

**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. (the "Applicant")**

Applicant

**MOTION RECORD
(Returnable June 4, 2010)**

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**Solicitors for the Applicant, Nelson
Financial Group Ltd.**

TO: THE SERVICE LIST

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TAB 1

Court File No.: 10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

Applicant

**NOTICE OF MOTION
(Returnable June 4, 2010)**

THE APPLICANT, NESLSON FINANCIAL GROUP LTD. ("Nelson Financial" or the "Applicant"), will make a motion to the Court on Friday, June 4, 2010, at 10:00 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario

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

1. **THE MOTION IS FOR AN ORDER**, substantially in the form attached as **Schedule "A"**, *inter alia*:
 - (a) Abridging the time for service of the Notice of Motion and Motion Record, if necessary, and declaring that this motion is properly returnable on June 4, 2010;
 - (b) Approving the Second Report of the Monitor, A. John Page & Associates Inc. ("**AJP&AI**" or the "**Monitor**") to be filed (the "**Second Report**"), and the activities of the Monitor as described therein;
 - (c) Approving an extension of the stay of proceedings from June 7, 2010, to and including June 15, 2010; and
 - (d) Such further and other relief as counsel may request and this Honourable Court deem just.

2. THE GROUNDS FOR THE MOTION ARE:

Background

- (a) On March 23, 2010, Nelson Financial filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), pursuant to an Order of the Honourable Madam Justice Pepall (the "Initial Order");
- (b) Pursuant to the Initial Order, AJP&AI was appointed as Monitor of Nelson Financial;

Restructuring Activities

- (c) Since the issuance of the Initial Order, Nelson Financial has been working diligently to stabilize its business and maintain operations in compliance with the cash projections filed with this Honourable Court;
- (d) If the stay of proceedings is extended, Nelson Financial intends to further formulate a plan of compromise and arrangement;
- (e) Nelson Financial, in conjunction with the Monitor, is currently developing a plan of compromise or arrangement which anticipates not requiring external financing and not requiring the historic volumes of customer referrals provided by Lendcare Financial Services Inc.;
- (f) there is a realistic prospect that Nelson Financial could restructure its debt and be able to service that debt and continue in business for the foreseeable future;
- (g) Nelson Financial has made significant efforts to source new financings;

Stay Extension

- (h) The continuation of the stay of proceedings is necessary to provide the stability needed to continue the Applicant's restructuring activities which have been ongoing following the granting of the Initial Order;
- (i) Circumstances exist that make the extension of the stay of proceedings appropriate;
- (j) Nelson Financial has acted and continues to act in good faith and with due diligence;
- (k) The Projected Cash Flow to June 18, 2010 contained in the Monitor's First Report supports an extension to June 15, 2010.

General

- (l) The provisions of the CCAA, as amended, and the equitable jurisdiction of this Honourable Court;
- (m) Rules 1.04, 2.03, 3.02, 14.05(2) and 16.08 of the *Rules of Civil Procedure*, R.R.O. 1990, c. C.43; and
- (n) Such further and other grounds as counsel may advise and this Honourable Court may permit.

3. THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE MOTION:

- (a) The Affidavit of Marc Boutet, sworn May 31, 2010;
- (b) The Second Report of A. John Page & Associates Inc. in its capacity as Monitor of Nelson Financial Group Ltd.; and
- (c) Such further and other materials as counsel may advise and this Honourable Court permits.

Date: May 31, 2010

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TO: THE SERVICE LIST

TAB A

Schedule "A"

Court File No. 10-8630-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM) FRIDAY, THE 4th
)
JUSTICE PEPALL) DAY OF JUNE, 2010

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

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

Applicant

STAY EXTENSION ORDER

THIS MOTION made by the Applicant, Nelson Financial Group Ltd. ("Nelson Financial"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, for an Order, *inter alia*:

- (a) abridging and validating the time for service of the Notice of Motion, the Motion Record, the Second Report of the Monitor, A. John Page & Associates Inc. (the "Monitor") dated June 1, 2010 (the "Second Report"), so that this motion is properly returnable today and dispensing with further service thereof;
- (b) approving the Second Report; and
- (c) approving an extension of the stay of proceedings from June 7, 2010, to and including June 15, 2010,

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the material filed, including the Notice of Motion, the Second Report, and the Affidavit of Marc Boutet sworn May 31, 2010, and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, counsel for Foscarini Mackie Holdings Inc., counsel for Lendcare Financial Services Inc., counsel for Noel D'Alves and Lorna D'Alves, and counsel for the Ontario Securities Commission,

SERVICE

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

MONITOR'S ACTIVITIES

2. **THIS COURT ORDERS** that the Second Report and the conduct and activities of the Monitor described therein be and are hereby approved.

STAY EXTENSION

3. **THIS COURT ORDERS** that the Stay Period (as defined in paragraph 13 of the Initial Order of the Honourable Justice Pepall, dated March 23, 2010) is hereby extended until and including Tuesday, June 15, 2010.

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)**

STAY EXTENSION ORDER

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SOLICITORS FOR THE APPLICANT

**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
COMMERCIAL LIST**

**NOTICE OF MOTION
(Returnable June 4, 2010)**

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Nelson Financial Group Ltd.

TAB 2

Court File No. 10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

Applicant

**AFFIDAVIT OF MARC BOUTET
(Sworn May 31, 2010)**

I, **MARC BOUTET**, of the City of Pickering, in the Province of Ontario, **MAKE OATH
AND SAY AS FOLLOWS:**

Introduction

1. I am the President, Secretary and sole director of Nelson Financial Group Ltd. ("**Nelson Financial**" or the "**Applicant**"). Accordingly, I have personal knowledge of the matters deposed to in this Affidavit. Where this Affidavit is not based on my personal knowledge, it is based on information and belief and I verily believe such information to be true.
2. This Affidavit is sworn in support of Nelson Financial's motion for an extension of the stay of proceedings granted to the Applicant under the *Companies' Creditors Arrangement Act* (the "**CCAA**") from June 7, 2010 to and including June 15, 2010.

Background

3. On March 23, 2010, Nelson Financial filed for and obtained protection from its creditors under the CCAA pursuant to the Order of the Honourable Madam Justice Pepall (the “**Initial Order**”). A copy of the Initial Order is attached hereto as **Exhibit “A”**. A copy of the Endorsement of the Honourable Justice Pepall dated March 23, 2010 (the “**Initial Endorsement**”) in relation to the Initial Order and a copy of the unofficial typed transcript of the Initial Endorsement are attached hereto as **Exhibit “B”**.
4. Pursuant to the Initial Order, A. John Page & Associates Inc. (“**AJP&AI**”) was appointed as Monitor of the Applicant (the “**Monitor**”).
5. On April 22, 2010, Nelson Financial was granted an extension of the stay of proceedings to April 30, 2010 pursuant to the Order of the Honourable Madam Justice Pepall. A copy of the Order granting the stay extension is attached hereto as **Exhibit “C”**. A copy of the Endorsement of the Honourable Justice Pepall dated April 22, 2010 and a copy of the unofficial typed transcript of the Endorsement are attached hereto as **Exhibit “D”**.
6. On April 30, 2010, Nelson Financial was granted an extension of the stay of proceedings to June 7, 2010 pursuant to the Order of the Honourable Madam Justice Pepall. A copy of the Order granting the stay extension is attached hereto as **Exhibit “E”**. A copy of the Endorsement of the Honourable Justice Pepall dated April 30, 2010 is attached hereto as **Exhibit “F”**.

Restructuring Activities

7. Since the issuance of the Initial Order, Nelson Financial has been working diligently to stabilize its business and maintain operations, the cash flow results of which exceed those forecast in the cash projections filed with this Honourable Court.

8. On April 15, 2010, the Monitor delivered its First Report together with a report on the ongoing financial viability of Nelson Financial's business and operations (the "**Viability Report**"). The First Report and the Viability Report stated that there is a realistic prospect that Nelson Financial could restructure its debt and be able to service that debt and continue in business for the foreseeable future. A copy of the Monitor's First Report dated April 15, 2010, together with the Viability Report and Cash Flow exhibits only, is attached hereto as **Exhibit "G"**.
9. Based on my understanding of the conclusions of the Viability Report and the Monitor's recommendations, I continue to believe that Nelson Financial will be able to propose a plan of compromise or arrangement to its creditors that offers stakeholders a better result than bankruptcy or liquidation. Furthermore, Nelson Financial should be able to generate stable and increased margins from its business, based on a changed focus towards the financing of consumer goods for customers with stronger credit histories. My discussions with a number of potential merchant business partners, including LG Electronics and others, are part of this process.
10. In conjunction with the Monitor, Nelson Financial is currently developing a plan of compromise or arrangement which anticipates (a) not requiring external financing, and (b) not requiring the historic volumes of customer receivables provided by Lendcare.
11. As previously disclosed to this Honourable Court in my Affidavit sworn April 16, 2010, and if the stay of proceedings is extended, Nelson Financial intends to formulate a plan of compromise and arrangement which will include the following general features:
 - (a) the conversion of some percentage of the existing promissory notes to new preferred shares (with rights and attributes to be determined) in the capital of the restructured Nelson Financial;
 - (b) the conversion of the remainder of the existing promissory notes into a new series of notes;

- (c) the conversion of existing preferred shares into a new class (or classes) of preferred shares (with attributes and rights to be determined);
- (d) the provision for satisfaction of any valid prior secured claims in favour of the Mackie Parties (as defined below); and
- (e) the payment or assumption of all employee claims.

