Court File No. CV15-10961-00CL

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 EDUCATION LTD. AND NELSON EDUCATION HOLDINGS LTD.

Applicants

TRANSCRIPT BRIEF
(Sale Approval Motion and RBC Motion returnable August 13, 2015)
Volume II – Evidence of Les Vowell

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INDEX

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(Sale Approval Motion and RBC Motion returnable August 13, 2015)

INDEX

F.	RBC Credit Report – June 23, 2014 (without attachments)
G.	RBC Credit Report – July 9, 2014 (without attachments)
H.	RBC Credit Report – August 20, 2014 (without attachments)
I.	RBC Credit Report – October 2, 2014 (without attachments)
J.	RBC Credit Report – December 18, 2014 (without attachments)
K.	RBC Credit Report – April 15, 2015 (including attachment #3 only)
2.	Exhibit “2” – Unredacted RBC Credit Report for August 20th, 2014
3.	Exhibit “3” – Letter from Goodmans to Paul Hastings dated September 19, 2014
4.	Exhibit “4” – Letter from Goodmans to Paul Hastings dated October 6, 2014
5.	Exhibit “5” – Letter from Bennett Jones to RBC dated October 16, 2014
6.	Exhibit “6” – Bundle of e-mail strings, Documents NR002401 and NR003585
7.	Exhibit “7” – E-mail exchange between Les Vowell and Raymond Chang, Document NR000438
8.	Exhibit “8” - E-mail from Les Vowell to Bruce Campbell, et al. dated April 14, 2014, Document NR000463
9.	Exhibit “9” – E-mail from Les Vowell to Joanne Hosing dated May 6, 2014, Document NR000295
VI.	Errata and Factual Clarifications to Answers Given on the Cross-Examination of Les Vowell
VII.	RBC NYB Non Accrual Loan and Loan Provision Procedures

TAB V

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Applicants

CROSS-EXAMINATION OF LES VOWELL
on his two Affidavits sworn July 13 and July 21, 2015, held at the offices of ASAP Reporting Services Inc., 333 Bay Street, Suite 900, Toronto, Ontario, on Wednesday, August 5, 2015, at 10:03 a.m.

APPEARANCES:

Jessica Kimmel Caroline Descours	on behalf of the Applicants
Robert W. Staley Sean H. Zweig William A. Bortolin	on behalf of Wilmington Trust, National Association, as the First Lien Agent, Cortland Capital Market Services LLC, as The Supplemental Agent, and the First Lien Steering Committee
John L. Finnigan D.J. Miller Kyla E.M. Mahar	on behalf of Royal Bank of Canada
Evan Cobb	on behalf of the Monitor, FTI Consulting Canada Inc.

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INDEX

LIST OF EXHIBITS

Toronto, Ontario

--- Upon commencing on Wednesday, August 5, 2015 at 10:03 a.m.

AFFIRMED: Les Vowell

CROSS-EXAMINATION BY MS. KIMMEL:

1 Q. Good morning, Mr. Vowell. We are here today to ask you some questions about two affidavits that you have sworn, and I just want to confirm that you have got those in front of you. There is an affidavit that you swore on July 13th and another one that you swore on July 21st of this year; is that right?

A. That's correct.

2 Q. And I take it you had an opportunity to review those affidavits before you swore them?

A. Yes, I did.

3 Q. And have you reviewed them again before coming here today?

A. I reviewed them last night.

4 Q. And do you have anything that you would like to correct or change?

A. No, I don't. No.

5 Q. Now, if you could take a look at the July 21st affidavit, and that's in something called a Responding Motion Record, I believe.

A. Okay.

6 Q. You have that?

A. I think so, one second here. Responding July 21st, yes.

7 Q. Okay. And just, I just want to ask you some questions about your position and I thought this would be helpful to have it in front of you.

A. Okay.

8 Q. It says here that you are the managing director of RBC Capital Markets; is that right?

A. That's correct. Though I should clarify, "Capital Markets" is really like a trade name, if you will. So the loan is booked under Royal Bank of Canada. And that is who I work for is the Royal Bank of Canada, but my business card will have "Capital Markets" on it.

9 Q. Okay, and that is one thing I just wanted to clarify.

So when you say you are

swearing the affidavit on behalf of the Royal Bank of Canada, as you do in paragraph 2, you hold a position with the Royal Bank of Canada?

A. That is correct.

10 Q. And you say that you have responsibility for "this account". I take it what you mean by "this account" is both the first lien loan and the second lien loan that the Royal Bank of Canada has with the Applicants?

A. I think that is correct, with my activity focused on second lien. I think it's fair to say that I have not participated in first lien meetings, nor steering committee meetings and the only response, I believe, I have given to any request for documents was a lack of response for the loan support agreement.

So I don't believe, from a first-lien perspective, I have done anything else on that side.

11 Q. When you say, as you say in paragraph 1, "with responsibility for this account", I take it what you are now sort of qualifying is that your responsibility is only with respect to the second lien loan?

A. No, no, the entire credit

facility is within my responsibility, but all my activities have been focussed on the second lien not on the first lien.

12 Q. But you still have responsibility --

A. Yes.

13 Q. -- for both?

A. For both.

14 Q. I am just going to say this, because I don't want the Court reporter to get super annoyed with us, if you could just let me finish my questions before you answer, even if you know where I am headed, it will just be easier for her. Okay?

A. Okay.

15 Q. So is there somebody else at Royal Bank who is more responsible than you or who has been more active in respect of the first lien loan?

A. No.

16 Q. Okay. Are there people in Canada who are involved in these loans?

A. Ray Chang, who will be the first person to review my credits. And then the size of the credit is outside his limit, so

Bruce Campbell, who was the senior VP at the time, would be the signing authority on that -- or the final signing authority.

17 Q. And, again, they both are with -- in terms of their responsibilities, when you talk about the "credit", you are talking about both the first lien and second lien facilities?

A. That is correct.

18 Q. When did you become responsible for "this account", as you say?

A. October 2012.

19 Q. And did you take that over from somebody else?

A. Yes. It was managed down here Bill Caggiano, he was the account manager or the senior manager on the file.

20 Q. And what led to you taking over?

A. There was a sale of the Second Lien Note by the field, I think they sold a $5 million tranche, they sold it at 65 cents on the dollar. When a -- from an accounting perspective, if you trade a loan below 90 cents, it is deemed to be, at the time, a loan loss, and the entire book has to be marked to market to 65 cents, or the second lien, I should say.

And then in October, in the October credit, that is where you will see the recommendation from PCL of I think it was $55 million, and that reflects the mandatory provision we had to take at that time.

21 Q. And I take it you took it over at that time because you specialize in problem loans, if I can put it that way?

A. Well because the field inadvertently created a loan loss, they have no authority to do that and so automatically that moves over to me. So, yes, when the loans go bad, if you will, they move to me.

22 Q. Okay.

MR. FINNIGAN: We like to call them special.

MS. KIMMEL: Everybody is so sensitive.

(Laughter)

BY MS. KIMMEL:

23 Q. I take it because of what you specialize in, if I can put it that way, you have some experience with litigation and insolvency proceedings relating to loans and

restructurings of loans?

A. Surprisingly not. Actually 34 years of banking, this is the first time.

24 Q. Really? All right. So you, I guess, will pride yourself, then, in your success at negotiating out of those situations; is that fair to say?

A. I don't think -- I have never been to trial before.

25 Q. Right.

A. So this is the first time. So it isn't -- I like to think that I am a reasonable person and that we can, we come to conclusions that are acceptable to everybody.

26 Q. So that is what I mean. You sort of pride yourself in your ability to negotiate your way out of those litigation situations --

A. Yes.

27 Q. -- correct?

A. I think negotiate a mutually accepted compromise. Because, like I said, litigation I haven't been involved in before.

28 Q. But I take it you always understand that if you can't negotiate a mutually acceptable compromise or settlement that litigation is a prospect?

A. Bankruptcy is a prospect, yes.

29 Q. Insolvency proceedings?

A. Yes, yes.

30 Q. Okay. So in this same affidavit that we were just looking at, the July 21st affidavit, if we can just look at paragraph 2 for a minute. I just want to focus on one aspect of what you say here.

A. Um-hmm.

31 Q. You say the affidavit is sworn on behalf of Royal Bank of Canada, you say, in response to a motion which you describe as the sale motion brought by the Applicants; do you see where I am reading from?

A. Yes.

32 Q. So I just want to focus on the word "response", if I could, for a moment.

My understanding is that the Royal Bank of Canada is taking no position on the sale approval aspect of the Applicants' motion, neither consenting nor opposing; is that your understanding?

A. That's my understanding.

33 Q. Okay.

A. At this time. I should qualify that.

34 Q. Now just dealing with some of -- you have described, if you look at the rest of paragraph 2 which starts on the next page, you have described the various aspects of the relief that's being sought by the Applicants on this motion, and I would just like to look at one particular aspect of it, if we could, it's subparagraph G of paragraph 2 of your affidavit, but it is actually on page 3.

And is this in your list of things that are being sought on the motion --

A. Um-hmm.

35 Q. -- and this description is, if I can just summarize it, in connection with a release of claims as between and among various parties including the First Lien Agent, the Applicants, the First Lien Lenders and various officers, directors, employees, advisors, et cetera; do you see that?

A. Yes.

36 Q. Now just so I understand the bank's position, is the bank opposing the granting or ordering of that release?

MR. FINNIGAN: I am sorry, can you just repeat your question?

BY MS. KIMMEL:

37 Q. Is the bank opposing the granting or ordering of that release?

MR. FINNIGAN: Yes, is the answer.

BY MS. KIMMEL:

38 Q. And is the basis for the opposition of that request that the bank would like to preserve its position with respect to the amounts that are being claimed and the relief being claimed in its motion that's also returnable on the 13th of August?

MR. FINNIGAN: Well that's really, that's a factual question. The position that we take will be set out in the factum that will be prepared after these examinations are completed. So I don't really know that's a question for the witness.

BY MS. KIMMEL:

39 Q. There is a question for the witness in here, and I will just cut straight through it so you can tell me if you are prepared to answer it or not.

I would like to know what claims or matters RBC is seeking to preserve by way of its opposition to this release? Is it opposed to it because it doesn't want to participate in this release and is it because there are certain underlying claims that it is seeking to preserve?

MR. FINNIGAN: It's not appropriate, in our view, the argument would be to have such a release where there is not a plan.

BY MS. KIMMEL:

40 Q. So that is a legal position?

MR. FINNIGAN: That's the legal position that we will be asserting, yes.

BY MS. KIMMEL:

41 Q. And I want to know, though, just as a factual matter, does RBC object to its inclusion in that release because it is seeking to preserve certain of its claims, underlying claims?

MR. FINNIGAN: The position is it's simply inappropriate for such a release to be given in this context. And if that includes the preservation of claims, I guess that would be the effect of not having a release, any claims that existed would be preserved. But we have advanced a motion setting out the relief that we seek. So if there are -- if there is no release, as we say there should not be, then the parties will retain any and all rights that they have.

BY MS. KIMMEL:

42 Q. And are the claims that RBC would seek to preserve those which are reflected in its motion?

MR. FINNIGAN: It would include those claims.

BY MS. KIMMEL:

43 Q. But you are not limiting it to those?

MR. FINNIGAN: No, we are not --

BY MS. KIMMEL:

44 Q. Are you aware of any other claims, Mr. Vowell, other than the ones in RBC's motion that it has against the Applicants,

and its officers, directors, employees, advisors?

A. At this point in time, I don't know of any other.

45 Q. Let's just turn to look at what RBC is seeking in that motion. It's in the motion record, and you conveniently summarize it in your affidavit, your July 21st affidavit.

MR. FINNIGAN: So same document?

BY MS. KIMMEL:

46 Q. It's actually the other document.

A. This one, July 13th?

47 Q. Sorry, yes, I should have said the July 13th affidavit.

And in paragraph 2 you summarized your understanding of the relief that RBC is seeking in this motion; correct?

A. Yes, yes.

48 Q. And if we just look at the first item, the first item, (a), is that RBC is seeking a direction against Nelson Education Ltd. to pay RBC, in RBC's capacity as the Second Lien Agent pursuant to the second lien --

A. I am sorry, you said

"(a)" and I looked at page, which page are you on?
49 Q. Page 2, we are in the July 13th affidavit. You might be in the wrong affidavit, it is confusing. Or maybe you are in the Notice of Motion.
A. "The motion is in order for"?
MS. MAHAR: Go to Tab 2.
THE WITNESS: Tab, 2, okay.
BY MS. KIMMEL:
50 Q. So this is your affidavit where you summarized the relief?
A. Yes, okay. I saw you were on a different page than I was.
51 Q. Okay. So in, (a), one of the things that RBC is seeking is a direction against Nelson Education, and this is something that RBC seeks in its capacity as the Second Lien Agent; is that right? According to what you say here?
A. Yes.
52 Q. And what RBC wants here is a payment of, I will say, the approximate amount of 1.3 million Canadian, which according to your affidavit is the costs and expenses of

professional fees incurred by the Second Lien Agent prior to the CCAA filing; is that right?

A. Correct.

53 Q. Are these amounts that RBC has, in fact, paid? All these amounts, 1.3 million Canadian, is it RBC that's paid those to the professional advisors?

A. With the exception of one Second Lien Lender, approximately this has been paid.

54 Q. What do you mean by that?

A. I am going back, certainly as of December 31st, everything was paid. And then we have been current on our legal bills up until this point in time.

So the answer is yes.

55 Q. What did you mean by the exception of one Second Lien Lender Group?

A. There is one Second Lien Lender Group that accounted for, I want to say, 1 per cent of the Second Lien Facility that did not pay their pro rata share.

56 Q. Do you know which one that was?

A. I do.

57 Q. Who was it?
A. Pxxxxxxxxx.
MR. FINNIGAN: I thought we weren't getting into the names of the lien holders?
MS. KIMMEL: Sorry, I didn't know if that was confidential. I knew the first lien was, I didn't know if the second lien --
MS. MAHAR: They are both a First Lien Lender and a Second Lien Lender.
MS. KIMMEL: Okay, well that was one of the questions. Let's strike the name.
BY MS. KIMMEL:
58 Q. We will call them "Second Lien Lender Group, P", but as your counsel has indicated, that's a Second Lien Lender that is also a First Lien Lender; correct?
A. That's my understanding.
59 Q. And they are the only ones that haven't paid their share of these agency fees, agent fees -- the Second Lien Agent fees?
A. Correct.
60 Q. Okay. So if we can then look at the next aspect of the relief that is being sought in subparagraph (b) of your

affidavit, paragraph 2.

You want a direction, again, that an amount be paid to RBC in its capacity as Second Lien Agent for accrued and unpaid interest under the second lien credit agreement outstanding as at the CCAA filing, and for this the amount you claim is US 15.4 million?

A. Correct.

61 Q. Okay. And, again, that's in RBC's capacity as Second Lien Agent that you are seeking that payment?

A. Right, to be distributed to all the lenders.

62 Q. Correct, okay.

Now this is effectively the accrued interest that RBC has calculated starting with the partial payment that was in respect of the quarterly interest from March of 2014. You received part of that, but there was still part that was not paid for that quarterly payment; correct?

A. That is correct.

63 Q. And then all of the quarterly payments after that up to the CCAA filing date, that's what's included in this

number; correct?

A. Yes. So to be clear, it's everything up to the that date, from March 31st on, less the $350,000 that was paid.

64 Q. That was paid in March of 2014?

A. That's correct.

65 Q. Okay.

You have set out, and we don't need to go into great detail, but the precise manner in which that is calculated is included in, I think, Schedule F of your --

MR. FINNIGAN: Yes, it's at Exhibit F.

BY MS. KIMMEL:

66 Q. Exhibit F, I am sorry, of your affidavit. Is that right?

A. That is correct.

67 Q. And you are careful to note in Exhibit F, you see Note 1, that the interest rate being used is based upon the non-default rate of interest under the second lien credit agreement?

A. That is correct.

68 Q. Okay, thank you.

Now, the next thing that you describe in your affidavit as relief that RBC is seeking on this motion is in subparagraph 2(c). Now this relief, RBC is claiming in its capacity as a lender under the first lien credit agreement; correct?

A. Correct.

69 Q. So this is in a different capacity than the other two claims?

A. Correct.

70 Q. Right, and this is a claim for what you calculate to be US 1.6 million, which you describe as the RBC consent fee. And this is what you say RBC should be paid in respect of the consent fees that have been paid by the Applicants under the September support agreement with the first lien, the consenting First Lien Lenders; correct?

A. Correct.

71 Q. And just so we have it clearly on the record, RBC is not one of the consenting lenders under that September support agreement?

A. We did not consent; correct.

72 Q. And you say that you want, there is a component called "the early consent fee", and "the additional consent fee", the total of which adds up to your approximately US 1.6 million?

A. That is correct.

73 Q. Are you familiar with the breakdown that approximately 878,000 of what RBC is claiming relates to the early consent fee and the rest of it relates to the additional, are those numbers familiar to you?

A. We calculated those numbers, I think they were in attachments. Can I check this?

74 Q. Yes. Exhibit G. Maybe you can just tell me, as I read your exhibit, the amount that you are calling the initial consent fee that RBC wants to be paid is the total of the first two numbers on the bottom, 629,314 plus 249,000?

A. I am sorry, that is correct.

75 Q. Yes, so that adds up to about 878,000?

A. Yes.

76 Q. And that is the initial consent fee or --

A. Well there is the initial consent fee, which I believe is 2 per cent of the loan amount, and then the ongoing consent fee was a rounding up of the interest rate to ensure a 10 per cent fee is paid to the First Lien Lenders.

77 Q. Well that is what you describe it as, the rounding up of the interest?

A. Well if I am wrong, I will stand corrected.

78 Q. I am just trying to get from you the math. Because in your -- the way you have described this in your affidavit, you speak about the fact that you want a total amount, but you break it down in the schedule. So you have the initial consent fee, and I just want to be clear. The initial consent fee that you are talking about is the total or the aggregate of the two amounts which equals 878,705 approximately?

A. That is how we have calculated it, correct.

79 Q. And the rest of it that you are claiming is what you call this "ongoing consent fee"?

A. Correct.

80 Q. And I take it, in respect of this relief, this relief that is being sought for the RBC consent fee in RBC's capacity as a First Lien Lender, this isn't any amount that RBC is going to be sharing with any of the Second Lien Lenders, RBC is keeping this for itself?

A. That is correct.

81 Q. And I take it you will agree with me that from RBC's perspective, this part of RBC's motion has nothing to do with the second lien credit agreement and has nothing to do with RBC's role as the Second Lien Agent?

A. Other than the -- how the intercreditor agreement impacts on the fee, no.

82 Q. Now just to come to sort of a conclusion of everything that's being sought by RBC in its motion, if you go to, then, subparagraph 2(d) of your affidavit. What you are asking for in respect of all of these amounts that are being claimed that we have now just reviewed, so it would include the Second Lien Agent fees, the Second Lien Agent interest and the RBC consent fee, RBC is asking that this be paid in advance of the conclusion of the sale transaction that the

Applicants are seeking to effect; correct?

A. Paid in advance, that is correct.

83 Q. So you want this money paid before the assets of the Applicants are transferred to the purchaser company?

A. Correct.

84 Q. So you will agree with me that if -- whatever amounts are paid, would come out of the overall recoveries to the First Lien Lenders if the transaction proceeds?

A. I would agree that the pool is smaller. But at the same time, the First Lien has benefited from the breach of the contract and the non-payment of the interest, the second lien interest and fees to date -- or to the CCAA filing.

85 Q. The rights are what they are, the Court will decide that.

The amounts, you will agree with me, that whatever gets paid comes out of the pool of assets that is going to the purchaser?

A. Yeah, and the discussion is: Should the pool of assets have been as big as they are now or should they have been smaller?

And that is the argument before the Court.

86 Q. Right, and the Court will decide that obviously.

A. Hopefully favourably.

87 Q. Just so I understand it, does RBC have an internal mechanism for keeping separate its different activities under, on the one hand, the first lien credit agreement, on the other hand, the second lien credit agreement?

A. Not so much between the first and the second, per se. But the bank does have a trading desk, and they may buy or sell or trade Nelson debt, there is a Chinese wall there. So on my credits you will see a $10 million designated limit to the trading desk, but I am not privy to whether they hold $10 or $10 million.

So there would be that between the public and non-public.

But between the first and the second, as long as it's private there is no distinction.

88 Q. Right. And do you have any system for keeping separate documents or information that you have in relation to the first lien loan, keeping those separate from your

activities and how you behave in connection with the second lien loan or is it all just mixed together in your head?

A. At this point in time, I would say it's a fair statement, it's mixed together in my head.

89 Q. Okay.

A. Now the only caveat I would add to that, is anything I learn from the first lien website or the IntraLinks, I have never posted to the Second Lien Lender Groups.

90 Q. And I wanted, just as an example, if you have Exhibit 9 from yesterday's examination of Mr. Nordal. I just want to -- this is a good example, to get an understanding of how this works.

A. Okay, yes.

91 Q. So this, which is Nelson Education consolidated financial statements, they are called Special Purpose Financial Statements from PricewaterhouseCoopers, we have marked this as a special confidential exhibit, but for purposes of what I want to ask you about we can treat it the same as we did yesterday with Mr. Nordal.

I take it you are familiar with these special purpose financial statements?

A. I have never seen that designation before.

92 Q. Sorry, I meant this actual document.

A. Oh, I am sorry. I am sorry. Yeah, I have looked through this document, yes.

93 Q. And you got this on the First Lien Lender IntraLinks website?

A. That is correct.

94 Q. And you understand, from what you just said to me, that you are not allowed to share this with the Second Lien Lenders; right?

A. I am -- I can only share with the Second Lien Lenders what is sent to me as Second Lien Agent.

95 Q. And this document, Exhibit 9, was only given to you in your capacity as a First Lien Lender; correct?

A. Correct.

96 Q. So you are not allowed to use this document, Exhibit 9, to your understanding, for any purpose with respect to the

second lien credit agreement; correct?

A. I don't have that understanding.

97 Q. You think you can use it with respect to the second lien credit agreement?

A. We haven't shared it, but the company is obligated to share their financial -- are contractually obligated to share their financial information with the Second Lien Lenders. They have not yet, but.

98 Q. So absent -- you don't have any permission from anybody right now to use this document or to share this document with the other Second Lien Lenders; correct?

A. The Royal Bank would not post anything to the Royal Bank -- as Second Lien Agent to the other lenders unless specifically requested to by the company.

99 Q. Okay. And so you don't have any permission right now to share this with the Second Lien Lenders, but is it your understanding, sir, that you can use this document in your capacity as second lien loan Agent?

A. It's not a question of permission. It's a question of an agent does not have any fiduciary duties, it has contractual obligations. And, contractually, we are only required to post on the second lien what is given to us to be posted as agent. I am not the agent, our agency group is actually here in Toronto, and they receive the information to post to the lenders.

100 Q. Well maybe we will deal with the legalities of this separately. I think I have your evidence as to the capacity in which you received this, in any event.

A. Um-hmm.

101 Q. Just one other question, you said you have never seen something called the special purpose financial statement, but you have obviously read it, and you understand that at least according to PricewaterhouseCoopers it has, it's a special purpose and it is -- PricewaterhouseCoopers intends for it to have use restrictions on it, this particular document?

A. Right, not to be -- people should not rely upon that information.

MS. KIMMEL: Do we need to mark this separately or can we just keep it as referenced?

MR. FINNIGAN: Just keep it, I am content with that.

MS. KIMMEL: Thank you.

BY MS. KIMMEL:

102 Q. I would like to ask you now about another document which is contained in that brief that you have in front of you, that is the answers that were provided by Mr. Nordal to some questions that were asked of him.

And if you go to Tab C of that document, you will see that there is something called a -- oh, sorry, not C, D.

A consent and support agreement; do you see that?

MS. MAHAR: Is there a date? Which answers are you dealing with, sorry? Is it the one in May or the ones --

MS. KIMMEL: May. The responses to written questions on affidavit of Greg Nordal sworn May 11, 2015, which I believe are part of the Court record.

MS. MAHAR: Yes, I just wanted to make sure.

BY MS. KIMMEL:

103 Q. Have you had a chance to

look at that, Mr. Vowell?

A. I just looked through it.

MR. FINNIGAN: Do you want him to read it all the way through?

THE WITNESS: The whole thing or?

BY MS. KIMMEL:

104 Q. No, I just want you to have some familiarity with what I am showing you.

A. Okay.

105 Q. Mr. Nordal has said in his responses, and I am just telling you this in case it assists you, that this is a consent and support agreement that was executed by RBC and the company in July of 2014; are you familiar with it?

A. Yes, I am.

106 Q. You are, okay.

And you recognize this as the consent and support agreement that RBC signed in July of 2014?

A. Correct.

107 Q. RBC signed this after the maturity of the -- just in terms of our chronology, the first lien loan agreement had matured at this point?

A. Correct.

108 Q. And so at this point in time when this consent and support agreement was being signed by RBC, the company had an obligation to repay approximately 270 million US under the first lien credit agreement?

A. That is correct.

109 Q. And your understanding at the time was that the company did not have that money and was not in a position to pay that money?

A. That is correct.

110 Q. And so for purposes of how this agreement works, RBC was a consenting lender under this agreement; correct?

A. Oh, that's correct, yes.

111 Q. And it agreed to various things, but let's just look at a couple of them, if we could.

First of all, if we turn to Section 4 of this agreement, on page 4. RBC as a consenting lender, in paragraph 4 sub (c), was agreeing that it would consent to the transactions and the transaction terms which we will come to in a moment, they are in a separate schedule; right?

A. Correct.

112 Q. And RBC also agreed that it will not support or take any action which is intended to or would reasonably be expected to impede or delay or postpone those transactions; correct?

A. Correct.

113 Q. And the flip side of that, use commercially reasonable efforts to try to facilitate the completion of those transactions; correct?

A. Correct.

114 Q. Okay. And if you turn to subparagraph 4(e), another thing that RBC as a consenting lender was agreeing to at this time was that there would be releases between the companies and their subsidiaries, affiliates, officers, directors, employees and all of the consenting lenders?

A. Correct.

115 Q. And RBC agreed that that could be done by way of separate releases executed by consenting lender or by a court order, that is what is in paragraph (e); right?

A. Correct.

116 Q. And in paragraph 5, there

is a similar sort of reciprocal release the other way, but we don't need to go into it.

Again, RBC is agreeing that there is going to be releases going in both directions between the company and the other released parties, the consenting lenders, and officers, directors, employees and that they can either be signed or they can be implemented by a court order; right?

A. Correct. And the caveat being that this is effective.

117 Q. Assuming this agreement goes into effect?

A. Correct.

118 Q. But that is what RBC was prepared to agree to, assuming this was implemented?

A. Correct.

119 Q. Now if we then turn to paragraph 7, another thing that RBC as a consenting lender agreed to with respect to this consent and support agreement is that if you don't get 100 per cent of the lenders in the first lien credit on side, then the company may proceed with the transactions in any event, and one of the ways

in which they might do that would be to a CBCA proceeding?

A. Correct.

120 Q. Another is a forbearance agreement of some sort?

A. Correct.

121 Q. So RBC, as a consenting lender, was prepared to proceed with an arrangement whereby there would be alternative ways to implement the transaction if you couldn't get all of the First Lien Lenders to support it; correct?

A. Correct.

122 Q. And RBC considered these terms, the release terms and these alternative transaction terms, to be within the market norms for this type of support transaction; correct?

A. This intended an eventual CCAA filing, yes.

123 Q. Well it doesn't talk about a CCAA filing here.

A. Well I can tell you right now, my expectations at the time were that it was going to be a CCAA or a CBCA or some type of consensual restructuring.

124 Q. And if it was a CCAA, these types of arrangements, with a release and an alternative transaction where you don't have 100 per cent support, RBC considered those to be within the market norms for this type of support agreement?

A. Absolutely, because my debt is kept whole.

125 Q. Your debt under the first lien loan agreement?

A. No, second lien.

126 Q. I am going to come to that in a second --

A. No, I am sorry, I am just trying to answer your question.

127 Q. So you are giving me the reason why RBC was prepared to agree to it is because you felt that you had some protection for the Second Lien Debt; is that right?

A. Correct.

128 Q. But, and I will want to come to that because I would like to understand what that is exactly, so we will do that.

But if we go to the term sheet, which is where I think you are referring when you say you have protection for the Second Lien Debt, is what you are speaking of on the term sheet on page 2 at this same exhibit the conditions precedent?

And if you look at the third paragraph where it says:

"Receipt by the agent of an agreement containing terms and conditions relating to the resolution of the indebtedness outstanding under the existing second lien credit agreement."[as read]

A. Yes.

129 Q. So that's the protection that you felt you had for the second lien loan?

A. Correct.

130 Q. And this doesn't contemplate any particular terms with respect to how that's going to be resolved, that is subject to negotiation; right?

A. Correct.

131 Q. And at this time, you weren't expecting that the Second Lien Debt was going to be paid in full under -- you were going

have a guarantee of the payment in full of the Second Lien Debt under that resolution?

A. There was a clear expectation that I would have a recovery, not necessarily all, but some recovery on the Second Lien Debt.

132 Q. And one of the things you were talking about in terms of that recovery was, I see it in your credit reports, a warrant in exchange for extinguishing the Second Lien Debt; correct?

A. Correct.

133 Q. But the First Lien Lenders had not agreed to a warrant or any other structure for the second lien, the resolution of the Second Lien Debt at this time, had they?

A. At that time I didn't know, but eventually I clued in. So by the time the plan support agreement came out, that's when we were strung along for the entire month.

134 Q. You talk about the plan support agreement, you are talking about September?

A. Yes.

135 Q. In July, there was no

agreement from the other First Lien Lenders with respect to what resolution there might be for the Second Lien Debt? You didn't have any agreement?

A. That is correct.

136 Q. And you hadn't really fleshed out the terms of that, you just had some ideas of what you might like?

A. I have got to get my timing right. But in July, no. But I believe in August/September we met with Greg, Dean Mullett and Rob Chadwick and laid out our position.

137 Q. Right. But when you signed this, you didn't know what the resolution of the Second Lien Debt might look like?

A. That is correct.

138 Q. And this document, the July consent and support agreement, doesn't purport to deal with the specific terms of how the Second Lien Debt would be resolved at all; does it?

A. No.

139 Q. The only thing it says definitively about that, and it's in the same paragraph we were reading, is that there can be -- the one thing that there has to be is no cash

payment of interest to lenders under the second lien credit agreement; right?

A. Correct.

140 Q. And you, RBC, was prepared to agree to that in July of 2014?

A. Yeah. So but when you look at the term sheet, the term sheet is obviously brief -- and you have heard it, I have said it, everybody has said it -- the devil is in the details. So there would have been discussions going on as far as what my expectations would be with respect to the second lien, although it's not documented here.

141 Q. And those were discussions which, as I have mentioned, as I see in your credit reports, you had this idea that you might want a warrant that would extinguish the second lien credit agreement?

A. That was one of the proposals, yes.

142 Q. But it was sort of, at this point, completely open how that might get resolved?

A. Correct.

143 Q. And another thing that

this term sheet contemplates, if you look down to the bottom of the page, is that all of the accrued and unpaid expenses of the agent and the First Lien Lenders, including professional fees and expenses of various advisors, were going to be paid; correct?

A. Correct.

144 Q. And there is nothing in here that specifies that the professional fees of the advisors of the Second Lien Lender Groups are going to be paid; correct?

A. Correct.

145 Q. Now this also, if you turn -- if you look on the same page, we have -- actually, sorry. If you turn to page 6 in the term sheet, you will see the heading "Consent Agreement and Early Consent Consideration"?

A. Um-hmm, yes.

146 Q. Okay so another thing that RBC agreed to in July of 2014, is that the consenting First Lien Lenders who sign a consent and support the agreement in the form reasonably satisfactory to the borrower by a specified date will receive a consent fee of 5 per cent of the outstanding principal amounts of the first lien

term loans; correct?

A. Correct.

147 Q. Now the first lien term loans, we have established at this time the principal amount was approximately 270 million US?

A. Um-hmm.

148 Q. You have to say "yes" for the record.

A. Oh, yes.

149 Q. And you are better at math than I am, but since somebody told me this number you can just tell me if I am right, 5 per cent of 270 million US is about 13.4 million US?

A. Correct.

150 Q. And RBC has just under 12 per cent of that loan, so RBC would have gotten a consent fee of about 1.5 million if this had been implemented; correct?

A. Correct.

151 Q. And this also contemplated a prepayment, if you look over to the next page, an implementation paydown of $15 million in cash that the company was going to pay to the First Lien Lenders; correct?

A. Correct.

152 Q. And I take it RBC considered this early consent fee to any lenders who supported it to be within the market norms for a consent fee the amount that was being negotiated and the fact that it would be paid?

A. Apparently not.

153 Q. RBC didn't consider that to be --

A. No, I guess I was wrong. Yeah, but I thought that was the market at the time.

154 Q. You thought that it was reasonable to agree to a consent fee for this?

A. Yes.

155 Q. When you say "apparently not" is it just because the other people wouldn't agree? Is that what you mean by "apparently not"?

A. That is what I mean.

156 Q. But they didn't agree and it might have been for a whole variety of reasons, not because they thought the consent fee was too low?

MR. FINNIGAN: We don't know what they thought.

THE WITNESS: Yeah.

BY MS. KIMMEL:

157 Q. So let's just be clear. RBC thought, when it was prepared to agree to this, that a consent fee in the range of $3.4 million US for a support agreement was a reasonable, a commercially reasonable amount of money for the company to pay; right?

A. If you look -- you have to take a look at the whole picture. It was a 5 per cent -- was it a reasonable fee? Yes. Was the releases? Yes. Were the expectations that our debt would be whole at the time, rightly or wrongly? That was a factor in the discussions.

So to look at the individual interest rates in isolation is a faulty approach to this. You have to look at it in a wholistic approach and what does the total package look like.

158 Q. Well I appreciate that's your view.

A. Well it's not my view, it's the fact.

159 Q. You say the debt would be whole, but we have already agreed that you weren't necessarily expecting that you were going to get

100 per cent on that Second Lien Debt?

A. Going into the transaction, discussions I had with Mxxxxxxxxx at the time, who are no longer in the deal, was that we would PIK our interest and 100 per cent of the Second Lien Debt would stay in place, that was the starting point and that certainly was my expectations in May and June.

160 Q. As long as RBC was getting that, you are saying that it thought that this -- the releases and the consent fee were all reasonable; is that what you are saying?

A. That's correct.

161 Q. Okay. But we have already established that this agreement that you were signing on to could proceed without some other lenders agreeing to it. There is a provision in it, there is alternative transactions that would allow it to go forward even if some of the First Lien Lenders didn't like it; right?

