.ca)

**Sent:** Sunday, June 06, 2010 5:52 PM

**Subject:** Nelson Financial - Investor Legal Representation (CCAA) and Marc Boutet's Future Role (OSC)

My name is [REDACTED], and as many of you are aware, my husband and I are significant investors with Nelson Financial. Our relationship with Nelson is purely as investors. I write at this time simply to provide what I hope is an important perspective that may be of benefit to all concerned.

**Re: Nelson Investor Legal Representation - CCAA**

As you are all aware, one investor (the D'Alves) has asked the court to permit the investors in this matter to have representation in the proceedings. [REDACTED]

[REDACTED] there were discussions in court about the appointment of counsel on behalf of investors (and indeed counsel on behalf of noteholders and shareholders separately), and that though there was prior resistance to this concept (by various parties), the matter is now under consideration.

I respect the initiative of the D'Alves, and certainly, I am sure all investors (including myself) are concerned about this matter, however, I am concerned that at this point in the CCAA proceedings, appointment of investor counsel may serve only to add another layer of complexity, with the inevitable consequence of further cost and delay. The cost is of course ultimately borne by the investors. I believe that at this stage, investors simply need a plan to consider their options. Appointing counsel will in no way change this. Whether counsel is required thereafter is a separate consideration - but we need to get to this point rapidly to allow us to progress for the benefit of all investors.

*I am hopeful that counsel - perhaps appropriately the Monitor's counsel, Mr. Grout - would bring this position forward to the court at the next hearing on June 15, 2010.*

**Re: OSC proceedings - Future role of Marc Boutet in Nelson Financial**

On a separate note, I am aware that one potential consequence of any negative finding at the OSC proceedings could be a request that Marc Boutet be removed as director of Nelson Financial. It would seem that if any plan as considered under the CCAA proceedings is to have a chance of success and allow investors to recoup their investments, that the best - and perhaps only - person in a position to carry that out, is Marc Boutet. Besides any other 'punishments' that the OSC may mete out, removal of Marc Boutet will not serve to protect investors - but to harm them. It is Marc Boutet who has the integral knowledge of the business necessary to steer it back into positive territory. Marc's removal could spell the loss of important vendor relationships that Nelson needs to maintain for ongoing future business viability.

*I am hopeful that counsel - presumably Ms. McKinnon - would bring this position forward to the OSC, if necessary. If this matter is not to be addressed by Ms. McKinnon, then indeed the investors may need separate counsel for the OSC proceedings only, to bring forward this one point on behalf of the investors (i.e. Marc's importance to the continuation of Nelson Financial).*

With regard to both the first and second matters above, these are purely business considerations, and I am hopeful that these matters can be addressed.

I look forward to your feedback and I anxiously await your response.

Thank you to taking these matters into consideration.

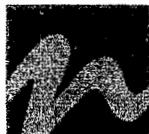
Sincerely,  
[REDACTED]



Exhibit "L"

**Third Report of  
A. John Page & Associates Inc.  
In its Capacity as the Monitor of  
Nelson Financial Group Ltd.  
Dated June 11, 2010**

**Term Sheet for the Purchase of Preference Shares**



TERM SHEET  
PREFERRED SHARE INVESTMENT

ISSUER	Nelson Financial Group Ltd.
ISSUE	Series B Preferred Shares
PAR VALUE	Each share is issued at and remains fixed at \$25.00 in lawful money of Canada.
OFFER VOLUME	\$50,000,000.00
PURPOSE	To finance the Company's business operations
SUBSCRIPTION PERIOD	July 14 <sup>th</sup> , 2008 to December 31 <sup>st</sup> , 2010
DIVIDEND	10% per annum Principal sum of ___ Thousand Dollars (\$) in lawful money of Canada - \$___ <b>monthly dividend</b> beginning on the ___ day of ___, 2010
PAYMENTS	The first dividend payment will become due and payable 1 month after the investment is made. Thereafter, dividends will be paid monthly.
TAXATION	Taxable, eligible for the dividend tax credit
BUSINESS DAY	In the event that a payment day occurs on a day other than a business day, such payments will be made on the business day preceding that date.
MINIMUM PURCHASE	\$150,000.00 \$10,000.00 – limited to accredited investors
PAYMENT OPTIONS	Dividend payments will be made electronically (EFT)
REPORTING REQUIREMENTS	Company issues investors annual T-3 slips
RELATED ISSUER	Nelson Financial Group Ltd.
DEPOSITS	Made to Nelson Financial Group Ltd.
CERTIFICATE	This document ( <i>Preferred Share Term Sheet</i> ) contains the "rights, privileges, restrictions and conditions" as pertaining to the Certificate.
OTHER TERMS	Preferred shares are non-voting (except where voting as a class is required), redeemable at the option of the Company and rank ahead of common shares. Dividends are cumulative and no dividends shall be paid on common shares if preferred share dividends are in arrears.

Investor Name(s) – Print Please

Investor Signature(s)

Date

Nelson Financial Group Ltd.  
Stephanie Sobol, General Manager

Nelson Investment Group Ltd.  
Marc Boutet, President