Attached hereto as **Exhibit "H"** is a copy of my Affidavit sworn April 16, 2010, without exhibits.

12. In the event that this Honourable Court grants the requested stay extension, Nelson Financial intends to take further steps in its restructuring, including:
- (a) the development and implementation (with the approval of this Honourable Court) of a claims process;
 - (b) the continued development of a plan of compromise or arrangement to propose to creditors; and,
 - (c) the convening of a meeting of the company's creditors for the purposes of considering and voting on any plan put forward by the company.

Discussions with Lendcare

13. As noted in my Affidavit sworn April 16, 2010, Nelson Financial has previously partnered with Lendcare Financial Services Inc. ("**Lendcare**"). Lendcare is a national provider of financial services which specializes in consumer financing partnerships with finance companies, merchants, and distributors to offer retail and direct financing programs to customers. When partnered with Nelson Financial, Lendcare acts as a factor conduit to aggregate a significant percentage of the accounts receivable financed by Nelson Financial.
14. Nelson Financial's relationship with Lendcare was 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, (together, the “**Lendcare Agreement**”).

15. In view of Lendcare’s failure to refer any lending customers to Nelson Financial in the month of April, 2010, on April 16, 2010 Nelson Financial served notice (the “**Lendcare Motion**”) of its intention to seek to disclaim the Lendcare Agreement such that Nelson Financial would be free to solicit financing opportunities from merchants and customers that have dealt with Nelson Financial through Lendcare.
16. Nelson Financial and Lendcare have subsequently been engaged in discussions toward a resolution of their dispute. Accordingly, the Lendcare Motion has yet to be heard by the Court and is scheduled to return for the hearing of any outstanding issues, if necessary, before this Honourable Court on Friday, June 4, 2010. Attached hereto as **Exhibit “I”** is a copy of the Endorsement of the Honourable Madam Justice Pepall dated May 28, 2010 which confirms the foregoing.
17. Following my discussions with LG Electronics and other businesses wishing to provide vendor-assisted financing to their customers, I am very optimistic that Nelson Financial will be able to replace a sufficient portion of the business generated from the Lendcare financing opportunities with an improved portfolio of loans which carry substantially better profitability and risk. In conjunction with a plan of compromise or arrangement which Nelson Financial is currently developing with the assistance of the Monitor that would not require the historic volumes of business previously provided by Lendcare, Nelson Financial should be able to generate stable and increased margin from its business.

Ontario Securities Commission

18. As previously disclosed to this Honourable Court in my Affidavit sworn April 16, 2010, Nelson Investment Group Limited (“**Nelson Investment**”) has been the subject of a compliance review and investigation by the Ontario Securities Commission (the “**OSC**”). Nelson Financial continued its cooperation with the OSC enforcement staff

handling the investigation and is working with the OSC to ensure that issues raised were addressed with the OSC in a timely fashion.

19. On May 12, 2010, the OSC delivered a Notice of Hearing pursuant to section 127(1) and 127.1 of the *Securities Act*, together with a Statement of Allegations (the “**OSC Proceedings**”), to Nelson Financial, Nelson Investment, Marc Boutet, Stephanie Lockman Sobol, Paul Manuel Torres and H.W. Peter Knoll. Attached hereto as **Exhibit “J”** is a copy of the Notice of Hearing and Statement of Allegations dated May 12, 2010.
20. The OSC Proceedings are to be spoken to before the OSC on an initial return date of Thursday, June 3, 2010.
21. Nelson Financial maintains that the OSC Proceedings against Nelson Financial, Nelson Investment, Marc Boutet and Stephanie Lockman Sobol are not necessary or in the public interest.
22. With respect to Nelson Financial’s intended restructuring, it should be noted that under its current plans, Nelson Financial will not require the ability to issue securities to the public in order to finance its operations, nor does it intend to do so (except in accordance with a creditor and Court-approved plan substituting new notes and preferred shares for existing and preferred shares in a manner and to an extent to be determined). Accordingly, the actions by the OSC described above are not directly relevant to Nelson Financial’s ability to restructure.

Mackie Parties

23. As set out in my Affidavit dated April 16, 2010, counsel for Glenn Mackie, Lisa Mackie, and Foscarini Mackie Holdings Inc. (the “**Mackie Parties**”) has engaged in discussions with counsel for Nelson Financial concerning the Mackie Parties claims to security interests over certain contracts financed by Nelson Financial.

24. As a result of these discussions, Nelson Financial and the Monitor provided the Mackie Parties with a full listing and valuation of the contracts subject to the security held by Foscarini Mackie Holdings Inc. and anticipate further providing the Mackie Parties with a list of additional contracts which will top up their security. As a result of a review of the foregoing, I am advised by my counsel that the Mackie Parties will be significantly over secured.

D'Alves Parties

25. On May 25, 2010, counsel for Noel D'Alves and Lorna D'Alves (the "**D'Alves Parties**") delivered a Notice of Appearance together with the Affidavit of Noel D'Alves sworn May 25, 2010. The Affidavit of Noel D'Alves requests that a list of the noteholders of Nelson Financial be made public and that representative counsel for the noteholders be provided.
26. The Initial Order granted by this Honourable Court contained an exemption from the Monitor's disclosure obligation with respect to the investors designed to protect the privacy interests of Nelson Financial's investors. The investors in Nelson Financial, many of whom are individuals, made their investments by way of a private placement in the exempt market. The investors had the expectation that the fact of their investment would remain private and that their identities would not be disclosed. The variance or removal of this exemption would disrupt the privacy interests of Nelson Financial's investors.
27. Since the date of the Initial Order, the Monitor has maintained regular updates on its website on the status of this matter. I am informed by the Monitor and verily believe that the Monitor has had regular contact with investors and answered numerous investor inquiries in connection with Nelson Financial's CCAA proceeding. In the circumstances, I believe that investor interests are being adequately protected by the Monitor and its counsel and no relief in favour of the D'Alves Parties is required.

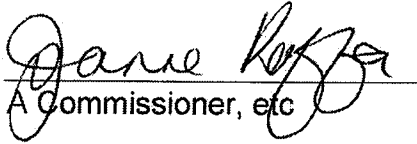
Stay Extension


28. In order to permit the Nelson Financial to move forward with its restructuring in conjunction with the Monitor and interested stakeholders, it is appropriate and necessary to extend the stay of proceedings to June 15, 2010.
29. The continuation of the stay of proceedings is necessary to provide the stability required to continue the Applicant's restructuring activities which have been ongoing following the granting of the Initial Order.
30. Nelson Financial has acted in good faith and with due diligence since the issuance of the Initial Order in pursuing its restructuring.
31. The Projected Cash Flow to June 18, 2010 contained in the Monitor's First Report supports an extension of the stay of proceedings to June 15, 2010. A copy of the Monitor's First Report dated April 15, 2010, together with the Viability Report and Cash Flow exhibits only, is attached hereto as **Exhibit "G"**.
32. As present, Nelson Financial is seeking only a short extension of the stay pending the completion by the Monitor of its analysis including an update to the Monitor's Viability Report. Nelson Financial intends to apply on June 15, 2010 for a longer extension of the stay of proceedings once the Monitor's updated report is available.

Conclusion

33. Nelson Financial has taken significant steps as outlined herein towards its restructuring goals. The extension of the stay of proceedings will facilitate the continuation of these steps, which, if successful, will permit Nelson Financial to emerge from the protection of these CCAA proceedings as a viable going concern.
34. This Affidavit is made in support of Nelson Financial's motion to extend the stay of proceedings and for no other or improper purpose.

SWORN before me at the City of
Pickering, in the Province
of Ontario this 31st day of May, 2010.

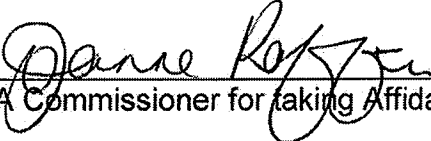

A Commissioner, etc


MARC BOUTET

JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.

TAB A

This is **Exhibit "A"** to the
Affidavit of Marc Boutet
sworn before me, this 31st day of
May, 2010.


A Commissioner for faking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**

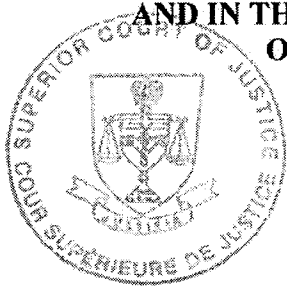
Court File No. 10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM)	TUESDAY, THE 23rd
)	
JUSTICE PEPALL)	DAY OF MARCH, 2010

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

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



Applicant

INITIAL ORDER

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

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

SERVICE

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

APPLICATION

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

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

RESTRUCTURING

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

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

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

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

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

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

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

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

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

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

APPOINTMENT OF MONITOR

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

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

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

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

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

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

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

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

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

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

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

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

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

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

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

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

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

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

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

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

SERVICE AND NOTICE

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

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

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

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

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

GENERAL

41. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

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

43. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

44. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.


45. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

46. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Daylight Time on the date of this Order.