A. That is correct.

162 Q. So did you think that it was still, nonetheless, a reasonable thing for the company to agree with RBC that it would pay this amount of money to the people who did consent, in

the formula that's provided for, even if some people weren't participating?

A. In consideration of the totality of the document, yes.

163 Q. You, I take it, as RBC, wasn't concerned that if this went ahead without someone else's consent they would be cut out of the consent fee; right? You thought that was reasonable. If they didn't agree, they didn't get paid?

A. No, because it requires 100 per cent for this to become effective.

164 Q. Well, sorry, we have already established that there is an alternative transaction that doesn't provide for 100 per cent. If you go back to page 7 of the --

A. My understanding is you get the consent if 100 per cent, otherwise you go to the alternative. I don't think it's an either or.

165 Q. So your understanding of the consent fee is that it only applies if everybody agrees?

A. That was my -- at least that's my recollection. If I am wrong, I would be happy to know it.

166 Q. Well if you read -- you are reading on page 6, are you with me on the consent fee, that page?

A. Yes.

167 Q. It says:

"The consenting First Lien Lenders who sign a consent agreement." [as read]

A. Yes.

168 Q. Okay. And then if you turn over to page 7, I am going to just show you, refresh your recollection. Do you see the paragraph just above "implementation paydown", where it says:

"For avoidance of doubt, First Lien Lenders who do not execute a First Lien Lender consent agreement will not receive a First Lien early consent consideration but will be bound to the transaction through the alternative transaction implementation method." [as read]

Does that refresh your recollection?

A. Yes, it does. So I was wrong.

169 Q. So, in fact, RBC did consider at the time that this was signed in July that it was commercially reasonable that if somebody didn't want to go along with this, they wouldn't get the consent fee but the transaction may nonetheless go ahead; correct?

A. That seemed commercially reasonable, yes.

170 Q. Okay, thank you.

Now I take it when RBC signed this consent and support agreement in July of 2014, that RBC was also not concerned that it was prejudicing other subordinated or unsecured creditors? You didn't think that that was --

A. That was not -- as far as I knew, that wasn't going to happen.

171 Q. And you say that wasn't going to happen because you felt the company would continue to pay them in the ordinary course; is that right?

A. It was a consideration,

yes. Did I know, no.

172 Q. You expected the company to continue to pay even subordinated and unsecured creditors in the ordinary course of business while it was attempting to complete this transaction; correct?

A. Yes.

173 Q. Now at the time you signed this consent and support agreement in July of 2014 -- you have mentioned this already -- but RBC was engaged in discussions with both the company and the First Lien Lenders trying to work out a consensual resolution of both the First Lien and the Second Lien Debt?

A. No.

174 Q. You were not?

A. The First Lien never responded. I was in discussions with the company.

175 Q. And did you have an understanding that the company was communicating positions of the Second Lien Lenders to the First Lien Lenders and vice versa?

A. I did not.

176 Q. But you said that you did eventually put some proposal forward, you say it

was after July of 2014?

A. After this, I may be wrong, I believe Mxxxxxxxxx ended up selling their shares to Mxxxxxx. So I had no more conversations with Mxxxxxxxxx, and that's when any discussions with First Lien Lenders or negotiations with First Lien Lenders ended.

We have had discussions, like I mentioned, with Greg Nordal, Dean Mullett, and Rob Chadwick, we presented our positions to them, and it is like it went into a black hole.

177 Q. Let me just break this down, because you said you weren't dealing with the First Lien Lenders but then you said you were speaking to Mxxxxxxxxx. Mxxxxxxxxx is a First Lien Lender?

A. I am sorry, Mxxxxxxxxx was a First Lien Lender. And so I just wanted to make sure, I had discussions with them, Mxxxxxxxxx did tell sell their -- they told me they sold their debt to Mxxxxxx. At that point after Mxxxxxxxxx left the First Lien Steering Committee, I had no direct negotiations with the First Lien Lenders.

178 Q. Up until then, you were

speaking to Mxxxxxxxxx?

A. Correct.

179 Q. And they left sometime in July of 2014, to your understanding?

A. My understanding. I don't know the exact date but, yes.

180 Q. And you, I believe I have seen it in your credit reports, we can turn them up if you'd like, but you understood that the company was working to try to find a consensual resolution of both the first and second lien credit agreements at this time?

A. That is what they told us.

181 Q. So in paragraph 4 of your affidavit of July 21, this is your responding motion record affidavit.

A. I am sorry, what date?

182 Q. Page 4, paragraph 4 of the July 21st affidavit.

If you read to the third sentence, you say:

"RBC had been engaged in discussions with the company."[as read]

In that regard, namely with respect to amending and extending the first lien loan and the second lien loan, and you say:

"RBC was supportive of the company's efforts to find a consensual resolution."[as read]

That's correct?

A. Yes.

183 Q. And you say, and I take it it's in connection with the same time frame:

"RBC took no steps following non-payments of amounts owing to it under the second lien credit agreement."[as read]

So in the context of these discussions, and we of course know that there was a grace period extension, but even after that expired, RBC took no steps following those non-payment of amounts owing under the second lien credit agreement?

A. I don't believe that's correct.

184 Q. So you say --

A. We didn't take actions,

but I believe we issued -- I can double check, but I believe we sent a reservation of rights letter.

185 Q. Aside from the reservation of rights letter, I have a copy of that --

A. No.

186 Q. -- I think it was sent in April. Is there anything else that you are thinking of? Because you did say here "RBC took no steps following non-payments of amounts", so if we have to clarify that, I want to be clear what you are saying.

A. By "no steps", I would interpret that to mean we didn't accelerate, we didn't foreclose, we didn't do any of the steps that theoretically we could have taken.

187 Q. You mean no steps in respect of the enforcement of the Second Lien Lenders rights and remedies under the second lien credit agreement, that is what you mean?

A. Right, that's correct.

188 Q. And you said a reservation of rights letter, but you are not thinking of anything else in particular that you did do other than that?

A. No.

189 Q. Okay. So I take it, then, as of July of 2014, RBC had not incurred any out-of-pocket expenses in connection with the enforcement of any rights or remedies under the second lien loan agreement, because you hadn't taken any steps; right?

A. Well, I mean, are you -- I am not sure what you mean by "steps".

190 Q. Well you are the one who said you took no steps. You just told me in respect of the enforcement of the Second Lien Lenders rights and remedies under the second lien credit agreement?

A. Well of course we incurred expenses. We had counsel advising us, we had financial advisors preparing models that we can negotiate from, understanding the financials. There was a lot of activity back then.

In fact, in May, June, July, August it was extremely busy. It was taking most of my time.

191 Q. But are those advisors advising you with respect to steps of enforcement of rights and remedies or are they advising you

with respect to your consensual resolution that you are seeking to achieve?

MR. FINNIGAN: Please don't answer the question as it relates to any legal advice you received. So are you trying to get at what advice he was given?

MS. KIMMEL: No, I am trying to get at what he just gave me five minutes ago or less was RBC was taking no steps in respect of the enforcement of the Second Lien Lenders rights and remedies, I appreciate that there were advisors who were doing work, and I am just trying to establish that if no steps were being taken that advisors were not being paid in respect of those types of activities.

MR. FINNIGAN: In terms of enforcement activities?

MS. KIMMEL: Yes.

MR. FINNIGAN: I don't really understand the question. They have engaged advisors, you have heard about negotiations, you have heard about term sheets, support agreements. Are you trying to get us to distinguish between steps advising the bank in the negotiation process versus steps, fees incurred for formal enforcement proceedings?

MS. KIMMEL: I am trying to distinguish between the bank's efforts to come to a negotiated resolution and whatever advisory fees may have been associated with that, and to establish that there weren't advisory fees associated with the enforcement of rights and remedies.

MR. FINNIGAN: Well we would have to go back and parse out the accounts that were delivered. The fact that they took no steps doesn't mean that they didn't take advice about steps. So I just have a problem with the premise of your question.

MS. KIMMEL: Okay, well, I am going to come back to that.

BY MS. KIMMEL:

192 Q. Just so I have it clear, in your July 21 affidavit, there is a letter at Exhibit I, and I just want to make sure that you concur -- sorry, I may have the wrong one, just hold on.

Do you have the letter from your counsel, July 15, 2015, at Exhibit I to your July 21 affidavit?

A. Letter to Bennett Jones?

193 Q. Yes.

MR. FINNIGAN: Yes, we have it.

BY MS. KIMMEL:

194 Q. Just so we have your evidence very clearly, you will see that there is a statement by your counsel that's in the first bullet point which starts at the bottom of page 1 and carries over to page 2. There is a sentence on the top of page 2 that begins, and it reads:

"RBC took no steps of any kind prior to the commencement of the CCAA proceedings notwithstanding the default by the company under the second lien loan agreement et cetera."[as read]

Do you see that statement?

A. I see it.

195 Q. And do you agree with it?

A. I would agree that RBC took no enforcement actions.

196 Q. But you don't agree with the statement of your counsel, then, that it took

no steps of any kind prior to the commencement of the CCAA proceedings?

MR. FINNIGAN: I think he has answered you, he has qualified the statement.

BY MS. KIMMEL:

197 Q. Do you agree with what Mr. Finnigan just said?

A. Yes.

198 Q. If you turn to your July 13 affidavit, paragraph 3, under the heading "Second Lien Agent Fees"?

A. Sorry, where are we here?

199 Q. Your July 13 affidavit, page 3, paragraph 3, heading "Second Lien Agent Fees"?

A. Yes.

200 Q. Do you have that?

A. Yes, I do.

201 Q. So these are one of the categories of fees that we discussed earlier that you are claiming payment of in RBC's capacity as Second Lien Agent; correct?

A. Sorry, B?

MR. FINNIGAN: No, she is here, "Second Lien Agent Fees", paragraph 3.

THE WITNESS: Okay.

BY MS. KIMMEL:

202 Q. So these are the Second Lien Agent fees we talked about earlier, RBC is claiming, as Second Lien Agent, for certain professional advisory fees; correct?

A. Right.

203 Q. Right. And RBC's claiming those pursuant to the second lien credit agreement and, specifically in paragraph 3, the entitlement for out-of-pocket expenses incurred in connection with the enforcement of any rights or remedies under the agreement; correct?

A. Correct.

204 Q. Now you summarize the fees in a schedule that you attach at Exhibit A, I just want to take a look at that briefly, if we could.

A. Okay.

205 Q. There are fees for three different advisors, Thornton Grout Finnigan, Canadian lawyers; correct?

A. Thornton, yes, Canadian.

206 Q. Paul Hastings, US counsel?

A. Correct.

207 Q. And CDG Group which are financial advisors; right?

A. That is correct.

208 Q. And based on this summary of outstanding fees, you will agree with me that the invoice dates for the fees that you are claiming, all are dated after the first lien loan agreement matured; correct?

A. I see that, I just have to -- that wouldn't be --

209 Q. The invoice date. Are there any invoice dates prior to maturity of the first lien?

A. Yes. I am sorry the invoice date, no. But that relates to prior periods where work was done. So some of those bills did reflect prior periods.

210 Q. Okay but in terms of when the invoice -- you didn't receive these invoices before the invoice date; correct?

A. That's correct.

211 Q. And therefore they couldn't have been received by the company before the invoice date; correct?

A. That is correct.

212 Q. Are you familiar with a term that you use in your credit reports, the acronym "LRE"?

A. Yes.

213 Q. What does that stand for?

A. Those are realization expenses. So there is legal and other.

214 Q. What does "LRE" actually stand for?

A. Legal realization expenses.

MS. KIMMEL: Did you want to take a short break? I am going to turn to another document, if anyone is interested in a break.

MR. FINNIGAN: Sure

--- Upon recess at 11:10 a.m.

--- Upon resuming at 11:30 a.m.

BY MS. KIMMEL:

215 Q. Mr. Vowell, I am going to ask you some questions about some of the credit reports and, don't worry, I am not going to ask you about all of them. I think you have a binder that your counsel has prepared that is quite thick with a bunch of tabs that says "Witness Copy of

the Credit Reports".

A. Yes, yes.

MS. KIMMEL: I was thinking, just for ease of the record, can we just mark this whole volume as an exhibit?

MR. FINNIGAN: Sure.

MS. KIMMEL: So this will be Exhibit 1 on Mr. Vowell's cross-examination, it's the RBC Credit Reports, September 24, 2013, to July 6, 2015.

EXHIBIT NO. 1: RBC Credit Reports, September 24, 2013, to July 6, 2015.

BY MS. KIMMEL:

216 Q. So, Mr. Vowell, first of all, just so we understand what these are, these have been produced by RBC and these are all of the credit reports that RBC has with respect to the Nelson Education credit facilities; right?

A. No. These are the credits that you requested for a specific time period.

217 Q. In this time period, are these all of --

A. These are all of them,

yes.

218 Q. I apologize, I wasn't clear in my question.

These are all of the RBC credit reports in respect of the credit facilities to Nelson Education in the period September 24, 2013, to July 6, 2015?

A. That is correct.

219 Q. And do you -- you have to approve these; right?

A. No, I have to recommend them.

220 Q. Okay, but you see them at the time that they are prepared?

A. Yes.

221 Q. And you obviously have an opportunity to correct or amend anything that you think is inaccurately reflected in them?

A. Oh, I write them. I mean, that is what I believe.

222 Q. So these reflect your belief and your assessments at the point in time in which they are written?

A. With some caveats. As we go through this, you have to understand that when

I establish provisions, write-offs, a lot of that is driven from statutory concerns or issues to accounting issues.

223 Q. And I am happy to say Mr. Staley is going to potentially be asking you some questions about that.

A. Okay.

224 Q. But other than that caveat, do you have -- and I am only happy because I don't have to deal with it. I take it, that's the caveat that you --

A. Yes.

225 Q. -- intend to place on what I had stated earlier, which is that it reflects your assessment of the RBC position at the time and a planned course of action or recommended course of action?

A. Correct.

226 Q. Now one of the ones I want to ask about is at Tab H, and it is the August 20, 2014, credit report.

I am not sure that anything is specifically going to turn on it, but I think for this one we actually received an unredacted version of this credit report, so just because we have it, I am going to, I think, give you the loose copy of that.

MS. MAHAR: It should be in his binder.

MS. KIMMEL: Oh, did you replace it?

MR. FINNIGAN: No, he has a redacted still.

MS. MAHAR: Of H? Oh, okay, sorry, yes, no, no, give an unredacted, I apologize. It is a new binder made up for witnesses this morning and this one isn't there.

MS. KIMMEL: Just so we have a record that is clear, I will mark as Exhibit 2 on Mr. Vowell's cross-examination the unredacted version of the RBC credit report for August 20th, 2014, that's the date.

EXHIBIT NO. 2: Unredacted RBC credit report for August 20th, 2014.

BY MS. KIMMEL:

227 Q. It still contains some redactions, but most of the redactions have been removed in this copy.

With that, if we could just

take a look at a couple of things. First of all, it says at the top, "SLAS Advice of Credit Undertaking". What does "SLAS" stand for?

A. Special Loan Advisory Services.

228 Q. That's your group?

A. That's my group.

229 Q. And if you look to the bottom of this document, there is a proposal outline.

A. Um-hmm.

230 Q. And in August of 2014, you say that a negotiation between the First Lien Debt and the Second Liens has been a frustration and unsuccessful process?

A. Correct.

231 Q. You say that you had had a previous communication in which you had proposed a structure, and you attach the policy, and there was a response from the First Lien Lenders but you weren't satisfied with that; is that right?

A. That would be an understatement, yes.

232 Q. Okay. And if I can just turn you to the next page.

I take it at this point you are concerned that there could be come kind of a bankruptcy or insolvency filing for the company; is that right?

A. It started to percolate that way, yes.

233 Q. Now you have on page 2, if you look towards the bottom, a heading called "Bankruptcy Strategy"?

A. Um-hmm.

234 Q. And you say that your strategy, you have two options. And the second one, which is the one that I think you followed, is to:

"Vigorously defend and hopefully be in a position to encourage consensual agreement that would see some recovery to the Second Lien after the First Lien has a full recovery."[as read]

Is that right?

A. That's correct.

235 Q. And that is the path that you adopted; is that right?

A. That is our current path today.

236 Q. Just turning back to the first page, the proposal that you had made prior to this credit, just because we talked about it earlier, just so we have it as a point in reference, at the bottom of page 1 you describe your previous communication with the First Lien Lenders, and you say that the second lien would convert to warrants. Once the first lien is paid in full, there would be an upside split of 60/40, that was your proposal at the time?

A. Correct.

237 Q. Counsel, just so I don't have to come back to this, there is a redaction that remains at page 5 of this document. Can you just tell me the basis for that redaction so I understand it?

MR. FINNIGAN: The names and the holdings of the first and second liens.

MS. KIMMEL: Okay.

BY MS. KIMMEL:

238 Q. Is it fair to say that one of the strategic objectives that RBC had as the Second Lien Agent when it was dealing with the

First Lien Lenders and the company to try to negotiate a resolution is that you wanted to buy time to give an opportunity to allow those negotiations to happen?

A. No.

239 Q. Okay.

A. The objective, we thought, was the consensual restructuring, is that with the passage of time, the improvement in the Canadian education market, that there would be a recovery for the second lien. So it was not to buy time for negotiations, but it was to attempt to get a recovery for the second liens after the first lien was repaid.

240 Q. So when you talk in your credit reports about "buying time" or "time is our friend" in the context of negotiations, and I can take you to this but I think you are familiar with it, you say you are talking about giving time after the First Liens are repaid to allow the company to recover; is that what you are talking about?

A. No, the objective was to get a consensual transaction, and that's why you would see the Second Lien PIK their interest, and why fees would be paid to the First Lien Lenders, for example the 5 per cent fee that you talked about, the increase in interest rate, and so that they would get a return commensurate with their risk, and once they collected all their principal, all their interest and the fees that were due, then and only then, would the Second Lien begin to start sharing in the upside.

And that certainly was our strategy right through the year.

241 Q. And that remained an objective of RBC throughout, right up until just prior to the CCAA filing or even to today; is that fair?

A. We have not had any further discussions. We did have one meeting, I believe after the CCAA with Mxxxxxx Cxxxxxx, their counsel and our counsel, to see if there was a way to reach a settlement and basically it was a very short meeting.

242 Q. So fair to say that the First Lien Lending Group, other than RBC, hasn't accepted the structure that you were trying to get to that you have described?

A. I can't speak for the

totality. I can tell you that one or two, at least, of the steering committee members may not have accepted it. I am not aware that it was presented to the lending group.

243 Q. You don't know one way or the other?

A. I don't.

244 Q. But certainly that group hasn't come back with a proposal with a similar structure to that which RBC had been contemplating?

A. That is correct.

245 Q. I want to take a look at the credit report at Tab K of Exhibit 1.

A. Okay.

246 Q. So this is now a report from April 15, 2015. So this is prior to the CCAA filing but just earlier this year?

A. That is correct.

247 Q. And if you turn to page 2, you have a paragraph talking about -- in the second paragraph, under the proposal outline background, you say:

"The company had run a sales process during the fall of

2014. We were told that the sales process went to a second round."[as read]

And you provide some further details, but you don't know the potential purchase amounts; right?

A. That is correct.

248 Q. And this was information that the company was providing you about the sales process?

A. I had a brief call with Dean Mullett. So he was the one that -- basically what I wrote there is was probably verbatim what he told me.

249 Q. Dean Mullett is the company's advisor?

A. That's correct.

250 Q. And if you read down under the proposal outline, a few more paragraphs down, you say that:

"RBC as Second Lien Debt Holder has not agreed to the plan support agreement."[as read]

A. Um-hmm.

251 Q. Are you talking about the -- when you talk about the plan support agreement, are you talking about the September 2014 support agreement that everybody except RBC has signed as First Lien Lender?

A. Yes, I am.

252 Q. And you say:

"We continue to look for out-of-the-money warrants that will provide a recovery once the First Lien has a full recovery."[as read]

A. Correct.

253 Q. So you were still looking for, in April 2015, for this warrant structure when you say "out of the money", you are talking about the fact that the company at the time did not have assets even to meet the value of the First Lien Debt never mind the Second Lien Debt; correct?

A. I wouldn't be saying that. What I would say is at that point in time the warrants had no value and would not have value until the First Lien had a full recovery.

254 Q. The reason they had no

value, though, is because there were valuation assessments that RBC had done internally which suggested that even the first lien loan, based on various valuation methodologies, was underwater and clearly the second lien loan was out of the money?

A. The valuations were there to establish provisions, not necessarily establish the enterprise value of the company.

---

255 Q. Well whatever their purpose, maybe we should just take a quick look at them because I believe they are attached to this credit report. Although the version that you have I don't think has them in it. We will have to give you the unredacted version which we got I think yesterday. So let me just give you that.

MS. MAHAR: They are in here, sorry, I had inserted it.

MS. KIMMEL: Oh you have inserted it this morning?

MS. MAHAR: Yes. I just missed on the redactions, I apologize.

MS. KIMMEL: I will work from my loose copy, but we are going to mark that as the exhibit book, so.

MS. MAHAR: Yes, it's in the exhibit book.

BY MS. KIMMEL:

256 Q. So a schedule to this April 2015 credit report is, this is the RBC internal summary valuations for Nelson Education; right?

A. Yes.

257 Q. And this was an internal document that had been prepared by RBC in and around April of 2015?

A. Correct.

258 Q. And you have a summary page at the beginning with a first lien shortfall showing a shortfall under all three valuation methodologies for the first lien credit agreement; is that right?

A. Those numbers, yes.

259 Q. And therefore there is nothing -- on these numbers, there is nothing for the second lien?

A. That's the yes and the no answer.

With the expectation that this thing would go into a CCAA, I cannot, as a lender, ascribe value to the shares that I would be getting or the -- as any of the shares. So you would have to take a look at this, and I don't know what's the best way to put this, I guess reverse engineer these numbers to come down to a value that was approximate to the $200 million of First Lien Debt that would remain in the company. And that would -- because I cannot give myself, as a First Lien Lender, because I have to keep track of that, I have a -- whatever my pro rata share of that is, I had to reduce it. So that is why you saw the 4, 4-and-a-half million, or whatever I set up as provision, because I had to bring my values down to the 200 million -- or my pro rata share, so equal 200 million.

260 Q. And so you are saying that these are just reverse engineered valuation numbers, that these are not any meaningful attempt by RBC the ascribe value to the first lien loan?

A. Like I said, I am a -- well, first of all, these are not -- my numbers, not "somebody" at RBC.

261 Q. Well whose numbers are they?

A. Mine. I am not a

valuation expert, but what I have to do is come up with a provision request or a PCL request that would meet the, what I perceive to be the regulatory requirements as well as my external auditors as far as being as conservative as possible in my provision.

So these are not an attempt to do an evaluation, but my attempt to establish provision levels.

262 Q. Did you have any valuation input from your financial advisors when you prepared this? CDG.

A. No, I did not. No, CDG, their works were something different than valuations -- or provisions. They did not work on the provision side at all.

263 Q. But had they done any valuation work they had given you at this point in time?

A. Yes. In fact, I believe they are one of the attachments that we have submitted.

264 Q. That's in June. What I am trying to establish is whether that -- June of 2015 -- was that something that you had when you

prepared this for your loan file, the CDG valuation? Because I don't see any reference to it in your credit report?

A. I wouldn't put it in my credit report -- well I think I did one credit report. But, again, this is my attempt to establish provisions, not to guesstimate the economic value of the company going forward.

265 Q. So do you know whether you had the CDG valuation work in April of 2015 when this credit report was written that we are talking about?

A. Oh I certainly had the ones that they prepared for me earlier, yes.

266 Q. But you considered those to be wholly irrelevant to the provisioning exercise; is that your evidence?

A. For the provisioning exercise? Yes.

267 Q. And did you ever give CDG your provisions, these cash -- discounted cash flow and other valuations that you had done for your provisioning, did you ever share those with CDG?

A. I did not. No, I did

not.

268 Q. Did you talk to them about the fact that you were provisioning the loan or writing it down or, did they know about any of that?

MR. FINNIGAN: Did they know about it in April of 2015?

MS. KIMMEL: Yes.

THE WITNESS: I can't remember if I discussed that or not.

BY MS. KIMMEL:

269 Q. When you look at the debt trading levels, if you look back to your credit report, after you talk about your enterprise valuation on page 2 of your credit report, which we have already looked at the schedule --

A. Yes.

270 Q. -- you now have something on the debt trading levels. And this is the debt -- the market is valuing the First Lien Debt at 77.7 cents on the dollar; is that right?

A. I think I have 80 cents on the dollar, that was my guesstimate. What do I have here?

271 Q. It says, bottom of

page 2, "RBC's indication" -- you have averaged it to 80 cents, that is what you have said.

A. Oh, okay. Yes, those were my guesstimates. At that point in time, I wasn't aware of any of the debt trading. Certainly the second lien hadn't traded.

272 Q. But for the First Lien Debt, when you say RBC's indication of level", this is based on information that you are getting from within RBC about --

A. I called the trading desk and I said "where do you think this thing would trade?"

273 Q. And these are the people that have the Chinese wall, so they don't know what you know and vice versa?

A. That is correct.

274 Q. If you keep moving down on to page 3 of this credit report, under the heading "Available Strategies", do you see the sentence, the paragraph that begins:

"We had maintained a constructive working relationship with the sponsor and the company."[as read]

I take it that was an accurate reflection of your view at the time?

A. I am sorry, where?

275 Q. Under "Available Strategies"?

MS. MAHAR: Middle of page 3.

THE WITNESS: Am I on the wrong one? I am sorry.

MS. MAHAR: K-3 -- oh, just K, sorry, she went back.

THE WITNESS: Okay.

BY MS. KIMMEL:

276 Q. Do you see under "Available Strategies", where you write:

"We have maintained a constructive working relationship with the sponsor and the company."[as read]

A. Yes.

277 Q. And that was a true statement at the time?

A. Yes, it was.

278 Q. And just down by "Selected Account Strategy", in April of 2015 when you wrote this credit report, you say that:

"It is clear that the company will go through CCAA procedure that will result in the lenders converting some of their debt to equity and realize on the security."[as read]

Was that information that the company had shared with you at the time?

A. No.

279 Q. That was just your assessment of the situation?

A. That was my expectation, yes.

280 Q. So I take it you weren't surprised when the company filed CCAA the next month?

A. They didn't. Oh, April. April, I am sorry, I got my times confused here.

No, because I knew there were some discussions they were preparing. But my caveat to that would be, I am surprised they didn't file in September. That's where my surprise was.

281 Q. So speaking about

September, just coming back to that document that you have mentioned a few times, the support agreement that was signed by everyone except RBC in September of 2014.

A. Yes.

282 Q. There was a call on September 10th with the First Lien Lenders to talk about the support agreement. And I don't know, did you participate for RBC on that call?

A. I did not.

283 Q. Do you know who Nick -- I am going to get his name wrong -- Jarmoszuk is?

A. He was on the trading desk.

284 Q. And is he, did you have any discussion with him about anything that transpired on that call?

A. I have had discussions with him back then. I was trying not to get inside information, if you will, on the first lien position and so I didn't participate, and I doubt if I would have asked him any questions related to strategy or whatever in that first lien call.

285 Q. Okay, but you did actually hear about or at least get some

information about what had been reported on that call?

A. Yes. I did go on to the site and I pulled down the presentation, but I didn't listen to it.

286 Q. Okay. And I think you also, if we could look at Exhibit 2 to Mr. Nordal's examination.

This is in September 11, 2014, e-mail that Mr. Tenzer at Paul Hastings forwards to you and others which attaches a report from something called Reorg Research Alert.

A. Um-hmm.

287 Q. Leaving aside whatever the accuracy or inaccuracy of it is, you were provided with this report the day after the call; is that right?

A. Yeah.

288 Q. Now one of the things that gets mentioned in here, and I just want to know if you agree with this, you know, at this point in time the assessment that was being made.

If you look in the second full paragraph in the actual report itself, so it says "details presented on the call"; do you see that?

A. Yes.

289 Q. The second sentence reads:

"Whether the process can be accomplished out of court depends on a number of variables including creditor support and the results of the sale process."[as read]

Do you recall that that was something that you were aware of, made aware of in September of 2014?

A. In the plan support agreement when I read it, that is my understanding.

290 Q. And so there was obviously in September an option or at least a prospect that this could be done without any court filing or proceeding, that was within the contemplation of the parties in September of 2014?

A. No. I thought that it would require a court process because I thought it would be difficult to get 100 per cent of the lenders. And so certainly with discussions with Rob Chadwick, they thought a CCBA, or whatever it is, or a CCAA, would be the most likely route. And that was the direction that he wanted to head was the...

291 Q. But obviously if you could get a consensual deal with everybody on board, you didn't need to go to court, that was one prospect?

A. Oh, yes. You asked me if I expected that. I am sorry. I would have hoped for that, but I didn't expect it.

292 Q. Right, okay. But when you throughout this period, as you reflected in your credit reports, were working towards a consensual deal, if you had achieved it, you would not have needed a court process?

A. That is correct.

293 Q. And we have already established that you, RBC, is the only First Lien Lender that hasn't signed on to the September support agreement?

A. Correct.

294 Q. And RBC made that decision because it wanted to protect its second lien position; is that right?

A. No.

295 Q. So you just decided irrespective of the second lien position that you weren't going to sign on to that support agreement?

A. As a -- from a second lien perspective, I have got to go back here.

I think it would be fair to say that I was looking at the entire RBC perspective.

296 Q. And RBC hoped to reach a consensual transaction that would have greater upside for the Second Lien Lenders, so that is why RBC didn't sign on to the support agreement?

A. Greater upside after the first lien was repaid.

297 Q. And you considered that to be a commercially reasonable decision for RBC to make at the time?

A. What? To expect a full recovery for the first lien?

298 Q. To not sign the consent agreement.

A. Commercially?

299 Q. Yes.

A. No. I didn't get the money.

300 Q. So you didn't think that that was the right commercial decision for RBC at the time to decide not to sign it?

A. I didn't think the plan support agreement was, what's the word... I thought it just about violated every concept of the intercreditor agreement as well as the first and second lien agreement.

301 Q. So your view was that this agreement offended various contracts and therefore you weren't going to sign it; right?

A. Yes.

302 Q. But you understood that it contained a provision that said if you don't sign it you don't get a consent fee?

A. I understood that that wording was in there, yes.

303 Q. And so you understood that in not signing that agreement, to the extent that that provision was upheld as being a valid contractual provision with the company, that they would pay only the people who signed? That RBC was giving up the consent fee; right?

A. If it was held up by a court, yes.

304 Q. Did you at any time prior to the motion that we have seen that was commenced earlier in July of 2015, did RBC ever commence any proceedings to get any judicial determination of whether or not the support agreement or the consent fee provisions in it were valid and enforceable?

A. No.

Can I ask one clarifying question or whatever?

Did we seek judicial action? The answer is no. But we had expressed our displeasure, objections in writing to both the -- certainly to the agent.

305 Q. And you were here during Mr. Nordal's examination yesterday, you recall that there was some exhibits marked on that examination. Are you referring to those that were Exhibits 4 through 8, letters that were written by Paul Hastings and by the bank itself?

A. Yes.

306 Q. That is what you are referring?

A. Yes, I am.

307 Q. There is also, I think,

one from Thornton Grout, just so that we are clear. So it's those exhibits, that is what you mean when you say "we complained", you complained?

A. That's right.

308 Q. Now just so that we have them on the record, there were some responses to those letters which were not put to Mr. Nordal yesterday, but I would like to just show you them and see if you are aware of them.

The first one is a letter from Goodmans dated September 19, 2014. I am going to ask you if you have seen that before, Mr. Vowell?

MR. FINNIGAN: The question is have you seen it.

THE WITNESS: I have seen it, yes.

BY MS. KIMMEL:

309 Q. And you acknowledge that it's a response to Exhibit 4, which is September 16, 2014, letter from Paul Hastings?

A. Yes.

MS. KIMMEL: So we will mark the Goodmans September 19, 2014, as Exhibit 3 on this examination.

EXHIBIT NO. 3: Letter from

Rob Chadwick of Goodmans LLP to Andrew Tenzer of Paul Hastings LLP, dated September 19, 2014 Re: Nelson Education Ltd. ("Nelson" or the "Company").

BY MS. KIMMEL:

310 Q. And then I am going to now show you a letter of October 6th from Goodmans to Paul Hastings. This is a response to the October 1st letter from Paul Hastings which was marked as Exhibit 5 on Mr. Nordal's examination. So this October 6, 2014, letter from Goodmans. Did you receive a copy of this, Mr. Vowell?

A. Yes, I did.

MS. KIMMEL: We will mark this as Exhibit 4.

EXHIBIT NO. 4: Letter from Rob Chadwick of Goodmans LLP to Andrew Tenzer of Paul Hastings LLP, dated October 6, 2014 Re: Nelson Education Ltd. ("Nelson" or the "Company"

BY MS. KIMMEL:

311 Q. And then Bennett Jones wrote a letter on October 16th to Mr. Sobel at the Royal Bank --

A. Ms..

312 Q. Sorry, Ms. Sobel at the Royal Bank --

A. We get confused a lot.

313 Q. -- it's in response, I believe, to the Exhibit 6, October 13th, letter that we marked on Mr. Nordal's examination. So now exhibit, I would like to mark as Exhibit 5, this Bennett Jones letter of October 16, 2014.

Mr. Vowell, I take it you are familiar with this as well?

A. I have seen this, yes.

MS. KIMMEL: So we will mark this October 16th response as Exhibit 5.

And I think that's all we need to deal with.

EXHIBIT NO. 5: Letter from Kevin Zych of Bennett Jones LLP to Leslie Sobel at RBC, dated October 16, 2014, Re: Nelson Education Ltd.

BY MS. KIMMEL:

314 Q. So you, just to come back to your point, Mr. Vowell, you were complaining in the fall about various aspects of the support agreement, and you were receiving responses from counsel for both the company and the First Lien Lenders in connection with your complaints?

A. Correct.

315 Q. And those were obviously not resolved in the fall of 2014?

A. That is correct.

316 Q. Now in the fall of 2014, I take it you were aware that it was offered to the company that it could sign a confidentiality agreement if it wanted to get some more information about what was happening in the sales process; right?

A. That is correct.

317 Q. And the company did not negotiate or sign a confidentiality agreement -- sorry, RBC did not negotiate or sign a confidentiality agreement?

A. Our view was we didn't have to, we had already committed to confidentiality agreement under the loan agreement.

318 Q. You are aware that there were confidentiality covenants that the other First Lien Lenders had signed on to when they signed the support agreement?

A. I was not -- oh, is it in the support agreement?

319 Q. It is.

A. Okay, then I will take your word for it.

320 Q. But RBC's position was even though it didn't sign the support agreement that it shouldn't have to sign anything else, is that what you are saying?

A. That was our view, yes.

321 Q. Were you aware of the fact that it was communicated to the company's counsel that RBC wasn't prepared to sign a confidentiality agreement until its agent fees were paid? Was that one of the reasons why you refused to sign it?

