

**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

**AFFIDAVIT OF SHEVAUN MCGRATH
(sworn May 22, 2015)**

I, Shevaun McGrath, of the City of Toronto, in the Province of Ontario, **MAKE OATH
AND SAY:**

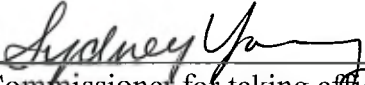
I. INTRODUCTION

1. I am a lawyer with the law firm of Goodmans LLP, counsel to the Applicants in these proceedings under the *Companies' Creditors Arrangement Act*. I have knowledge of the matters to which I depose in this Affidavit. Where I do not possess personal knowledge, I have stated the source of my information and in all such cases believe such information to be true.

2. Attached hereto as Exhibit "A" is a copy of the letter from Goodmans LLP, counsel to the Applicants, dated September 19, 2014 (without attachments), responding to the letter from U.S. counsel to Royal Bank of Canada as Second Lien Agent dated September 16, 2014, a copy of which was attached as Exhibit "A" to the Affidavit of Annette Fournier sworn

May 20, 2015 in support of the objections made by the Royal Bank of Canada in connection with the Comeback Hearing.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, on May 22, 2015


A Commissioner for taking affidavits
SYDNEY YOUNG

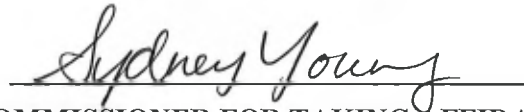


Shevaun McGrath

**THIS IS EXHIBIT "A" REFERRED TO IN THE
AFFIDAVIT OF SHEVAUN MCGRATH**

SWORN BEFORE ME

ON THIS 22ND DAY OF MAY, 2015

A handwritten signature in cursive script that reads "Sydney Young". The signature is written over a solid horizontal line.

A COMMISSIONER FOR TAKING AFFIDAVITS

6456669

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.



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

A large, handwritten signature in black ink, appearing to read 'Robert J. Chadwick', is written over the typed name and extends across the page.

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

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Court File No: CV15-10961-00CL

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SUPERIOR COURT OF JUSTICE-
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF SHEVAUN MCGRATH
(sworn May 22, 2015)**

GOODMANS LLP

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