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

MAR 23 2010

PER / PAR: 

Court File No. 10-8630-00CL

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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(PROCEEDING COMMENCED AT TORONTO)

INITIAL ORDER

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
TORONTO, Ontario
M5X 1G5

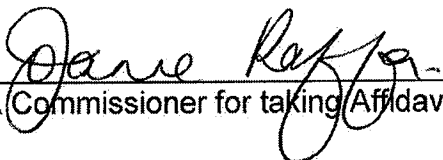
Clifton P. Prophet / Frank Lamie
LSUC No.: 34345K / 54035S

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

SOLICITORS FOR THE APPLICANT

TAB B

This is **Exhibit "B"** to the
Affidavit of Marc Boutet
sworn before me, this 31st day of
May, 2010.


A Commissioner for taking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**

Court File No. 10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM)	TUESDAY, THE 23rd
)	
JUSTICE PEPALL)	DAY OF MARCH, 2010

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

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

Applicant

**UNOFFICIAL TRANSCRIPT OF THE
ENDORSEMENT OF JUSTICE PEPALL
(March 23, 2010)**

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

NFG currently finances customers of vendors – the consumer household goods/appliances and food sectors. To provide financing to customers NFG has borrowed money from investors in the exempt market pursuant to a continuous offering of unsecured

promissory notes and/or preferred shares. The model is based on raising money from investors at a 12-10% rate of return and using that money to extend credit at significantly higher rates.

There are 685 outstanding investor loan notes totalling approximately 37 million and 169 preferred share holders with a par value of about 15 million. NFG was unable to make a dividend payment payable on March 16, 2010 for certain of the preferred shares. On March 25, 2010, certain interest payments are due on certain notes.

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

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

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

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

NFG does not appear to have significant liabilities to secured creditors and according to NFG, the registrations under the PPSA noted in paragraph 41 of Mr. Boutet's affidavit are largely historical. The registration in favour of Nelson investment is to an affiliated company of

which Mr. Boutet is the principal and sole shareholder. The Mackie parties hold security but they are not primed by the proposed charges. There is no DIP financing.

The trade debt is modest and NFG intends to continue to meet all employee liabilities as they fall due and to remain current on payroll. There are 27 employees.

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

A. John Page & Associates has consented to act and is qualified to act as Monitor.

Clearly NFG is a debtor company and has met the other requirements for the granting of an Initial Order under the CCAA.

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

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

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

For these reasons, I granted the order requested.

// Original Endorsement Signed by Madam Justice Pepall//

T979587\TOR_LAW 7334589\1

Superior Court of Justice (Commercial List)

Court Division: Superior Court of Justice (Commercial List)
Region: Toronto
Judge: Pepall
Date: 2010-03-23
Location: 330 University Ave
Room No.: 8-3
Start Time: 9:30 AM

Facsimile Transmittal Sheet

File Number: 10-8030-CL

File Name: ABC LTD

FAX NUMBER (s): 416-304-1313 593-2319 862-7661

FROM: Pepall, J. DATE: MARCH 23 2010

TO: C. PROFFER

TO: J. Blout

TO: P. Fay

TO: _____

SUBJECT: _____

NUMBER OF PAGES INCLUDING COVER PAGE: 6

COMMENTS: _____

Court File Number: 10-8030-0006

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER
In the matter of the CCAA
Re Nelson Financial Group Ltd.
Plaintiff(s)

AND

Defendant(s)

Case Management Yes No by Judge: Repall

Counsel	Telephone No.:	Facsimile No.:

- Order Direction for Registrar (No formal order need be taken out)
- Above action transferred to the Commercial List at Toronto (No formal order need be taken out)

- Adjourned to: _____
- Time Table approved (as follows): _____

("NFG")

Nelson Financial Group Ltd seeks an initial order pursuant to the CCAA. NFG carries on a consumer finance business in Pickering Ontario. Its principal business is vendors assisted financing. Until recently, its principal business was sub-prime vehicle financing. The business was established in 1970 by its sole shareholder Marc Boudet.

NFG currently finances customers of vendors - the consumer household auto/appliances + food sectors. To provide financing to customers, NFG has borrowed money from investors in the exempt market pursuant to a continuous offering of unsecured promissory notes + term preferred shares. The market is based on raising money from investors at a 12-18% rate of interest + using that money to

March 23, 2010
Date

80 Repall J
Judge's Signature

Additional Pages _____

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsement Continued

extend credit at significantly higher rates. There are 685 outstanding investor loan notes totalling approximately \$37 million + 169 preferred share holdings with a par value of about \$15 million. NFE was unable to make a dividend payment payable on March 16, 2010 for certain of the preferred shares. On March 25, 2010, certain interest payments are due on certain notes.

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

The financial difficulties of NFE are stated to have arisen due to high + transaction related losses on its non-prime + sub-prime portfolio + its voluntary cessation of the issuance of notes + preferred shares pending completion of a review by the OSC.

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

The OSC was served with the motion on this application late yesterday. It sought an adjournment to file responses + materials or to seek a s.129 application to appoint a receiver. In light of the March 25, 2010 payment deadline, + the exclusion of the OSC from the stay + the comeback provisions, I declined the request for the adjournment + granted the order requested. The OSC is a regulatory body

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsement Continued

unaffected by the stay + is at liberty to
bring its own proceedings to vary
this initial order.

NFC does not appear to have
significant liabilities to secured
creditors + according to NFC, the
restitutions under the PPSA noted in
para 41 of Mr Barlet's affidavit are
largely historical. The restitutions in favour
of Nelson Investment + to an affiliated
company of which Mr Barlet is the
principal + sole shareholder. The various
parties hold security, but they are
not moved by the proposed changes.
There is no DIP financing.

The trade debt is modest + NFC
intends to continue to meet all
employee liabilities as they fall due +
to remain current on payroll. There
are 27 employees.

A charge of \$200,000 in favour of the
director is proposed together with
an administrative charge of \$1 million
for the fees of the monitor + its counsel +
NFC's counsel. I am satisfied that
these charges are merited - the
circumstances + meet the requirements
imposed by the recent amendments
to the CAA.

A John Kay + Associates has consented
to act, + is qualified to act as monitor.

Clearly NFC is a debtor company +
has met the other requirements for the
issuance of an initial order under
the CAA.

NFC intends to continue to find new
customer loans but will not issue any
notes or preferred shares. A cash flow

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsement Continued

Statement has been filed as has a preliminary report been filed by the proposed Monitor on same. The statement suggests that NFA will be able to meet its operating costs during the stay period from cash flow generated by the business.

NFA has outlined the parameters of a proposed Plan + I am of the view that if I should be given the opportunity, based on the evidence before me to attempt a restructuring with its creditors, in this regard I would not counsel for NFA, the Monitor + the OSC to have a deal done prior to any initiation of proceedings by the OSC.

hastily, the investors in NFA, many of whom are individuals, made their investments by way of a private placement in the exempt market. Given the anticipated reasonable expectation that their identities would not be disclosed, except as otherwise ordered by the court, the Monitor need not prepare a creditor list of note holders + holders of preferred shares as contemplated by s. 23(4)(c) of the CCAA. The same applies to the employees.

For these reasons, I granted the order requested.

Dr. Powell, J.

TAB C

This is **Exhibit "C"** to the
Affidavit of Marc Boutet
sworn before me, this 31st day of
May, 2010.


A Commissioner for taking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

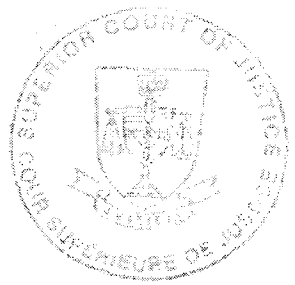
THE HONOURABLE)
)
JUSTICE PEPALL)

THURSDAY, THE 22nd
DAY OF APRIL, 2010

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

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

Applicant



ORDER


THIS MOTION made by the Applicant, Nelson Financial Group Ltd. ("**Nelson Financial**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, for an Order, *inter alia*:

- (a) that the time for service of the Notice of Motion, the Motion Record and the First Report of the Monitor, A. John Page & Associates Inc. (the "**Monitor**") dated April 15, 2010 (the "**First Report**") is abridged and validated so that this Motion is properly returnable today and dispensing with further service thereof;
- (b) approving the First Report; and
- (c) approving an extension of the stay of proceedings from April 22, 2010, to and including June 7, 2010.

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the material filed, including the Notice of Motion dated April 16, 2010, the First Report and the Affidavit of Marc Boutet sworn April 15, 2010, and on hearing the submissions of counsel for the Applicant and counsel for the Monitor;

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the First Report is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that the Stay Period (as defined in paragraph 13 of the Initial Order of the Honourable Justice Pepall, dated March 23, 2010) is hereby extended until and including April 30, 2010.
3. **THIS COURT ORDERS** that the balance of the relief sought in the Notice of Motion herein dated April 16, 2010 is adjourned to April 30, 2010 or such other date as this Honourable Court may direct by further Order.



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

APR 22 2010

PER / PAR: 

Court File No. 10-8630-00CL

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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(PROCEEDING COMMENCED AT TORONTO)

STAY EXTENSION ORDER

GOWLING LAFLEUR HENDERSON LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
TORONTO, Ontario
M5X 1G5

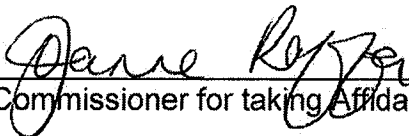
Clifton P. Prophet / Frank Lamie
LSUC No.: 34345K / 54035S

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

SOLICITORS FOR THE APPLICANT

TAB D

This is **Exhibit "D"** to the
Affidavit of Marc Boutet
sworn before me, this 31st day of
May, 2010.