A. No.

322 Q. So if that was communicated --

A. Okay, what was being communicated to the company at the time was that they were asking us to incur legal fees and expenses related to the transaction and yet they refused to pay us for those, and that is what was being communicated.

So the company was asking us to incur expenses that they were not willing to pay us.

323 Q. Why do you say they were asking you to incur expenses? They weren't telling you the go hire your advisors, to instruct your advisors to do it?

A. Because I am not a lawyer and I rely on legal counsel to review the documents. And I can't believe that you would have your client sign documents without a legal review.

324 Q. I just want to come back to this because you said the reason was you didn't think you had to sign a confidentiality agreement, but is another reason why RBC was refusing to sign the confidentiality agreement because they didn't want to sign on to it or participate in the sales process until their agent fees were being paid?

A. What I said was we didn't think we had to sign it, and the second thing is, I believe the letter said we wouldn't be reviewing this documentation until our fees were paid.

325 Q. And you continued to correspond about the fees and it wasn't resolved. You knew the fees were not being paid; right? You knew the company's position that it wasn't going to pay the fees?

A. Right, so we were being asked to opine or -- or look at legal documentation without any payment to the bank or to the -- to our legal advisors.

326 Q. Leaving aside what you precisely were asked, this confidentiality agreement was what was going to get you access to what was happening in the sales process, leaving aside whatever legal documents might be involved?

A. Supposedly, yes.

327 Q. And just to be clear, you never did sign a confidentiality agreement?

A. That would be correct.

328 Q. I take it you will agree with me that you were somewhat limited in terms of the information that the company was able to provide you about the sales process without having resolved the confidentiality agreement issue;

right?

A. I should not have been limited because I had already entered into a confidentiality agreement with the company.

329 Q. So you understood, though, that the company didn't consider that to be sufficient for the purposes of the sales process? That was communicated to you; right?

A. Yes. I shouldn't say by the company, but certainly Rob Chadwick.

330 Q. Okay, by the company's advisors. Are you aware that Paul Hastings, counsel for RBC, had represented to the company that if necessary the Second Lien Agent would agree to execute a reasonable non-disclosure agreement?

A. I am sorry?

331 Q. Are you aware that Paul Hastings, the legal counsel to RBC, had represented to the company's counsel that if necessary the Second Lien Agent would agree to execute a reasonable non-disclosure agreement?

A. I don't recall that.

332 Q. Okay, well it was marked as Exhibit 5 on Mr. Nordal's examination, maybe we

can just turn that up. It's at the bottom of the second paragraph of that letter on page 1, see the last sentence?

A. Yes.

333 Q. So were you aware of that, do you --

A. Well now that I read it, yes.

334 Q. So the company, at least as far as this letter communicated, was under the impression that the Second Lien Agent would agree to execute a reasonable non-disclosure agreement notwithstanding your view that --

A. Reasonable.

335 Q. -- notwithstanding your view that something had already been included in the loan or the credit agreement?

MR. FINNIGAN: We can't say what the company thought, but the letter says what it says.

BY MS. KIMMEL:

336 Q. You will agree with me, Mr. Vowell, that the company was being told that RBC would agree to execute a reasonable non-disclosure agreement that was something over

and above what was in the first lien loan or the first lien credit agreement? That is clearly what this letter is communicating?

A. Yes. That would be my assumption, yes.

337 Q. And I think you will agree with me, because we have already essentially covered this, that despite the complaints, these letters going back and forth, there was still -- you were still hoping that there would be a consensual resolution and you were still certainly working towards that?

A. Correct.

338 Q. And --

A. Sorry, at this point in time?

339 Q. Well, throughout the period from September to May, even though these letters were going back and forth.

A. Okay, I am sorry, yes. Okay.

340 Q. Just let me get this clear on the record.

So throughout this period from September to May, even though these letters, complaint letters and responses are going back and forth, positions are being taken, RBC is still hopeful that a consensual resolution could be achieved?

A. Correct.

341 Q. Now, in your affidavit -- just let me make sure I have the right one here -- of July 13th -- oh, I might be wrong, sorry. It's the other one, the July 21st. It's very confusing. Can you go to page 6?

You mention in paragraph 9 that FTI was appointed as the monitor in replacement of A&M?

A. Um-hmm.

342 Q. FTI was the Monitor who RBC was suggesting to replace A&M; correct?

A. That's correct.

343 Q. And I take it you describe to some extent in your affidavit, we can agree, that RBC was given every opportunity to present the concerns that it had about the sales process and about value maximization to FTI once FTI came into place?

A. That is correct.

344 Q. And you describe in your

affidavit in the exhibits, various presentations and memos that were given to the monitor that outlined RBC's concerns about the sales process and about the value maximization efforts?

A. Correct.

345 Q. Now I take it you have seen the Monitor's second report of July 8, 2015?

A. Yes, I have.

346 Q. And that report was prepared by the Monitor after RBC presented its various concerns and objections; correct?

A. Correct.

347 Q. And that report, let's just perhaps take a moment here to identify it. I think it's in the Court file, so I don't think it needs to be marked, but if you would like a copy of it I have one for you.

A. Thank you.

348 Q. This is the second report of the monitor dated July 8, 2015.

A. Um-hmm.

349 Q. And in that report, the Monitor, you will agree with me, deals with each of the concerns and objections that RBC had raised; right?

A. I can't say that it dealt with them all. I mean, I don't know that this contains all of them, but I assume they do.

350 Q. Certainly. And we can look at some parts of it if you'd like.

The Monitor has dealt with various concerns relating to the sales process, and if you go to pages 17 to 18 of the Monitor's report you can see that?

A. Um-hmm.

351 Q. And if you look after a discussion of a variety of topics under various headings, which I am not going to read into the record, they speak for themselves.

If you go to page 25, there is an assessment of the sales process by the Monitor and the Monitor expresses its views --

A. Yes.

352 Q. I take it you are aware of those views?

A. Yes, I am.

353 Q. And you acknowledge that those views were formed having taken into account the presentations, concerns and objections that RBC presented?

A. That is what it says.

354 Q. And if you go to page 37 -- sorry, that's not going to be the right one.

Sorry, page 42, paragraph 131 of the Monitor's report.

A. Page 42.

355 Q. Having taken into consideration or having had available to it RBC's presentations with its concerns and objections, the Monitor says that it:

"Does not believe that the SISP, the sales process, was adversely impacted by any lack of consultation with the Second Lien Lenders or that any material change in the outcome of the SISP would have resulted from such consultation." [as read]

So with respect to that particular concern about your involvement or consultation, the Monitor concluded that it wouldn't have made any difference.

A. And I would respond to

you that I respectfully disagree with their opinion.

356 Q. Okay. But this is FTI, and you don't have any concerns about their objectivity; do you?

A. Objectivity, no. But they are not right 100 per cent of the time. Neither am I, but I disagree with their comment.

357 Q. Okay. But RBC had a full opportunity to air its concerns and the Monitor has reached the conclusions it has reached, whether you agree or disagree with them?

A. Yes.

358 Q. Now I know you were here yesterday during Mr. Nordal's examination, so you will know that there was some questions asked about various information concerning what was presented or represented to Heritage Canada?

A. Um-hmm.

359 Q. You recall hearing about that issue?

A. Yes.

360 Q. And what I am wondering about, if you can just confirm, Mr. Vowell, is that at no time has RBC brought forward a motion

or have you instructed counsel to bring forward a motion to seek disclosure of those submissions which, as you know, the company has said it's not able to provide?

A. I am aware that my counsel had requested of Rob Chadwick information on the Heritage Canada matter.

361 Q. And are you aware that your counsel was told that there were various reasons why that couldn't be provided and that, in response, your counsel said that a motion would be brought to obtain those submissions?

A. I don't recall that, the specific words, no.

362 Q. I am showing you an e-mail printout from Ms. Miller at the Thornton Grout law firm to Mr. Chadwick, copied to various others.

MS. MAHAR: Do you have an extra copy?

MS. MILLER: Is this the complete e-mail trail or just one e-mail?

MS. KIMMEL: It's just one e-mail.

MS. MAHAR: Where is the

trail?

MS. KIMMEL: I want to deal with one point, you guys can do what you like with it afterwards. It's no different than what you guys did yesterday with all those letters that you put to Mr. Nordal without the responses.

BY MS. KIMMEL:

363 Q. I just want to deal with one factual issue here, I am not interested in the whole debate back and forth on this issue, but I just want to know, Mr. Vowell, whether you are aware of the statement that was made by your counsel on July 7th which is reflected in this e-mail in the third sentence where it says:

"If the information is not provided voluntarily, we will obtain a court order to obtain same."[as read]

A. I am not aware of it.

364 Q. Okay, let's just establish this, and we don't need to mark this as an exhibit: RBC hasn't brought a motion to date to obtain a court order for access to the Heritage Canada submissions?

A. Not that I am aware of,

no.

365 Q. Thank you. I don't want to cause any objection, so I am not going to mark this as an exhibit.

Do you recall that one of the concerns that you had identified for the Monitor about the sales process is that purchasers weren't given information that might have been given to Heritage Canada or that might have enabled them to evaluate the issues that Heritage Canada might be concerned about?

A. Yes.

366 Q. And you are aware that the Monitor was made aware of that issue and that ultimately the Monitor concluded that that wasn't a concern in the sales process?

A. No, he didn't. He said it was not a factor for the potential purchasers that were in the process, but they could not address the issue of purchasers who did not participate in the sales process.

367 Q. So that is what you took from the Monitor's report?

A. Not from the Monitor's report, from the Monitor.

368 Q. Oh, I see. Well in terms of this issue as it relates to the report, let me just see if I can find it -- I won't waste time here, I will look for it afterwards.

But you are saying this was just something that was verbally communicated to you by the Monitor?

A. Yes, with counsel and everybody else there.

369 Q. At one of your presentations?

A. Yes, when we sat down, we met with the Monitor and their legal counsel, yes.

370 Q. I see, okay.

But so that was fully aired in your discussion with them, that is what you are telling me now, this concern that you had?

A. Right. And they responded that they could only, I don't know if the word is "adjudicate", "assess" based on the people they talked to who participated in the process as opposed to they didn't follow-up on people that didn't participate in the process. So the question is, how many people didn't participate because of that concern? And we don't know.

371 Q. Okay, right. But you acknowledge, in the end, the Monitor concluded they felt the sales process was robust and appropriate, and that didn't end up becoming a reason for them to be concerned about the sales process?

MR. FINNIGAN: We can agree he has read the Monitor's report, he knows what they say, so --

BY MS. KIMMEL:

372 Q. That's fine, it speaks for itself. That is fine. It is helpful to know you did raise that with them, though?

A. Yes.

373 Q. Okay, thank you.

There is just a couple of other things I want to ask you about in some of the e-mails, and I think rather than leafing through the binder, I have printed copies of those that I want to show you.

So I have some questions which counsel may be able to assist with.

I just want to know, if I could, the first one I am handing you is stamped

NR002401, it is an e-mail from Jonathan Miller to, among others, Les Vowell, dated May 1, 2014, and there is some redactions, there is two different e-mails in the chain that are redacted. Can you just tell me why they are being redacted?

MS. MAHAR: They are individual names of Second Lien Lenders. You asked for communications with Second Lien Lenders, and we redacted their names and the companies they worked at. I think consistent with the First Lien's position.

BY MS. KIMMEL:

374 Q. And is that the reason for all of the redactions in the addressee or, like, the "to"/"from" line?

MS. MAHAR: Yes, that is correct.

BY MS. KIMMEL:

375 Q. Okay, so I don't need to go beyond that.

Then I just want to ask about one other, which seems to have a larger redaction, so I just want to make sure I know what that is.

This is NR003585, and it says September 11th, 2014, e-mail from Mr. Vowell. The recipients and authors are redacted, but then there is a redaction of content, which I am just --

MS. MAHAR: No, it's actually their logo that was redacted out of, again, the Second Lien Lender's logo. And underneath that is a catch phrase that they use to identify them as a lender that, again, would identify -- if you knew what it said, it would identify who the Second Lien Lender was. There is no content redacted out.

MS. KIMMEL: Okay. Just for the clarity of the record, I will mark this NR003585 as the next exhibit, and the one I asked about previously, NR002401, why don't we just mark those two together as the next exhibit.

EXHIBIT NO. 6: Bundle of two separate e-mail strings, Documents NR002401 and NR003585.

MS. KIMMEL: I think I mentioned earlier that Mr. Staley's got a couple of topics that he wanted to cover, so what I tried to do was find out from him what they were and not cover them so that we don't have to go back and forth on the same topics.

So I am going to stop asking questions, I am going to hand it over to Mr. Staley. I don't know exactly what he is covering and so if I have a few little questions at the end of it, I will pop back in, but I am hopping to not have to do that.

MR. FINNIGAN: But you are finished subject to what areas -- you are not splitting your examination up?

MS. KIMMEL: No, I am not splitting the examination up, but I just don't know exactly what he is going to ask about. I don't have the benefit of having heard him or even any information, details about what he is going to ask about. So it is possible that he might ask about something that I have, from the company perspective, some questions about.

MR. FINNIGAN: But you are finished your examination subject to his questions?

MS. KIMMEL: Yes. And subject speaking to Caroline, so if we want to take a short break that might be a good idea.

MR. FINNIGAN: Yes, please.

--- Upon recess at 12:33 p.m.

--- Upon resuming at 12:42 p.m.

CROSS-EXAMINATION BY MR. STALEY:

376 Q. So, Mr. Vowell, in response to a question from Ms. Kimmel, you helpfully offered that you are not a lawyer. So that really invites the question as to what you are. Maybe you can just tell me a little bit about your educational background, any professional designations that you have?

A. Under graduate degree from Marquette University in Milwaukee.

377 Q. In?

A. Business administration finance. And MBA from McGill.

Joined the bank in August of '81, so this month is my 34th anniversary.

378 Q. So I was going to ask you, you said you have been with the bank for 34 years, that's been with RBC throughout that period?

A. That's correct.

379 Q. And this is your first time to Toronto?

A. No, no, I am from

Toronto.

380 Q. No, I thought I heard you sate this was your first time. I wondered how that was possible.

A. No, okay.

381 Q. So just on that, you told us that you are with Special Loans Advisory Services?

A. Correct.

382 Q. And how long have you been in that group?

A. Split between two periods of time. In my current position, I moved down to New York actually 11 years ago this month.

383 Q. Now I am just going to pick as an illustration just one of the credit reports, I will go to the very last one, K, because it's the most current.

A. Okay, yes.

384 Q. And I am just going to go to page 3. And I only want to go to page 3 just because there is signature lines at the bottom for different people?

A. Okay.

385 Q. And you are identified

there as senior manager SLAS?
A. Correct.
386 Q. And if I go back to the first one, which I won't do, but I think you had had the same title back then; is that right?
A. That is my bank title, correct.
387 Q. And how long have you had the title or position senior manager SLAS?
A. That is within group risk. It gets confusing, but within the bank I have two titles.
388 Q. Okay.
A. I am senior manager, but in the division or, I am sorry, within the group Capital Markets, I am known as the managing director.
389 Q. Right, and there is lots of managing directors in RBC; is that fair?
A. I would say it's fair within Capital Markets.
390 Q. Okay, okay.
And, again, I am not trying to suggest anything, you are not trying to deceive us in any way --

A. Okay.

391 Q. -- but you have got one RBC Capital Markets title, and then you have the senior manager SLAS title. So just tell me how long you have had that title or position?

A. The title goes throughout the 11 months --

MR. FINNIGAN: Eleven years --

BY MR. STALEY:

392 Q. -- eleven years?

A. Eleven years, I am sorry. But there was a promotion in between that was the managing director. So it's the managing director that drives the salary, if you will, but the title is the same.

393 Q. And looking back at your career at RBC, of the 34 years you have been at RBC, how long have you been in special loans? It may have a different name, but how long have you been in that group from the time you started until now?

A. Eleven years to date. And then four years during the real estate troubles here in New York -- in Toronto. So that would have been 15 years in total.

394 Q. And within the hierarchy of SLAS, just tell me how you rank in the relative hierarchy of SLAS?

A. So there would be myself going up to Ray Chang. Bruce Campbell would be the one to -- at his signing level. And the only higher person after Bruce would be have been Mark Hughes, who is the chief risk officer.

395 Q. If I was to look at an org chart, I am looking left on page 3, I would see you, and then I would see above you in the hierarchy, Mr. Chang and then Mr. Campbell sort of working up to the chief risk officer?

A. Well chief risk officer doesn't sign off on this one, it's not large enough.

396 Q. But if I was to look up the hierarchy, that's how the hierarchy would work?

A. Yes.

397 Q. And you are the guy, unfortunately, that has to prepare these reports?

A. That is correct.

398 Q. And I take it, sir, from what you have told me about your tenure with the

bank and in this area, that you have had extensive experience in dealing with distressed companies?

A. That's correct.

399 Q. On behalf of the bank?

A. On behalf of the bank, yes.

400 Q. And all with a view to try to maximize the bank's realization from distressed companies?

A. That is correct, yes. We do maximize recovery, yes.

401 Q. And that would include companies some of which have gone into bankruptcy protection, formal proceedings?

A. That's true.

402 Q. And some that have avoided going into formal proceedings?

A. That is correct.

403 Q. And you will agree with me, sir, that from the perspective of the bank, it would expect that its recoveries would typically be increased if the entity was to continue as a going concern?

A. That is correct.

404 Q. And if one is to go and

continue as a going concern, the company needs to retain its customers?

A. Yes.

405 Q. And it needs to retain its suppliers?

A. Critical suppliers, yes.

406 Q. It needs to retain whatever suppliers it actually needs to carry on business; is that fair?

A. I think that's fair.

407 Q. It also needs to retain employees, or at least the employees that it needs to continue to carry on business; is that fair?

A. Again, key employees, yes.

408 Q. Right. And, in fact, in some situations, companies make special provision in an insolvency to induce key employees to the stay with the company; is that your experience?

A. Yes.

409 Q. And you will agree with me, sir, that if you are trying to continue a business as a going concern, you would expect that you would actually pay your suppliers in the ordinary course?

A. That is correct.

410 Q. And you would pay your employees in the ordinary course?

A. Correct.

411 Q. And you would also try to take steps to provide some assurance to your customers, suppliers and employees that the company was going to continue as a going concern, is that fair?

A. Yes.

412 Q. And you would want to -- you would be trying to promote the company's efforts to restructure successfully so that they would -- so that the suppliers and customers would continue to deal with the company?

A. That would be implicit in the restructure, yes.

413 Q. Right. It would be a positive messaging exercise that you would try to do so that you would retain as much customer support and supplier support in the course of a restructuring?

A. Yes.

414 Q. And you would expect the a company to try to do that if it's trying to work

through its situations and come out as a restructured company?

A. I would expect the company to do that within the confines of a formal restructuring, yes.

415 Q. Now, sir --

A. I just want to make sure I am clear on that. On a formal restructuring, which is a CCAA or a Chapter 11 in the States or whatever.

416 Q. You would expect in any circumstance where there is concerns about the company's viability that they would try to take steps to provide reassurance to customers, employees and suppliers that the company is going to -- is still going to be around?

A. Right, but they do that within the confines of a CCAA or an out-of-court restructuring.

417 Q. An out-of-court restructuring.

So, sir, if I look at your responding motion record which contains your July 21st, affidavit.

A. July 21st. Oh, all

right. I have got two 13s. I must have yours.

MR. FINNIGAN: You have mine.

THE WITNESS: The 21st, okay.

BY MR. STALEY:

418 Q. And, sir, if I take a look, and I am going to have you focus at, in your affidavit, at the references to Exhibits C and D, which you will find at paragraphs 11 and 12.

A. So, I am going back to the --

MR. FINNIGAN: So first read 11 and 12.

BY MR. STALEY:

419 Q. So take a second, sir, and read paragraphs 11 and 12.

A. Yes.

420 Q. And if I turn, sir, to, I am going to focus for a second on paragraph 11, Exhibit C, and you reference there something that was on the Monitor's website?

A. Um-hmm.

421 Q. Sorry, the company's website.

A. Yes.

422 Q. And it's a description,

if you turn to the discussion there, transaction update, sir?

A. Um-hmm.

423 Q. And this is something that would be publicly accessible or was publicly accessible on the company's website at that time?

A. That's correct.

424 Q. And it purports to describe the sales transaction that is the subject of the motion that's going to be argued on August the 23rd --

MR. FINNIGAN: Thirteenth.

BY MR. STALEY:

425 Q. Sorry, I am losing my mind. Argued on the 13th?

A. Yes.

426 Q. And so if I look back on your paragraph 11 of your affidavit, it references the manner in which the transaction is presented to the public; do you see that there, sir?

A. Yes.

427 Q. And you will agree with me, sir, that as it relates to the parties who are in contest on the application that's coming up on the 13th, the parties that are contesting the

application know that it is not a fait accompli; is that fair?

A. I believe that is correct, yes.

428 Q. And because the parties are, in fact, here today in the midst of cross-examinations in relation to that?

A. Correct.

429 Q. And you will agree with me, sir, that this update is directed at trying to provide assurance to the company's customers and suppliers with respect to the fact that the company is expected to come out the other side intact; is that fair, sir?

MR. FINNIGAN: He can't testify as to what the company had in mind when it wrote the affidavit.

BY MR. STALEY:

430 Q. That is how you would read it, sir? This is an advertisement to the public, not to the people who are fighting about this issue?

A. That they expect to come out, yes.

431 Q. Yes. And you would

expect a company that is trying to emerge, to come out the other side, to try to provide positive assurances to the public that it's going to escape from the process intact; is that fair, sir?

A. I would expect that -- I don't know if I would expect them to do it, but they did it.

432 Q. Now, sir, I am going to spend most of the rest of my time with you, and it won't take that long, going through some of the credit reports.

And if you have the book of reports handy, I am going to just flip through a number of the tabs with you.

A. Okay.

433 Q. And just to sort of start with the big picture and then get into some of the weeds.

A. Okay.

434 Q. If I was to take you through, and if you don't know this, I invite you to look at the document. If I was to take you from the first of the credit reports, which goes from September of 2013, through to the final report, which is April of 2015. As of the first

credit report, RBC had already written off $80 million of its second lien position?

A. I believe that's correct, yes.

435 Q. And then by the time we get to the end of -- get to the final report, which is the April 2015 report, the company had written off the entirety of the second lien position?

A. We had written off the entirety of our second lien position, yes.

436 Q. And the company also had written off a portion of its first lien position?

A. That is correct.

437 Q. And if I read the report correctly -- and I will come back to this as I sort of work through the narrative.

In the final report, a recommendation is, in fact, made that a provision be taken on account of the First Lien Debt; is that fair? It's K, if you want to look at it.

A. Yes, so, from a -- from the bank's reporting perspective, the recommendation was to write off a portion of the First Lien Debt. And my, again, my only caveat is

I continue to say that we thought there was value that would eventually come to the bank.

438 Q. Through the warrant process that you have been discussing?

A. Or whatever process that was negotiated, yes.

439 Q. You hoped to be able to negotiate a process that gave the bank some warrants that would allow the bank to enjoy the benefit of a future increase in value if that was later realized; is that fair?

A. After the First Lien got back all their money.

440 Q. Right. And you understand that just as a matter of principle, where you have got a First Lien Debt and a Second Lien Debt, the idea is that the First Lien gets paid in full before the Second Lien gets paid; is that fair?

A. No.

441 Q. It's not the case?

A. No, it's not.

442 Q. Not the case?

A. I rank pari passu with the First Lien Debt unless there is a realization action.

443 Q. Okay, unless there is a realization action?

A. Right.

444 Q. And if there is a realization action, then you rank behind the First Lien Debt?

A. That is correct.

445 Q. So let me if I can, sir, just go through a number of the documents that are set out in the credit reports. I am just going to skip through a few of them. I want to start with the credit report at Tab B.

A. "B" as in "boy"?

446 Q. "B" as in "Bob".

A. Okay.

447 Q. And this is a report, sir, that is dated January 15, 2014?

A. Yes.

448 Q. And I want to just, if I can, take you to the second page. And if I look on the second page, sir, there is various action dates there set out, the middle of the page?

A. Yes.

449 Q. And among the dates set

out, are the dates of maturity of the First Lien Debt and the Second Lien Debt?

A. That is correct.

450 Q. And if I turn over to page 3, there is in, about the third of the way down, there is an acronym. These things are full of lots of acronyms. What does "TVM" stand for?

A. Time value of money.

451 Q. And if you take a look at right under the "TVM Rationale for TVM Assumption", you see that heading?

A. Yes.

452 Q. There is a discussion of what the RBC exposure consists of?

A. Yes.

453 Q. And if I go down to the next entry it says:

"Assume second lien interest ceases after March 31st payment date."[as read]

Do you see that, sir?

A. Yes, I do.

454 Q. And it goes on below that:

"First Lien will not be paid

at maturity, will be extended as part of a longer-term restructuring."[as read]

Do you see that?

A. That is correct.

455 Q. So it was your expectation at the time this report was prepared that the First Lien Debt would not be paid at maturity?

A. That would be my expectation, yes.

456 Q. And it was your expectation as well, sir, that when the First Lien Debt was not paid at maturity, the debtor would cease to pay interest on the second lien?

A. You have to -- no, you are only taking one part of this. There is a deception-tree process. So implicit in this assumption is the CCAA filing or some type of court filing.

As long as there is not a court filing, my expectation would have been that the interest was current.

So you -- I am assume the worst here or the best, I guess it depends on how you look at it. I am assuming there is some type of Canadian bankruptcy filing and the second lien interest would not be paid because once you go into CCAA I wouldn't collect my interest.

However, if I am not going into a proceeding, I do expect my interest to be paid, it's a contractual obligation.

457 Q. Sir, I am suggesting to you that what, the statement you just made to me is just a flat out lie, and it's contradicted by your own documents?

A. No, it's not.

458 Q. You did not believe at the time, you did not believe that you would get another cent of interest once the first loan matured and the first loan principal balance was not repaid on maturity; isn't that fair?

A. As long as they go into an insolvency hearing, my expec -- if they go into a CCAA, and I believe I say it here, the expectation somewhere in my documents, I expect a CCAA, that is true.

459 Q. So let's just, starting here, if I just read the words on the page. It says:

"Assume second lien interest ceases after March 31st, payment date."[as read]

Do you see that, sir?

A. Yes, I do.

460 Q. So at that time, you did assume that the second lien interest would cease after the March 31st payment date; is that fair?

A. That's an assumption, yes.

461 Q. That is an assumption. And that was not just an assumption, sir, this is a report that you are preparing internally at the bank that gets reported up the hierarchy of the bank?

A. That is correct.

462 Q. And when you wrote this report it was to your knowledge, sir, true?

A. The assumption, yes. The assumption is --

463 Q. Yes. And you also, you also expected when you prepared this report, sir, the first lien would not be paid at maturity; is that right?

A. That was my expectation,

yes.

464 Q. And, sir, if I look at this document here, it does not anywhere -- nowhere in this document does it reference a CCAA proceeding or any other formal insolvency proceeding, you agree with me on that, sir?

A. In this particular document, no.

465 Q. Right.

Now, sir, I want to take you to another document, it's one of the ones that your counsel produced to us. There were a number of e-mail chains given. I have taken the e-mail chain that is the longest of the chains. And this is one that your counsel provided to us yesterday. I will just give you a copy of that.

MS. MAHAR: What is the document number on that?

MR. STALEY: It's doc ID NR00043 --

MS. MAHAR: I know what it is, thanks.

BY MR. STALEY:

466 Q. And this, sir, is an e-mail exchange that you had with Mr. Chang,

Raymond Chang?

A. Yes.

467 Q. And if I look at the dates, the dates go from March 26 to March 27 of last year?

A. Yes.

MR. STALEY: Let's mark that as the next exhibit.

EXHIBIT NO. 7: E-mail exchange between Mr. Vowell and Mr. Chang et al, Document NR000438.

BY MR. STALEY:

468 Q. And, sir, if I start with the -- this e-mail includes some earlier exchanges with others, including with Alvarez & Marsal; do you see that?

A. Yes.

469 Q. And others. And it goes to Jonathan Miller. And who is Jonathan Miller?

A. He is our financial advisor.

470 Q. He is your financial advisor. So it goes to Jonathan Miller on March 26th of 2014? That's on the -- it's the

second page of the e-mail.

A. Okay, yes.

471 Q. Do you see that?

A. Yes.

472 Q. And there is a Mr. Mullett of Alvarez & Marsal advises CDG that Nelson was as likely -- will likely be stopping the preauthorized payment for interest that would automatically come out on March 31; do you see that, sir?

A. Yes, I do.

473 Q. And then it goes on to explain why that's happening in the following paragraph?

A. Yes, I do.

474 Q. And then that e-mail ends up in your hands somehow, sir, and you forward it on to Mr. Chang --

A. Yes.

475 Q. -- at the top of that page?

A. Um-hmm.

476 Q. And then you have an e-mail exchange with Mr. Chang that I want to focus on just for a second; do you see that?

A. Yes.

477 Q. And Mr. Chang says:
"I really had thought we could have squeezed out one more payment. Do we know what extended cure period he is talking about."[as read]
And you see there is further discussion between you and Mr. Chang about whether or not you could squeeze out one more payment?

A. Yes.

478 Q. And you ultimately did not squeeze out one more payment, sir?

A. That is correct.
Well, other than the 350. We did get $350,000.

479 Q. In return for executing an agreement later?

A. That is correct.

480 Q. And certainly just looking at this, sir, it was Mr. Chang's expectation, if I look at the bottom of the first page, that there would be one more payment coming that he hoped would be obtained from the debtor?

A. That is correct.

481 Q. I now want to turn, sir, to the document at E, the credit report at E.
And this is a credit report dated March 31, 2014?
A. Um-hmm.
482 Q. And this follows just a few days after you have had your e-mail exchange with Mr. Chang?
A. That is correct.
483 Q. And I just want to just go through certain portions of this with you, sir. I am going to start on page 2 of the report.
And if you take a look at the top of the page, there is something called a proposal outline?
A. Yes.
484 Q. And then there is a PCL recommendation, and that's you are recommending that a further provision be taken against the Second Lien Debt?
A. That's correct.
485 Q. And if you take a look at the second paragraph, you go on to indicate in the second sentence:
"It is a certainty the company

will not pay any more interest on the Second Lien Debt."[as read]

Do you see that, sir?

A. Yes, I do.

486 Q. And you then go on at the bottom of the page to -- there is a heading "March 31, 2014, Missed Interest Payment"?

A. Yes.

487 Q. And you go on to indicate in the first paragraph under that heading that Nelson made its first lien interest payment on March 31st, as set out there, but didn't make the second lien interest payment; do you see that?

A. Yes, I do.

488 Q. And you then go on in the next paragraph to indicate that the various representations the company made with respect to making future interest payments; do you see that, sir?

A. Yes, I do.

489 Q. And you then set those matters out in the paragraph at the bottom of that page and over on the top of the next page?

A. Yes.

490 Q. And you indicate, and you referenced this earlier, that there was an extension requested and there was a payment made of $350,000 on account of that requested extension?

A. That's correct.

491 Q. And you referenced that at the top of page 3?

A. Um-hmm.

492 Q. And you go on in the paragraph that follows, which has five numbered points, to set out the bank's rationale for approving the extension that Nelson requested?

A. Yes.

493 Q. And the points that are set out there, those are points, sir, that you endorsed to your superiors when you wrote this report?

A. That is correct.

494 Q. And they set out the bank's rationale for granting the extension?

A. Yes, it is.

495 Q. So the first of those, sir, Point Number 1:

"It was our firm belief the

company would not and could not pay the full amount of the second lien interest."[as read]

Do you see that?

A. Yes, and that was in my discussions with Dean Mullett. He was telling me that the First Lien was putting extreme pressure on the company. I believe they started off offering us 250, I tried -- I tried to get more. And he said that he couldn't get past 350.

496 Q. What question was I asking that you answered, sir, with that narrative answer?

A. You asked me Number 1.

497 Q. Yeah, I asked you, sir, if it was RBC's firm belief that the company could not and would not pay the full amount of the second lien interest?

A. And that is what I explained to you why I believed that.

498 Q. Now I want to focus on the third item that's under that list, sir. There is a number, I want you to take you to some of them.

It says:
"Under the intercreditor agreement, the Second Lien Lenders could not undertake any legal remedies, the standstill period is 180 days."[as read]
A. That is correct.
499 Q. And that comes out of the intercreditor agreement, sir?
A. Yes.
500 Q. And if you just maybe keep -- stay where you are now, but also if you could turn up the original application record.
A. Sorry, where?
MS. MAHAR: Do you have a copy? Sorry, I don't think we brought it.
MS. KIMMEL: There is a copy in front of the witness.
MS. MAHAR: Oh, okay, thank you. Intercompany creditor agreement is Tab F. F or G. F, sorry.
THE WITNESS: Okay.
BY MR. STALEY:
501 Q. And if you turn to, it is

Tab F, which is Exhibit F to Mr. Nordal's May 11, 2015, affidavit.

A. Okay.

502 Q. And if you turn to page 10. Do you see that?

A. Page 10, yes.

503 Q. And there is a section in the middle of the page that has the heading "Enforcement"?

A. Um-hmm.

504 Q. And there is one, under that, is Section 3.1, "Exercise of Remedies". Do you see that?

MR. FINNIGAN: Yes, we are on that page, yes.

THE WITNESS: Yes.

BY MR. STALEY:

505 Q. And, sir, if I just -- I am just going to read to you sub paragraph (a) and then I am going to have you look with me below that. So 3.1(a):

"Until the discharge of First Lien obligations has occurred, whether or not any insolvency or liquidation proceeding has been commenced by or against the company or any other grantor, the Second Lien Collateral Agent, the Second Lien Claim Holders."[as read]

And then there is a series of things, sir, that you agree not to do?

A. Um-hmm.

506 Q. And:

"Will not exercise or seek to exercise any rights or remedies with respect to any collateral."[as read]

And I am not going to read all that to you. But if you go down there, sir, there is a reference to a standstill period; do you see that? In the middle -- towards the end of that paragraph?

A. Yes.

507 Q. Which follows by four lines, a reference to 180 days?

A. Um-hmm.

508 Q. And to the extent that you indicate in the page 3 of your report that we have been looking at, a reference to a standstill

period of 180 days, does that come out of the paragraph of the agreement I just took you to?

A. That is what I would be referring to, yeah.

509 Q. And if I can just have you focus on that paragraph, that portion that I will have you look at for a second, sir. If I am just going to -- I am just going to start picking up from the words "180 days". It says:

"180 days has elapsed since the date on which the First Lien Collateral Agent receives notice from the Second Lien Collateral Agent of the existence of any event of default under the second lien credit agreement." [as read]

Do you see that, sir?

A. Um-hmm.

510 Q. So the 180-day period starts when notice is given; you see that?

A. Yes.

511 Q. You agree with me, sir, that notice has never been given? This notice has not been given?

A. To the First Lien Agent?

512 Q. Yes.

A. I am not sure about that.

513 Q. You are not sure about that?

A. We gave it to the first lien -- I am sorry. We gave it to the company, I don't know if they passed it off to the First Lien Agent.

514 Q. I am suggesting to you, sir, that the notice that's required to be given here to the First Lien Collateral Agent has never been given?

A. It's never been given directly to them, I agree with you.

515 Q. I am just going to -- Ms. Kimmel reminds me, the notice that I believe you were referring to is this April 1, 2014, letter. Is that what you were referencing?

MS. MAHAR: Sorry, there are no copies. Do you mind if I take a look?

MR. STALEY: No, absolutely, we gave it to John to look at.

THE WITNESS: This is the reservation of rights letter.

MS. MILLER: I don't believe this is what you are referring to.

MR. STALEY: I am not asking you. I am asking him if he knows what this is referring to.

THE WITNESS: Well that says the reservation of rights letter, so that would have gone out with the non-payment of interest.

BY MR. STALEY:

516 Q. Now, sir, I just want to turn to another document. And this is among the documents that your counsel produced to us yesterday. I am going to show you a copy of an e-mail which bears NR000463.

A. Yes.

517 Q. And, sir, this is an e-mail that you sent to Mr. Bruce Campbell copied to Mr. Chang on April 14, 2014?

A. Yes.

MR. STALEY: I will mark that as the next exhibit.

EXHIBIT NO. 8: E-mail from Les Vowell to Bruce Campbell et al, dated 4/14/ 2014, Document NR00463.

BY MR. STALEY:

518 Q. I am not trying to be unfair to you, sir, but it looks like in preparing this e-mail you borrowed portions of the credit report, but you just looked at it, and then put them in e-mail form to Mr. Campbell?

A. Correct.

519 Q. I am just going to show you one more document with the same theme, sir. This is a May 6, 2014, e-mail from you to someone named Joanne HoSing?

A. Yes.

MR. STALEY: I will mark that as the next exhibit.

EXHIBIT NO. 9: E-mail from Les Vowell to Joanne HoSing, Subject Nelson Education - Enterprise Watch List, dated 5/6/2014, Document NR000295.

BY MR. STALEY:

520 Q. And it looks like you have repurposed the earlier content for this e-mail. Why are you sending -- who is Joanne HoSing and why are you sending her this?

A. She is the -- heads the

administration in the special loans group. So I don't remember, but I suspect she may have been having a meeting with the external auditors so she would have asked for some...

521 Q. I am now, sir, just going to jump right ahead to Tab K, which I know Ms. Kimmel took you to that earlier but I am going to take you to some other portions of it.

And, sir, this is -- when I began asking you about these reports, you indicated that this was the credit report in which you recommended and the bank agreed to writedown its first lien position?

A. Correct.

522 Q. And if I go through, if I go to page 2 of the credit report. You, there, provide under the heading "Proposal Outline", some background to what occurred, including a reference to the sales process?

A. Yes.

523 Q. And if I look at the third paragraph, one of the things -- one factor that worked against the bank's efforts to recover was a change in the exchange rate between the Canadian and US dollar?

A. That is correct.

524 Q. Which had the effect of -- because the First Lien Debt is denominated in US dollars, it had the effect of increasing Nelson's costs to retire the debt?

A. It increased the Canadian dollar equivalent of the debt, yes.

525 Q. And the company makes money in Canadian dollars and then has to pay it off. So it increases the cost to Nelson of paying off the debt?

A. Not the cost. It increases the -- relatively speaking, it increases the size of the debt, yes.

526 Q. And if I go down the page, there is a heading -- there is two headings "Enterprise Value", I am going to look at first one for a second?

A. Um-hmm.

527 Q. You said:

"We are recommending a provision be taken on the First Lien Debt and this provision is not a reflection of the deterioration of the

Nelson's performance but
rather the sharp reduction in
the Canadian/US dollar
exchange rate."[as read]

Do you see that?

A. Yes.

528 Q. And then you go on under another heading with the same "Enterprise Value" heading, to say:

"The enterprise value is
driven by three metrics, debt
trading levels, discounted
cash flow, and comparable
EBITDA multiples."[as read]

Do you see that?

A. Yes.

529 Q. And what you then do, sir over -- in fact, as I read this, you summarize those metrics under that heading and then go on and actually look in greater detail at the metrics that you refer under the later headings, "debt trading levels", "discounted cash flow", "EBITDA multiples". Do you see that?

A. Yes.

530 Q. And, sir, let's just

focus for a second on the first of those, which is "debt trading levels"?

A. Yes.

531 Q. And you have -- you went out and checked by checking on your trading desk and Credit Suisse's treading desk to get an indication of where the First Lien Debt was trading at?

A. No. It's not trading. So indications are, we are asking their opinion, so there is no live trade to base anything on.

532 Q. So you are asking them where they believe that it would trade at if there was a trade; is that fair?

A. An indication level, yes.

533 Q. An indication level.

And the indication levels you got back were from your own trading desk 77.7 cents on the dollar?

A. Yes.

534 Q. Which would be an indication that people, the holders, believed that there was insufficient value at Nelson to pay the First Lien Debt in full?

A. Not necessarily.

535 Q. You agree with me, sir, that if somebody -- that if debt is trading at 77 or 78 cents to the dollar, it -- one reason it would do that was because people believed that there is insufficient value to pay the debt in full?

A. Part of that could be true. But the other part of it is it could also be the interest rate, because these do trade like bonds to some extent, and the rate that was being charged at the time was well below market. So it would be a combination of the two.

536 Q. Combination of the two?

A. Yes.

537 Q. So there would be some element of the interest rate and some element of an expectation that there is insufficient value to retire the debt, pay the loan -- the principal amount in full; is that fair?

A. That would be fair.

538 Q. And then the indication you got from Credit Suisse was at 82-and-a-half cents?

A. Correct.

539 Q. And then what you do

there is you arrived at an average from those two indications and concluded that the debt trading levels implied a value of $212 million?

A. That is correct.

540 Q. And then you go on to indicate that based on that -- based on the First Lien Debt level of $263 million, there is a $51 million shortfall?

A. Correct.

541 Q. And then the next indication that you talked about, sir, in the report, just walking down the page, is discounted cash flow?

A. Um-hmm.

542 Q. And you do a discounted cash flow analysis, I am going to come later to the Tab 3 under this, or we will look at that. But the discounted cash flow implied value that you arrived at in April of 2015 was $230 million?

A. Correct.

543 Q. And on this basis, you are still $33 million below the First Lien Debt?

A. Correct.

544 Q. And then the last one of the three was EBITDA multiples?

A. Yes.

545 Q. And if I go back, sir, and I look at the previous page where, under the second of the two "Enterprise Value" headings; do you see that?

A. Um-hmm.

546 Q. And you say there:

"Enterprise value is driven by three metrics, debt trading levels, discounted cash flow and comparable EBITDA multiples."[as read]

Do you see that?

A. Yes.

547 Q. So if I understand your report correctly, what you did is that in preparing the report, you identified entities that you believed were comparable to Nelson for the purpose of doing EBITDA multiples?

A. Tried to guesstimate, yes.

548 Q. Tried to guesstimate?

A. Yes.

549 Q. So you picked what you believed were comparables to Nelson in which you

could then compare EBITDA multiples?

A. Right.

550 Q. And if I go back, then, to page 3. You say:

"Of the three metrics, this is the most uncertain." [as read]

Do you see that?

A. Yes.

551 Q. "Most of the major competitors have gone through bankruptcy and are owned by the lenders. Multiples range -- " [as read]

And it says "rang", but it should be "range"?

A. Yes, range.

552 Q. "Multiples range from a low of four times to a high of seven times." [as read]

Do you see that?

A. Yes.

553 Q. And you went on, sir, and you say:

"We have chosen five times multiple as the company continues to perform on a consistent basis, not exceeding or falling below expectation. The implied enterprise value is $175 million."[as read]

Do you see that?

A. Yes, I do.

554 Q. With an implied deficit of $88 million?

A. Yes.

555 Q. And, sir, that was advice that you provided to your superiors at the bank at that time?

A. Yes, it is.

556 Q. And that was advice based upon what you considered to be comparable entities and their EBITDA multiples?

A. Yes.

557 Q. And it was based upon your considered view that a five-time multiple was appropriate to apply in those circumstances?

A. I picked a five times, I wasn't sure whether five, seven or three, but I just picked the middle ground.

558 Q. Well you actually, sir, didn't do that because you had -- the range that you looked at was four times to seven, you didn't pick 5.5, you actually chose on the lower end of that.

A. Five times, okay.

559 Q. And at the time, sir, you picked a multiple that you believed was appropriate for the purpose of this value exercise that's reflected in this paragraph?

A. Correct.

560 Q. And, sir, if we take a look at the document that is at K -- sorry K.3, which your counsel has produced to us, I believe, yesterday.

A. Um-hmm.

561 Q. Which is now in that binder.

And if I take a look at the first page, there is a summary of valuations there?

A. Yes.

562 Q. And the three valuation methods are set out at the top of the page and the valuation beside that to the right?

A. Correct.

563 Q. And you then get an average of just over $205 million?

A. Yes.

564 Q. And you will agree with me, sir, that of the three methodologies that you use, as set out there on that page and in your report, the valuation methodology that produces the lowest value is the EBITDA multiples?

A. Correct.

565 Q. And, sir, I know Ms. Kimmel asked you this question, but earlier she took you to the Exhibit G to your second affidavit.

A. Yes.

566 Q. And which is the CDG document.

A. Yes.

567 Q. And you will agree with me, sir, that you did not -- the analysis that we have just discussed in Tab K, you did not provide that analysis to CDG before they prepared that report?

A. This?

568 Q. Yes.

A. I did not.

569 Q. And you did not tell them, you did not tell CDG that you had done an EBITDA multiple analysis of Nelson and had concluded that the implied enterprise value was $175 million?

A. I did not. I wouldn't share that specific information, no.

570 Q. Now, sir, one other point about the CDG analysis, maybe two other points.

If I just have you focus there for a second.

One of the points they make in there is that the company's real estate could be sold and there could be added value gained on the sale of the real estate?

A. Yes.

571 Q. You understand that, sir?

A. Yes.

572 Q. And you will agree with me, sir, that if the real estate is sold, then the company would have to enter into arrangements either to move to and lease new premises, or it would have to enter into sale and leaseback arrangements on the sale of the real estate?

A. Correct.

573 Q. And in either case, the company would incur additional expenses in terms of it would be paying either to move and lease or be paying to lease premises that it currently owns?

A. Correct.

574 Q. You agree with me, sir?

A. Yes.

575 Q. And you will agree with me, sir, that the analysis, CDG's analysis does not reduce the company's EBITDA to take into account anticipated future lease or lease and move costs that would be incurred if the company disposed of its real estate?

A. Their analysis is assuming that they stay in their existing facilities as is.

576 Q. Right.

A. What they had proposed is these are additional options that could be looked at, but they did not include that in their numbers.

577 Q. Right. And my point to you simply, sir, is that to the extent that they

do not reduce downwards the EBITDA to take into account future leasehold costs, the EBITDA that has been multiplied produces a falsely high number because they don't take that into account?

A. It should offset with a reduction in the First Lien Debt. In other words, any property that's sold is reducing the First Lien Debt. So I agree with you that the EBITDA would be lower, but the amount of First Lien Debt that it has to service or cover is also lower.

578 Q. It goes somewhere, sir, the money has to go somewhere. But if you are not paying to lease premises now, and you have to pay to lease premises, it reduces your EBITDA; right?

A. It does.

579 Q. So the --

A. But all I am saying, though, is that, again, I will make up a number here, but if the debt is 267 million, and they do a sales leaseback, $10 million goes to the debt, and now you are down to 257 and your EBITDA is, yes, you are correct, is lower.

So now you are looking at: Have you done the analysis to ensure that the cash flow from a sales leaseback is actually better for the company if they have a lower amount of debt.

580 Q. And my only point to you, sir, is that if I look at the suggestion that there is a value of real estate to be added, that to the extent that there is a value of real estate to be added, there is a corresponding offset that reduces EBITDA and that that's not reflected in the report as it is currently written?

A. Nor is the reduction in the debt. Correct.

MR. STALEY: Just give me one second and just go off the record.

--- Off-the-record discussion.

MR. STALEY: That completes my questions, thank you.

MR. FINNIGAN: So we are going to just take ten to see if we have any re-exam and, if we do, it will be very brief.

--- Upon recess at 1:37 p.m.

--- Upon resuming at 1:52 p.m.

RE-EXAMINATION BY MR. FINNIGAN:

581 Q. Mr. Vowell, I am going to take you to some of the documents that were put to you in your cross-examination, and if you can have the credit binder in front of you, please?

A. Yes.

582 Q. You were taken to page 2 of the document at Tab B, which is the January 15th, 2014, credit.

A. Yes.

583 Q. And your attention was directed to page 2, in the middle of the page, under "Selected Account Strategy"?

A. Yes.

584 Q. You see Number 2:

"Our strategy for the next six months is to wait and see and continue to collect second lien interest."[as read]

A. Correct.

585 Q. Your attention was also directed to the middle of the next page, under the heading "TVM Rationale for TVM Assumptions"?

A. Yes.

586 Q. And it says there:

"Assumed second lien interest ceases after March 31st, payment date."[as read]

A. Um-hmm.

587 Q. Can you please reconcile

the two statements?

A. They are really two different things.

The TVM is to calculate a -- it is a time value of money. So the auditors ask us to look out where we think future cash flow stream, and then discount it back. And it's discounted back at approx -- well not approximately -- at the interest rate on the loan plus the LIBOR portion.

So all we are doing there is going through a calculation to come up with a TVM number, and it's in the yellow section, and it says:

"TVM ACL foreign currency
6.7 million."[as read]

That is a number that is charged to the business unit and then the way time value money works, as you move into the future, all other things being equal, that number gets smaller and that difference is added back to the business unit's income.

So, in other words, in this case here, they would have a $6.7 million charge, but if everything proceeds forward as is shown in these numbers, over the period of five years, the 6.7 comes back into it.

So it's not something that comes out of your income statement, it's not like a provision of credit loss, it is just a recognition of time value of money.

588 Q. When you say "charged to the business unit", which business unit are you referring to?

A. So in this case it would be New York branch in the, I was going to say Ken Klassen's group, CME, which does -- it was a group that did this loan.

589 Q. So this TVM calculation is for internal purposes?

A. Oh absolutely, yes.

590 Q. Okay, thank you.

And did it have anything to do with your assessment of the strategy that's outlined on page 2?

A. No.

591 Q. Thank you. Next, if we can turn up Tab E, please. Which was the March -- just noticed as the March 31st, 2014, credit report?

A. Yes.

592 Q. You were taken through this in some detail. Starting at page 3, you gave an answer in response to a statement about Rationale Number 1:

"It was our firm belief the company would not and could not pay the full amount of the second lien interest."[as read]

A. Correct.

593 Q. You testified that you had a conversation with Dean Mullett in which he said something, words to the effect, that the First Liens were putting pressure on the company?

A. Correct.

594 Q. Do you remember specifically what Mr. Mullett said to you?

A. Not specifically. But I think I mentioned that we started out -- I believe the original offer was 250,000, I was trying to get up to, again, I think it was around a million, and he just said we are not going to get there, there is just too much, too much pressure. And basically we ended up at 350.

595 Q. Thank you.
And relating back, then, to just turn back one page in the second paragraph, in the second line, you say:
"It is a certainty the company will not pay any more interest on the Second Lien Debt."[as read]
What was the source of that belief?
A. Again, my discussions with Dean Mullett. Even though we were going through a -- it was a forbearance agreement, his indication -- my interpretation of what he was telling me was there would be no more interest coming.
596 Q. You were then asked a question about an e-mail chain between yourself and Mr. Chang, and this was Exhibit 7.
I am just showing you Exhibit 7. Do you recall being asked questions about this e-mail chain?
A. Yes.
597 Q. And Mr. Chang makes the statement at the bottom of the first page in his

e-mail of March 26, 2014, at 6 p.m.:

"I really had thought we could have squeezed one more payment. Do we know what the extended cure period he is talking about?"[as read]

So did you have any conversations with Mr. Chang about the statement -- about the topic of squeezing one more payment out?

A. Yeah, I mean, I spoke to him afterwards and I said that we were attempting to get the additional payment.

Again, our expectation was that the company would be filing for CCAA upon the maturity of the first lien. I mean, that, quite honestly, that was a foregone conclusion as far as we were concerned.

And with Ray we were just trying to -- I was trying to get him to understand all we were trying to do was get to a point where we could hopefully get the balance of the March 31st payment. So upon maturity of the first forbearance agreement, we started negotiating for a second and it was no, no more money. So there was not a second forbearance agreement with us.

MR. FINNIGAN: All right, thank you. Those are all my questions.

--- Whereupon cross-examination adjourned at 2:00 p.m..

I HEREBY CERTIFY THAT I HAVE, to the best of my skill and ability, accurately transcribed the forgoing proceeding

Lisa Lamberti, Court Reporter

TAB 1

EXHIBIT NO 1
EXAM OF Les Vowell
DATE Aug 5, 2015
REPORTER Lisa Lamberti
ASAP REPORTING SERVICES INC.

RBC Credit Reports
from September 24, 2013 to July 6, 2015

A	RBC Credit Report - September 24, 2013
1	Appendix B – Adjusted Senior Secured Leverage Ratio – at June 30, 2013
2	Nelson Education FY2013 Audited Financial Statements
3	October 2, 2013 Exposure
4	TVM Calculation Nelson October 2013
B	RBC Credit Report - January 15, 2014
1	Exposure January 7, 2014
2	Consolidated Financial Statements (unaudited) for the three months ended September 30, 2013 and 2012
3	TVM Calculation Nelson January 2014
C	RBC Credit Report - January 28, 2014
1	Exposure January 29, 2014
2	TVM Calculation January 29, 2014
D	RBC Credit Report - February 18, 2014
1	TVM Calculation January 29, 2014
2	Nelson Exposure February 18, 2014
E	RBC Credit Report - March 31, 2014
1	April 10, 2014 Exposure
2	Forbearance Term Sheet
3	Financial Summary December 31, 2013
4	TVM Calculation April 2014
F	RBC Credit Report - June 23, 2014
1	Exposure
G	RBC Credit Report - July 9, 2014
1	Exposure
2	TVM Calculation
H	RBC Credit Report - August 20, 2014
1	Exposure August 22, 2014
2	Nelson – Key Terms of Second Lien Restructuring Proposal
3	Nelson Structure Scenarios
I	RBC Credit Report - October 2, 2014
1	Exposure
2	TVM Calculation October 2014

J	RBC Credit Report - December 18, 2014
1	Compliance Nelson September 30 2014 Adjusted Senior Secured Leverage Ratio
2	Exposure December 18 2014
3	Financial MDA Nelson September 2014
4	Financials Nelson September 30 2014
K	RBC Credit Report - April 15, 2015
1	Exposure April 14, 2014
2	March 31, 2014 – Audited Financial Statements
3	Nelson EV April 2015
4	Q3 2015 Compliance
5	TVM Calculation March 2015
6	Adjusted Senior Secured Leverage Ratio for the Test Period Ended December 31, 2014

Credit Reports A through J are included in the following tabs without Attachments.
Credit Report K includes Attachment 3.

6481516

TAB A

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2013/07/15
This ACU:	**2013/09/24**

Annual Review:	Yes	Referred to:	Bruce Campbell
Final ACU:	No	Originating Business Unit:	CM
RBC Director Involvement:		Responsibility Transit:	8091 DIVERSIFIED CAN/ TORONTO
Change in ACU Review Date:	Yes Review Date:2014/06/01	District:	CORPORATE/RELATION BANKING
Change in Single Name Risk Rating:	No		
Change in Single Name Outlook:	No	Date transferred to SLAS:	2012/10/12
Change in Borrower Risk Rating:	No	Authorized when transferred to SLAS ($):	$204,517,4
Change in Borrower Outlook:	No	Outstanding when transferred to SLAS ($):	$151,877,6
Change in Borrower BCC:	No	BRR when transferred to SLAS:	4
Change in Account Strategy:	No	Date Classified Non-Accrual:	2012/10/10
Change in Credit Policy Exception:	Yes	Date Re-classified Accrual:	
AML - EDD - Is Enhanced Due Diligence required for this file?	No	Loss Event Date:	
Borrower in Bankruptcy or Receivership:	No	Date Put On Watchlist:	
Appointment of Advisors	Yes		
Equity positions in Company	No		
Recommendation to sell loans?	No		
Is loan being restructured?	No		

GROUP NAME: No Group	**OWNERSHIP**	**BRR**	**OUTLOOK**	**BCC**
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	UNCERTAIN	
BORROWER: NELSON EDUCATION LTD. (858353360)		5	STABLE	Dbtfl

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	Authorized When Transferred In	Prior Amount from Last ACU	Current Amount	Increase/(Decrease)
Credit Risk:	$204,517,412.16	$71,656,299.00	$70,570,340.08	($1,085,958.92)
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00	Comments:
	Insurance	$0.00	
	Other	$0.00	
RBC Dexia 50% P.A. & C.		$0.00	
Total Single Name Exposure:		$80,570,340.08	
Minus Mitigated Risk with limit relief		$0.00	Comments:
Minus Underwriting Risk		$0.00	
Net Single Name Exposure:		$80,570,340.08	

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:

Annual Review:

- Financial update - received annual financial statemetns
- update forecast
- Reduce CPE GRR01-01 to reflect reduction in 1st lien expsoure.
- ACU Review Date revised to 2014/06/01

PROPOSAL OUTLINE:

BACKGROUND

Nelson was part of Thomson Reuters Learning Division, which also included Cengage Learning; Nelson and Cengage were sold separately due to foreign ownership restrictions which prohibited Apax from having majority ownership of Nelson.

Apax currently owns 30% of Nelson while Omers controls 70%; Apax owns the majority of Cengage. Via a side letter / loss sharing agreement, we believe APEX has the majority of the economic risk. We note they appoint 3 of 6 directors.

Over 50% of Nelson s revenues are derived from an Operating Agreement between Cengage and itself. Nelson sell Cengage text books, as is, or with editing to Canadianize the text book. Cengage earns an annual royalty that in 2013 was approximately $20MM. This agreement expires in 2018.

Nelson s management believes the royalty amount is at or higher than current market comparables. While this is a significant arrangement for Nelson, the $20MM payment is less than 4% of Cengage s $500MM+ EBITDA

The extension of the operating agreement is critical to encourage the 1st lien debt to extend their maturity, and to be able to ensure a future debt refinancing. Nelson has submitted a proposal to Cengage to extend the operating agreement to 2018. Cengage has no material issues with the proposal, but are unwilling to move forward while they are in US Bankruptcy Court.

The earliest Cengage will emerge from Bankruptcy is March 1, 2014, assuming no objections to the disclosure statements. Given there are 36-lender classes, and that the 2nd lien has already expressed verbaly it has objections, it is highly probable the Cengage bankruptcy will continue past the July 5, 2014 maturity of the Nelson 1st lien debt.

RBC is resigning as 1st lien agent (being replaced by Wilmington Trust). A 1st lien steering committee has been formed, with Ares Capital, the largest 1st lien debt holder as its chair. The 1st lien debt has been presented a term sheet (similar to the term sheet in the July ACU), but have yet to respond, nor do they appear in a hurry to respond. We have heard the lenders are not unified as to strategy and that many are hoping the operating agreement can be extended prior to negotiating a new deal.

~~Given: there will be no defaults until the payment default on July 5, 2014, the lenders are hoping for an extension of the~~ operating agreement; and the 1st lien debt has yet to agree upon a strategy, we anticipate fulsome negotiations will not begin until spring 2014.

LOAN REDUCTION

There was an excess cash flow sweep that reduced 1st lien debt by approximately $13MM (RBC Share $1.1MM) that was applied as a permanent reduction to the 1st lien term loan.

AUDITED FINANCIAL STATEMENTS

- Nelson Education received a clean audit option (attached; and
- 1st lien leverage ratio is in compliance at 6-x (covenant 7-x)

The annual financial statements have been input into the financial analysis section. The company was effectively on plan. The company continues to show deterioration in EBITDA since 2008. While 2013 EBITDA ($50.7MM) is flat YOY, this is due to receipt of a one-time 3rd party royalty payment of $3MM in fiscal 2013; otherwise there would have been a further $3MM slide in EBITDA.

The company met with RBC on October 1st to review preliminary 1st quarter results. While July was on plan, August results were below plan. The company is trying to determine the reason, but it is too early in the process to provide a reason. September appears to be on plan, thus Q1 will under perform based on August results (expect EBITDA to be $3MM below plan). While Nelson believes they will meet the 2014 plan, EBITDA continues to weaken. They did note that provinces have announced the implementation of new curriculums that will boost future earnings. Q1 financial statements are due November 15, 2013.

TVM FORECAST

In July, it was anticipated Nelson would received a 'going concern' comment that is a default under the loan agreement. Based on this assumption no additional 2nd lien interest payments were forecast to be received on September 30th and beyond.

With the clean opinion, we have assumed RBC will continue to receive 2nd lien interest up and until March 31, 2014. We have assumed a consensual restructuring (or a CCAA) will occur before June 30th, so no 2nd lien interest will be received after March.

The forecast has been updated to reflect these assumptions.

PCL

We are not recommending any changes to the PCL recommendation based on:

1. In our October 1, 2013 meeting with Nelson and their financial advisors, nothing was said that would cause us to reassess our PCL amount; and

2. A fulsome PCL review was included in the July 2013 ACU.

We note our net 2nd lien position (after PCL and DLI) as at September 30th is $14MM. This will drop by $4.4MM over the next 6-months. This would indicate the maximum PCL, if required, on the 2nd lien debt would be less than $10MM.

ANNUAL REVIEW DATE

We are recommending a revised annual renewal date of June 1, 2014. This is a month before the July 5, 2014 maturity of the 1st lien debt.

ACTION DATES:
July 5, 2014 - Current maturity of 1st lien debt

July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang	Bruce Campbell		
Title	Sr. Manager SLAS	V.P. SLAS	S.V.P. SL&AS		
Group					

Approval input by: Cheryl Chung on 2013/10/21

Distribution List:
Chris Abe - Managing Director RBCCM 30th Floor, South Tower
Fred Amelio - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Appendix B - Adjusted Senior Secured Leverage Ratio - at Jun 30 2013.pdf
2) Nelson Education FY2013 Audited Financial Statements.pdf
3) October 2 13 exposure.xls
4) TVM Calculation Nelson Oct 2013.xls

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Full Year Q4/16	Full Year Q4/17
65.03	61.75	GIL	61.65	59.45	57.25	56.80	56.35	55.90	55.00	54.55	54.10	52.77	50.00
50.00		PCL	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
25.00		ACL	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
80.00		WO	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00
	8.85	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000
Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.00000
TVM ACL (CDN$) is: 7.124 TVM ACL Foreign Currency is: 7.124

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):
The TVM calculation is changed from the July ACU submission. The spread sheet calculation is attached.

The primary change is 2nd lien interest will be collect through Q2 and that the restructuring will occur mid-2014.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$80,000,000.00	$0.00	$80,000,000.00
Total W/O	**$80,000,000.00**	**$0.00**	**$80,000,000.00**
PCL Increase	$50,000,000.00	$0.00	$50,000,000.00
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$50,000,000.00**
FX Adjustment		$0.00	
ACL	$25,000,000.00	$25,000,000.00	**$25,000,000.00**

Pricing when transferred to SLAS:
First Lien.

L+250
ABR + 150
LCs 250

2nd Lien

L+600
ABR + 500

Covenant Breach: N

Comments: 7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall: Y

Comments: See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC is agent on $287MM 1st lien debt (we have resigned and Willmington Trust will take over (timing TBD). largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent on 1st lien term loan(we are being replaced) as well as the 2nd lien loan.

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$79,570,340.08
GRR01-02 : Single Name Credit Risk Limits - Corporates - Economic Capital	$1,127,294.61

Rationale:

Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

Grr01-02 has decreased with the establishment of PCL

Regulatory and BASEL II compliance - Have the following been reviewed?
Single Name: NELSON EDUCATION LTD.

FACT(BRR)	Yes
CED	Yes
FMD	Yes
C/U (Committed/Uncommitted)	Yes
LIED Code	Yes
BCC	Yes
GBRR	Yes
CP Exceptions	Yes
SIC	Yes
Holdco SIC	N/A
BSC	Yes
If Equity held was valuation updated.	No
Is collateral evaluated and documented as per OSFI requirements?	N/A
Have you completed all applicable and relevant mandatory sections of the ACU at the annual review eg financials, security etc?	Yes

SECURITY / VALUATION
Single Name: NELSON EDUCATION LTD.

SECURITY COMMENTS:

Refer to July 2013 PCL calculation and recommendation.

SECURITY DOCUMENTATION:

Osler is counsel to RBC as 1st lien Agent for the Nelson Education syndicated loan. The 2nd lien lenders share the same documentation / security. At the loan closing, counsel provided legal opinions, contained in the closing book, confirming all security in proper order and all the necessary authorization were in proper order.

Given that Osler prepared / reviewed / opined on the documentation, there is little value added in requesting they review their own work.

We have follow-up with Osler on security as required, specifically with respect to copy-write / intangible assets. A serious issue arose with respect to Cengage security, where is was revealed that up to 15,000 copy-write / IP assets were not properly registered and captured under the security agreement.

We followed up with Osler who has confirmed that registering security against copy-write assets is different in Canada and the US. In the US, a security interest must be registered against each copy-write, via a federal agency, including those that originated post-closing (it is an on-going process). The copy-write is not captured under the UCC filings.

In Canada, the copy-write is captured under the PPSA, for those existing at the time and those acquired since the signing of the loan document. No further action is required.

FINANCIAL ANALYSIS
Single Name: NELSON EDUCATION LTD.

FINANCIAL HIGHLIGHTS:

(in $000's where applicable)	2008	2009	2010	2011	2012	2013	
Sales	181,212.00	178,043.00	164,149.00	161,511.00	140,716.00	138,501.00	0.00
Sales Growth %	0.00%	-1.75%	-7.80%	-1.61%	-12.88%	-1.57%	0.00%
Gross Margin	121,278.00	117,659.00	107,325.00	112,162.00	95,371.00	95,243.00	0.00
GM %'age	66.93%	66.08%	65.38%	69.45%	67.78%	67.77%	0.00%
Operating Margin	68,876.00	67,516.00	62,062.00	59,874.00	50,732.00	50,534.00	0.00
Op. Margin %'age	38.01%	37.92%	37.81%	37.07%	36.05%	36.49%	0.00%
EBITDA	68,876.00	67,516.00	62,062.00	59,874.00	50,732.00	50,534.00	0.00
EBIT	30,193.00	-156,938.00	32,569.00	33,636.00	-11,238.00	24,818.00	0.00
Interest	60,434.00	61,191.00	44,635.00	30,168.00	31,690.00	24,178.00	0.00
Net Income	-23,204.00	-229,590.00	2,213.00	3,468.00	-40,889.00	-31,638.00	0.00
EBITDA/Interest	1.14	1.10	1.39	1.98	1.60	2.09	0.00
Cash	17,679.00	1,847.00	12,638.00	12,351.00	3,568.00	42,414.00	0.00
A/R	22,204.00	26,441.00	24,676.00	33,736.00	28,389.00	24,421.00	0.00
Inventory	29,581.00	22,190.00	15,796.00	14,158.00	14,143.00	12,393.00	0.00
A/P	33,988.00	26,613.00	22,670.00	28,013.00	20,701.00	25,394.00	0.00
W/C Ratio	2.04	1.91	2.34	2.15	2.23	3.12	0.00
PP & E	19,829.00	18,420.00	16,412.00	16,691.00	15,366.00	14,375.00	0.00
Intangibles	517,838.00	393,600.00	327,483.00	315,787.00	246,543.00	232,464.00	0.00
Total Assets	646,762.00	435,136.00	404,710.00	397,035.00	353,379.00	350,066.00	0.00
Senior Debt	309,837.00	351,341.00	318,747.00	281,179.00	291,078.00	302,037.00	0.00
Total Debt	484,502.00	529,534.00	482,044.00	428,958.00	454,570.00	462,766.00	0.00
SH Equity	15,207.00	-214,904.00	-211,748.00	-207,058.00	-247,781.00	-268,307.00	0.00
TNW	-502,631.00	-608,504.00	-539,231.00	-522,845.00	-494,324.00	500,771.00	0.00
Sr Debt/EBITDA	4.50	5.20	5.14	4.70	5.43	5.98	0.00
Total Debt/EBITDA	7.03	7.84	7.77	7.16	8.47	9.18	0.00
CF from Operations	21,076.00	19,776.00	33,814.00	40,923.00	33,491.00	33,416.00	0.00
Pre-Publishing Cost	16,139.00	16,793.00	13,537.00	13,782.00	13,617.00	10,226.00	0.00
Sr. Leverage adj for Pre-Publishing Cost	5.88	6.93	6.55	6.10	7.86	7.49	0.00

FINANCIAL COMMENTARY:

Nelson sold Modulo in January 2013. The fiscal 2012 financials have been adjusted to reflect Modulo as a 'discontinued operation'.

Nelson's financial results are reported in Canadian dollars. 1st lien and total debt are denominated in US$. As the C$ devalued relative to the US$, reported debt increased.

Revenues were down 1.57%. Higher education was flat YOY, while K-12 decreased $3.2MM. However, the operating profit for K-12 increased $1.4MM while Higher Education was flat.

The YOY increase in leverage reflects the above mentioned FX movements. Subsequent to year-end, Nelson announced a cash flow sweep debt reduction payment of $13.5MM. This reduces the 1st lien leverage from year-end 5.98-times to 5.71-times.

Cash flow from operations is not the proper metric to assess liquidity, As noted above, cash flow from operations after pre-publication costs (manditory and regular capex) has been calculatied. This metric shows a YOY improvement.

OVERVIEW AND RISK COMMENTARY
Single Name: NELSON EDUCATION LTD.

BACKGROUND/HISTORY:

On 7/5/07 OMERS and Apax acquired Nelson Education from Thomson Reuters in a C$650MM LBO (9.8x LTM EBITDA of C$66MM). Today, Nelson's valuation multiple is 5.1 to 6.4 times

Nelson was part of Thomson Reuters Learning Division, which also included Cengage Learning; Nelson and Cengage were sold separately due to foreign ownership restrictions which prohibited Apax from having majority ownership of Nelson.

Apax currently owns 30% of Nelson while Omers controls 70%; Apax owns the majority of Cengage. Via a side letter / loss sharing agreement, we believe APEX has the majority of the economic risk. We note they appoint 3 of 6 directors.