A Commissioner for taking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**

Court File No. 10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM)	THURSDAY, THE 22nd
)	
JUSTICE PEPALL)	DAY OF APRIL, 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

**UNOFFICIAL TRANSCRIPT OF THE
ENDORSEMENT OF JUSTICE PEPALL
(April 22, 2010)**

The Applicant seeks a variety of relief including a stay extension. Counsel for the OSC was unable to be present today so the extension requested today is only until April 30, 2010 rather than June 7, 2010. The further extension will be addressed on April 30, 2010 along with the relief – paragraphs (a) and (b) of the Notice of Motion. The relief requested in para. (c) is adjourned to be spoken to before me at 9:30 on April 28, 2010. 1.5 Hours booked on April 30, 2010.

As to the stay extension to April 30, 2010, based on the materials filed, the extension will provide for ongoing stability and the Applicant appears to be acting in good faith and with due

diligence. There is adequate cash to fund the stay period. In my view it is appropriate to extend the stay to April 30, 2010. This extension is also supported by the Monitor.

// Original Endorsement Signed by Madam Justice Pepall//

Apr 22, 2010

The Applicant seeks a variety of relief including a stay extension. Counsel for the OSC was unable to be present today so the extension requested today is only until Apr 30, 2010 rather than June 7, 2010. The ~~more~~ further extension will be addressed on Apr 30, 2010 along with the relief - paragraphs (a) + (b) of the notice of motion. The relief requested - para (c) is adj'd ~~TRUST~~ before me at 9:30 Apr 28, 2010. ~~7 1/2 hrs~~ ^{including Apr 30}

As to the stay extension to Apr 30, 2010, based on the materials filed, the extension will provide for ongoing stability + the Applicant appears to be acting in good faith + with due diligence. There is adequate cash to fund the stay period. In my view it is appropriate to extend the stay to Apr 30, 2010. This extension is also supported by the ~~Member~~ ^{Supervisor}

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

Court File No.: 10-8630

22 APR 2010 Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

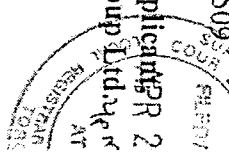
(PROCEEDING COMMENCED AT TORO

MOTION RECORD
(Returnable April 22, 2010)

GOWLING LAFLUR HENDERSON LLI
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

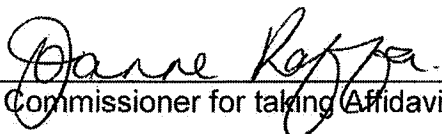
Clifton P. Prophet (LSUC# 34845K)
Frank Lamie (LSUC #54035S)
Tel: (416) 862-3509
Fax: (416) 863-3509

Solicitors for the Applicant
Nelson Financial Group Ltd



TAB E

This is **Exhibit "E"** to the
Affidavit of Marc Boutet
sworn before me, this 31st day of
May, 2010.


A Commissioner for taking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**

Court File No. 10-8630-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM)

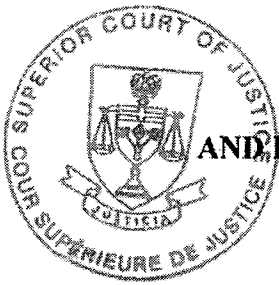
FRIDAY, THE 30th

JUSTICE PEPALL)

DAY OF APRIL, 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

STAY EXTENSION ORDER

THIS MOTION made by the Applicant, Nelson Financial Group Ltd. ("Nelson Financial"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, for an Order, *inter alia*:

- (a) abridging and validating the time for service of the Notice of Motion, the Motion Record, the First Report of the Monitor, A. John Page & Associates Inc. (the "**Monitor**") dated April 15, 2010 (the "**First Report**"), and the Supplement to First Report of the Monitor dated April 28, 2010 (the "**Supplemental Report**") so that this motion is properly returnable today and dispensing with further service thereof;
- (b) approving the First Report and the Supplemental Report; and
- (c) approving an extension of the stay of proceedings from April 30, 2010, to and including June 7, 2010,

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the material filed, including the Notice of Motion, the First Report, the Supplemental Report, and the Affidavit of Marc Boutet sworn April 15, 2010, and on hearing the submissions of counsel for the Applicant ~~and~~ counsel for the Monitor, ^{counsel for Foscarini Mackie Holdings Inc., counsel For Lendcare Financial Services Inc., and counsel for the Ontario Securities Commission,} SERVICE

sup

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

mp

MONITOR'S ACTIVITIES

2. THIS COURT ORDERS that the First Report, the Supplemental Report and the conduct and activities of the Monitor described therein be and are hereby approved.

STAY EXTENSION

3. THIS COURT ORDERS that the Stay Period (as defined in paragraph 13 of the Initial Order of the Honourable Justice Pepall, dated March 23, 2010) is hereby extended until and including Monday, June 7, 2010.



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

APR 30 2010

PER / PAR: 

Court File No. 10-8630-00CL

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

Applicant

ONTARIO

SUPERIOR COURT OF JUSTICE

(PROCEEDING COMMENCED AT TORONTO)

STAY EXTENSION ORDER

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
TORONTO, Ontario
M5X 1G5

Clifton P. Prophet / Frank Lamie

LSUC No.: 34345K / 54035S

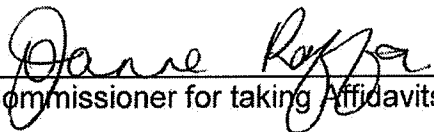
Telephone: (416) 862-3509 / (416) 862-3609

Facsimile: (416) 862-7661

SOLICITORS FOR THE APPLICANT

TAB F

This is **Exhibit "F"** to the
Affidavit of Marc Boutet
sworn before me, this 31st day of
May, 2010.


A Commissioner for taking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**

April 28, 2010

- 1) 3 hour motion fixed for May 19, 2010.
10 am start.
- 2) Attached schedule ordered.

Seipall, J.

Apr 30, 2010

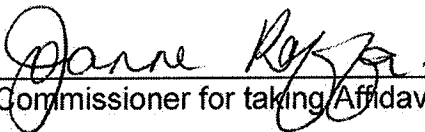
- 1) Counsel to attend before me at 9:30 May 4, 2010 to speak to head care motion schedule addressed on Apr 28, 2010 but only if necessary. Counsel to advise CCO.
- 2) The stay extension to June 7, 2010 is unopposed + is granted on the same basis as outlined - para 2 of my Apr 22, 2010 endorsement. Counsel for the Applicant also advises that NFA continues to intend to find new customer loans but will not issue any notes or pref shares.

Master reports requested order + it is granted.

Seipall, J.

TAB G

This is **Exhibit "G"** to the
Affidavit of Marc Boutet
sworn before me, this 31st day of
May, 2010.


A Commissioner for taking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**

Court File No 10-8630-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

APPLICANT

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

APRIL 15, 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 -

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 have been stayed until April 22, 2010, or such later date as this Court may order.
3. The Monitor has established a web page at *www.ajohnpage.com/html/files.html* . The Monitor has posted there key documents including the Initial Order, the Applicant's original application record, the Report of A. John Page & Associates Inc. as Proposed Monitor dated March 22, 2010, the Endorsement of Madam Justice Pepall dated March 23, 2010 and the listing of creditors dated March 23, 2010.
4. The purpose of this report ("**the Report**") is to provide this Honourable Court with information on the following:
 - a) The activities of the Applicant since the commencement of the CCAA Proceedings
 - b) The activities of the Monitor since the commencement of the CCAA Proceedings
 - c) The receipts and disbursements of the Applicant for the period from the start of the CCAA Proceedings to April 9, 2010
 - d) The Monitor's review of the viability of the business of the Applicant
 - e) The dealings of the Monitor and the Applicant with various stakeholders and interested parties including investors and the Ontario Securities Commission
 - f) The Applicant's request for an extension of the stay period to June 7, 2010 ("**the Applicant's Extension Application**")

- 3 -

- g) The Applicant's request for approval of the activities of the Monitor as described in this report.
5. This is the first report of A. John Page & Associates Inc. in its capacity as Monitor, in the CCAA Proceedings. As noted earlier A. John Page & Associates Inc. did prepare a report dated March 22, 2010 in its capacity as proposed monitor.

NOTICE TO READER

6. 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.

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

BACKGROUND

8. The Applicant was established by its current President, Marc Boutet, in 1990.
9. The Applicant is a Pickering, Ontario based privately owned company. Its principal business is vendor assisted financing. Until recently, its principal business was sub-prime vehicle financing. The Applicant has been moving out of this market since 2005. It expects to complete its exit from this market in 2011.
10. The Applicant's end customers include a mix of prime borrowers (bank quality), non prime borrowers (below bank quality) and sub prime borrowers (lowest quality). Its customers are typically individuals who are under serviced by traditional banks and financial service companies. Customers in the Applicant's remaining sub-prime vehicle leasing business are, for the most part, sub-prime borrowers. Customers in the vendor assisted programs are typically a mix of prime borrowers and non-prime borrowers.
11. The Applicant currently finances customers of vendors in two sectors, consumer household goods/appliances and food. The vendor provides the end customer with an application form and contract. The application form is submitted to the Applicant by the vendor for approval. If approved, the

- 5 -

Applicant pays the vendor the cost of the product being financed, usually at a discount. The customer repays the Applicant in accordance with the terms of their agreement.