RBC arranged a C$562MM financing to support the LBO of Nelson but was unable to syndicate the RC and 2nd lien tranche due to rapid deterioration of credit markets at the time.

Since closing, Nelson has reduced the 1st lien USD TL by $23MM via amortization and cash sweeps, and the 2nd lien USD TL by an $18MM purchase (and retirement) from RBC.

Nelson is Canada s largest educational publishing company, publishing traditional textbooks and digital learning solutions for the K-12, Higher Ed and Professional markets

K-12 (34% LTM Sales): Largest publisher in the C$144MM Canadian kindergarten to grade 12 (K-12) market with ~30-35% share. Digital revenues are less then 5% of segment sales

Higher Education (66% LTM Sales): Second largest publisher in the C$326MM post education and professional education market with ~32% share. Digital revenues are ~30% of Higher Education sales

The overall market size of the K-12 business peaked in 2006 at ~C$222MM, and declined by 32% to ~C$152MM by 2011. In contrast, Higher Ed market has grown steadily growing from ~C$290MM in 2006 to ~C$338MM by 2011, but did show modest reduction in 2012.

AVAILABLE STRATEGIES:

While we were unsuccessful in selling down the 2nd lien debt, we did meet our objective to cancel the revolver.

We have maintained a constructive working relationship with the sponsor and company. The 1st steering committee had not been constructure or responsive to date. Given RBC continues to collect 2nd lien interest, we are not in a rush.

SELECTED ACCOUNT STRATEGY: Rehabilitate

[redacted]. To the extent we can aide in restructuring to improve our position we will be cooperative. The July 2013 ACU included a term sheet that reflected our proposed restructuring strategy.

As the 1st lien steering committee has yet to respond to proposals from the company or sponsor:

1. The July 2013 term sheet remains the restructuring strategy; and
2. Our strategy for the next 6-months is to wait & see and continue to collect 2nd lien interest.

RATIONALE FOR RECOMMENDATION FOR SELECTED STRATEGY:

Lost Involuntary, Realized; or remarket are not viable strategies at this time. Our sole course of action is to extend the maturity date of the 1st and 2nd lien debt to provide Nelson sufficient time to increase EBITDA and improve its ability to refinance its debt.

ENVIRONMENTAL ISSUES:

n.a. - Text book publisher and distributor.

OPERATIONAL RISKS:

nil

LITIGATION ISSUES:

nil

TERMS & CONDITIONS
Single Name: NELSON EDUCATION LTD.

COVENANTS: **In Compliance:** Yes **As at:** 2013/06/30

Comments:

Sr. leverage ratio is 7 times. Highly unlikely this covenant will be breached during the term of the loan.

As at June 30, 2013, 1st lien debt is C$302MM. Gross EBITDA would have to decrease to $43MM to trigger a breach. This is considered unlikely given fiscal 2013 EBITDA was $50.7MM.

The maturity of the 1st lien debt in July 2014 is the material event that will trigger refinancing / restructuring.

ROOT CAUSE AND LEARNINGS
Single Name: NELSON EDUCATION LTD.

SLAS's determination of Root Cause

Root Causes:

Industry - Industry Conditions
Financial - High Leverage - Unable or Unwilling to Inject Additional Funds

Did the field identity/demonstrate an understanding of the Primary Root Causes? Yes

Comments:

Nelson has been on the watch list as the field understood the company had too much leverage.

Was this file transferred to SLAS in a timely manner? No

Comments:

The transfer into SL&AS was accelerate by a $5MM trade of the 2nd line. This trade triggered the need for PCL.

Were Early Warning Signals effective? Yes

Comments:

Were Covenants effective? No

Comments:

The company remains in compliance with its 1st lien leverage ratio, yet the bank is providing significant PCL. It is unlikely the sole covenant will be breached.

Did exceptions to credit rules or guidelines contribute to probable or actual losses? Yes

Comments:

This was a hung syndication, that resulted in RBC holding approximately 85% of the debt. Despite the exception to policy and the ensuing 5-year hold, our exposure has been unchanged.

SUNDRY INFORMATION
Single Name: NELSON EDUCATION LTD.

FIN 46 VIE:

Is RBC a majority lender?	No (50+ % of total senior debt)
Equity interest?	No (i.e. any of: common shares, preferred shares, warrants, options, or convertibles)
Restructure?	No

Definition of Restructure - IFRS CAPM - LOANS (FIN-ACC-265)

9.0 RESTRUCTURED LOANS

9.1 Definition

A loan is classified as restructured when RBC, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. Examples of such concessions include a reduction in interest rate, uncompensated deferral or extension of principal repayments or interest payments, forgiveness of a portion of principal or previously accrued interest, acceptance of assets other than cash in settlement of a larger amount of the loan than is represented by the estimated net proceeds from sale of the assets, and other concessions which would not be considered in the absence of the weakened condition of the borrower.

Because restructured loans, among other things, involve the granting of a concession to the borrower, loans which are merely converted from one type of instrument to another (e.g. a $5 million term loan converted to a $5 million of term preferred shares with a similar economic yield on the conversion date) with otherwise similar economic yields are not classified as restructured loans but would be a new financial asset following the guidance of IFRS CAPM - Financial Instruments - De-recognition of assets and liabilities.

9.4 Change in Status

If collection of the scheduled cash flow in accordance with the modified terms of a restructured loan is reasonably assured, the loan is not classified as impaired. However, restructured loans are automatically classified as impaired loans when payment is contractually 90 days in arrears, regardless of whether or not the loan is well secured and in a process of collection. A restructured sovereign risk on which a payment is contractually 90 days in arrears (but less than 180 days in arrears) can be maintained as a restructured loan if senior credit management is of the opinion that the ultimate collection of principal or interest is not in significant doubt.

LINK TO CAPM

Did restructure result in a workout?	No
If YES does RBC have controlling interest?	No

Professionals - Sarbanes-Oxley Act

Single Name

Financial Advisor	Alvarez and Marsal
Auditor	PWC
Receiver	
Court appointed?	No
Trustee	
Court appointed?	No
Legal	Goodman & Goodman
Monitor	
Other	

RBC

Legal	Shearman & Sterling	Thornton Grout Finnigan	Osler, Hoskin & Harcourt

Financial Advisor CONWAY DEL GENIO

Syndicate

- Legal

- Financial Advisor

Aggregation Shares Reporting - Compliance Department

Complete this section for Common, Preferred, Convertible Shares

	Shares(1)	Shares(2)	Shares(3)	
Do we have equity in this company?	No	No	No	
Issuer of shares(Investee)				
Legal Entity	**Other:**	**Other:**	**Other:**	
Country				
Type of Shares/Security				
Number of Shares/Security RBC Holds?		0.00	0.00	0.00
Number of outstanding shares?		0.00	0.00	0.00
Percentage of O/S		0.00	0.00	0.00
Convertible?	No	No	No	
If yes, Terms				
Currency				
Book value of above		0.00	0.00	0.00
Private?	No	No	No	
Value of RBC's Holding	0.00	0.00	0.00	
Comments on Rationale/Methodology using EV/EBITDA				
Public Issue?	No	No	No	
Current Market Price	0.00	0.00	0.00	
Total value of RBC's holding	0.00	0.00	0.00	
Ticker, if applicable				
Series				
Exchanges?				
Voting?	No	No	No	
Non Voting?	No	No	No	
Type of Identifier				

Complete this section for Warrants

	Warrants(1)	Warrants(2)	Warrants(3)
Issuer of shares (Investee)			
Legal Entity	**Other:**	**Other:**	**Other:**
Country			
Transit			
Ticker, if applicable			
Type of Identifier			
Expiry Date			
Quantity	0.00	0.00	0.00
Strike Price			
Public Placed Warrants?	No	No	No
Private Placed Warrants *with* net share settlement alternatives?	No	No	No
Private Placed Warrants *without* net share settlement alternatives?	No	No	No
Cost of Warrants			
Fair Market Value of Warrants			
G/L/Form 10000 where warrants currently reported			

ASSESSMENT OF LOAN IMPAIRMENT
Single Name: NELSON EDUCATION LTD.

Assessment of Loan Impairment

Criteria	Comments	Criteria Met
I. Uncompensated delays in repayment		
Is the loan in arrears? If yes, the loan is considered to be impaired, unless: - the delay in payment or shortfall in amount of payment is insignificant; or - In the absence of earlier identification of impairment, all loans must be classified as impaired when any of the following criteria are met (which indicates that the lender no longer has reasonable assurance of timely collection of the full amount of principal and interest):{OSFI C-1 Page 2} ·· a payment on a deposit with a regulated financial institution or a restructured loan is contractually 90 days in arrears; ·· a payment on any other loan (excluding credit card loans) is contractually 90 days in arrears unless the loan is fully secured, the collection of the debt is in process and the collection efforts are reasonably expected to result in repayment of the debt or in restoring it to a current status within 180 days from the date a payment has become contractually in arrears; or ·· a payment on any loan is contractually 180 days in arrears. Any credit card loan that has a payment 180 days in arrears should be written off.		No
II. Deterioration of credit quality		
Has the borrower's financial condition deteriorated to the extent that collection of future principal and interest payments in accordance with the loan agreement is no longer reasonable assured? If yes, the loan would be considered impaired regardless of whether all payments are current. The following factors should be considered to determine whether there has been a deterioration in credit quality.		Yes
(a) Has the borrower or guarantor experienced a decline in its current financial position, particularly its liquidity, as evidenced by severe losses in the current year or recent years, a serious deficiency in working capital or cash flow, or an excess of liability over assets?	Since 2008 revenue and Gross EBITDA CAGR declined by 4.5% and 6.9%, respectively, while margins have declined by 360bps	Yes
(b) Do independent credit reports indicate concerns about the entity's ability to meet its continuing obligations?		NA
(c) Has there been a current default in making interest or principal payments when due on debt obligations?		No
(d) Has there been a failure to meet debt covenants on existing debt obligations?		No
(e) Has there been a downgrading of the credit status of the borrower or guarantor by a recognized credit rating agency?		Yes
(f) Has there been a decline in the market value of a traded debt instrument issued by the borrower or guarantor that is unrelated to a change in market interest rates?	1st lien debt is currently 85-90. Indication levels on 2nd lien 20-25 with no interest expressed.	Yes
(g) Do events such as the receivership, bankruptcy or liquidation of a borrower or guarantor confirm a deterioration in credit worthiness that has already been identified and recognized?		No
III. Significant decline in the security underlying a loan		
(a) Has there been a significant decline in the value of the security underlying a loan? If yes, go on to question (b).	EV has decreased due to decrease in EBITDA multiple (9.3 times at time of transaction) and EBITDA decreased from $63MM to current $50.7MM.	Yes
(b) Does the extent of the decline in security value create a situation where the estimated net proceeds from realization of the security in current market conditions are no longer sufficient to discharge the		Yes

recorded investment in the loan? If yes, go to question (c).		
(c) Is the borrower's overall financial condition sufficient to provide reasonable assurance of collection of any unsecured balance in accordance with the terms of the loan agreement? If the answer to this question is no, the loan is presumed to be impaired.		No

TAB B

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2013/09/24
This ACU:	**2014/01/15**

Annual Review:	No	Referred to:	Bruce Campbell
Final ACU:	No	Originating Business Unit:	CM
RBC Director Involvement:		Responsibility Transit:	8091 DIVERSIFIED CAN/ TORONTO
Change in ACU Review Date:	No Review Date:2014/06/01	District:	CORPORATE/RELATION BANKING
Change in Single Name Risk Rating:	No		
Change in Single Name Outlook:	No	Date transferred to SLAS:	2012/10/12
Change in Borrower Risk Rating:	No	Authorized when transferred to SLAS ($):	$204,517,4
Change in Borrower Outlook:	No	Outstanding when transferred to SLAS ($):	$151,877,6
Change in Borrower BCC:	No	BRR when transferred to SLAS:	4
Change in Account Strategy:	No	Date Classified Non-Accrual:	2012/10/10
Change in Credit Policy Exception:	Yes	Date Re-classified Accrual:	
AML - EDD - Is Enhanced Due Diligence required for this file?	No	Loss Event Date:	
Borrower in Bankruptcy or Receivership:	No	Date Put On Watchlist:	
Appointment of Advisors	Yes		
Equity positions in Company	No		
Recommendation to sell loans?	No		
Is loan being restructured?	No		

GROUP NAME: No Group	OWNERSHIP	BRR	OUTLOOK	BCC
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	Uncertain	
BORROWER: NELSON EDUCATION LTD. (858353360)		5	Stable	Dbtfl

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	Authorized When Transferred In	Prior Amount from Last ACU	Current Amount	Increase/(Decrease)
Credit Risk:	$204,517,412.16	$70,570,340.08	$34,435,391.63	($36,134,948.45)
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00	Comments:
	Insurance	$0.00	
	Other	$0.00	
RBC Dexia 50% P.A. & C.		$0.00	
Total Single Name Exposure:		$44,435,391.63	
Minus Mitigated Risk with limit relief		$0.00	Comments:
Minus Underwriting Risk		$0.00	
Net Single Name Exposure:		$44,435,391.63	

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:

- Add GRR10 CPE

- Financial update - input fiscal Q1 2014 financial results (Sept 30th)

- Delete GRR01-02 CPE. Economic capital is $6.1MM - below the $7.75MM maximum.

- Wilmington Trust is now 1st lien agent. In adminstrative section, delete RBC as 1st lien agent.

Principal Write-off Amount: $25,000,000.00

DLI Reversed to Principal: $11,042,888.50

PROPOSAL OUTLINE:

Nelson's Q1 2014 financial results were a disappointment. LTM EBITDA decreases $5MM from the previous quarter and was also $5MM below their Q1 2014 business plan number. Q1 2014 revenue was $40.5MM, down $6.1MM (13% decrease) from

Q1 2013. The decrease in EBITDA also reflected a YOY increase in SG&A that increase from $10.5MM to $11.1MM.

The decrease in revenues reflected softness in both Higher Education (down $4MM YOY to $30.1MM) and K-12 (down $2.1MM YOY to $10.4MM).

The company has verbally advised that the 1st 2-months of Q2 2014 exceed plan and had offset some of the EBITDA decline (approximately $1.5MM).

We maintained the $25MM in PCL in anticipation that Nelson Education's sales had bottomed-out. As revenues continued to be challenged, the likelihood of a recovery on the exiting PCL is greatly reduced and we therefore recommend the PCL and the DLI be applied to the principle amount of the loan, reducing our 2nd lien exposure to US$11.1MM.

At this time we are not proposing additional PCL. The amount of additional PCL, if any, will be assessed based on:

1. Nelson's ability to increase revenue;
2. The 1st lien lenders restructuring proposal;
3. Cengages Bankruptcy Status; and
4. Whether Nelson makes the makes the March 31st interest payment.

SELECTED ACCOUNT STRATEGY: Rehabilitate
[redacted]. To the extent we can aide in restructuring to improve our position we will be cooperative. The July 2013 ACU included a term sheet that reflected our proposed restructuring strategy.

~~As the 1st lien steering committee has yet to respond to proposals from the company or sponsor:~~

1. The July 2013 term sheet remains the restructuring strategy; and
2. Our strategy for the next 6-months is to wait & see and continue to collect 2nd lien interest.

ACTION DATES:
January 31, 2014 - 1st lien lenders are expected to deliver a restructuring proposal.

March 31, 2014 - Interest payment due on 1st and 2nd lien debt.

July 5, 2014 - Current maturity of 1st lien debt

July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang	Bruce Campbell		
Title	Sr. Manager SLAS	V.P. SLAS	S.V.P. SL&AS		
Group					

Approval input by: Cheryl Chung on 2014/01/20

Distribution List:
Chris Abe - Managing Director RBCCM 30th Floor, South Tower
Fred Amelio - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Exposure Jan 7 2014.xls
2) Sep 30%2c 2013 - Financial Statements[1].pdf
3) TVM Calculation Nelson Jan 2014.xls

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Full Year Q4/16	Full Year Q4/17
61.65	59.44	GIL	32.24	31.78	31.33	30.88	30.43	29.98	29.53	29.09	28.64	27.76	26.43
0.00		PCL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
25.00		ACL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
80.00		WO	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00
	0.00	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000
Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.00000
TVM ACL (CDN$) is: 6.701 TVM ACL Foreign Currency is: 6.701

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):
RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$80,000,000.00	$25,000,000.00	$105,000,000.00
Total W/O	**$80,000,000.00**	**$25,000,000.00**	**$105,000,000.00**
PCL Increase	$0.00	$0.00	$0.00
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$0.00**
FX Adjustment		$0.00	
ACL	$25,000,000.00	$0.00	**$0.00**

Pricing when transferred to SLAS:
First Lien.

L+250
ABR + 150
LCs 250

2nd Lien

L+600

ABR + 500

Covenant Breach: N

Comments: 7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall: Y

Comments: See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC ($126.2MM); [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$43,435,391.63
GRR10 : PARI PASSU RANKING OF INDEBTEDNESS	$11,733,816.00
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CIR01 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$0.00

Rationale:

Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

GRR01-02 Delete as EC is $6.1MM, below the GRR01-02 $7.75MM max.

GRR10 - Security for the 2nd lien ranks behind the first lien term loan. This was a hung-underwriting.

TAB C

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2014/01/15
This ACU:	**2014/01/28**

Annual Review:	No
Final ACU:	No
RBC Director Involvement:	
Change in ACU Review Date:	No Review Date:2014/06/01
Change in Single Name Risk Rating:	No
Change in Single Name Outlook:	No
Change in Borrower Risk Rating:	No
Change in Borrower Outlook:	No
Change in Borrower BCC:	No
Change in Account Strategy:	No
Change in Credit Policy Exception:	Yes
AML - EDD - Is Enhanced Due Diligence required for this file?	No
Borrower in Bankruptcy or Receivership:	No
Appointment of Advisors	Yes
Equity positions in Company	No
Recommendation to sell loans?	No
Is loan being restructured?	No

Referred to:	Bruce Campbell
Originating Business Unit:	CM
Responsibility Transit:	8091 DIVERSIFIED CAN/ TORONTO
District:	CORPORATE/RELATION BANKING
Date transferred to SLAS:	2012/10/12
Authorized when transferred to SLAS ($):	$204,517,4
Outstanding when transferred to SLAS ($):	$151,877,6
BRR when transferred to SLAS:	4
Date Classified Non-Accrual:	2012/10/10
Date Re-classified Accrual:	
Loss Event Date:	
Date Put On Watchlist:	

GROUP NAME: No Group	OWNERSHIP	BRR	OUTLOOK	BCC
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	Uncertain	
BORROWER: NELSON EDUCATION LTD. (858353360)		5	Stable	Dbtfl

PRIMARY BUSINESS: Telecom & Media

SIC CODE: 2731

SINGLE NAME EXPOSURE	Authorized When Transferred In	Prior Amount from Last ACU	Current Amount	Increase/(Decrease)
Credit Risk:	$204,517,412.16	$34,435,391.63	$34,506,230.84	$70,839.21
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00
	Insurance	$0.00
	Other	$0.00
RBC Dexia 50% P.A. & C.		$0.00
Total Single Name Exposure:		$44,506,230.84
Minus Mitigated Risk with limit relief		$0.00
Minus Underwriting Risk		$0.00
Net Single Name Exposure:		$44,506,230.84

Comments:

Comments:

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:

Increase exposure under 2nd lien by $70,839.14.

Amend Forecast and CPE exceptions to reflect the increase.
DLI Reversed to Principal in error corrected in ACU dated January 15.

PROPOSAL OUTLINE:

The January 15, 2014 ACU wrote-off $25MM of PCL and applied DLI to the loan balance. $70,839.14 of the DLI was interest received by the trading book and should not have been included in the DLI.

This ACU is document the error and recommend that the loan amount recorded for the 2nd lien be increase by $70,839.14.

SELECTED ACCOUNT STRATEGY: Rehabilitate

[redacted]. To the extent we can aide in restructuring to improve our position we will be cooperative. The July 2013 ACU included a term sheet that reflected our proposed restructuring strategy.

As the 1st lien steering committee has yet to respond to proposals from the company or sponsor:

1. The July 2013 term sheet remains the restructuring strategy; and
2. Our strategy for the next 6-months is to wait & see and continue to collect 2nd lien interest.

ACTION DATES:

January 31, 2014 - 1st lien lenders are expected to deliver a restructuring proposal.

March 31, 2014 - Interest payment due on 1st and 2nd lien debt.

July 5, 2014 - Current maturity of 1st lien debt

July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang	Bruce Campbell		
Title	Sr. Manager SLAS	V.P. SLAS	S.V.P. SL&AS		
Group					

Approval input by: Cheryl Chung on 2014/01/29

Distribution List:

Chris Abe - Managing Director RBCCM 30th Floor, South Tower
Fred Amelio - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Exposure Jan 29 2014.xls
2) TVM Calculation Nelson Jan 29 2014.xls

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Full Year Q4/16	Full Year Q4/17
32.24	34.51	GIL	32.31	31.85	31.40	30.95	30.50	30.05	29.60	29.16	28.71	27.83	26.50
0.00		PCL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		ACL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
105.00		WO	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00
	0.00	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000

Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.00000

TVM ACL (CDN$) is: 6.717 TVM ACL Foreign Currency is: 6.717

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):
RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$105,000,000.00	$0.00	$105,000,000.00
Total W/O	**$105,000,000.00**	**$0.00**	**$105,000,000.00**
PCL Increase	$0.00	$0.00	$0.00
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$0.00**
FX Adjustment		$0.00	
ACL	$0.00	$0.00	**$0.00**

Pricing when transferred to SLAS:
First Lien.

L+250
ABR + 150
LCs 250

2nd Lien

L+600

ABR + 500

Covenant Breach:	N
Comments:	7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall:	Y
Comments:	See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$43,506,230.84
GRR10 : PARI PASSU RANKING OF INDEBTEDNESS	$11,804,655.13
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CIR01 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$0.00

Rationale:

Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

GRR01-02 Delete as EC is $6.1MM, below the GRR01-02 $7.75MM max.

GRR10 - Security for the 2nd lien ranks behind the first lien term loan. This was a hung-underwriting.

TAB D

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU: 2014/01/28
This ACU: 2014/02/18

Annual Review:	No	Referred to:	Bruce Campbell
Final ACU:	No	Originating Business Unit:	CM
RBC Director Involvement:		Responsibility Transit:	8091 DIVERSIFIED CAN/ TORONTO
Change in ACU Review Date:	No Review Date:2014/06/01	District:	CORPORATE/RELATION BANKING
Change in Single Name Risk Rating:	No		
Change in Single Name Outlook:	No	Date transferred to SLAS:	2012/10/12
Change in Borrower Risk Rating:	No	Authorized when transferred to SLAS ($):	$204,517,4
Change in Borrower Outlook:	No	Outstanding when transferred to SLAS ($):	$151,877,6
Change in Borrower BCC:	No	BRR when transferred to SLAS:	4
Change in Account Strategy:	No	Date Classified Non-Accrual:	2012/10/10
Change in Credit Policy Exception:	Yes	Date Re-classified Accrual:	
AML - EDD - Is Enhanced Due Diligence required for this file?	No	Loss Event Date:	
Borrower in Bankruptcy or Receivership:	No	Date Put On Watchlist:	
Appointment of Advisors	Yes		
Equity positions in Company	No		
Recommendation to sell loans?	No		
Is loan being restructured?	No		

GROUP NAME: No Group	**OWNERSHIP**	**BRR**	**OUTLOOK**	**BCC**
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	Uncertain	
BORROWER: NELSON EDUCATION LTD. (858353360)		5	Stable	Dbtfl

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	**Authorized When Transferred In**	**Prior Amount from Last ACU**	**Current Amount**	**Increase/(Decrease)**
Credit Risk:	$204,517,412.16	$34,506,230.84	$37,611,791.60	$3,105,560.76
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00	Comments:
	Insurance	$0.00	
	Other	$0.00	
RBC Dexia 50% P.A. & C.		$0.00	
Total Single Name Exposure:		$47,611,791.60	
Minus Mitigated Risk with limit relief		$0.00	Comments:
Minus Underwriting Risk		$0.00	
Net Single Name Exposure:		$47,611,791.60	

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:
Financial Update

Increase 2nd lien loan amount by $21,220.81 to reflect DLI applied to principal amount in error.

DLI reversed to principal in error corrected in ACU dated Janaury 15.

Update forecast to reflect change in Board Rate (from 1.00 to 1.09).

Update CPE's to reflect change in Board Rate.

PROPOSAL OUTLINE:

The January 15, 2014 ACU wrote-off $25MM of PCL and applied DLI to the loan balance. $70,839.14 of the DLI was interest received by the trading book and should not have been included in the DLI. We have been advised an additional $21,220.81 was applied in error

This ACU documents the error and recommend that the loan amount recorded for the 2nd lien be increase by $21,220.81.

Refer to Financial Analysis section for Q2 2014 Financial results.

SELECTED ACCOUNT STRATEGY: Rehabilitate
[redacted]. To the extent we can aide in restructuring to improve our position we will be cooperative. The July 2013 ACU included a term sheet that reflected our proposed restructuring strategy.

As the 1st lien steering committee has yet to respond to proposals from the company or sponsor:

1. The July 2013 term sheet remains the restructuring strategy; and
2. Our strategy for the next 6-months is to wait & see and continue to collect 2nd lien interest.

ACTION DATES:
February 28, 2014 - 1st lien lenders are expected to deliver a restructuring proposal.

March 31, 2014 - Interest payment due on 1st and 2nd lien debt.

July 5, 2014 - Current maturity of 1st lien debt

July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang	Bruce Campbell		
Title	Sr. Manager SLAS	V.P. SLAS	S.V.P. SL&AS		
Group					

Approval Input by: Cheryl Chung on 2014/02/19

Distribution List:
Chris Abe - Managing Director RBCCM 30th Floor, South Tower
Fred Amelio - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Copy of TVM Calculation Nelson Jan 29 2014.xls
2) Nelson exposure Feb 18 14.xlsm

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Full Year Q4/16	Full Year Q4/17
32.31	37.63	GIL	35.24	34.74	34.25	33.76	33.27	32.78	32.29	31.81	31.32	30.35	28.90
0.00		PCL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		ACL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
105.00		WO	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00
	0.00	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000
Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.09000
TVM ACL (CDN$) is: 6.954 TVM ACL Foreign Currency is: 6.380

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):
RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$105,000,000.00	$0.00	$105,000,000.00
Total W/O	**$105,000,000.00**	**$0.00**	**$105,000,000.00**
PCL Increase	$0.00	$0.00	$0.00
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$0.00**
FX Adjustment		$0.00	
ACL	$0.00	$0.00	**$0.00**

Pricing when transferred to SLAS:
First Lien.

L+250
ABR + 150
LCs 250

2nd Lien

L+600

ABR + 500

Covenant Breach: N

Comments: 7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall: Y

Comments: See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$46,611,791.60
GRR10 : PARI PASSU RANKING OF INDEBTEDNESS	$12,890,204.37
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CIR01 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$0.00

Rationale:
Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

GRR01-02 Delete as EC is $5.2MM, below the GRR01-02 $7.7MM max.

GRR10 - Security for the 2nd lien ranks behind the first lien term loan. This was a hung-underwriting.

TAB E

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2014/02/18
This ACU:	**2014/03/31**

Annual Review:	No	Referred to:	Bruce Campbell
Final ACU:	No	Originating Business Unit:	CM
RBC Director Involvement:		Responsibility Transit:	8091 DIVERSIFIED CAN/ TORONTO
Change in ACU Review Date:	No Review Date:2014/06/01	District:	CORPORATE/RELATION BANKING
Change in Single Name Risk Rating:	No		
Change in Single Name Outlook:	No	Date transferred to SLAS:	2012/10/12
Change in Borrower Risk Rating:	No	Authorized when transferred to SLAS ($):	$204,517,4
Change in Borrower Outlook:	No	Outstanding when transferred to SLAS ($):	$151,877,6
Change in Borrower BCC:	No	BRR when transferred to SLAS:	4
Change in Account Strategy:	No	Date Classified Non-Accrual:	2012/10/10
Change in Credit Policy Exception:	Yes	Date Re-classified Accrual:	
AML - EDD - Is Enhanced Due Diligence required for this file?	No	Loss Event Date:	
Borrower in Bankruptcy or Receivership:	No	Date Put On Watchlist:	
Appointment of Advisors	Yes		
Equity positions in Company	No		
Recommendation to sell loans?	No		
Is loan being restructured?	No		

GROUP NAME: No Group	**OWNERSHIP**	**BRR**	**OUTLOOK**	**BCC**
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	UNCERTAIN	
BORROWER: NELSON EDUCATION LTD. (858353360)		5	UNCERTAIN	Dbtfl

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	**Authorized When Transferred In**	**Prior Amount from Last ACU**	**Current Amount**	**Increase/(Decrease)**
Credit Risk:	$204,517,412.16	$37,611,791.60	$24,204,353.03	($13,407,438.57)
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00	Comments:
	Insurance	$0.00	
	Other	$0.00	
RBC Dexia 50% P.A. & C.		$0.00	
Total Single Name Exposure:		$34,204,353.03	
Minus Mitigated Risk with limit relief		$0.00	Comments:
Minus Underwriting Risk		$0.00	
Net Single Name Exposure:		$34,204,353.03	

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:

1. New PCL and write-off - USD 11,379,387.40/C$12,403,532.27;
2. Delete CPE GRR10;
3. Reduce CPE GRR01-01;
4. Update Forecast;
5. Update financial analysis section to include Q2 2014;
6. Confirm approval for 30-day extension to the grace period for missed interest payment.
7. Strategic Road Map
8. USD 446,488.17/C$486,672.11 DLI Reversed to Principal

Increase PCL Amount: $12,403,532.27

Principal Write-off Amount: $12,403,532.27

DLI Reversed to Principal: $486,672.11

PROPOSAL OUTLINE:

PCL RECOMMDATION

RBC has to date written-off $105MM of our original $131.2MM 2nd lien exposure to Nelson Education. A small 2nd lien loan balance was maintained as interest was continuing to be collected. The Deferred Loan Income (DLI) was credited to the laon balance. Approximately $8.6MM in DLI has been applied to the loan balance.

The 1st lien debt matures July 5, 2014, 3-months from now. It is a certainty the company will not pay any more interest on the 2nd lien debt. Various analyses indicate there is a potential recovery for the 2nd lien in a 3-5 year timeframe. Given the industry and market risks, we believe it is prudent to record PCL for the balance of the 2nd lien debt and write it off.

Apply DLI interest to the 2nd lien loan balance US$446,488.17($290,607.80 + 155,880.37). The remaining US$11,379,387.40 is to be fully provided and then written off. The Canadian $ equivalent to be written-off is $12,403,532.27.

CREDIT POLICY EXCEPTIONS

Concurrent with the write-off, the single name exposure CPE (GRR01-01) is reduced to $23.6MM and Pari-Passu Ranking of Indebtedness (GRR10) is removed as there 2nd lien debt is completely written-off.

FORECAST

The TVM forecast has been updated to reflect the write-off of the 2nd lien debt. We continue to assume there will be a restructuring event that will see the 2nd lien PIK its interest and interest will continue to be collected on the 1s lien debt. We anticipate the interest earned on the 1st lien will increase to 7%, as per 1st lien term sheet.

Q2 2013 FINANCIAL RESULTS (as at December 31, 2013)

Nelson's financial results are reported in Canadian dollars. 1st lien and total debt are denominated in US$. As the C$ devalued relative to the US$, reported debt is increasing.

LTM Revenues were down 7.15%. Nelson received a one-time $3.0MM payment from the Access copyright in December 2013. This amount flowed straight to EBITDA. As this was not repeated in December 2014, this was the largest factor in the YOY decrease in EBITDA.

Higher education revenue in the 1st half was $54.6MM, down $4.1MM from $58.7MM the previous year. K-12 revenue was $16.5MM, down $5.8MM from the previous year.

The YOY increase in leverage reflects both the decrease in EBITDA and the above mentioned FX movements. Subsequent to year-end (June 30, 2013), Nelson announced a cash flow sweep debt reduction payment of $13.5MM. This reduces the 1st lien leverage from year-end 5.98-times to 5.71-times.

The financial analysis section of the ACU has been populated with Q2 2014 LTM results. An excel spreadsheet has been attached showing the historical financial statements and key financial metrics.

In 2012, Nelson purchased a $17MM bond issued by it s a related company Cengage. Cengage filed for Bankruptcy and emerged on March 31, 2014. Nelson was able to sell the bond for approximately $6MM. These proceeds were used to pay-down 1st lien debt. Based our estimates of EBITDA and the negative impact of the devalued Canadian dollar, Nelson would have breached their 7-times 1st lien leverage ratio on March 31, 2014. We believe they will just be within compliance with the voluntary debt reduction.

March 31, 2014 MISSED INTEREST PAYMENT

Nelson Education did pay its 1st lien interest payment but did not make its March 31, 2014 2nd lien interest payment of approximately $2.3MM (RBC share $2.0MM). Under the loan agreement, Nelson had a 7-business day grace period to make the payment.

Nelson s current cash balance is $30MM. The company has made representations that making the payment would create a liquidity problem by fiscal year-end (June 30th) as:

Q4 is an important sales quarter as they ramp up their sales to Universities. Account receivables are forecast to use $27MM in working capital, Inventory $3MM, and Accounts Payable would be an estimated source of approximately $14MM in liquidity; thus working capital requirements are estimated to use $16MM of the $30MM cash reserves.
The company is responding to a term sheet from a group of 1st lien lenders that they hope will extend the term of their loan. They anticipate there would have to be an additional principle pay-down as part of the enticement to get the lenders to extend.

Nelson requested that the 2nd lien lenders extend the 7-business day grace period by 30-calander days. The extension would provide time for the stakeholders and 2nd lien lenders agree upon and present a term sheet to the 1st lien lender group. After extensive discussions, the 2nd lien lenders provide unanimous approval to extend the grace period to negotiate a term sheet. As part of this agreement, the lenders received a partial interest payment of $350 thousand (RBC approximately $300 thousand). The rationale for approving the extension was:

1. It was our firm belief the company would not and could not pay the full amount of 2nd line interest;
2. The non-extension of the grace period would trigger an Event-of-Default and the 1st lien lenders could accelerate;
3. Under the Inter-Creditor Agreement, the 2nd lien lenders could not under take any legal remedies. The stand-still period is 180-days;
4. The Event-of-Default would force the company to file under CCAA during its most important sales quarter; and
5. Most concerning is the 1st lien lenders are split into 2 opposing camps that cannot agree upon a common approach. The fear is the company could languish in bankruptcy for an extend period of time with legal and advisory fees consuming a large portion of our potential recovery.

STRATEGIC DIRECTION

Nelson Education transferred into SL&AS in October 2012. We have had a stepped strategic approach.

1st - We had a $48.5MM revolving credit facility that matured July 5, 2013. We were successful in getting the facility to maturity without a loan drawdown.

2nd With revolver exposure gone, our strategic direction was to focus on our 2nd lien exposure. In July 2013, we advised the largest 1st lien lenders RBC would be resigning as 1st lien agent and asked them to find a new agent. Wilmington Trust is now the new 1st lien agent.

3rd- We attempted to engage the 1st lien lenders in restructuring discussion is September 2013. The 1st lien steering committee was and remains split on how to restructure the Nelson debt. As a result they did not respond to a restructuring proposal. Given their lack of engagement, we put pencils down and were content to continue to collect 2nd lien interest, knowing the file would become active in April 2014. $8.6MM of DLI has been collected and applied to the principle balance.

The number one objective is to buy time as we are seeing improving trends in the K-12 and higher education text book market. The proposed strategic direction is:

1. Maintain as much of the 2nd lien debt as possible (i.e. minimize the conversion of debt to equity);
2. Expect the 2nd lien debt to PIK its interest. We would propose the PIK interest increase by at least the amount of any increase in the 1st lien interest; and
3. Negotiate for a sufficient time to allow expected increases in sales to materialize from expected curriculum changes in the provincial school districts to fully impact EBITDA.

As noted previously, the 1st lien lenders appear hopelessly divided. Based on discussions with the Nelson s advisors and some 1st lien lenders, the 2 opposite positions are:

Aries the largest 1st lien holder wants put in place a capital structure that would see 40% of the 1st lien debt convert to equity, with 60% rolling into a new 1st lien debt, priced at market rates to deliver a PAR piece of paper. This position would result in a negligible recovery for the 2nd lien. It is believed they have about 40% of the 1st lien lenders supporting their position.

Marblegate is a distressed hedge fund that has express a strong desire not to own Nelson as they believe ownership is fraught with regulatory approval risk. They have presented a term sheet to Nelson (copy attached) that proposed a 1-year forbearance, an increase in 1st lien interest to a 7% fixed rate; the appointment of a CRO; and various milestones. Our view of the term-sheet is that it is a reasonable starting position. Nelson, like RBC, would like a longer forbearance term. The milestones also give us some concerns. Marblegate believes they have the support of over 50% of the 1st lien lenders (close to 60% if they assume they get RBC 1st lien support).

Of the 2-postitions, Marblegate s is more closely aligned to our strategic interest.

Nelson will be responding to the Marblegate term sheet and are seeking 2nd lien input and support for the term sheet. Nelson will present the term sheet as being supported by the company and the 2nd lien lenders.

These negotiations will also include the sponsor (Apex) and the role they will play in the new structure. It is our understanding they will continue to play an active role if there is a financial incentive, i.e. a percentage of any recovery to the 2nd lien. Whether Apex can add value is subject to debate.

SELECTED ACCOUNT STRATEGY: Rehabilitate
[redacted]. To the extent we can aide in restructuring to improve our position we will be cooperative. The July 2013 ACU included a term sheet that reflected our proposed restructuring strategy.

As the 1st lien steering committee has yet to respond to proposals from the company or sponsor:

1. The July 2013 term sheet remains the restructuring strategy; and
2. Our strategy for the next 6-months is to wait & see and continue to collect 2nd lien interest.

ACTION DATES:

May 9, 2014 - Interest payment grace period expires.

July 5, 2014 - Current maturity of 1st lien debt

July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang	Bruce Campbell		
Title	Sr. Manager SLAS	V.P. SLAS	S.V.P. SL&AS		
Group					

Approval input by: Cheryl Chung on 2014/04/23

Distribution List:

Chris Abe - Managing Director RBCCM 30th Floor, South Tower
Fred Amelio - RBCCM Portfoliio Management. 30th Floor South Tower
James Parisi - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) April 10 14 exposure.xlsm
2) Nelson - Forbearance Term Sheet.docx
3) Nelson Financial Summary Dec 31 2013 Q2.xls
4) TVM Calculation Nelson April 2014.xls

PCL REQUEST AND RATIONALE
Single Name: NELSON EDUCATION LTD.

STRATEGY TIME FRAME FOR FACILITIES:
July 2013 - maturity of the RC. Company should have sufficient liquidity to manage without the RC.

July 2014 - Maturity of the 1st lien term loan. This is the critical date as the 2nd lien must be addressed at this point (Fiscal Q3 2013 for RBC). It is at this point in time the ultimate loss will be known. Forecast indicates no financial covenant breaches up to the maturity of the 1st lien debt. Therefore our time frame is 7-quarters up to July 2014.

July 2015 - 2nd lien matures

Loan Balance: 24,204,353.03
Less ACL: 0.00
Less DLI: 0.00
Net Outstanding Loans to be recovered: 24,204,353.03
Accrued but uncollected Interest up to day loan classified impaired: 1,970,500.00
Unamortized loan fees and costs: 0.00
Unamortized premiums or discounts on acquisition: 0.00

METHODOLOGY CONSIDERED TO ESTABLISH THE REALIZABLE VALUE OF LOAN (ESTIMATED):
We are fully writing off the 2nd lien debt. If there is a recovery it will be in 3-5 years. Under the terms of the inter-creditor agreement, 2nd lien debt must standstill for 180-days. Once restructured, 2nd lien should not expect to collect any interest until first lien debt is fully repaid.

- Fair value of Security (underlying loans)
Assets have negligable value. Total Assets are $353MM or which $270MM are intangible assets. The balance of the $83MM in assets are PP&E ($15MM) and working capital ($60MM).

This was and is a cash flow loan. Based on market compariables, estimated enterprise values range from C$290MM to C$383MM. With the devaluation of the Canadain dollar, the US$268MM 1st lien debt has a C$ equivalent of C$297MM, less than the lower valuation range. Hence, we assume no recovery for PCL purposes.

- Market Price for loans (Observable)
First lien : We have not seen the 1st lien debt trade, but have been advised it should be in the $0.80 to $0.84. As we are no longer 1st lien agent we don't see the trades.

2nd Lien has not traded in 2-years.

- Discounted Expected Future Cash Flows (to determine Net Present Value)
Based on the Enterprise value noted above, a full recovery on the 1st lien debt is anticipated. Therefore the NPV is based on the future interest on the 2nd lien plus the forecast recovery on the 2nd lien. Loss is expected to be crystalized upon the refinance / restructuring of the 1st lien. The interest payments are viewed as highly probably, so the discount rate of 6.25% (the all in interest rate on the 2nd lien debt) was used. As the priniple payment is in effect equity risk, RBC's target ROE of 18% is used. Incremental PCL using this methodology is $30.8MM.

OTHER METHODS BASED ON MANAGEMENT JUDGEMENT:
Working with CDG, estimated 2nd lien recoveries were calculated based on the business plan prepared by the company. While all scenarios showed a recovery in 5-years, the sale of the company or refinancing we yield no value for the 2nd lien.

RATIONALE FOR METHODOLOGY SELECTED:
All 4-approaches were indicate no recovery for the 2nd-lien in the short term, with any recovery ging out 3-years years. The recommend incremental PCL is the remaining 2nd lien loan balance.

DISCOUNT RATE USED FOR CASH FLOWS IF THIS METHODOLOGY IS SELECTED:

PCL CALCULATION FOR AMOUNT REQUIRED (CDN$): 12,403,532.27
Are all relevant worksheets attached? (E.G. DCF Analysis, PCL Calculations) No

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Full Year Q4/16	Full Year Q4/17
35.24	36.61	GIL	24.20	23.72	23.24	22.76	22.28	21.80	21.32	20.85	20.37	19.90	18.25
0.00		PCL	12.40	12.40	12.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		ACL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
105.00		WO	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40
	0.49	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000

Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.09000

TVM ACL (CDN$) is: 4.578 TVM ACL Foreign Currency is: 4.200

TVM - Interest Rate - Rationale:

State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).

1. Only collect interest on 1st lien debt after March 2014)
2. 1st lien debt Amortizes 0.25% per quarter
3. No interest on 2nd lien debt
4. 1st lien term is 5-years
5. 2nd lien term is 6-years
6. Exchange Rate 1.09

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):

RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$105,000,000.00	$12,403,532.27	$117,403,532.27
Total W/O	**$105,000,000.00**	**$12,403,532.27**	**$117,403,532.27**
PCL Increase	$0.00	$12,403,532.27	$12,403,532.27
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$12,403,532.27**
FX Adjustment		$0.00	
ACL	$0.00	$0.00	**$0.00**

Pricing when transferred to SLAS:

First Lien.

L+250

ABR + 150
LCs 250

2nd Lien

L+600
ABR + 500

Covenant Breach: N

Comments: 7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall: Y

Comments: See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$33,204,353.03
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CIR01 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$0.00

Rationale:

Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

GRR01-02 Delete as EC is $5.2MM, below the GRR01-02 $7.7MM max.

GRR10 - Security for the 2nd lien ranks behind the first lien term loan. This was a hung-underwriting. The balance of the 2nd lien loan has been written-off, thus the GRR10 exception is being removed.

TAB F

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2014/03/31
This ACU:	**2014/06/23**

Annual Review:	No	Referred to:	Ray Chang
Final ACU:	No	Originating Business Unit:	CM
RBC Director Involvement:		Responsibility Transit:	8091 DIVERSIFIED CAN/ TORONTO
Change in ACU Review Date:	Yes Review Date:2014/09/01	District:	CORPORATE/RELATION BANKING
Change in Single Name Risk Rating:	No		
Change in Single Name Outlook:	No	Date transferred to SLAS:	2012/10/12
Change in Borrower Risk Rating:	No	Authorized when transferred to SLAS ($):	$204,517,4
Change in Borrower Outlook:	No	Outstanding when transferred to SLAS ($):	$151,877,6
Change in Borrower BCC:	No	BRR when transferred to SLAS:	4
Change in Account Strategy:	No	Date Classified Non-Accrual:	2012/10/10
Change in Credit Policy Exception:	No	Date Re-classified Accrual:	
AML - EDD - Is Enhanced Due Diligence required for this file?	No	Loss Event Date:	
Borrower in Bankruptcy or Receivership:	No	Date Put On Watchlist:	
Appointment of Advisors	Yes		
Equity positions in Company	No		
Recommendation to sell loans?	No		
Is loan being restructured?	No		

GROUP NAME: No Group	**OWNERSHIP**	**BRR**	**OUTLOOK**	**BCC**
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	Uncertain	
BORROWER: NELSON EDUCATION LTD. (858353360)		5	Stable	Dbtfl

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	**Authorized When Transferred In**	**Prior Amount from Last ACU**	**Current Amount**	**Increase/(Decrease)**
Credit Risk:	$204,517,412.16	$24,204,353.03	$24,204,353.03	$0.00
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00	Comments:
	Insurance	$0.00	
	Other	$0.00	
RBC Dexia 50% P.A. & C.		$0.00	
Total Single Name Exposure:		$34,204,353.03	
Minus Mitigated Risk with limit relief		$0.00	Comments:
Minus Underwriting Risk		$0.00	
Net Single Name Exposure:		$34,204,353.03	

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:

Administrative ACU to extend Annual Review Date to 2014/09/01.

PROPOSAL OUTLINE:

The 1st lien term loan matures July 5, 2014. As this is a Saturday, the loan is due and payable July 7, 2014.

We are currently in negotiations with the equity and 1st lien lenders. The ACU will be updated once a formal proposal is developed.

As per discussions with Chang/Vowell, there is an interest payment default under the 2nd lien loan agreement. The agent has not received a request from the requisit lenders (including RBC) to accelerate. Given the nature of the inter-creditor agreement (6-month standstill) there is no strategic benefit to accelerating the loan.

Nelson was reviewed as part of the SNiC review. The credit was rated Substandard / non-accrual. In effect, this is our current BRR 5.

SELECTED ACCOUNT STRATEGY: Rehabilitate
[redacted]. To the extent we can aide in restructuring to improve our position we will be cooperative.

While we have written-off our entire 2nd lien exposure, we continue to believe that 'time is our friend' and there is a potential recovery given sufficient runway. Our strategy is simply to work with the company and 1st lien lenders to negotiate an extension of the 1st lien debt. This will require the 2nd lien debt to PIK its interest until the first lien is fully repaid.

ACTION DATES:

July 5, 2014 - Current maturity of 1st lien debt

July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang			
Title	Sr. Manager SLAS	V.P. SLAS			
Group					

Approval input by: Cheryl Chung on 2014/06/24

Distribution List:

Chris Abe - Managing Director RBCCM 30th Floor, South Tower
Fred Amelio - RBCCM Portfoliio Management. 30th Floor South Tower
James Parisi - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Exposure June 23 2014.xls

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Full Year Q4/16	Full Year Q4/17
24.20	24.20	GIL	24.20	23.72	23.24	22.76	22.28	21.80	21.32	20.85	20.37	19.90	18.25
12.40		PCL	12.40	12.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		ACL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
117.40		WO	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40
	0.00	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000

Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.09000

TVM ACL (CDN$) is: 4.331 TVM ACL Foreign Currency is: 3.973

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).

1. Only collect interest on 1st lien debt after March 2014)
2. 1st lien debt Amortizes 0.25% per quarter
3. No interest on 2nd lien debt
4. 1st lien term is 5-years
5. 2nd lien term is 6-years
6. Exchange Rate 1.09

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):
RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$117,403,532.27	$0.00	$117,403,532.27
Total W/O	**$117,403,532.27**	**$0.00**	**$117,403,532.27**
PCL Increase	$12,403,532.27	$0.00	$12,403,532.27
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$12,403,532.27**
FX Adjustment		$0.00	
ACL	$0.00	$0.00	**$0.00**

Pricing when transferred to SLAS:
First Lien.

L+250

ABR + 150
LCs 250

2nd Lien

L+600
ABR + 500

Covenant Breach: N

Comments: 7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall: Y

Comments: See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$33,204,353.03
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CIR01 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$0.00

Rationale:

Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

GRR01-02 Delete as EC is $5.2MM, below the GRR01-02 $7.7MM max.

GRR10 - Security for the 2nd lien ranks behind the first lien term loan. This was a hung-underwriting. The balance of the 2nd lien loan has been written-off, thus the GRR10 exception is being removed.

TAB G

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2014/06/23
This ACU:	**2014/07/09**

Annual Review:	No
Final ACU:	No
RBC Director Involvement:	
Change in ACU Review Date:	No Review Date:2014/09/01
Change in Single Name Risk Rating:	No
Change in Single Name Outlook:	No
Change in Borrower Risk Rating:	No
Change in Borrower Outlook:	No
Change in Borrower BCC:	No
Change in Account Strategy:	No
Change in Credit Policy Exception:	No
AML - EDD - Is Enhanced Due Diligence required for this file?	No
Borrower in Bankruptcy or Receivership:	No
Appointment of Advisors	Yes
Equity positions in Company	No
Recommendation to sell loans?	No
Is loan being restructured?	No

Referred to:	Ray Chang
Originating Business Unit:	CM
Responsibility Transit:	8091 DIVERSIFIED CAN/ TORONTO
District:	CORPORATE/RELATION BANKING
Date transferred to SLAS:	2012/10/12
Authorized when transferred to SLAS ($):	$204,517,4
Outstanding when transferred to SLAS ($):	$151,877,6
BRR when transferred to SLAS:	4
Date Classified Non-Accrual:	2012/10/10
Date Re-classified Accrual:	
Loss Event Date:	2012/10/10
Date Put On Watchlist:	2007/09/05

GROUP NAME: No Group	**OWNERSHIP**	**BRR**	**OUTLOOK**	**BCC**
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	Uncertain	
BORROWER: NELSON EDUCATION LTD. (858353360)		5	Stable	Dbtfl

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	**Authorized When Transferred In**	**Prior Amount from Last ACU**	**Current Amount**	**Increase/(Decrease)**
Credit Risk:	$204,517,412.16	$24,204,353.03	$24,204,353.03	$0.00
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00	Comments:
	Insurance	$0.00	
	Other	$0.00	
RBC Dexia 50% P.A. & C.		$0.00	
Total Single Name Exposure:		$34,204,353.03	
Minus Mitigated Risk with limit relief		$0.00	Comments:
Minus Underwriting Risk		$0.00	
Net Single Name Exposure:		$34,204,353.03	

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:
Administration ACU

The 1st lien term loan matured on July 5, 2014. The loan has not been repaid and the company is in default. Negotiations are continuing.

For administrative purposes we are recommending the FMD be extended 3-months to elimate daily excess reporting.

Update forecast to reflect DLI

SELECTED ACCOUNT STRATEGY: Rehabilitate
[redacted]. To the extent we can aide in restructuring to improve our position we will be cooperative.

While we have written-off our entire 2nd lien exposure, we continue to believe that 'time is our friend' and there is a potential recovery given sufficient runway. Our strategy is simply to work with the company and 1st lien lenders to negotiate an extension of the 1st lien debt. This will require the 2nd lien debt to PIK its interest until the first lien is fully repaid.

ACTION DATES:

July 5, 2014 - Current maturity of 1st lien debt

July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang			
Title	Sr. Manager SLAS	V.P. SLAS			
Group					

Approval Input by: Cheryl Chung on 2014/07/10

Distribution List:

Chris Abe - Managing Director RBCCM 30th Floor, South Tower
Fred Amelio - RBCCM Portfoliio Management. 30th Floor South Tower
James Parisi - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Exposure Junly 9 14.xls
2) TVM Calculation Nelson July 2014.xls

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Full Year Q4/16	Full Year Q4/17
24.20	24.20	GIL	24.02	23.53	23.05	22.57	22.09	21.61	21.13	20.66	20.18	19.71	17.83
12.40		PCL	12.40	12.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		ACL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
117.40		WO	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40
	0.19	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000
Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.09000
TVM ACL (CDN$) is: 4.280 TVM ACL Foreign Currency is: 3.927

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).

1. Only collect interest on 1st lien debt after March 2014)
2. 1st lien debt Amortizes 0.25% per quarter
3. No interest on 2nd lien debt
4. 1st lien term is 5-years
5. 2nd lien term is 6-years
6. Exchange Rate 1.09

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):
RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$117,403,532.27	$0.00	$117,403,532.27
Total W/O	**$117,403,532.27**	**$0.00**	**$117,403,532.27**
PCL Increase	$12,403,532.27	$0.00	$12,403,532.27
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$12,403,532.27**
FX Adjustment		$0.00	
ACL	$0.00	$0.00	**$0.00**

Pricing when transferred to SLAS:
First Lien.

L+250

ABR + 150
LCs 250

2nd Lien

L+600
ABR + 500

Covenant Breach: N

Comments: 7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall: Y

Comments: See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$33,204,353.03
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CIR01 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$0.00

Rationale:

Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

GRR01-02 Delete as EC is $5.2MM, below the GRR01-02 $7.7MM max.

GRR10 - Security for the 2nd lien ranks behind the first lien term loan. This was a hung-underwriting. The balance of the 2nd lien loan has been written-off, thus the GRR10 exception is being removed.

TAB H

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2014/07/09
This ACU:	**2014/08/20**

Annual Review:	No	Referred to:	Ray Chang
Final ACU:	No	Originating Business Unit:	CM
RBC Director Involvement:		Responsibility Transit:	8091 DIVERSIFIED CANA TORONTO
Change in ACU Review Date:	No Review Date:2014/09/01	District:	CORPORATE/RELATIONS BANKING
Change in Single Name Risk Rating:	No		
Change in Single Name Outlook:	No	Date transferred to SLAS:	2012/10/12
Change in Borrower Risk Rating:	No	Authorized when transferred to SLAS ($):	$204,517,41
Change in Borrower Outlook:	No	Outstanding when transferred to SLAS ($):	$151,877,61
Change in Borrower BCC:	No	BRR when transferred to SLAS:	4
Change in Account Strategy:	No	Date Classified Non-Accrual:	2012/10/10
Change in Credit Policy Exception:	Yes	Date Re-classified Accrual:	
AML - EDD - Is Enhanced Due Diligence required for this file?	No	Loss Event Date:	2012/10/10
Borrower in Bankruptcy or Receivership:	No	Date Put On Watchlist:	2007/09/05
Appointment of Advisors	Yes		
Equity positions in Company	No		
Recommendation to sell loans?	No		
Is loan being restructured?	No		

GROUP NAME: No Group	**OWNERSHIP**	**BRR**	**OUTLOOK**	**BCC**
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	Uncertain	
BORROWER: NELSON EDUCATION LTD. (858353360)		5	Stable	Dbtfl

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	**Authorized When Transferred In**	**Prior Amount from Last ACU**	**Current Amount**	**Increase/(Decrease)**
Credit Risk:	$204,517,412.16	$24,204,353.03	$24,749,353.00	$544,999.97
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00	Comments:
	Insurance	$0.00	
	Other	$0.00	
RBC Dexia 50% P.A. & C.		$0.00	
Total Single Name Exposure:		$34,749,353.00	
Minus Mitigated Risk with limit relief		$0.00	Comments:
Minus Underwriting Risk		$0.00	
Net Single Name Exposure:		$34,749,353.00	

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:

- Establish LRE: Legal $500,000

- Financial update

PROPOSAL OUTLINE:

LRE

A negotiation between the 1st lien debt and 2nd lien has been a frustration and unsuccessful progress. The gap between our positions has been widening over the last 3-months as the 1st lien have taken an increasing more aggressive stance.

In our last communication, we had proposed a structure whereby [redacted].

The 1st lien responded with [redacted]

[redacted].

Attached is an expected recovery worksheet. Subject to the EBITDA multiple and the number of years to an eventual sale; our analysis shows a potential recoveruy to the 2nd lien (once 1st lien recovers 100% of their principal, interest and fees) from a low of $4.3MM (6-times EBITDA, 2016 sale) to a high of $77.6MM (7-times multiple, 2015 sale).

We are recommending LRE of $500,000 to defend our position in a bankruptcy and hopeful be able to negotiate a more reasonable settlement.

Financial Update

Nelson Education has changed its year-end from June 30th to March 31st. This has made it more difficult to compare results to previous years:

- The March 31st audited statements were for 9-months;
- There was not a push to close sales by June 30th as it was no longer a fiscal year-end;
- The month of July YOY results were up significantly due to timing differences as sales normally closed in June were closed in July.

Adjusting for the above, we have calculated the July LTM results with the following observations:

1. EBITDA (as defined by the loan agreement) has decreased from $50MM as at June 30, 2013 to $43MM as at June 30, 2014;
2. The July LTM EBITDA number will be higher as July 2014 EBITDA of $8.8MM is $4.3MM higher that the $4.5MM in 2013. Given the shift in sales to July from June (described above); the YOY gap is more than halved.
3. Sales declines seem to have stabilized. The decreasing to flat sales has been partially offset by reductions in SG&A costs.
4. The company wrote-off $83MM of intangible assets over the last 12-months; and
5. The leverage ratios are some what volatile as the debt is denominated in US dollars while the company's earnings are in Canadian dollars.
6. As a result of the drop in EBITDA (especially in June 2014 due to the shift of sales to July) combined with the depreciation of the Canadian dollar resulted in a senior leverage ratio in excess of 7.5 times, above the 7-times covenant.

Bankruptcy Strategy

The 1st lien stated objective is no recovery to the 2nd lien. They further said they would rather pay $10-$15MM to their advisors than have the 2nd lien have any recovery after the 1st lien is repaid.

1. Do not defend our position - Not recommended as 2nd lien agent and largest lender, there is significant upside to protect.

2. Vigorously defend to hopefully be in a position to encourage consensual agreement that would see some recovery to the 2nd lien after the 1st lien has a full recovery.

We recommend.

SELECTED ACCOUNT STRATEGY: Rehabilitate

While we have written-off our entire 2nd lien exposure, we continue to believe that there is a potential recovery given sufficient runway. Our strategy is simply to work with the company and 1st lien lenders to negotiate an extension of the 1st lien debt. This will require the 2nd lien debt to PIK its interest (or convert to equity) until the first lien is fully repaid.

ACTION DATES:

July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang			
Title	Sr. Manager SLAS	V.P. SLAS			
Group					

Approval input by: Giselle Ghafari on 2014/08/25

Distribution List:

Chris Abe - Managing Director RBCCM 30th Floor, South Tower
Fred Amelio - RBCCM Portfoliio Management. 30th Floor South Tower
James Parisi - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Exposure August 22, 2014.xls
2) Nelson - Key Terms of Second Lien Restructuring Proposal.pdf
3) Nelson Structure Scenarios 7-28-2014v9.xlsx

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16	Full Year Q4/17	Full Year Q4/18
24.02	24.01	GIL	23.53	23.05	22.57	22.09	21.61	21.13	20.66	20.18	19.71	17.83	0.00
12.40		PCL	12.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		ACL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
117.40		WO	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40
	0.19	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000

Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.09000

TVM ACL (CDN$) is: 3.976 TVM ACL Foreign Currency is: 3.648

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).
1. Only collect interest on 1st lien debt after March 2014)
2. ~~1st lien debt Amortizes 0.25% per quarter~~
3. No interest on 2nd lien debt
4. 1st lien term is 5-years
5. 2nd lien term is 6-years
6. Exchange Rate 1.09

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):
RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$117,403,532.27	$0.00	$117,403,532.27
Total W/O	**$117,403,532.27**	**$0.00**	**$117,403,532.27**
PCL Increase	$12,403,532.27	$0.00	$12,403,532.27
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$12,403,532.27**
FX Adjustment		$0.00	
ACL	$0.00	$0.00	**$0.00**

Pricing when transferred to SLAS:
First Lien.

L+250

ABR + 150
LCs 250

2nd Lien

L+600
ABR + 500

Covenant Breach: N

Comments: 7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall: Y

Comments: See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$33,749,353.03
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CIR01 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$0.00

Rationale:

Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

GRR01-02 Delete as EC is $5.2MM, below the GRR01-02 $7.7MM max.

GRR10 - Security for the 2nd lien ranks behind the first lien term loan. This was a hung-underwriting. The balance of the 2nd lien loan has been written-off, thus the GRR10 exception is being removed.

TAB I

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2014/08/20
This ACU:	**2014/10/02**

Annual Review:	No	Referred to:	Ray Chang
Final ACU:	No	Originating Business Unit:	CM
RBC Director Involvement:		Responsibility Transit:	8091 DIVERSIFIED CAN/ TORONTO
Change in ACU Review Date:	Yes Review Date:2014/12/01	District:	CORPORATE/RELATION BANKING
Change in Single Name Risk Rating:	No		
Change in Single Name Outlook:	No	Date transferred to SLAS:	2012/10/12
Change in Borrower Risk Rating:	No	Authorized when transferred to SLAS ($):	$204,517,4
Change in Borrower Outlook:	No	Outstanding when transferred to SLAS ($):	$151,877,6
Change in Borrower BCC:	No	BRR when transferred to SLAS:	4
Change in Account Strategy:	No	Date Classified Non-Accrual:	2012/10/10
Change in Credit Policy Exception:	Yes	Date Re-classified Accrual:	
AML - EDD - Is Enhanced Due Diligence required for this file?	No	Loss Event Date:	2012/10/10
Borrower in Bankruptcy or Receivership:	No	Date Put On Watchlist:	2007/09/05
Appointment of Advisors	Yes		
Equity positions in Company	No		
Recommendation to sell loans?	No		
Is loan being restructured?	No		

GROUP NAME: No Group	OWNERSHIP	BRR	OUTLOOK	BCC	Moody's Senior	S&P Senior	DBRS Senior
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	Uncertain		N.A.	NR	N.A.
BORROWER: NELSON EDUCATION LTD. (858353360)		5	Stable	Dbtfl	N.A.	NR	N.A.

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	Authorized When Transferred In	Prior Amount from Last ACU	Current Amount	Increase/(Decrease)
Credit Risk:	$204,517,412.16	$24,749,353.00	$24,749,353.03	$0.03
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00	Comments:
	Insurance	$0.00	
	Other	$0.00	
RBC Dexia 50% P.A. & C.		$0.00	
Total Single Name Exposure:		$34,749,353.03	
Minus Mitigated Risk with limit relief		$0.00	Comments:
Minus Underwriting Risk		$0.00	
Net Single Name Exposure:		$34,749,353.03	

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:

Adminstration ACU to extend the commitment date under the 1st lien credit facilty from October 5, 2014 to July 5, 2015.

Extend the ACU Review Date revised to 2014/12/01.

Update Forecast to reflect increase in DLI

PROPOSAL OUTLINE:

Nelson Education is in default under their credit agreement. The 1st lien debt was due and payable on July 5, 2014. We previously extended the maturity date in CCMM to October 5, 2014 to allow time to get a better perspective of the various time lines.

To maintain proper order and to avoid reported excess, we recommend extending the maturity date to July 5, 2015 (co-terminus) with the 2nd lien debt.

As the first lien debt is fully drawn, the extension will not increase the banks exposure.

We recommend.

SELECTED ACCOUNT STRATEGY: Rehabilitate

While we have written-off our entire 2nd lien exposure, we continue to believe that there is a potential recovery given sufficient runway. Our strategy is simply to work with the company and 1st lien lenders to negotiate an extension of the 1st lien debt. This will require the 2nd lien debt to PIK its interest (or convert to equity) until the first lien is fully repaid.

ACTION DATES:

July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang			
Title	Sr. Manager SLAS	V.P. SLAS			
Group					

Approval input by: Cheryl Chung on 2014/10/03

Distribution List:

Chris Abe - Managing Director RBCCM 30th Floor, South Tower
Fred Amelio - RBCCM Portfoliio Management. 30th Floor South Tower
James Parisi - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Nelson Exposure sheet October 2, 2014.xls
2) Nelson TVM Calculation Oct 2014.xls

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16	Full Year Q4/17	Full Year Q4/18
23.53	23.63	GIL	23.58	23.00	22.61	22.13	21.65	21.17	20.70	20.22	19.75	17.80	0.00
12.40		PCL	12.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		ACL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
117.40		WO	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40
	0.58	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000
Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.09000
TVM ACL (CDN$) is: 3.979 TVM ACL Foreign Currency is: 3.650

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).

1. Only collect interest on 1st lien debt after March 2014)
2. 1st lien debt Amortizes 0.25% per quarter
3. No interest on 2nd lien debt
4. 1st lien term is 5-years
5. 2nd lien term is 6-years
6. Exchange Rate 1.09

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):
RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$117,403,532.27	$0.00	$117,403,532.27
Total W/O	**$117,403,532.27**	**$0.00**	**$117,403,532.27**
PCL Increase	$12,403,532.27	$0.00	$12,403,532.27
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$12,403,532.27**
FX Adjustment		$0.00	
ACL	$0.00	$0.00	**$0.00**

Pricing when transferred to SLAS:
First Lien.

L+250

ABR + 150
LCs 250

2nd Lien

L+600
ABR + 500

Covenant Breach:	N
Comments:	7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall:	Y
Comments:	See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$33,749,353.03
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CG04 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$500,000.00

Rationale:
Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

CG04 - Caused by establishment of LRE - Legal

TAB J

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2014/10/02
This ACU:	**2014/12/18**

Annual Review:	No	Referred to:	Ray Chang
Final ACU:	No	Originating Business Unit:	CM
RBC Director Involvement:		Responsibility Transit:	8091 DIVERSIFIED CAN/ TORONTO
Change in ACU Review Date:	No Review Date:2014/12/01	District:	CORPORATE/RELATION BANKING
Change in Single Name Risk Rating:	No		
Change in Single Name Outlook:	No	Date transferred to SLAS:	2012/10/12
Change in Borrower Risk Rating:	No	Authorized when transferred to SLAS ($):	$204,517,4
Change in Borrower Outlook:	No	Outstanding when transferred to SLAS ($):	$151,877,6
Change in Borrower BCC:	No	BRR when transferred to SLAS:	4
Change in Account Strategy:	No	Date Classified Non-Accrual:	2012/10/10
Change in Credit Policy Exception:	No	Date Re-classified Accrual:	
AML - EDD - Is Enhanced Due Diligence required for this file?	No	Loss Event Date:	2012/10/10
Borrower in Bankruptcy or Receivership:	No	Date Put On Watchlist:	2007/09/05
Appointment of Advisors	No		
Equity positions in Company	No		
Recommendation to sell loans?	No		
Is loan being restructured?	No		

GROUP NAME: No Group	**OWNERSHIP**	**BRR**	**OUTLOOK**	**BCC**	**Moody's Senior**	**S&P Senior**	**DBRS Senior**
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	Uncertain		N.A.	NR	N.A.
BORROWER: NELSON EDUCATION LTD. (858353360)		5	Stable	Dbtfl	N.A.	NR	N.A.

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	**Authorized When Transferred In**	**Prior Amount from Last ACU**	**Current Amount**	**Increase/(Decrease)**
Credit Risk:	$204,517,412.16	$24,749,353.03	$24,749,353.03	$0.00
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00	Comments:
	Insurance	$0.00	
	Other	$0.00	
RBC Dexia 50% P.A. & C.		$0.00	
Total Single Name Exposure:		$34,749,353.03	
Minus Mitigated Risk with limit relief		$0.00	Comments:
Minus Underwriting Risk		$0.00	
Net Single Name Exposure:		$34,749,353.03	

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:

Update

PROPOSAL OUTLINE:

Nelson Education is in default under their credit agreement. The 1st lien debt was due and payable on July 5, 2014.

Nelson has reported its 2nd quarter financial results. Their EBITDA seems to have stabilized. Nelson is not paying 2nd lien interest nor 2nd lien financial and legal advisor costs.

The company has run a sales. They are negotiating with 2-parties that had LOI's in excess of the 1st lien debt. We have not been advised as to the potential purchase amounts. While we view this as a plosive development, there are several hurdles to over come.

1. The potential purchaser will need to be satisfied they can get an extension to the Cengage Operating Agreement;

2. Approval from the Heritage Minister;

3. A satisfactory agreement between Nelson, 1st lien lenders and 2nd line lenders.

SELECTED ACCOUNT STRATEGY: Rehabilitate
While we have written-off our entire 2nd lien exposure, we continue to believe that there is a potential recovery given sufficient runway. Our strategy is simply to work with the company and 1st lien lenders to negotiate an extension of the 1st lien debt. This will require the 2nd lien debt to PIK its interest (or convert to equity) until the first lien is fully repaid.