12. At the present time the Applicant has 28 employees, including Mr. Boutet.
13. In order to provide financing to customers, the Applicant has borrowed money from investors in the exempt market pursuant to a continuous offering of unsecured promissory notes generally with a 12% rate of interest and/or preferred shares that have generally paid a 10% per annum dividend monthly. The Applicant has not had and does not have a line of credit or other financing arrangements with a Chartered Bank or other financial institution.
14. The Applicant's business model has been based on being able to raise money from investors at a 12% or 10% rate of return and, in turn, use that money to extend credit at significantly higher rates to lessees in the sub prime vehicle financing business and customers in the vendor assisted financing programs.

CAUSES OF FINANCIAL DIFFICULTIES

15. It appears that the Applicant's financial difficulties can be attributed to its venture into the sub prime vehicle financing business in 2003. The Applicant is no longer in that business.

CASH FLOW FORECAST

16. The Applicant filed a 13 week weekly cash flow projection ("the Original

- 6 -

Cash Flow Projection") with its original application record. The Monitor has been monitoring the Applicant's receipts and disbursements in accordance with the Initial Order and the CCAA. The Monitor has been comparing the actual results with the Original Cash Flow Projection. Attached as Exhibit "B" are three schedules:

- a) The Original Cash Flow Projection
 - b) The actual cash flow to April 9, 2010 and the projected cash flow from then on ("**the Actual Cash Flow to April 9, 2010 and Projected Cash Flow to June 18, 2010**") and
 - c) The Variance by week from the Original Cash Flow Projection ("**the Cash Flow Variance Report**")
17. As can be seen clearly on the Cash Flow Variance Report, the Applicant's cash position is significantly different from that anticipated in the Original Cash Flow Projection. It had on hand \$1,129,943 in free cash on April 9, 2010 whereas it was projecting to have only \$382,965. The Monitor has made enquiries about the reasons for this difference. In recent months, approximately 65% of Nelson's lending has been through an aggregator called Lendcare Financial Services Inc. ("**Lendcare**"). Lendcare sourced the consumer loans from a number of vendors and then, pursuant to an agreement dated December 6, 2007, was supposed to give Nelson a first right of refusal to provide funding for these consumer loans. Lendcare has provided no loans for Nelson to review and, if acceptable, fund, over the last three weeks.
18. The Affidavit of Marc Boutet dated April 15, 2010 ("**the Boutet Affidavit**") that is being filed along with the Applicant's Extension Application provides

- 7 -

more information on this matter. On the face of it, Lendcare's actions appear contrary to Section 16 of the Initial Order. As noted in the Boutet Affidavit, the Applicant is actively pursuing replacement lending opportunities.

19. The Applicant has not prepared a revised cash flow projection to reflect the loss of the Lendcare business and the likely timing and quantum of the replacement business it is currently attempting to source. The Actual Cash Flow to April 9, 2010 and Projected Cash Flow to June 18, 2010 schedule merely shows the actual results to date and the projected results going forward according to the Original Cash Flow Projection. Until such time as Nelson starts to replace the business previously sourced through Lendcare it will continue to add to its cash position at the rate of an estimated additional \$200,000 per week.
20. In the short term, the lack of these Lendcare loans does not appear prejudicial to the position of stakeholders. There is some small (but increasing) loss of income, being the interest that would have been earned on these loans. However, the Applicant's cash position is improving.

OPERATIONS

21. Since the issuance of the Initial Order, the Applicant has continued its business generally in the normal course (including ongoing collection activity on the large number of existing loans). Although, as noted earlier, it has not made any new loans through Lendcare during the last three weeks, it does continue to make new loans through other sources. It has not made any change to its staffing arrangements and has paid its employees every two weeks

- 8 -

in the normal course. The Applicant uses an external payroll service and all source deductions are paid over to the payroll service at the time the payroll is made. As a result there should be no source deduction arrears. The President of the Applicant, Mr. Marc Boutet, had previously been paid through Nelson Investment Group Limited ("**Nelson Investment**"), an affiliated company. This was despite the fact that he had been performing substantial work for the benefit of the Applicant. Since Nelson Investment is not sourcing new investor loans, is not receiving commission payments from the Applicant and is inactive at this time, Mr. Boutet has been added to the Applicant's payroll. The Monitor has reviewed the quantum of Mr. Boutet's salary and finds it to be reasonable in the circumstances. The Applicant has not disposed of any material assets outside of the ordinary course. The Applicant has paid the April monthly rent on its Pickering premises.

DEALINGS WITH INVESTORS

22. As noted earlier, the Applicant has financed its operations from a combination of investor loan notes and preference shares. The Applicant has approximately 685 outstanding investor loan notes totalling approximately \$37,000,000. There are, in addition, 169 separate holdings of preferred shares with a par value of almost \$15,000,000. Approximately 249 of the investor loan notes are held jointly with a co owner. 71 of the preference shares are also held jointly with a co owner. In many cases investors and their families have multiple holdings of investor loan notes and preference shares. For mailing purposes the Monitor consolidated many of the holdings and mailed the Notice to Creditors and Investors to 537 owners and co owners of preference shares and investor loan notes. The Monitor believes that the actual number of investors affected

- 9 -

by the proposed restructuring is in fact about 483.

23. The Monitor drafted a sheet of standard answers to frequently asked questions from investors and creditors. The Monitor arranged for personnel to be available at both the Applicant's Pickering offices and the Monitor's Toronto offices to handle telephone enquiries from investors. The Monitor and the Applicant have had well in excess of 300 telephone enquiries so far. 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 enquiries.

SECURED CREDITORS

24. Foscarini Mackie Holdings Inc. ("**Foscarini**") have registered a security interest in a pool of consumer loans. The security interest purports to secure an investment of \$653,341.63 in an investor promissory note.
25. Glenn & Lisa Mackie ("**the Mackies**") have registered a security interest in a pool of consumer loans. This security interest purports to secure an investment of \$246,000 in preferred shares.
26. The Monitor has asked its legal counsel, ThorntonGroutFinnigan LLP, to review the security interests of Foscarini and the Mackies.
27. Foscarini and the Mackies have engaged Aird & Berlis and have filed a Notice of Appearance.

- 10 -

28. Nelson Investment has registered a security interest under the PPSA to secure payment of earned but unpaid commissions re the sale of investor loan notes and preference shares. According to the Applicant's internal March 31, 2010 financial statements, Nelson Investment is owed \$168,793. The Monitor intends to have this potential secured claim reviewed.
29. Several other parties have registered security interests under the PPSA. The Applicant has previously advised the Monitor that these registrations are historic or otherwise not meaningful and these parties are not valid secured creditors. The Monitor has asked the Applicant's counsel to arrange for these registrations to be discharged.

THE ONTARIO SECURITIES COMMISSION

30. In late 2009 the Ontario Securities Commission ("the OSC") conducted a compliance review/investigation of Nelson Investment, the Applicant affiliate that distributed the investor loan notes and preferred shares issued by the Applicant.
31. On January 29, 2010, in response to concerns raised by the OSC, the Applicant informed Nelson Investment that it was voluntarily suspending distribution of its promissory notes and preferred shares.
32. Although such applications are often done without notice, Nelson served the OSC with notice of its CCAA application on March 22, 2010, one day prior to the hearing of the application.

33. The OSC asked the Court to adjourn the hearing in order to either file material or to seek the appointment of a Receiver. The Court declined the OSC's request. A copy of the Endorsement of the Honourable Madam Justice Pepall in that regard and an unofficial transcript of the endorsement is attached as Exhibit "C". In her endorsement Madam Justice Pepall urged counsel for the Applicant, the Monitor and the OSC to have a dialogue.
34. The Monitor and the Monitor's counsel met with representatives of the OSC on March 24, 2010.
35. The Monitor's and the Applicant's counsel have both been in periodic communications with the OSC. The Monitor and its counsel have been and continue to be available to answer questions that the OSC might have.
36. The OSC has been continuing its investigations and has been contacting and meeting with a number of investors to better understand aspects of the ways in which they invested in the Applicant's notes and preferred shares.

ONGOING BUSINESS PROSPECTS

37. The Monitor has undertaken a review to identify and assess the issues affecting the ongoing viability of the Applicant assuming a successful restructuring and no ongoing funding issues.
38. Attached as Exhibit "D" is a copy of the memorandum prepared by the Monitor summarizing the review and the Monitor's findings and observations. The review suggests that there is a realistic prospect that the Applicant could

- 12 -

restructure its debt and be able to service that debt and continue in business for the foreseeable future, providing it can obtain financing to assist in the redemption of existing debt in accordance with the debt maturity terms set down in an approved restructuring plan.

LIQUIDATION ANALYSIS

39. The Monitor plans to shortly prepare a liquidation analysis to aid the Applicant in preparing a restructuring plan and to assist its stakeholders in assessing any restructuring plan that may be presented.

CLAIMS PROCESS AND THE RESTRUCTURING PLAN

40. At the request of the OSC the Applicant has not undertaken significant restructuring steps pending the outcome of the Monitor's review of the Applicant's business and operations that is detailed in this Report.