ACTION DATES:
July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang			
Title	Sr. Manager SLAS	V.P. SLAS			
Group					

Approval input by: Giselle Ghafari on 2014/12/22
Distribution List:
Chris Abe - Managing Director RBCCM 30th Floor, South Tower
James Parisi - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Compliance Nelso Sept 30 2014 Adjusted Senior Secured Leverage Ratio.pdf
2) exposure Dec 18 2014.xls
3) Financial MDA Nelson Sept 2014.pdf
4) Financials Nelson Sept 30 2014.pdf

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Full Year Q4/17	Full Year Q4/18
23.58	23.63	GIL	23.51	23.03	22.55	22.07	21.59	21.12	20.64	20.17	19.70	18.29	0.00
0.00		PCL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		ACL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
117.40		WO	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40
	0.58	DLI											
Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000													
Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.09000													
TVM ACL (CDN$) is: 3.758 TVM ACL Foreign Currency is: 3.448													

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).
1. Only collect interest on 1st lien debt after March 2014)
2. 1st lien debt Amortizes 0.25% per quarter
3. No interest on 2nd lien debt
4. 1st lien term is 5-years
5. 2nd lien term is 6-years
6. Exchange Rate 1.09

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):
RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$117,403,532.27	$0.00	$117,403,532.27
Total W/O	**$117,403,532.27**	**$0.00**	**$117,403,532.27**
PCL Increase	$0.00	$0.00	$0.00
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$0.00**
FX Adjustment		$0.00	
ACL	$0.00	$0.00	**$0.00**

Pricing when transferred to SLAS:
First Lien.

L+250

ABR + 150
LCs 250

2nd Lien

L+600
ABR + 500

Covenant Breach:	N
Comments:	7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall:	Y
Comments:	See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC ($126.2MM); [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$33,749,353.03
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CG04 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$500,000.00

Rationale:

Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

CG04 - Caused by establishment of LRE - Legal

TAB K

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2014/12/18
This ACU:	**2015/04/15**

Annual Review:	Yes	Referred to:	Bruce Campbell
Final ACU:	No	Originating Business Unit:	CM
RBC Director Involvement:		Responsibility Transit:	8091 DIVERSIFIED CAN/ TORONTO
Change in ACU Review Date:	Yes Review Date:2015/08/31	District:	CORPORATE/RELATION BANKING
Change in Single Name Risk Rating:	No		
Change in Single Name Outlook:	No	Date transferred to SLAS:	2012/10/12
Change in Borrower Risk Rating:	No	Authorized when transferred to SLAS ($):	$204,517,4
Change in Borrower Outlook:	No	Outstanding when transferred to SLAS ($):	$151,877,6
Change in Borrower BCC:	No	BRR when transferred to SLAS:	4
Change in Account Strategy:	Yes	Date Classified Non-Accrual:	2012/10/10
Change in Credit Policy Exception:	Yes	Date Re-classified Accrual:	
AML - EDD - Is Enhanced Due Diligence required for this file?	No	Loss Event Date:	2012/10/10
Borrower in Bankruptcy or Receivership:	No	Date Put On Watchlist:	2007/09/05
Appointment of Advisors	No		
Equity positions in Company	No		
Recommendation to sell loans?	No		
Is loan being restructured?	No		

GROUP NAME: No Group	**OWNERSHIP**	**BRR**	**OUTLOOK**	**BCC**	**Moody's Senior**	**S&P Senior**	**DBRS Senior**
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	Uncertain		N.A.	NR	N.A.
BORROWER: NELSON EDUCATION LTD. (858353360)		5	Stable	Dbtfl	N.A.	NR	N.A.

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	**Authorized When Transferred In**	**Prior Amount from Last ACU**	**Current Amount**	**Increase/(Decrease)**
Credit Risk:	$204,517,412.16	$24,749,353.03	$27,246,994.16	$2,497,641.13
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00	Comments:
	Insurance	$0.00	
	Other	$0.00	
RBC Dexia 50% P.A. & C.		$0.00	
Total Single Name Exposure:		$37,246,994.16	
Minus Mitigated Risk with limit relief		$0.00	Comments:
Minus Underwriting Risk		$0.00	
Net Single Name Exposure:		$37,246,994.16	

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:

- Annual Review: ACU Review Date revised to 2015/08/31
- Board rate changed from 1.09 to 1.20 (increasing C$ equivalent exposure)
- Up date forecast and to reflect PCL and board rate change.
- Recommend PCL of US$4,000,000 (C$ equivalent of $4,800,000)
- Establish PCL and write-off LRE. US$373,638.60 (C$448,366.32)
- Update financial analysis section.

- Change in Account Strategy (from Rehabilitate to Realize)
Increase PCL Amount: $4,800,000.00
Increase PCL LRE: $448,366.32
Legal Write-off Amount: $448,366.32

PROPOSAL OUTLINE:
Background

Nelson Education is in default under their credit agreement. The 1st lien debt was due and payable on July 5, 2014. Nelson is not paying 2nd lien interest or 2nd lien financial and legal advisor costs. Reservation of Rights and Notice of Default letters have been sent to Nelson.

The company had run a sales process during the fall of 2014. We were told the sales process went to a 2nd round. The remaining 2-parties had apparently submitted LOI's in excess of the 1st lien debt. We have not been advised as to the potential purchase amounts.

Subsequent to the submission of the LOI's, the Canadian dollar decreased in value. The actual exchange rate has decreased to 1.25 from 1.10 late in 2014. As Nelson reports income in Canadian dollars and the debt is denominated in US$, this effectively reduced the enterprise value by $40MM. We have been advised that both interested parties have dropped out.

At this point in time, we are assuming the 1st lien will move forward with their Plan Support Agreement that will see the 1st lien debt take control of the company via a CCAA or a CBCA if a deal can be negotiated between the 1st and 2nd lien debt. ~~The first lien has not contacted RBC as agent for the 2nd lien. Further, our counsel has reached out to Wilkie Farr (1st lien~~ counsel); our financial advisors (CDG) have reached out the Alex Partners (advisors to 1st lien); and counsel has reached out Goodmans; all to no avail..

RBC as 2nd lien debt holder has not agreed to the plan support agreement. We continue to look for out-of-the-money warrants that will provide a recovery once the 1st lien has a full recovery.

Our only contact has been with the company who continue to try to broker a deal, rather than go through CCAA. The 1st lien has not responded to their proposals. Under terms of the inter-creditor agreement, the 2nd lien lenders are prohibited from taking pro-active action.

Financial

Nelson has published their 3rd quarter results as at December 31st (year-end is March 31st). Their revenue and EBITDA have stabilized. Unfortunately, there still is no recovery anticipated in the K-12 business. The financial analysis section has been updated for the Q3 results. The 2014 audited statements, Q3 2015 financial statements and compliance certificate are attached.

Higher education revenue for the first 3-quarters of fiscal 2015 was $82.5MM, up $2.2MM from $80.3MM the previous year. K-12 revenue was $29.6MM, down $1.0MM from the previous year.

Enterprise Value

We are recommending PCL be taking on the 1st lien debt. The provision is not a reflection of a deteriorating in the Nelson's financial performance, but rather the sharp reduction in the Canadian / US Dollar exchange rate. It is this decrease that is driving the provision number.

Enterprise Value

The Enterprise Value is driven by 3-metrics: Debt trading levels, DCF, and comparable EBITDA multiples. The potential shortfall against the 1st lien debt ranged from a low of $3.0MM (PCL of $1.7MM after netting DLI) to a high of $6.8MM (PCL of $5.5MM after netting DLI). The calculations are attached. The average expected loss is $4.9MM ($3.6MM after DLI). To be conservative and given our lack viability into the process, we are rounding this up to US$4MMM ($4.8MM).

The PCL is based on estimated enterprise value (the sum of debt and equity). The big unknown is the magnitude of the debt to equity conversion. Subject to the objectives of the majority holders, a significant percentage of the debt could be converted to equity. Thus there is the real potential of higher PCL in Q3 /Q4 once this in known.

DEBT TRADING LEVELS

Neither the 1st lien nor 2nd lien debt has traded in several months. We used indication levels provided by the trading desks at RBC and Credit Suisse. RBC s indication level for the 1st lien debt was 77.7 and CS was 82.5. We averaged the two to arrive at a trading level of $0.80. We have not seen the 2nd lien trade or any indication levels. We have assigned a notional value of $0.01. The debt trading levels imply a value of $212MM. As total 1st lien debt is $263MM, there is a $51MM shortfall (RBC share $4.3MM).

DISCOUNTED CASH FLOW

We have assumed a base EBITDA of C$42MM (as per last compliance certificate). This is translated into US$ equivalent using the RBC board rate of 1.2. EBITDA in future years is based on the company's business plan provided to lenders in the spring 2014. We have not received an updated model since.

The DCF implies a value of $230MM. Less the 1st lien debt there is a $33MM deficit (RBC share $2.9MM).

EBITDA MULTIPLES

Of the 3-metrics, this is the most uncertain. Most of the major competitors have gone through bankruptcy and are owned by the lenders. Multiples rang from a low of 4-times to a high of 7-times. We have chosen a 5-times multiple as the company continues to perform on a consistent basis, not exceeding or falling below expectation. The implied enterprise value is $175MM, implying a $88MM deficit (RBC share $7.4MM).

Triggers

An upgrade in BRR / reduced provisions would be considered with the strengthening of the Canadian dollar; material improvement to the K-12 division; or a favourable restructuring outcome. Given the failure of the sales process; the lack of communication between the 1st lien and the 2nd lien; and the high probability of a CCAA filing within the next several months, this is a low probability.

An increase in the PCL would be considered if the restructuring is significantly worse than anticipated (i.e. a debt for equity exchange that see total debt reduced below $200MM).

AVAILABLE STRATEGIES:
While we were unsuccessful in selling down the 2nd lien debt, we did meet our objective to cancel the revolver.

We had maintained a constructive working relationship with the sponsor and company. The sponsor (Apex) is no longer on the board of directors. The 1st steering committee had not been constructure or responsive to date.

1st lien lenders are moving forward to force a CCAA and an asset sale.

SELECTED ACCOUNT STRATEGY: Realize
While we have written-off our entire 2nd lien exposure, we had continued to believe that there is a potential recovery given sufficient runway. Our strategy was to work with the company and 1st lien lenders to negotiate an extension of the 1st lien debt.

It is clear that the company will go through a CCAA procedure that will result with the lenders converting some of their debt to equity and realize on the security.

RATIONALE FOR RECOMMENDATION FOR SELECTED STRATEGY:
Lost Involuntary, Realized; or remarket are not viable strategies at this time. Our sole course of action is to extend the maturity date of the 1st and 2nd lien debt to provide Nelson sufficient time to increase EBITDA and improve its ability to refinance its debt.

ACTION DATES:
July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang	Bruce Campbell		
Title	Sr. Manager SLAS	V.P. SLAS	S.V.P. GRM		
Group					

Approval Input by: Cheryl Chung on 2015/04/16

Distribution List:

Chris Abe - Managing Director RBCCM 30th Floor, South Tower
James Parisi - RBCCM Portfoliio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Exposure April 14 2015.xls
2) Mar 31, 2014 - Audited Financial Statements[1].pdf
3) Nelson EV April 2015.xls
4) Q3 2015 - Financials[1].pdf
5) Q3 2015 Compliance.pdf
6) TVM Calculation Nelson March 2015.xlsb

PCL REQUEST AND RATIONALE
Single Name: NELSON EDUCATION LTD.

STRATEGY TIME FRAME FOR FACILITIES:

July 2013 - maturity of the RC. Company should have sufficient liquidity to manage without the RC.

July 2014 - Maturity of the 1st lien term loan. This is the critical date as the 2nd lien must be addressed at this point (Fiscal Q3 2013 for RBC). It is at this point in time the ultimate loss will be known. Forecast indicates no financial covenant breaches up to the maturity of the 1st lien debt. Therefore our time frame is 7-quarters up to July 2014.

July 2015 - 2nd lien matures

Loan Balance: 26,646,994.16

Less ACL: 4,800,000.00

Less DLI: 1,531,153.98

Net Outstanding Loans to be recovered: 20,315,840.18

Accrued but uncollected Interest up to day loan classified impaired: 1,970,500.00

Unamortized loan fees and costs: 0.00

Unamortized premiums or discounts on acquisition: 0.00

METHODOLOGY CONSIDERED TO ESTABLISH THE REALIZABLE VALUE OF LOAN (ESTIMATED):

We have fully written off the 2nd lien debt.

The methodology used is the average expected loss using DCF, Debt trading levels, and comparable EBITDA multiples covering our 1st lien exposure.

- Fair value of Security (underlying loans)

Assets have negligable value. Total Assets are C$262MM or which C$145MM are intangible assets. The balance of the C$117MM in assets are PP&E (C$18MM) and working capital (C$66MM).

This was and is a cash flow loan. Based on market compariables, estimated enterprise values range from US$175MM to US$229MM (C$210MM to C$275MM). With the devaluation of the Canadain dollar, the US$263MM 1st lien debt has a C$ equivalent of C$328MM, less than the highest valuation range.

- Market Price for loans (Observable)

First lien : We have not seen the 1st lien debt trade, but have been advised it should be in the $0.80. As we are no longer 1st lien agent we don't see the trades. At $0.80, this implies a shortfall of $51MM (RBC's share US$4.3MM / C$5.16MM)

2nd Lien has not traded in 2-years.

- Discounted Expected Future Cash Flows (to determine Net Present Value)

DCF estimates Enterprise value at US$230MM. This implies a shortfall of US$33.3MM (RBC share is US$2.9MM / C$3.5MM equivalent)

OTHER METHODS BASED ON MANAGEMENT JUDGEMENT:

EBITDA Multiple: Of the 3-metrics, this is the most uncertain. Most of the major competitors have gone through bankruptcy and are owned by the lenders. Multiples rang from a low of 4-times to a high of 7-times. We have chosen a 5-times multiple as the company continues to perform on a consistent basis, not exceeding or falling below expectation. The implied enterprise value is US$175MM, implying a US$88MM deficit (RBC share US$7.4MM / C$ equivalent 8.9MM).

RATIONALE FOR METHODOLOGY SELECTED:

All 3-approaches indicate PCL for the 1st lien. The average expected loss is US$$4.8MM, less $1.3MM in DLI resulting in a net loss of US$3.6MM. We have rounded up to US$4MM given lack of viability with respect to the 1st lien committee's strategy.

The US$4MM is C$4.8MM.

DISCOUNT RATE USED FOR CASH FLOWS IF THIS METHODOLOGY IS SELECTED:

Discount Rate is 12.43%. See calculation in attached spread sheet.

PCL CALCULATION FOR AMOUNT REQUIRED (CDN$): 4,800,000.00
Are all relevant worksheets attached? (E.G. DCF Analysis, PCL Calculations) Yes

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Full Year Q4/17	Full Year Q4/18
23.51	25.56	GIL	25.12	24.65	24.18	23.72	23.25	22.78	22.32	21.85	21.39	20.92	0.00
0.00		PCL	5.25	5.25	5.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		ACL	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	0.00
117.40		WO	117.85	117.85	117.85	117.85	117.85	117.85	117.85	117.85	117.85	117.85	122.65
	1.53	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000
Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.20000
TVM ACL (CDN$) is: 3.019 TVM ACL Foreign Currency is: 2.516

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).
1. Only collect interest on 1st lien debt after March 2014)
2. 1st lien debt Amortizes 0.25% per quarter
3. No interest on 2nd lien debt
4. 1st lien term is 5-years
5. 2nd lien term is 6-years
6. Exchange Rate 1.20
7. DLI as at march 10th is US$1.580MM (C$1.98MM)

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):
RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$448,366.32	$448,366.32
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$117,403,532.27	$0.00	$117,403,532.27
Total W/O	**$117,403,532.27**	**$448,366.32**	**$117,851,898.59**
PCL Increase	$0.00	$5,248,366.32	$5,248,366.32
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$5,248,366.32**
FX Adjustment		$0.00	
ACL	$0.00	$4,800,000.00	**$4,800,000.00**

Pricing when transferred to SLAS:
First Lien.

L+250
ABR + 150
LCs 250

2nd Lien

L+600
ABR + 500

Covenant Breach: N

Comments: 7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall: Y

Comments: See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$36,246,994.16
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CG04 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$500,000.00

Rationale:

Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

CG04 - Caused by establishment of LRE - Legal

Regulatory and BASEL II compliance - Have the following been reviewed?
Single Name: NELSON EDUCATION LTD.

FACT(BRR)	Yes
CED	Yes
FMD	Yes
C/U (Committed/Uncommitted)	Yes
LIED Code	Yes
BCC	Yes
GBRR	Yes
CP Exceptions	Yes
SIC	Yes
Holdco SIC	Yes
BSC	Yes
If Equity held was valuation updated.	No
Is collateral evaluated and documented as per OSFI requirements?	No
Have you completed all applicable and relevant mandatory sections of the ACU at the annual review eg financials, security etc?	Yes

Nelson Education - Summary of Valuations

Methodology		Valuation
Debt Trading Levels	$	212,000
Discounted Cash Flow Analysis	$	229,619
Enterprise Value - Mean Multiple	$	175,000
Average of the 3- Methodolgies	*$*	*205,540*
Total 1st Lien Debt	$	263,000

1st lien Shortfall:

Debt Trading Levels	$	(51,000)	$	(4,306)
Discounted Cash Flow Analysis	$	(33,381)	$	(2,818)
Enterprise Value - Mean Multiple	$	(88,000)	$	(7,430)
Average of the 3- Methodolgies	*$*	*(57,460)*	$	(4,851)

Nelson Education - Discounted Cash Flow

	EBITDA (C$)	EBITDA (US$)	1st Interest Expense	Capex	Net Cash Flow	Debt Amortization	Terminal Value	Net Cash	NPV
2014									
2015	42,000	35,000	11,000	10,000	14,000	22,000		(8,000)	(7,115)
2016	43,705	36,421	8,800	10,000	17,621	22,000		(4,379)	(3,464)
2017	46,420	38,683	6,600	10,000	22,083	22,000		83	59
2018	48,931	40,776	4,400	10,000	26,376	22,000		4,376	2,738
2019	51,419	42,849	2,200	10,000	30,649	22,000		8,649	4,814
2020	52,786	43,988	-	10,000	33,988		188,824	222,812	110,301
								Implied Equity	107,332

Cost of capital			
Debt	110,000	7.00%	7,700
Equity	107,350	18.00%	19,323
Enterprise Value	217,350	12.43%	27,023
Less: 1st lien Debt	320,400		
Plus: Cash	15,000		
Available to 2nd Lien	(88,050)		

Exchange Rate 1.20 :1

Debt

	1st Lien
	110,000
@	10.00%
1	110,000
2	88,000
3	66,000
4	44,000
5	22,000

Nelson Education - Discounted Cash Flow

EBITDA (US$)	Capex	Net Cash Flow	Debt Amortization	Terminal Value	Net Cash	NPV
35,000	11,000	24,000	22,000		2,000	1,779
36,421	8,800	27,621	22,000		5,621	4,446
38,683	6,600	32,083	22,000		10,083	7,095
40,776	4,400	36,376	22,000		14,376	8,996
42,849	2,200	40,649	22,000		18,649	10,380
43,988	-	43,988	-	353,805	397,793	196,923
					NPV	229,619

NPV	229,619
Less: 1st lien Debt	263,000
Enterprise Value	(33,381)

Nelson Education - Enterprise Value

	High	Mean	Low
EBITDA (US$)	35,000	35,000	35,000
Mulitple *	7	5	4
Enterprise Value	245,000	175,000	140,000

Nelson Education - Debt Trading Levels

Security	Amount	Price*	Value
1st Lien	263,000	80.00%	210,400
2nd Lien	160,000	1.00%	1,600
			212,000
Less: 1st Lien Debt			263,000
Value to Note Holders			**(51,000)**

* avg. of bid / ask

TAB 2

SLAS ADVICE OF CREDIT UNDERTAKING

Single Name: NELSON EDUCATION LTD.

Last ACU:	2014/07/09
This ACU:	**2014/08/20**

Annual Review:	No	Referred to:	Ray Chang
Final ACU:	No	Originating Business Unit:	CM
RBC Director Involvement:		Responsibility Transit:	8091 DIVERSIFIED CANADA TORONTO
Change in ACU Review Date:	No Review Date:2014/09/01	District:	CORPORATE/RELATIONSHIP BANKING
Change in Single Name Risk Rating:	No		
Change in Single Name Outlook:	No	Date transferred to SLAS:	2012/10/12
Change in Borrower Risk Rating:	No	Authorized when transferred to SLAS ($):	$204,517,412.16
Change in Borrower Outlook:	No	Outstanding when transferred to SLAS ($):	$151,877,618.91
Change in Borrower BCC:	No	BRR when transferred to SLAS:	4
Change in Account Strategy:	No	Date Classified Non-Accrual:	2012/10/10
Change in Credit Policy Exception:	Yes	Date Re-classified Accrual:	
AML - EDD - Is Enhanced Due Diligence required for this file?	No	Loss Event Date:	2012/10/10
Borrower in Bankruptcy or Receivership:	No	Date Put On Watchlist:	2007/09/05
Appointment of Advisors	Yes		
Equity positions in Company	No		
Recommendation to sell loans?	No		
Is loan being restructured?	No		

GROUP NAME: No Group	**OWNERSHIP**	**BRR**	**OUTLOOK**	**BCC**
SINGLE NAME: NELSON EDUCATION LTD. (858353360)	OMERS 70%; Apex 30%	5	Uncertain	
BORROWER: NELSON EDUCATION LTD. (858353360)		5	Stable	Dbtfl

PRIMARY BUSINESS: Telecom & Media **SIC CODE:** 2731

SINGLE NAME EXPOSURE	**Authorized When Transferred In**	**Prior Amount from Last ACU**	**Current Amount**	**Increase/(Decrease)**
Credit Risk:	$204,517,412.16	$24,204,353.03	$24,749,353.00	$544,999.97
Transaction Risk:	$0.00	$0.00	$0.00	$0.00

Delegated Risk:	RBCCM	$10,000,000.00
	Insurance	$0.00
	Other	$0.00
RBC Dexia 50% P.A. & C.		$0.00
Total Single Name Exposure:		$34,749,353.00
Minus Mitigated Risk with limit relief		$0.00
Minus Underwriting Risk		$0.00
Net Single Name Exposure:		$34,749,353.00

Comments:

Comments:

EXHIBIT NO 2
EXAM OF LCS Vowell
DATE Aug 5, 2015
REPORTER Lisa Lamberti
ASAP REPORTING SERVICES INC.

Please see Exposure Sheet attached for further details.

REASONS FOR SUBMISSION:
- Establish LRE: Legal $500,000

- Financial update

PROPOSAL OUTLINE:
LRE

A negotiation between the 1st lien debt and 2nd lien has been a frustration and unsuccessful progress. The gap between our positions has been widening over the last 3-months as the 1st lien have taken an increasing more aggressive stance.

In our last communication, we had proposed a structure whereby the 1st lien would get 7% interest; a 5% PIK fee; and the 2nd lien would convert its debt into equity warrants. Once the 1st lien was repaid in full (principal, interest and fees), the 2nd lien would share in the upside on a 60% / 40% split with the first. A copy of our proposal is attached.

The 1st lien responded with a 5% take it or leave proposition. Based on our optimistic assumptions, this would amount to

$1 to $3MM in recoveries to the 1st lien assuming the 1st lien did not extract higher interest rates and fees on the company once they had full ownership and control.

Attached is an expected recovery worksheet. Subject to the EBITDA multiple and the number of years to an eventual sale; our analysis shows a potential recoveruy to the 2nd lien (once 1st lien recovers 100% of their principal, interest and fees) from a low of $4.3MM (6-times EBITDA, 2016 sale) to a high of $77.6MM (7-times multiple, 2015 sale).

We are recommending LRE of $500,000 to defend our position in a bankruptcy and hopeful be able to negotiate a more reasonable settlement.

Financial Update

Nelson Education has changed its year-end from June 30th to March 31st. This has made it more difficult to compare results to previous years:

- The March 31st audited statements were for 9-months;
- There was not a push to close sales by June 30th as it was no longer a fiscal year-end;
- The month of July YOY results were up significantly due to timing differences as sales normally closed in June were closed in July.

Adjusting for the above, we have calculated the July LTM results with the following observations:

1. EBITDA (as defined by the loan agreement) has decreased from $50MM as at June 30, 2013 to $43MM as at June 30, 2014;
2. The July LTM EBITDA number will be higher as July 2014 EBITDA of $8.8MM is $4.3MM higher that the $4.5MM in 2013. Given the shift in sales to July from June (described above); the YOY gap is more than halved.
3. Sales declines seem to have stabilized. The decreasing to flat sales has been partially offset by reductions in SG&A costs.
4. The company wrote-off $83MM of intangible assets over the last 12-months; and
5. The leverage ratios are some what volatile as the debt is denominated in US dollars while the company's earnings are in Canadian dollars.
6. As a result of the drop in EBITDA (especially in June 2014 due to the shift of sales to July) combined with the depreciation of the Canadian dollar resulted in a senior leverage ratio in excess of 7.5 times, above the 7-times covenant.

Bankruptcy Strategy

The 1st lien stated objective is no recovery to the 2nd lien. They further said they would rather pay $10-$15MM to their advisors than have the 2nd lien have any recovery after the 1st lien is repaid.

1. Do not defend our position - Not recommended as 2nd lien agent and largest lender, there is significant upside to protect.

2. Vigorously defend to hopefully be in a position to encourage consensual agreement that would see some recovery to the 2nd lien after the 1st lien has a full recovery.

We recommend.

SELECTED ACCOUNT STRATEGY: Rehabilitate
While we have written-off our entire 2nd lien exposure, we continue to believe that there is a potential recovery given sufficient runway. Our strategy is simply to work with the company and 1st lien lenders to negotiate an extension of the 1st lien debt. This will require the 2nd lien debt to PIK its interest (or convert to equity) until the first lien is fully repaid.

ACTION DATES:
July 5, 2015 - Current maturity of 2nd lien debt

SIGNATURES:

Name	Les Vowell	Ray Chang			
Title	Sr. Manager SLAS	V.P. SLAS			
Group					

Approval input by: Giselle Ghafari on 2014/08/25
Distribution List:

Chris Abe - Managing Director RBCCM 30th Floor, South Tower
Fred Amelio - RBCCM Portfolio Management. 30th Floor South Tower
James Parisi - RBCCM Portfolio Management. 30th Floor South Tower
Rachel Stevens - Managing Director & VP GRM, 7th Floor South Tower
Willian Caggiano - Managing Director, 12th Floor, 3 WFC.

ATTACHMENTS

1) Exposure August 22, 2014.xls
2) Nelson - Key Terms of Second Lien Restructuring Proposal.pdf
3) Nelson Structure Scenarios 7-28-2014v9.xlsx

ADMINISTRATION PAGE
Single Name: NELSON EDUCATION LTD.

EXIST. APP.	EXIST. O/S	$MM	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16	Full Year Q4/17	Full Year Q4/18
24.02	24.01	GIL	23.53	23.05	22.57	22.09	21.61	21.13	20.66	20.18	19.71	17.83	0.00
12.40		PCL	12.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00		ACL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
117.40		WO	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40	117.40
	0.19	DLI											

Interest rate is the rate of the Segment with the largest expected loss at time of impairment. All-in Rate: 6.25000

Currency that Provision is booked in or choose currency based on the largest impaired amounts: Currency: USD Board Rate: 1.09000

TVM ACL (CDN$) is: 3.976 TVM ACL Foreign Currency is: 3.648

TVM - Interest Rate - Rationale:
State reasoning behind your determination of selecting the largest expected loss at time of impairment (and hence the interest rate used).

1. Only collect interest on 1st lien debt after March 2014)
2. 1st lien debt Amortizes 0.25% per quarter
3. No interest on 2nd lien debt
4. 1st lien term is 5-years
5. 2nd lien term is 6-years
6. Exchange Rate 1.09

TVM - Rationale for TVM Assumption (Cash Flow Forecasts):

RBC exposure consists of $22.7MM 1st lien term loan and $11.7MM 2nd lien term loan (after write-off and applying DLI to principle).

Assume 2nd lien interest ceases after March 31st payment date.

1st lien will not be repaid at maturity and will be extended as part of a longer term restructuring.

PCL/ACL contains $0.00MM in PCL relating to L/Cs which are expected to be drawn in 0.00 year(s) and $0.00MM designated GIL.

	Prior Amount	Amount This ACU	Total Amount To Date
LRE W/O Legal	$0.00	$0.00	$0.00
LRE W/O Other	$0.00	$0.00	$0.00
Principal W/O	$117,403,532.27	$0.00	$117,403,532.27
Total W/O	**$117,403,532.27**	**$0.00**	**$117,403,532.27**
PCL Increase	$12,403,532.27	$0.00	$12,403,532.27
Total PCL Increases Since Inception of Loan			**$0.00**
PCL Reversal	$0.00	$0.00	$0.00
Total PCL Reversals Since Inception of Loan			**$0.00**
ODWO Recoveries for this Fiscal Year	$0.00	$0.00	$0.00
Total ODWO Recoveries	$0.00	$0.00	$0.00
Total ODWO Recoveries % of Total W/O			**0.00%**
Net PCL			**$12,403,532.27**
FX Adjustment		$0.00	
ACL	$0.00	$0.00	**$0.00**

Pricing when transferred to SLAS:
First Lien.

L+250

ABR + 150
LCs 250

2nd Lien

L+600
ABR + 500

Covenant Breach:	N
Comments:	7-times Sr. debt to gross EBITDA leverage unlikely to be breached prior to the maturity of the 1st lien debt in July 2014.

Security Shortfall:	Y
Comments:	See PCL calulation in Octobe 2012 ACU

Loan Impairment:	Y	COB:	N
Restriction on Sale of Debt:	N	Par Crossing:	N
EFT/ACH:	N	PDS:	N

Non Lending Services: N

Syndication: Y

Include details of RBC's share, participation details of other lenders, identification of Agent and other pertinent details.

Comments: RBC was agent on $287MM 1st lien debt (we have resigned and Willmington Trust whas taken over. largest 1st lien debt holders are [redacted]

RBC is agent on 2nd lien. RBC [redacted]

Agent: Y

Include details such as identification of Agent and other pertinent information.

Comments: RBC is agent the 2nd lien loan. Until January 9, 2014 we were also agent on the 1st lien facility,

C.P. EXCEPTIONS:

GRR01-01 : Single Name Credit Risk Limits - Corporates - Exposure	$33,749,353.03
PG5-1-12 : U.S. DOLLAR CURRENT ACCOUNTS WITH PAR CROSSING PRIVILEGES	$0.00
CIR01 : STRUCTURAL SUBORDINATION - CORPORATE BORROWERS	$0.00

Rationale:

Note: The CPE exceptions were in place prior to the transfer into SLAS. The downgrade in BRR increased the amount of the exception.

GRR01-02 Delete as EC is $5.2MM, below the GRR01-02 $7.7MM max.

GRR10 - Security for the 2nd lien ranks behind the first lien term loan. This was a hung-underwriting. The balance of the 2nd lien loan has been written-off, thus the GRR10 exception is being removed.

TAB 3

Goodmans LLP

Barristers & Solicitors

Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Telephone: 416.979.2211
Facsimile: 416.979.1234
goodmans.ca

Direct Line: 416.597.4285
rchadwick@goodmans.ca

EXHIBIT NO 3
EXAM OF Les Dowell
DATE Aug 5, 2015
REPORTER Lisa Lamberti
ASAP REPORTING SERVICES INC.

September 19, 2014

Via Email

Andrew V. Tenzer
Paul Hastings LLP
75 East 55th Street
New York, NY 10022

Re: Nelson Education Ltd. ("Nelson" or the "Company")

Dear Sirs,

We acknowledge receipt of your letter dated September 16, 2014, and our response is set out below. Any capitalized terms set forth but not defined herein have the meanings ascribed to such terms in your letter dated September 16, 2014.

Certain of the questions in your letter suggest that your client may not have received the full set of materials relating to the Company's proposed transaction announced on September 10, 2014 (the "**Transaction**"). Accordingly, enclosed with this letter please find a copy of the Company's term sheet dated September 10, 2014, a copy of the first lien support agreement dated September 10, 2014 (the "**Support Agreement**"), and a copy of the Company's presentation relating to the Transaction dated September 10, 2014. These materials are being provided to you and your client on a confidential basis.

As you are aware, the maturity date under the First Lien Credit Agreement was July 3, 2014, and the Company did not have the ability to repay the outstanding obligations under the First Lien Credit Agreement at maturity. The Company has been engaged in discussions with its lenders since June 2013 to address its obligations under its credit facilities and advanced many different transaction structures and options, including, among others, the Company's proposed transaction announced on July 7, 2014 (the "**July 7 Transaction**"). None of the Company's proposed transaction structures, including the July 7 Transaction, received the support of the Company's lenders, and the Company continued to engage in ongoing discussions and negotiations with its lenders, including your client, with the goal of achieving a consensual resolution.

Prior to announcing the Transaction on September 10, 2014, the Company had reviewed and considered numerous various options and alternatives and considered the interests of the Company and its stakeholders. The Company believes that the Transaction announced on September 10, 2014 is in the best interests of the Company as the Transaction, among other things, protects value, provides stability for the Nelson business, including its employees, customers, lenders and other key stakeholders, preserves the priority waterfall among the Company's lenders, and includes a comprehensive and open sale process to identify potential sale transactions.

Goodmans LLP

The Company believes that the early consent consideration to be provided to those First Lien Lenders under the Company's First Lien Credit Agreement who consent to the Transaction and execute the Support Agreement on or prior to the September 25, 2014 early consent date is within market norms for a transaction of this nature and does not violate the Intercreditor Agreement. The Support Agreement provides that only those First Lien Lenders who execute the Support Agreement, or a Joinder Agreement in the form attached to the Support Agreement, prior to 5:00 p.m. on September 25, 2014 will be entitled to receive the early consent consideration. Any First Lien Lenders who do not execute the Support Agreement, or a Joinder Agreement in the form attached to the Support Agreement, prior to 5:00 p.m. on September 25, 2014 will not be entitled to receive the early consent consideration.

The Sale Process in connection with the Transaction has been structured to explore all possible sale and investment alternatives that may be available to the Company in a fair and open process. The Company believes that the Sale Process is fair and appropriate in the circumstances. The Company's intention is to seek the Second Lien Lenders' support for any potential transaction resulting from the Sale Process based on the results and facts at the appropriate time.

The Company has worked with RBC and its advisors cooperatively to advance a consensual solution that could be accepted by the parties. The Second Lien Agent has a significant amount of information relating to the Company as well as its refinancing efforts. The Company has also paid the Second Lien Agent's advisors' fees and expenses in a significant amount since March 2013.

The Company has until mid-November 2014 to determine a process for implementing the Transaction, and the Company intends to continue to work cooperatively with the Second Lien Agent and seek its views with respect to any such process. If the Company does not obtain the support of the Second Lien Agent for such a process, the Company may require a court process to implement the Transaction.

We disagree with the characterization of the September 2, 2014 meeting among the Company's representatives and advisors and the Second Lien Agents' representatives and advisors in your letter of September 16, 2014 and believe certain statements in your letter are factually incorrect.

At the September 2, 2014 meeting, the Company's CEO, financial advisors and counsel were all in attendance, and at a pre-arranged time at the meeting, they conducted discussions with one of the board members of the Company, as communicated to you at the meeting. Following the September 2, 2014 meeting, we followed up with you on September 3, 2014 asking whether you had any views or feedback following the discussions at the September 2, 2014 meeting. You responded that you did not.

On Saturday, September 6, 2014, we provided you with a proposed transaction outline addressing the Second Lien Lenders' claims. We received feedback from you over the following two days and provided a copy of the proposed transaction outline, incorporating your feedback, to the First Lien Lenders' advisors on September 8, 2014. We followed up with the First Lien Lenders' advisors and provided you with a revised proposed transaction outline on September 18, 2014.

The Company intends to continue to work constructively with the Second Lien Agent to find a consensual solution in order to protect and maximize value. We continue to be available to discuss

Goodmans LLP

matters with you and your client and to advance outstanding matters to a resolution in order to provide the Company stability and certainty as well as protect the interests of the Company's stakeholders.

Yours very truly,

Goodmans LLP

Robert J. Chadwick

cc: D.J. Miller, Thornton Grout Finnigan LLP
Jonathan Miller, CDG Group
Les Vowell, RBC
Dean Mullet, Alvarez & Marsal
Caroline Descours, Goodmans LLP

TAB 4

Goodmans LLP

Barristers & Solicitors

Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Telephone: 416.979.2211
Facsimile: 416.979.1234
goodmans.ca

Direct Line: 416.597.4285
rchadwick@goodmans.ca

EXHIBIT NO 4
EXAM OF Les Vowell
DATE Aug 5, 2015
REPORTER Lisa Lamberti
ASAP REPORTING SERVICES INC.

October 6, 2014

Via Email

Andrew V. Tenzer
Paul Hastings LLP
75 East 55th Street
New York, NY 10022

Re: Nelson Education Ltd. ("Nelson" or the "Company")

Dear Sirs,

In response to your letter dated October 1, 2014, we are available to arrange a call to discuss matters in connection with the Company's sale and investment solicitation process and provide information, subject to appropriate confidentiality arrangements.

We disagree with your statement in your letter that the Consent Fee is not permissible under the Intercreditor Agreement. The Consent Fee is not an increase in interest under the First Lien Credit Agreement. Rather, it is a fee payable to First Lien Lenders who have executed a support agreement with the Company prior to the early consent deadline. We are available to discuss with you in more detail in order for you to arrive at the same conclusion as other parties.

We continue to remain available to discuss and address outstanding matters with you and your client to achieve a resolution to protect the interests of the Company and its stakeholders.

Yours very truly,

Goodmans LLP

Robert J. Chadwick

cc: D.J. Miller, Thornton Grout Finnigan LLP
Jonathan Miller, CDG Group
Les Vowell, RBC
Dean Mullet, Alvarez & Marsal
Caroline Descours, Goodmans LLP

6378080

TAB 5

Bennett Jones

Bennett Jones LLP
3400 One First Canadian Place, PO Box 130
Toronto, Ontario, Canada M5X 1A4
Tel: 416.863.1200 Fax: 416.863.1716

Kevin J. Zych
Direct Line: 416.777.5738
e-mail: zychk@bennettjones.com

EXHIBIT NO 5
EXAM OF Les Vowell
DATE Aug 5, 2015
REPORTER Lisa Lambert
ASAP REPORTING SERVICES INC.

October 16, 2014

Via e-mail (Leslie.Sobel@rbccm.com)

Ms. Leslie J. Sobel
Senior Counsel
Royal Bank of Canada
RBC Law Group
3 World Financial Center
200 Vesey Street
New York, NY 10281
U.S.A.

Dear Ms. Sobel:

Re: Nelson Education Ltd.

We are counsel to the Agent under the First Lien Credit Agreement (as those terms are defined below).

Reference is made to that certain First Lien Credit Agreement, dated as of July 5, 2007, among Nelson Education Ltd., as Borrower, Nelson Education Holdings Ltd., as Holdings, Wilmington Trust, N.A., as successor Administrative Agent and Collateral Agent ("Agent"), and the other Lenders party thereto (as amended, restated or modified from time to time, the "First Lien Credit Agreement"). Capitalized terms used but not defined herein have the meanings given them in the First Lien Credit Agreement.

This letter is in response to your letter to Jeffrey Rose, dated October 13, 2014, regarding the Borrower's payment of a consent fee under that certain Support Agreement, dated as of September 10, 2014, among the Borrower, Holdings, the Agent, and each of the Lenders signatory thereto (the "Support Agreement").

The Agent disagrees with your conclusion that the Borrower's payment of the First Lien Early Consent Consideration (as defined in the Support Agreement) under the Support Agreement constitutes a payment that must be shared with Royal Bank of Canada ("RBC") in its capacity as a Lender under the First Lien Credit Agreement. The Borrower's payment of the First Lien Early Consent Consideration was not a payment on account of the Loans held by Lenders. Rather, it was a payment solely in consideration for the applicable Lenders' agreement to and execution of the Support Agreement, as provided in the Support Agreement, which RBC elected not to execute. Accordingly, the provisions of Section 2.14 of the First Lien Credit Agreement are not implicated.

Nothing contained herein is intended to be, or shall be, construed as a waiver or forbearance of any of the rights, remedies and/or powers of the Agent or Lenders against the Borrower, the Collateral, other Lenders or otherwise, a waiver of any Defaults or Events of Default, or a consent to any departure by the Borrower, the Agent or the Lenders from the express provisions of the First Lien Credit Agreement or any other Loan Documents. The Agent hereby expressly reserves all of its remedies, powers, rights and privileges under the First Lien Credit Agreement and the other Loan Documents, at law, in equity or otherwise.

Very truly yours,

BENNETT JONES LLP

Kevin J. Zych

c: Nelson Education Ltd.
c/o Robert Chadwick, Esq. (Goodmans LLP)

Wilmington Trust, N.A.
Attention: Jeffrey Rose, Esq.

Willkie Farr & Gallagher LLP.
Attention: Paul Shalhoub, Esq

TAB 6

EXHIBIT NO 6
EXAM OF Les Vowell
DATE Aug 5, 2015
REPORTER Lisa Lamberti
ASAP REPORTING SERVICES INC.

NR003585

Message

From: Vowell, Les [/O=GEMS/OU=CANADA01/CN=RECIPIENTS/CN=LES.VOWELLL]
Sent: 9/11/2014 5:22:29 PM
To: [redacted]
Subject: RE: Nelson Debtwire Article

That is our assessment

From: [redacted]
Sent: 2014, September, 11 5:22 PM
To: Vowell, Les
Subject: RE: Nelson Debtwire Article
I guess we will see them in court.

[redacted]

[redacted]

From: Vowell, Les [mailto:Les.Vowell@rbccm.com]
Sent: September-11-14 5:20 PM
To: [redacted]
Subject: FW: Nelson Debtwire Article

One more article that just came out.

Les

NR002401

Message

From: Miller, Jonathan [jmiller@cdggroup.com]
Sent: 5/1/2014 1:30:46 PM
To: [redacted] Les.Vowell@rbccm.com
CC: [redacted]
Subject: RE: Nelson

Appreciate it, thanks

Jonathan S. Miller, Senior Managing Director
CDG Group, LLC
645 Fifth Avenue, New York, NY 10022
(T) 212 513 1612 (C) 917 613 8823 (E) jmiller@cdggroup.com

From: [redacted]
Sent: Thursday, May 01, 2014 1:23 PM
To: Miller, Jonathan
Cc: Les.Vowell@rbccm.com; [redacted]
Subject: RE: Nelson

We will review this and will follow up ASAP. Thanks.

From: Miller, Jonathan [mailto:jmiller@cdggroup.com]
Sent: Thursday, May 01, 2014 1:19 PM
To: [redacted]
Cc: Les.Vowell@rbccm.com
Subject: Nelson

Just wanted to make sure you saw this. Please sign and send back to us. Thanks

Jonathan S. Miller, Senior Managing Director
CDG Group, LLC
645 Fifth Avenue, New York, NY 10022
(T) 212 813 1619 (C) 917 613 8828 (E) jmiller@cdggroup.com

TAB 7

Message

From:	Chang, Raymond S [/O=GEMS/OU=CAN-TORONTO/CN=RECIPIENTS/CN=CHANGRAS]
Sent:	3/27/2014 10:55:04 AM
To:	Vowell, Les [/O=GEMS/OU=CANADA01/CN=RECIPIENTS/CN=LES.VOWELLL]
Subject:	RE: Nelson

Can we really wait until next week? For a 7 business day extension, it is a no brainer if we can get in exchange a commitment to pay our interest at the end of the extended cure period does not require meeting with all these high priced help.

From: Vowell, Les
Sent: 2014, March, 27 10:33 AM
To: Chang, Raymond S
Subject: RE: Nelson
That is what they want to do. I said I would listen to any proposal, but I need more than please extend the grace period.

As I am in Toronto next week, trying to get a meeting with the company and financial advisors.

Les

From: Chang, Raymond S
Sent: 2014, March, 27 10:19 AM
To: Vowell, Les
Subject: RE: Nelson
Why can't we not agreed to the extended cure period in exchange for Nelson's undertaking to pay at that time?

From: Vowell, Les
Sent: 2014, March, 27 7:50 AM
To: Chang, Raymond S
Subject: RE: Nelson
7-business days

From: Chang, Raymond S
Sent: 2014, March, 26 6:00 PM
To: Vowell, Les
Subject: RE: Nelson
I really had thought that we could have squeezed out one more payment. Do we know what "extended cure period" he is talking about?

EXHIBIT 7
EXAM OF Les Vowell
DATE Aug 5, 2015
REPORTER Lisa Lamberti
ASAP REPORTING SERVICES INC.

From: Vowell, Les
Sent: 2014, March, 26 4:53 PM
To: Chang, Raymond S
Subject: FW: Nelson
FYI

Jonathan S. Miller, Senior Managing Director
CDG Group, LLC
645 Fifth Avenue, New York, NY 10022
(T) 212 813 1619 (C) 917 613 8623 (E) jmiller@cdggroup.com

From: Mullett, Dean [mailto:dmullett@alvarezandmarsal.com]
Sent: Wednesday, March 26, 2014 3:41 PM
To: Miller, Jonathan
Subject: Re: Nelson

Jon, just as a heads up that to maintain Nelson's flexibility regarding the 2nd lien interest payment and our request for an extension of the cure period, after tomorrow's Board meeting, we we likely be stopping the pre-authorized payment for the interest that would automatically come out on March 31.

Please don't read into this that we are anticipating a decision in any particular direction from your end, but that Nelson just wants to maintain flexibility to continuing discussing an extended cure period with you, and not see the monies go out the door before you come to a decision. As you know, Nelson has a 7 day cure period in the current credit agreement.

Any questions, please let me know.

Thanks.

Dean.

Dean Mullett
Managing Director
Head of Corporate Finance & Investment Banking
Alvarez & Marsal Canada

From: <Miller>, Jonathan <jmiller@cdggroup.com>
Date: Wednesday, March 26, 2014 at 9:01 AM

To: dean mullett <dmullett@alvarezandmarsal.com>
Subject: RE: Nelson

ok

Jonathan S. Miller, Senior Managing Director
CDG Group, LLC
645 Fifth Avenue, New York, NY 10022
(T) 212 813 1619 (C) 917 613 8823 (E) jmiller@cdggroup.com

From: Mullett, Dean [mailto:dmullett@alvarezandmarsal.com]
Sent: Wednesday, March 26, 2014 7:29 AM
To: Miller, Jonathan
Subject: Re: Nelson

Jon, will call you at 10:30.

Thanks.

Dean.

Dean Mullett
Managing Director
Head of Corporate Finance & Investment Banking
Alvarez & Marsal Canada

From: <Miller>, Jonathan <jmiller@cdggroup.com>
Date: Tuesday, March 25, 2014 at 4:32 PM
To: dean mullett <dmullett@alvarezandmarsal.com>
Subject: RE: Nelson

How about 9:00am?

Jonathan S. Miller, Senior Managing Director
CDG Group, LLC
645 Fifth Avenue, New York, NY 10022
(T) 212 813 1619 (C) 917 613 8823 (E) jmiller@cdggroup.com

From: Mullett, Dean [mailto:dmullett@alvarezandmarsal.com]
Sent: Tuesday, March 25, 2014 4:31 PM
To: Miller, Jonathan
Subject: Re: Nelson

Jon, apologies, hectic couple of days. What time are you in tomorrow morning?

Thanks.

Dean.

Dean Mullett
Managing Director
Head of Corporate Finance & Investment Banking
Alvarez & Marsal Canada

From: Miller, Jonathan
Sent: Tuesday, March 25, 2014 3:25 PM
To: Mullett, Dean
Subject: RE: Nelson

Dean, not sure if you got my vm yesterday, but I wanted to follow up on one thing from Friday. Please give me a call when you have a chance. Thanks

Jonathan S. Miller, Senior Managing Director
CDG Group, LLC
645 Fifth Avenue, New York, NY 10022
(T) 212 813 1619 (C) 917 613 8823 (E) jmiller@cdggroup.com

From: Mullett, Dean [mailto:dmullett@alvarezandmarsal.com]
Sent: Friday, March 21, 2014 12:29 PM
To: Vowell, Les; Miller, Jonathan
Subject: Re: Nelson

Les, I think we need you on the call. So even a 15 minute break would be good.

Dean Mullett
Managing Director
Head of Corporate Finance & Investment Banking
Alvarez & Marsal Canada

From: Vowell, Les
Sent: Friday, March 21, 2014 12:01 PM
To: Mullett, Dean; 'jmiller@cdggroup.com'
Subject: Re: Nelson

Dean,

I am tied up on an other file all afternoon. I don't know when it will end.

Les

From: Mullett, Dean [mailto:dmullett@alvarezandmarsal.com]
Sent: Friday, March 21, 2014 11:35 AM
To: Miller, Jonathan <jmiller@cdggroup.com>
Cc: Vowell, Les
Subject: Re: Nelson

?Jon and Les, would the two of you be available for a call @ 3 pm today with Rob Chadwick and I?

Please let me know.

Thanks.

Dean.

Dean Mullett
Managing Director
Head of Corporate Finance & Investment Banking
Alvarez & Marsal Canada

From: Miller, Jonathan
Sent: Wednesday, March 19, 2014 10:12 AM
To: Mullett, Dean
Subject: Nelson

Dean, just wanted to check-in and see if there is anything new on your end. Let me know. Thanks

---

Jonathan S. Miller, Senior Managing Director
CDG Group, LLC
645 Fifth Avenue, New York, NY 10022
(T) 212 813 1619 (C) 917 613 8823 (E) jmiller@cdggroup.com

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TAB 8

Message

From:	Vowell, Les [/O=GEMS/OU=CANADA01/CN=RECIPIENTS/CN=LES.VOWELLL]
Sent:	4/14/2014 12:19:46 PM
To:	Campbell, Bruce [/O=GEMS/OU=CAN-TORONTO/CN=RECIPIENTS/CN=BRUCE.CAMPBELL]
CC:	Chang, Raymond S [/O=GEMS/OU=CAN-TORONTO/CN=RECIPIENTS/CN=CHANGRAS]
Subject:	Update - Nelson & [redacted]

NELSON EDUCATION

ACU has been prepared recommending the balance of the 2nd lien exposure ($12.4MM) be written off.

Nelson Education did pay its 1st lien interest payment but did not make its March 31, 2014 2nd lien interest payment of approximately $2.3MM (RBC share $2.0MM). Under the loan agreement, Nelson had a 7-business day grace period to make the payment.

Nelson requested that the 2nd lien lenders extend the 7-business day grace period by 30-calendar days. The extension would provide time for the stakeholders and 2nd lien lenders agree upon and present a term sheet to the 1st lien lender group. After extensive discussions, the 2nd lien lenders provide unanimous approval to extend the grace period to negotiate a term sheet. As part of this agreement, the lenders received a partial interest payment of $350 thousand (RBC approximately $300 thousand). The rationale for approving the extension was:

1. It was our firm belief the company would not and could not pay the full amount of 2nd line interest;
2. The non-extension of the grace period would trigger an Event-of-Default and the 1st lien lenders could accelerate;
3. Under the Inter-Creditor Agreement, the 2nd lien lenders could not under take any legal remedies. The stand-still period is 180-days;
4. The Event-of-Default would force the company to file under CCAA during its most important sales quarter; and
5. Most concerning is the 1st lien lenders are split into 2 –opposing camps that cannot agree upon a common approach. The fear is the company could languish in bankruptcy for an extend period of time with legal and advisory fees consuming a large portion of our potential recovery.

<u>STRATEGIC DIRECTION</u>

We have attempted to engage the 1st lien lenders in restructuring discussion is September 2013. The 1st lien steering committee was and remains split on how to restructure the Nelson debt. As a result they did not respond to a restructuring proposal. Given their lack of engagement, we put pencils down and were content to continue to collect 2nd lien interest, knowing the file would become active in April 2014. $8.6MM of DLI has been collected and applied to the principle balance.

The number one objective is to buy time as we are seeing improving trends in the K-12 and higher education text book market. The proposed strategic direction is:

1. Maintain as much of the 2nd lien debt as possible (i.e. minimize the conversion of debt to equity);
2. Expect the 2nd lien debt to PIK its interest. We would propose the PIK interest increase by at least the amount of any increase in the 1st lien interest; and
3. Negotiate for a sufficient time to allow expected increases in sales to materialize from expected curriculum changes in the provincial school districts to fully impact EBITDA.

As noted previously, the 1st lien lenders appear hopelessly divided. Based on discussions with the Nelson's advisors and some 1st lien lenders, the 2 opposite positions are:

Aries -- the largest 1st lien holder wants put in place a capital structure that would see 40% of the 1st lien debt convert to equity, with 60% rolling into a new 1st lien debt, priced at market rates to deliver a PAR piece of paper. This position would result in a negligible recovery for the 2nd lien. It is believed they have about 40% of the 1st lien lenders supporting their position.

Marblegate – is a distressed hedge fund that has express a strong desire not to own Nelson as they believe ownership is fraught with regulatory approval risk. They have presented a term sheet to Nelson (copy attached) that proposed a 1-year forbearance, an increase in 1st lien interest to a 7% fixed rate; the appointment of a CRO; and various milestones. Our

EXHIBIT NO 8
EXAM OF Les Vowell
DATE Aug 5, 2015
REPORTER Lisa Lamberti
ASAP REPORTING SERVICES INC.

view of the term-sheet is that it is a reasonable starting position. Nelson, like RBC, would like a longer forbearance term. The milestones also give us some concems. Marblegate believes they have the support of over 50% of the 1st lien lenders (close to 60% if they assume they get RBC 1st lien support).

Of the 2-positions, Marblegate's is more closely aligned to our strategic interest.

Nelson will be responding to the Marblegate term sheet and are seeking 2nd lien input and support for the term sheet. Nelson will present the term sheet as being supported by the company and the 2nd lien lenders.

These negotiations will also include the sponsor (Apex) and the role they will play in the new structure. It is our understanding they will continue to play an active role if there is a financial incentive, i.e. a percentage of any recovery to the 2nd lien. Whether Apex can add value is subject to debate.

[redacted]

Leslie P. Vowell

Royal Bank of Canada
3 World Financial Center
200 Vesey Street
New York, NY
10281

212-428-6607
les.vowell@rbccm.com

TAB 9

Message

From:	Vowell, Les [/O=GEMS/OU=CANADA01/CN=RECIPIENTS/CN=LES.VOWELLL]
Sent:	5/6/2014 10:20:04 AM
To:	HoSing, Joanne [/O=GEMS/OU=CAN-TORONTO/CN=RECIPIENTS/CN=HOSINGJO]
Subject:	Nelson Education - Enterprise Watch List

March 31, 2014 MISSED INTEREST PAYMENT

Nelson Education did pay its 1st lien interest payment but did not make its March 31, 2014 2nd lien interest payment of approximately $2.3MM (RBC share $2.0MM). Under the loan agreement, Nelson had a 7-business day grace period to make the payment.

Nelson's current cash balance is $30MM. The company has made representations that making the payment would create a liquidity problem by fiscal year-end (June 30th) as:

Q4 is an important sales quarter as they ramp up their sales to Universities. Account receivables are forecast to use $27MM in working capital, Inventory $3MM, and Accounts Payable would be an estimated source of approximately $14MM in liquidity; thus working capital requirements are estimated to use $16MM of the $30MM cash reserves.

The company is responding to a term sheet from a group of 1st lien lenders that they hope will extend the term of their loan. They anticipate there would have to be an additional principle pay-down as part of the enticement to get the lenders to extend.

Nelson requested that the 2nd lien lenders extend the 7-business day grace period. The extension would provide time for the stakeholders and 2nd lien lenders agree upon and present a term sheet to the 1st lien lender group. After extensive discussions, the 2nd lien lenders provide unanimous approval to extend the grace period to negotiate a term sheet. As part of this agreement, the lenders received a partial interest payment of $350 thousand (RBC approximately $300 thousand). The rationale for approving the extension was:

1. It was our strong belief the company would not and could not pay the full amount of 2nd line interest;
2. The non-extension of the grace period would trigger an Event-of-Default and the 1st lien lenders could accelerate;
3. Under the Inter-Creditor Agreement, the 2nd lien lenders could not under take any legal remedies. The stand-still period is 180-days;
4. The Event-of-Default would force the company to file under CCAA during its most important sales quarter; and
5. Most concerning is the 1st lien lenders are split into 2 opposing camps that cannot agree upon a common approach. The fear is the company could languish in bankruptcy for an extend period of time with legal and advisory fees consuming a large portion of our potential recovery.

STRATEGIC DIRECTION

Nelson Education transferred into SL&AS in October 2012. We have had a stepped strategic approach.

1st - We had a $48.5MM revolving credit facility that matured July 5, 2013. We were successful in getting the facility to maturity without a loan drawdown.

2nd With revolver exposure gone, our strategic direction was to focus on our 2nd lien exposure. In July 2013, we advised the largest 1st lien lenders RBC would be resigning as 1st lien agent and asked them to find a new agent. Wilmington Trust is now the new 1st lien agent.

3rd- We attempted to engage the 1st lien lenders in restructuring discussion is September 2013. The 1st lien steering committee was and remains split on how to restructure the Nelson debt. As a result they did not respond to a restructuring proposal. Given their lack of engagement, we put pencils down and were content to continue to collect 2nd lien interest, knowing the file would become active in April 2014. $8.6MM of DLI has been collected and applied to the principle balance.

The number one objective is to buy time as we are seeing improving trends in the K-12 and higher education text book market. The proposed strategic direction is:

1. Maintain as much of the 2nd lien debt as possible (i.e. minimize the conversion of debt to equity);
2. Expect the 2nd lien debt to PIK its interest. We would propose the PIK interest increase by at least the amount of any increase in the 1st lien interest; and
3. Negotiate for a sufficient time to allow expected increases in sales to materialize from expected curriculum changes in the provincial school districts to fully impact EBITDA.

EXHIBIT NO 9
EXAM OF Les Vowell
DATE Aug 5, 2015
REPORTER Lisa Lamberti
ASAP REPORTING SERVICES INC.

As noted previously, the 1st lien lenders appear hopelessly divided. Based on discussions with the Nelson's advisors and some 1st lien lenders, the 2 opposite positions are:

Aries the largest 1st lien holder wants put in place a capital structure that would see 40% of the 1st lien debt convert to equity, with 60% rolling into a new 1st lien debt, priced at market rates to deliver a PAR piece of paper. This position would result in a negligible recovery for the 2nd lien. It is believed they have about 40% of the 1st lien lenders supporting their position.

Marblegate is a distressed hedge fund that has express a strong desire not to own Nelson as they believe ownership is fraught with regulatory approval risk. They have presented a term sheet to Nelson (copy attached) that proposed a 1-year forbearance, an increase in 1st lien interest to a 7% fixed rate; the appointment of a CRO; and various milestones. Our view of the term-sheet is that it is a reasonable starting position. Nelson, like RBC, would like a longer forbearance term. The milestones also give us some concerns. Marblegate believes they have the support of over 50% of the 1st lien lenders (close to 60% if they assume they get RBC 1st lien support).

Of the 2-positions, Marblegate s is more closely aligned to our strategic interest.

Nelson will be responding to the Marblegate term sheet and are seeking 2nd lien input and support for the term sheet. Nelson will present the term sheet as being supported by the company and the 2nd lien lenders.

These negotiations will also include the sponsor (Apex) and the role they will play in the new structure. It is our understanding they will continue to play an active role if there is a financial incentive, i.e. a percentage of any recovery to the 2nd lien. Whether Apex can add value is subject to debate.

Given the uncertainty of situation, the decision was made to write-off the balance of the 2nd lien debt of C$12.4MM.

Leslie P. Vowell

Royal Bank of Canada
3 World Financial Center
200 Vesey Street
New York, NY
10281

212-428-6607
les.vowell@rbccm.com

TAB VI

ERRATA AND FACTUAL CLARIFICATIONS TO ANSWERS GIVEN ON THE CROSS-EXAMINATION OF LES VOWELL HELD ON AUGUST 5, 2015

No.	Page No.	Ques. No.	Question	Answer
1.	10	23	I take it because of what you specialize in, if I can put it that way, you have some experience with litigation and insolvency proceedings relating to loans and restructurings of loans?	*Surprisingly not. Actually 34 years of banking, this is the first time.* **<u>Supplemental Response</u>**: Mr. Vowell understood the question to be "litigation in insolvency proceedings" (not "litigation and insolvency proceedings") and answered in respect of his personal experience as a representative of RBC in litigation proceedings.
2.	48-50	164-168	Well, sorry, we have already established that there is an alternative transaction that doesn't provide for 100 per cent. If you go back to page 7 of the – So your understanding of the consent fee is that it only applies if everybody agrees? Well if you read -- you are reading on page 6, are you with me on the consent fee, that page? It says: "The consenting First Lien Lenders who sign a consent agreement."[as read]	*My understanding is you get the consent if 100 per cent, otherwise you go to the alternative. I don't think it's an either or.* *That was my -- at least that's my recollection. If I am wrong, I would be happy to know it.* *Yes.* *Yes.*

No.	Page No.	Ques. No.	Question	Answer
			Okay. And then if you turn over to page 7, I am going to just show you, refresh your recollection. Do you see the paragraph just above "implementation paydown", where it says: "For avoidance of doubt, First Lien Lenders who do not execute a First Lien Lender consent agreement will not receive a First Lien early consent consideration but will be bound to the transaction through the alternative transaction implementation method."[as read] Does that refresh your recollection?	*Yes, it does. So I was wrong.* **<u>Supplemental Response</u>**: In reviewing the transcript Mr. Vowell sees that the question referred to the alternative transaction implementation method, and retracts the statement "So I was wrong." in answer to Q.168.
3.	78	260	And so you are saying that these are just reverse engineered valuation numbers, that these are not any meaningful attempt by RBC the ascribe value to the first lien loan?	*Like I said, I am a -- well, first of all, these are not -- my numbers, not "somebody" at RBC.* **<u>Supplemental Response</u>**: Mr. Vowell has advised that the last part of the answer to Q.260 should read "these are my numbers, not 'somebody' at RBC" as confirmed in the answer to Q.261 immediately below.
4.	83	276	Do you see under "Available Strategies", where you write: "We have maintained a constructive working relationship with the sponsor and the company."[as read]	*Yes.* **<u>Supplemental Response</u>**: Mr. Vowell wishes to clarify that his reference to "the Sponsor" is to the Equity Sponsor.

No.	Page No.	Ques. No.	Question	Answer
5.	132	456	And it was your expectation as well, sir, that when the First Lien Debt was not paid at maturity, the debtor would cease to pay interest on the second lien?	*You have to -- no, you are only taking one part of this. There is a deception-tree process.* **<u>Supplemental Response</u>**: There is a stenographer's error in that this should read "There is a decision-tree process".

TAB VII

RBC Capital Markets

RBC NYB NON ACCRUAL LOAN AND LOAN PROVISION PROCEDURES

Document Number: **OPS-OPS1568**

Publication Date: **March 31, 2014**

Next Review Date: **June 15, 2016**

Royal Bank of Canada
Three World Financial Center Branch
Operations Department
Document Title: NYB Non-Accrual Loan and Loan Provision Procedures
Publication Date: March 31, 2014
Document Number: OPS-OPS1568

Table of Contents

Most Recent Changes

March 2014

- **i.** Added posting to eGL
- **ii.** Document Retention Policy
- **iii.** Updated exhibits

End

1. Procedures Summary Statement

These Procedures outline processes followed by the Credit Administration/Branch Controls department of Royal Bank of Canada's branch located at Three World Financial Center, New York, New York ("**WFC Branch**") related to placing loans on non-accrual status, assigning provision to non-accrual loans and partial or total write off if applicable

2. Rationale

These Procedures establish a consistent approach to the above process. These Procedures will help:

- Reduce operational risks to RBC;
- Outline and document roles and responsibilities related to placing loans on non-accrual status, assigning provision to non-accrual loans and write-offs;
- Assist in training and oversight of WFC Branch Operations personnel; and
- Ensure reasonable supervision by WFC Branch management of branch personnel, allocation of resources, and compliance with documented procedures and policy.

3. Scope

These Procedures apply to the Credit Administration/ Portfolio Reporting / Branch Controls departments of WFC Branch involved in placing loans on non-accrual status and assigning provision to non-accrual loans. Failure to develop, maintain and follow required procedures may result in severe reputation and financial impact to the organization. Individuals facilitating a financial transaction while willfully or recklessly disregarding the nature of the transaction are also subject to civil and criminal liability along with the organization. Conduct inconsistent with this procedure and other applicable policies may subject the employee involved to disciplinary action, up to and including termination of employment, in addition to possible civil and criminal penalties.

4. Overview of Non-Accrual Loan Process, the Provisioning Process and Write-Off

The Impaired Loan process identifies deteriorating trends in a borrower's ability to make scheduled principal/interest/fee payments on a loan in accordance with the terms and conditions of the credit agreement, and monitors the loan for downturns which would indicate that the loan should be placed on non-accrual.

ACCOUNT DETERMINATION AND PROVISIONING CRITERIA

The Special Loans and Advisory Services ("**SLAS**") or Risk Management ("**RM**") makes the determination that a loan should be classified impaired. In addition, loans classified "Doubtful" or "Loss" by the Office of the Comptroller of the Currency ("**OCC**") should be classified impaired. Credits in the "Substandard" category are rated BRR 4 (but are rarely declared impaired), Doubtful credits are rated BRR 5, and Loss credits are rated BRR 6. (The other categories include "Pass" credits, rated BRR 1+ through 2-L, and "Special Mention" credits, rated BRR 3+H through 3L.)

Generally, the provisioning guidelines outlined by the OCC for assigning a provision against a loan are as follows:

- 15% provision for "Substandard" accounts;
- 50% provision for "Doubtful" accounts;
- 100% provision for "Loss" accounts.

5. Non Accrual Loan and Loan Provisioning Process

When a loan is declared impaired, the group making the decision (RM or SLAS) will advise Credit Administration / Portfolio Reporting by email, or memo / Advice of Credit Undertaking ("ACU") or attachment (**Attachment A**) to an email. The information will include:

- Single / Borrower Name
- BRR (if the BRR is being downgraded)
- Effective date of non-accrual
- Authorized amount (not always)
- Outstanding amount (not always)
- Specific Provision (if applicable)
- Comments

Credit Administration / Portfolio Reporting will then advise Global Loans Administration ("**GLA**") by email (see **Attachments B-1 and B-2**), detailing the Borrower information, as well as the transactions to be processed. The email should include instructions to:

- Place all facilities on non-accrual
- Change all loans to non-accrual status
- Establish the specific provision (if so advised)
- Write off accrued fees (where applicable)
- Write off accrued interest (where applicable)
- Process unamortized fees to DLI

Instructions to allocate specific provision:

- If the provision at the Single Name level is to be allocated among different borrowers, the amount must be prorated based on the total authorized. For example, if a USD $10MM provision is to be allocated among three borrowers with authorized amounts of $6MM, $8MM, and $12MM, the provision allocation would be 23.077% or $2,307,700; 30.769% or $3,076,900; and 46.154% or $4,615,400 respectively.

On occasion, SLAS may advise the provision allocation at each borrower level.

GLA will process the transactions based on the instructions from Credit Administration / Portfolio Reporting and confirm by email the transactions processed (**Attachment C**).

- On a monthly basis GLA will distribute the following reports to Branch Operations and NY Finance.

  1. Reconciliation of Sub-ledger to General Ledger by transit
     Non-accrual
     LRA
     Bad Debt Reserves
     Debts Written Off

  2. Deferred Loan Income (including fees)

  3. Specific Provision

  4. Non-Performing Loan

- GLA will process no manual entries to RIBS G/L or eGL except to record the gain/loss on a non-performing loan sold in the secondary market.

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9. Document Retention Policy

All working papers and documentation relating to the Non-Accrual and Loan Provision process must be maintained in accordance with the policies and procedures outlined in the Enterprise Records Management Policy, Document Number ERM-1-1 published September 15, 2010. Particular attention should be paid to the following subsections: RBC Records - Document Number ERM-2-1; Records Retention and Disposition – Document Number ERM-2-1; and Secure Destruction of Physical Records - ERM-2-9. Reference should also be made to Operational, Legal, and Regulatory Risk Standing Order S08.02.14 relating to Off-site Record Storage Transfer & Retrieval Procedures published December 28, 2006.

These documents can be found by clicking on the following links:

[redacted]

[redacted]

10. Advice and Counsel

The Chief Operating Officer, WFC Branch will provide advice and counsel on this procedure in consultation with SLAS, Finance and Taxation as necessary.

11. Appendix A – Non Accrual Loan and Loan Provision procedures Revision Record

REVISION HISTORY

Version #	Date	Author
1.0	January 26, 2009	Lenore Liburd
2.0	October 27, 2011	Lenore Liburd
3.0	March 31, 2014	Lenore Liburd

DOCUMENT REVIEWERS

Group	Name	Signature	Date
Portfolio Reporting	Angela McLeod		3/31/14

DOCUMENT APPROVERS

Group	Name	Signature	Date
Credit Administration	Chandran Panicker		3/31/2014
WFC & OLP Branches	Walter R. Borek		4-1-14

Policy & Procedure Library

Publish Date: March 31, 2014
Title: NYB Non-Accrual Loan and Loan Provision Procedures
Document Number: OPS-OPS1568
Target Units: Functions, Global Technology & Operations (GTO), Group Risk Management, Internal Audit Services, Law, Wholesale GTO Centres, Capital Markets & Securities

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

Court File No: CV15-10961-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NELSON EDUCATION LTD. AND NELSON EDUCATION HOLDINGS LTD.

Applicants

6481658

ONTARIO
SUPERIOR COURT OF JUSTICE-COMMERCIAL LIST

Proceeding commenced at Toronto

TRANSCRIPT BRIEF
(Sale Approval Motion and RBC Motion returnable August 13, 2015)
Volume II – Evidence of Les Vowell

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