THE APPLICANT'S EXTENSION APPLICATION

41. The Applicant has asked the Court to approve an extension of the stay period to June 7, 2010. The basis for this request is to allow the Applicant to take further steps in its restructuring including developing a claims process and a restructuring plan. An extension would also allow the Monitor to prepare a liquidation analysis to assist both the Applicant and stakeholders.
42. The Original Cash Flow Projection included the Applicant's forecast for weekly periods up to June 18, 2010. These projections suggested that the Applicant

- 13 -

would have sufficient cash with which to fund the business through that period. For the reasons noted above, the Actual Cash Flow to April 9, 2010 and Projected Cash Flow to June 18, 2010 suggest that the Applicant will, in fact, have more cash available with which to fund the business during the stay period.

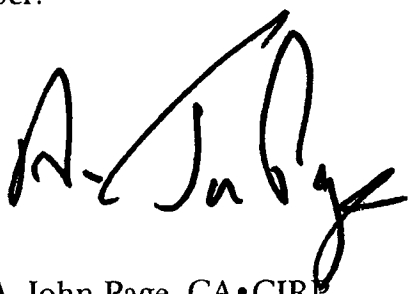
RECOMMENDATION

43. It is the Monitor's view that the Applicant has been acting reasonably and with due diligence in general compliance with the provisions of the Initial Order. Accordingly, and on the basis of the Monitor's viability analysis, the Monitor supports the Applicant's request for this Honourable Court's approval of the extension of the stay period to June 7, 2010.

All of which is respectively submitted this 15th day of April, 2010.

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

per:

A handwritten signature in black ink, appearing to read "A. John Page". The signature is written in a cursive, flowing style with a large initial "A" and a long, sweeping underline.

A. John Page, CA•CIR

President

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

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

APRIL 15, 2010

The Initial Order	A
Cash Flow Schedules	B
The Endorsement of the Honourable Madam Justice Pepall dated March 23, 2010	C
Memorandum on Viability	D



Exhibit "B"

**First Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
Dated April 15, 2010**

Cash Flow Schedules

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

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
Opening Cash	\$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
Total Operating Receipts	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
Disbursements:														
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	0	30,000	20,000	10,000	310,000
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Disbursements	360,975	461,788	353,054	423,400	336,287	400,017	397,735	416,784	326,287	400,017	367,735	416,784	336,287	5,017,150
Net Operating Cash Flow	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)
Closing Cash	\$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 "Notes/Probable and Hypothetical Assumptions Underlying Weekly Cash Flow Forecast for the 13 Week Period ended June 18, 2010" attached

Nelson Financial Group Ltd
 Weekly Cash Flow Forecast
 For the 13 week period ending June 18, 2010
Actual Cash Flow to April 9, 2010 and Projected Cash Flow to June 18, 2010
 Unaudited

	Projected - based on Actual Cash Flow filed with initial CCAA Application													Total
	Actual	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	
Opening Cash	\$476,685	\$714,522	\$870,272	\$1,129,943	\$1,101,688	\$1,167,517	\$1,121,119	\$1,123,584	\$1,021,341	\$1,166,609	\$1,120,211	\$1,149,174	\$1,046,931	\$476,685
Total Operating Receipts	392,276	406,306	363,865	395,145	402,116	353,619	400,200	314,541	471,555	353,619	416,698	314,541	400,623	4,985,104
Disbursements:														
Payroll and benefits	53,628			53,730	53,730	53,730	6,293	53,730	53,730	53,730	6,293	53,730	53,730	334,865
Rent	6,300						8,388				8,388			23,076
SG&A	6,886	24,797	9,970	17,047	8,664	8,664	25,431	25,431	8,664	8,664	25,431	25,431	8,664	203,744
Net new Deal Funding	116,053	134,330	94,224	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	317,623	3,520,837
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	35,000	10,000	20,000	40,000	20,000	0	20,000	30,000	20,000	10,000	268,000
Other														
Total Disbursements	154,439	250,556	104,194	423,400	336,287	400,017	397,735	416,784	326,287	400,017	387,735	416,784	336,287	4,350,522
Net Operating Cash Flow	237,837	155,750	259,671	(28,255)	65,829	(46,398)	2,465	(102,243)	145,268	(46,398)	28,963	(102,243)	64,336	634,582
Closing Cash	\$714,522	\$870,272	\$1,129,943	\$1,101,688	\$1,167,517	\$1,121,119	\$1,123,584	\$1,021,341	\$1,166,609	\$1,120,211	\$1,149,174	\$1,046,931	\$1,111,267	\$1,111,267

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

	Week Ending													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	Total
Opening Cash	\$71,681	\$259,369	\$448,794	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$71,681
Total Operating Receipts	(18,848)	(21,807)	49,324	0	0	0	0	0	0	0	0	0	0	8,669
Disbursements:														
Payroll and benefits	0	(101)	0	0	0	0	0	0	0	0	0	0	0	(101)
Rent	0	(2,088)	0	0	0	0	0	0	0	0	0	0	0	(2,088)
SG&A	(1,778)	7,750	(15,461)	0	0	0	0	0	0	0	0	0	0	(9,489)
Net new Deal Funding	(206,258)	(183,293)	(223,399)	0	0	0	0	0	0	0	0	0	0	(612,950)
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)	0	0	0	0	0	0	0	0	0	0	(42,000)
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Disbursements	(206,536)	(211,232)	(248,860)	0	0	0	0	0	0	0	0	0	0	(666,628)
Net Operating Cash Flow	187,688	189,425	298,184	0	0	0	0	0	0	0	0	0	0	675,297
Closing Cash	\$259,369	\$448,794	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978	\$746,978

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.



Exhibit "D"

**First Report of
A. John Page & Associates Inc.
In its Capacity as the Monitor of
Nelson Financial Group Ltd.
Dated April 15, 2010**

Memorandum on Viability

Memorandum

To: Nelson File 620
From: A. John Page
Date: April 15, 2010
Subject: Viability Review

Purpose of Memorandum

To document the review undertaken by the Monitor to identify and assess the issues affecting the ongoing viability of Nelson Financial Group Ltd. ("Nelson") and the findings and observations of the Monitor emanating from that review.

Notice to Reader

In conducting this review and in making the comments contained in this memorandum the Monitor has been provided with and has relied upon unaudited financial information from Nelson's books and records and financial information prepared by Nelson. In addition, the Monitor has held discussions with management of Nelson 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 Memorandum.

The Core Go Forward Business of Nelson

At its core, Nelson's go forward business model, as explained by Marc Boutet and other Nelson senior management, is to make loans to consumers through a number of vendors using borrowed money.

In order to succeed, Nelson has to have sufficient funds available to lend. In addition, over an extended period of time, the revenue received by Nelson, net of all write-offs for uncollected loans and its overhead (ie all its administrative costs) must exceed its cost of funds.

In order to better understand whether Nelson is viable on a long term basis we have reviewed each of the components noted above.

Memorandum - Nelson
Viability Review - April 15, 2010
Page 2

The Core Business

Nelson's core business (described in its internal accounts as "Itinerant Sales") is where Nelson finances customers of vendors in two sectors, consumer household goods/appliances and food. Nelson used to be in the sub prime vehicle financing business. We have ignored that business as Nelson is not making any new loans in that area. Nelson also makes a number of consumer loans independent of vendors. This area is relatively small and we have assumed it has similar profitability characteristics to the core "Itinerant Sales" business.

The Volume of Nelson's Lending

Nelson has about \$24 million of Itinerant Sales loans to approximately 12,000 separate consumers. The actual amount of its loans in its books of account can be somewhat confusing as the amount of any unearned interest and unearned discount income has to be deducted from the gross loan balance. Balance sheet accounts entitled "Prepaid Referral Fees" and "Unapplied Interest - Loans" also have to be taken into account when looking at the cash tied up in loans and the overall profitability of the lending business.

Nelson has been making new loans at a rate somewhat in excess of \$16,000,000 per year. In the Cash Flow Projection that formed part of the March 22, 2010 CCAA court application, Nelson assumed it would be making loans at a weekly rate of approximately \$320,000. Approximately 2/3rds of its lending has been through an intermediary called Lendcare. Since the CCAA filing, Lendcare has not referred any vendor loans to Nelson. As a result its new lending is significantly lower than projected. Nelson are very actively engaged in sourcing new lending opportunities. At the present time, they are optimistic that they will be able to replace the Lendcare business with a better mix of loans in terms both of profitability and of risk. The initial indications are that Nelson will be successful in this regard. This memorandum is being written on the assumption that the reduction in new loan business arising from Lendcare's behaviour will be replaced in the short to medium term by a similar volume of similar calibre loans. The findings and conclusion in this memorandum could be different if Nelson is unable to do so.

The Profitability of Itinerant Sales Lending (Before Write-Offs)

We performed a detailed review of a small selection of Itinerant Sales loans to better understand their nature and profitability.

We attach a schedule summarizing our findings as Appendix "A". The internal rate of return of the deals we reviewed seem to vary between 25.98% and 77.1%. Lendcare loans are graded, depending on a risk matrix calculation, as either A (the best risk but lowest return), B and C. Most of Nelson's deals during recent months have been Lendcare A deals which are the least

Memorandum - Nelson
Viability Review - April 15, 2010
Page 3

profitable.

We also note that, during the eight months ended March 31, 2010, Nelson has booked income relating to Itinerant Sales loans of approximately \$4,000,000. This is equivalent to an annualized rate of \$6,000,000. With approximately \$24,000,000 of Itinerant Sales loans, this implies a gross return on these loans, before write-offs etc., of about 25%. Nelson has informed us that their overall internal target is 33% but that one major reason why the actual is lower is the impact of delinquent accounts where the loan remains in the loan balance but, in accordance with company policy, no income has been booked because no payments have been received.

In light of the above, an overall return of 25% seems plausible, particularly given the large volume of lower margin Lendcare A loans Nelson has made. In this review we will assume a gross return of 25% is reasonable.

Bad Debts and Delinquencies

Nelson's customers range from home owners for whom a Nelson loan is a convenient way to fund the acquisition of a consumer good or a supply of food through to non/sub-prime borrowers poorly served by traditional banks and financial service companies.

Some of Nelson's customers will be late with their payments and some will ultimately default.

Nelson has a department devoted to collecting its loans and its success, together with Nelson's underwriting skills in deciding what loans to make and at what price, are key components of the viability of Nelson's business model. In assessing the viability of Nelson's core business on a go forward basis a key question is "How much of the funds Nelson lends will never be collected?". In order to better understand how Nelson deals with problem accounts we performed a detailed review of a few "typical" slow payers. We also looked at Nelson's own bad debt provisioning.

Getting a realistic idea of what is an appropriate go forward bad debt reserve is difficult. Nelson's loans can be outstanding for up to four years. Nelson's lending practices have changed over the last four years. In addition during the last two years the economy has been in recession. Consequently, past write-offs may not be a good indicator of future write-offs. In addition, with 12,000 separate accounts, an account by account review is not practical and a statistical approach to reserves, while theoretically possible, would be challenging and beyond what we could accomplish within the short time we have available to address this component of viability.

Recently Nelson has calculated its bad debt reserve to be equal to the loan write-offs for the

Memorandum - Nelson
 Viability Review - April 15, 2010
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preceding year. On that basis, as at March 31, 2010 it had a reserve on consumer and Itinerant Sales loans of \$571,437. This represented, by their own calculation, a reserve of 2.34% of outstanding loans.

If we apply the same percentage and logic to a go forward book of loans totalling \$24,000,000 and annual new loans of \$16,000,000 an annual charge of \$560,000 would be in order representing 3.5% of the new loans granted.

The appropriate size of the bad debt reserve may impact on the likely value of existing loans but does not, of itself, indicate how much would be a reasonable estimate of the losses Nelson might expect from new loans totalling \$16,000,000 in a year. For the purposes of this review we are going to assume that a charge of 3.5% of the loans granted ie \$560,000 is appropriate. We believe this is a reasonable approach in the circumstances however our overall analysis could be materially affected if there is a significant variance between actual delinquencies and projected delinquencies.

Overhead

This represents all costs involved in running Nelson except for any costs related to investors (including interest costs) and any costs related to the restructuring. Based on its expenses over the last two years and adding in an amount representing a salary for Mr. Boutet (who had been previously paid by Nelson Investment) an annual overhead cost of \$2,400,000 seems plausible.

Profitability Before Taking Into Account the Cost of Funds.

Based on the assumptions and estimates noted earlier, a go forward picture of Nelson, on an annual basis, might look like this:

Income	\$6,000,000
Overhead	(2,400,000)
Allowance for Bad Debts	(560,000)
Funds available for interest/profit	<u>\$3,040,000</u>

Ongoing Viability

The margin above seems sufficient for us to say that there is a realistic prospect that Nelson could restructure its debt and be able to service that debt and continue in business for the

Memorandum - Nelson
Viability Review - April 15, 2010
Page 5

foreseeable future (providing it can obtain financing to assist in the redemption of existing debt in accordance with the debt maturity terms set down in an approved restructuring plan). The bad debt allowance would seem to have to be materially incorrect to seriously impact Nelson's ability to service debt. Any such restructuring is of course subject to the wishes of the stakeholders who may no longer want to support Nelson.

The Availability of Funding

If it is to continue in business for the longer term, Nelson will need to obtain financing to assist in repayment of notes that are to be released. If its business grows it will also need to fund that expansion. We have not at this time addressed Nelson's ability to obtain such funding. In the short term, Nelson's funding is being provided by existing investors. (Any restructuring plan will set down the maturity dates on any such restructured indebtedness)

Nelson Limited Review of the Internal Rate of Return of a selection of current loans

Unaudited, may contain errors

Date	Initials	Amount Advanced *	Last Payment Due	Annual Percentage Rate		Notes
				IRR per AJP	EAR per Nelson	
18/03/2010	DT	\$2,779.65	21/01/2011	37.78%	37.97%	Food
18/03/2010	TB	4,116.00	24/03/2011	37.48	37.47	Food
15/03/2010	VC	3,334.35	11/08/2012	25.98	33.703	Lendcare A deal; IRR is after taking account of various fees; IRR without fees is 32.83%
17/03/2010	MA	2,571.61	16/08/2013	47.94	48.65	Lendcare B deal
16/03/2010	FA	1,349.07	14/05/2014	77.1	88.51	Lendcare C deal
17/03/2010	AB	3,503.36	20/03/2013	50.97	51.447	Refinancing existing consumer loan

Notes

- APR Annual Percentage Rate
- EAR Effective Annual Percentage Rate
- IRR Internal Rate of Return
- * Including any referral fees paid

APR and EAR are industry terms that describe the interest rate on a loan for a whole year as opposed to a monthly fee/rate. The definitions of APR and EAR differs somewhat between jurisdictions and can be complicated by whether start up fees should be included in the rate. We are told that the software used by Nelson to calculate EAR and/or APR uses certain assumptions regarding fees and the timing of the first repayment that are not true for all loans

We have not attempted to fully replicate the math behind Nelson's EAR and APR calculations
 We have instead performed our own IRR calculation
 The IRR calculation we have performed is based solely on the flow of funds, including fees paid to third parties.
 We think that this gives a better idea of the anticipated profitability of a loan and can be compared to the cost of the money required to fund the loan
 Our calculations take no account of the impact of an early repayment of a loan,
 Our calculations take no account of the impact of any late instalment payment or delinquency

Court File No. 10-8630-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

First Report of
A. John Page & Associates Inc.
In its Capacity as the
Monitor of
Nelson Financial Group Ltd.

Dated April 15, 2010

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Attention: A. John Page

TAB H

This is **Exhibit "H"** to the
Affidavit of Marc Boutet
sworn before me, this 31st day of
May, 2010.


A Commissioner for taking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**

Court File No. 10-8630-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

Applicant

**AFFIDAVIT OF MARC BOUTET
(Sworn April 16, 2010)**

I, **MARC BOUTET**, of the City of Pickering, in the Province of Ontario, **MAKE OATH
AND SAY AS FOLLOWS:**

Introduction

1. I am the President, Secretary and sole director of Nelson Financial Group Ltd. ("**Nelson Financial**" or the "**Applicant**"). Accordingly, I have personal knowledge of the matters deposed to in this Affidavit. Where this Affidavit is not based on my personal knowledge, it is based on information and belief and I verily believe such information to be true.
2. This Affidavit is sworn in support of Nelson Financial's motion for an extension of the stay of proceedings granted to the Applicant under the *Companies' Creditors Arrangement Act* (the "**CCAA**") from April 23, 2010 to June 7, 2010.

Background

3. On March 23, 2010, Nelson Financial filed for and obtained protection from its creditors under the CCAA pursuant to the Order of the Honourable Madam Justice Pepall (the “**Initial Order**”). A copy of the Initial Order is attached hereto as **Exhibit “A”**. A copy of the Endorsement of the Honourable Justice Pepall dated March 23, 2010 (the “**Initial Endorsement**”) in relation to the Initial Order and a copy of the unofficial typed transcription of the Initial Endorsement are attached hereto as **Exhibit “B”**.
4. Pursuant to the Initial Order, A. John Page & Associates Inc. (“**AJP&AI**”) was appointed as Monitor of the Applicant (the “**Monitor**”).

Restructuring Activities

5. Since the issuance of the Initial Order, Nelson Financial has been working diligently to stabilize its business and maintain operations in compliance with the cash projections filed with this Honourable Court. Details of such steps will be further described in the First Report of the Monitor.
6. Pending the outcome of the Monitor's review of the company's business and operations, which I understand will be outlined in the First Report of the Monitor, Nelson Financial has not undertaken significant restructuring steps. In the event that this Honourable Court grants the requested stay extension, Nelson Financial intends to take further steps in its restructuring, including:
 - (a) the development and implementation (with the approval of this Honourable Court) of a claims process;
 - (b) the development of a plan of compromise or arrangement to propose to creditors; and,

(c) the convening of a meeting of the company's creditors for the purposes of considering and voting on any plan put forward by the company.

7. As previously disclosed to this Honourable Court in my Affidavit sworn March 22, 2010, and if the stay of proceedings is extended, Nelson Financial intends to formulate a plan of compromise and arrangement which will include the following general features:

- (a) the conversion of some percentage of the existing promissory notes to new preferred shares (with rights and attributes to be determined) in the capital of the restructured Nelson Financial;
- (b) the conversion of the remainder of the existing promissory notes into a new series of notes;
- (c) the conversion of existing preferred shares into a new class (or classes) of preferred shares (with attributes and rights to be determined);
- (d) the provision for satisfaction of any valid prior secured claims in favour of the Mackie Parties (as defined below); and
- (e) the payment or assumption of all employee claims.

Attached hereto as **Exhibit "C"** is a copy of my Affidavit sworn March 22, 2010.

Lendcare

8. As noted in my Affidavit sworn March 22, 2010, Nelson Financial has previously partnered with Lendcare Financial Services Inc. ("**Lendcare**"). Lendcare is a national provider of financial services which specializes in consumer financing partnerships with finance companies, merchants, and distributors to offer retail and direct financing programs to customers. When partnered with Nelson Financial, Lendcare acts as a factor conduit to aggregate a significant percentage of the accounts receivable

financed by Nelson Financial. By engaging Lendcare, Nelson Financial reduces its credit risk and the costs associated with credit control and administration.

9. Nelson Financial's relationship with Lendcare was 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, (together, the "**Lendcare Agreement**"). Attached hereto and marked as **Exhibit "D"** is a copy of the Lendcare Agreement.
10. On Monday, March 22, 2010, contrary to its usual arrangements, Lendcare failed to provide Nelson Financial with the opportunity to finance any transactions within its customer lending programs. From March 22, 2010 forward, Lendcare failed to provide Nelson Financial with any further financing opportunities.
11. On April 6, 2010, I was advised by Lendcare's President, Mark Schell, that Lendcare was purporting to terminate the Lendcare Agreement.
12. In view of Lendcare's failure to meet its obligations under the Lendcare Agreement and its purported termination of the Lendcare Agreement, Nelson Financial elected to treat Lendcare's actions as constituting a repudiation of the Lendcare Agreement and has opted to treat the Lendcare Agreement as at an end.
13. As a result of Lendcare's breach of the Lendcare Agreement, Nelson Financial has not been able to reinvest proceeds from prior financings as quickly as it had projected. Accordingly, and as is reported in greater detail in the updated cash-flow projections which will be attached to the First Report of the Monitor, Nelson Financial has currently accumulated significantly more cash than initially projected and is taking steps to source new financings.
14. Following Lendcare's repudiation of the Lendcare Agreement and its termination, Nelson Financial's efforts to source new financings have included discussions with 932552 Ontario Ltd., a company carrying on business as Distribution Centre (the "**Distribution Centre**"). Distribution Centre previously provided vendor-assisted

financing opportunities to Nelson Financial through the Lendcare programs. The purpose of these discussions with Distribution Centre is to permit Nelson Financial to deal directly with Distribution Centre on a go forward basis.

15. In view of provisions in the repudiated Lendcare Agreement which purport to restrict Nelson Financial's ability to solicit financing opportunities from businesses that have dealt through Lendcare, Nelson Financial does not propose to enter into any binding agreements with the Distribution Centre until authorized by this Honourable Court.
16. Following my discussions with the Distribution Centre and other businesses wishing to provide vendor-assisted financing to their customers, including LG Electronics, I am very optimistic that Nelson Financial will be able to replace the business generated from the Lendcare financing opportunities with an improved portfolio of loans which carry substantially better profitability and risk.

Ontario Securities Commission

17. As previously disclosed to this Honourable Court in my Affidavit sworn March 22, 2010, Nelson Investment Group Limited ("**Nelson Investment**") has been the subject of a compliance review and investigation by the Ontario Securities Commission (the "**OSC**"). Nelson Financial has continued its cooperation with the OSC enforcement staff handling the investigation and is attempting to work with the OSC to ensure that issues raised are addressed with the OSC in a timely fashion.
18. I am informed by Kelley M. McKinnon of Gowling Lafleur Henderson LLP that the OSC staff appear generally to be inquiring into 2 areas as follows (i) in relation to Nelson Investment, the compliance systems and compliance steps of Nelson Investment in dealing with investors, particularly focusing on KYC (know-your-client) information and whether investors were qualified as accredited investors, and (ii) in relation to Nelson Financial, understanding the financial model, including things like the cash flow, profitability, bad debt and delinquency issues affecting the Nelson Financial results. I

am further informed by Kelley M. McKinnon of Gowling Lafleur Henderson LLP that the discussions with the OSC are focussed on the future viability of Nelson Financial.

Mackie Parties

19. On April 5, 2010, counsel for Glenn Mackie, Lisa Mackie, and Foscarini Mackie Holdings Inc. (the "**Mackie Parties**") wrote to both counsel to Nelson Financial and the Monitor regarding the Mackie Parties security. Counsel for Nelson Financial has had preliminary discussions with counsel for the Mackie Parties concerning their claims to security interests over certain contracts financed by Nelson Financial and discussions are ongoing involving counsel to Nelson, the Monitor and its counsel, concerning the validity, enforceability and perfection of the security interest in favour of the Mackie Parties. Nelson Financial anticipates that a formal response will be provided to counsel to the Mackie Parties shortly. A copy of the letter sent from counsel to the Mackie Parties is attached hereto as **Exhibit "E"**.

David Baker

20. On April 7, 2010, counsel for David Baker wrote to express Mr. Baker's concerns with certain statements made in my Affidavit sworn March 22, 2010 in respect of Nelson Financial's dealings with Mr. Baker. A copy of the letter from counsel to Mr. Baker and Nelson Financial's response are attached hereto as **Exhibit "F"**.

Monitor's Report on Viability

21. Following discussions involving the OSC, the Monitor and its counsel, and in consultation with Nelson Financial, it was determined that the Monitor should prepare a report on the ongoing financial viability of Nelson Financial's business and operations (the "**Viability Report**").
22. Since the granting of the Initial Order, and in addition to its ongoing efforts to support and stabilize its business, Nelson Financial has worked cooperatively with the Monitor

to supply the Monitor with a high level of detail concerning the company's business, in order to assist the Monitor in the preparation of the Viability Report.

23. I understand that the Monitor's Viability Report will be contained in the First Report. Based on my understanding of the conclusions of this report and the Monitor's recommendations, I continue to believe that Nelson Financial will be able to propose a plan of compromise or arrangement to its creditors that offers stakeholders a better result than bankruptcy or liquidation. Furthermore, Nelson Financial should be able to generate stable and increased margin from its business, based on a changed focus towards the financing of consumer goods for customers with stronger credit histories. My discussions with the Distribution Centre, LG Electronics and others are part of this process.

Stay Extension

24. In order to permit the Applicant to move forward with its restructuring in conjunction with the Monitor and interested stakeholders, it is appropriate and necessary to extend the stay of proceedings June 7, 2010.
25. The continuation of the stay of proceedings is necessary to provide the stability required to continue the Applicant's restructuring activities which have been ongoing following the granting of the Initial Order.
26. Nelson Financial has acted in good faith and with due diligence since the issuance of the Initial Order in pursuing its restructuring. In particular, with the assistance of the Monitor and its counsel, Nelson Financial has continued its discussions with the OSC with a view to addressing appropriate requests for information and generally responding to the OSC's investigation, as suggested by this Honourable Court in the Initial Endorsement.

TAB I

This is **Exhibit "I"** to the
Affidavit of Marc Boutet
sworn before me, this 31st day of
May, 2010.


A Commissioner for taking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**

I have booked June 4/2010
before me for stay extension.

St. Russell, J

May 28, 2010

Stay extension is already scheduled
for June 4, 2010. Any outstanding issues
relating to healthcare financial will be
dealt with on that day as well. (1hr
has been booked).

Additionally I have booked before me
for additional stay extension meeting
on June 15, 2010.

St. Russell, J.

TAB J

This is **Exhibit "J"** to the
Affidavit of Marc Boutet
sworn before me, this 31st day of
May, 2010.


A Commissioner for taking Affidavits

**JOANNE JOSEPHINE RAFFA,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO
FOR NELSON FINANCIAL GROUP LTD.
EXPIRES FEBRUARY 1, 2013.**



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

**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, 17th 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;

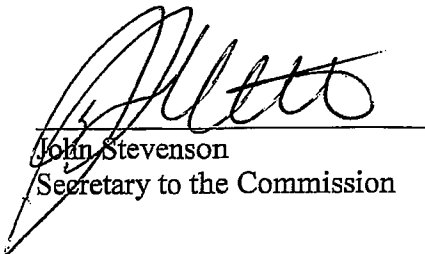
- (e) pursuant to clause 6 of section 127(1) of the Act, that the respondents be reprimanded;
- (f) pursuant to clause 7 of section 127(1) of the Act, that the respondent Boutet resign any position that he holds as a director or officer of an issuer;
- (g) pursuant to clause 8 of section 127(1) of the 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 12th day of May, 2010


John Stevenson
Secretary to the Commission



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

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099

**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.

2.

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 12th day of May, 2010.

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)

AFFIDAVIT OF MARC BOUTET
(Sworn May 31, 2010)

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
TORONTO, Ontario
M5X 1G5

Clifton P. Prophet / Frank Lamie
LSUC No.: 34345K / 54035S

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

**SOLICITORS FOR THE APPLICANT,
NELSON FINANCIAL GROUP LTD.**

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
(COMMERCIAL LIST)**

(PROCEEDING COMMENCED AT TORONTO)

**MOTION RECORD
(Returnable June 4, 2010)**

GOWLING LAFLEUR HENDERSON LLP
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**Solicitors for the Applicant,
Nelson Financial Group Ltd.**