

**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.**

**SUPPLEMENTAL REPORT
TO THE PRE-FILING REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

MAY 26, 2015

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1.0 INTRODUCTION

- 1.1 On May 12, 2015, Nelson Education Ltd. (“**Nelson Education**” or the “**Company**”) and Nelson Education Holdings Ltd. (“**Nelson Holdings**” and, collectively, “**Nelson**” or the “**Applicants**”) applied for and were granted protection by the Ontario Superior Court of Justice (Commercial List”) (the “**Court**”) under the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to an Order of this Court dated May 12, 2015 (the “**Initial Order**”), Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Monitor**”) was appointed Monitor of Nelson in the CCAA proceedings. The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”. The CCAA Proceedings were commenced to ensure the ongoing operations of the Applicants for the benefit of their many stakeholders and to implement the going concern sale of Nelson Education’s business and the transfer of substantially all of Nelson Education’s assets and property to its First Lien Lenders.
- 1.2 In connection with the Applicants’ application for protection under the CCAA, A&M provided to this Court a pre-filing report (the “**Pre-Filing Report**”) dated May 11, 2015 in its capacity as the proposed monitor. The Pre-filing Report, Initial Order and other Court-filed documents in these CCAA Proceedings are available on the Monitor’s website at www.alvarezandmarsal.com/nelson.
- 1.3 Capitalized terms not otherwise defined in this Supplemental Report to the Pre-Filing Report of the Monitor (the “**Supplemental Report**”) are as defined in the Pre-Filing Report and the Initial Order, as applicable.

- 1.4 The Initial Order, among other things, granted a stay of proceedings through June 10, 2015 in favour of Nelson.
- 1.5 The granting of the Initial Order was opposed by Royal Bank of Canada ("**RBC**") which opposition led to the negotiation of a settled form of Initial Order, attached hereto as **Appendix "A"**. RBC is a First Lien Lender, the Administrative and Collateral Agent for the Second Lien Lenders and a Second Lien Lender.
- 1.6 At the hearing for the Initial Order, the Comeback Date was established to allow for any interested party that wishes to amend or vary the Initial Order to appear or bring a motion before the Court.
- 1.7 Subsequent to the date of the Initial Order, on May 20, 2015, RBC served a notice of motion seeking an order replacing A&M as Monitor in the CCAA Proceedings in the event that this Court permits the proceedings to continue.
- 1.8 On May 22, 2015, RBC delivered to the Monitor written questions in respect of the Pre-Filing report. A copy of these written questions is attached hereto as **Appendix "B"**. The Monitor understands that written questions in respect of the Affidavit of Greg Nordal sworn May 11, 2015 in connection with the commencement of these CCAA Proceedings were provided to counsel for the Applicants on the same day.
- 1.9 The purpose of this Supplemental Report is to provide this Court with information regarding the responses to written questions submitted to the Monitor by RBC in respect of the Pre-Filing Report and in connection with the Comeback Hearing scheduled for May 29, 2015.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Supplemental Report, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by Nelson Education, and discussions with management and legal counsel, Goodmans LLP (“**Goodmans**”), of Nelson Education (collectively, the “**Information**”).

2.2 The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.

2.3 This Supplemental Report should be read in conjunction with the Pre-Filing Report, a copy of which is attached as **Appendix "C"** hereto for ease of reference.

2.4 Unless otherwise stated, all monetary amounts contained in this Supplemental Report are expressed in Canadian dollars.

3.0 WRITTEN QUESTIONS SUBMITTED TO THE MONITOR BY ROYAL BANK OF CANADA

3.1 On May 22, 2015, RBC submitted a series of questions to the Monitor in respect of the Pre-Filing Report, a copy of the questions is attached as **Appendix “B”** to this Supplemental Report.

3.2 The questions submitted by RBC and the Monitor's responses are provided below.

Paragraph 2 – Question

3.3 Please provide copies of the engagement letters relating to A&M's engagements by Nelson Education in March 2013 and in September 2014 referenced in paragraph 3.1 of the Pre-Filing Report (and any amendments or modifications to such engagement letters) and copies of any engagement letters that they replaced or superseded.

3.4 *Response:* The engagement letter of A&M Canada Securities ULC ("**A&M Canada Securities**") dated March 28, 2013, pursuant to which A&M Canada Securities, the corporate finance and investment banking affiliate of A&M, was engaged in March 2013 to act as consultant to Nelson Education to assist the Company in reviewing and considering potential strategic alternatives, is attached to this Supplemental Report as **Appendix "D"**.

3.5 The engagement letter of A&M Canada Securities ULC dated September 5, 2014, pursuant to which A&M Canada Securities was further engaged in September 2014 to assist the Company with a sale and investment solicitation process, is attached to this Supplemental Report as **Appendix "E"**.

3.6 There were no amendments or modifications to these engagement letters, nor did they replace or supersede any engagement letters.

Paragraph 3 – Question

- 3.7 Please advise when the earliest time A&M was retained by either of the Applicants (or their predecessors or affiliates) to perform any work or services. Please provide copies of any other engagement letters between A&M and the Applicants or their predecessors or affiliates.
- 3.8 *Response:* The earliest time A&M Canada Securities was retained by the Applicants (or their predecessors or affiliates), to perform any work or services, was pursuant to the engagement letter attached to this Supplemental Report as **Appendix “D”**.
- 3.9 Other than the two engagement letters attached to this Supplemental Report, there are no other engagement letters between A&M Canada Securities, or any of its affiliates, and the Applicants or their predecessors or affiliates.
- 3.10 There is no separate engagement letter for A&M’s role as Monitor. A&M relies on the Initial Order to govern its appointment and activities during the CCAA Proceedings.
- 3.11 Cengage (as defined below) may potentially be considered a former affiliate of Nelson. A&M engagements with Cengage are referenced in responses to Paragraph 6 – Question and Paragraph 7 – Question below.

Paragraph 4 – Question

- 3.12 For the period prior to May 12, 2015, what is the total amount of professional fees and expenses billed by A&M (and accrued) to either of the Applicants (in any capacity A&M acted)?

3.13 *Response:* The total professional fees of A&M Canada Securities and A&M are summarized below. The professional fees and expenses were incurred in three primary work streams:

- (a) Financial Advisor – A&M Canada Securities provided consulting services to the Company;
- (b) M&A Advisor – A&M Canada Securities conducted the sale process for the sale of Nelson Education or its assets; and
- (c) Other - A&M reviewed the Company’s restructuring alternatives and assisted in the preparation for the May 12, 2015 CCAA application.

3.14 The A&M Canada Securities personnel that worked on the Financial Advisor and M&A Advisor engagements specialize in corporate finance and investment banking assignments and not restructuring/insolvency engagements. Except for Mr. Dean Mullett, A&M Canada Securities personnel are not Chartered Insolvency and Restructuring Professionals (“**CIRP**”) or licensed trustees in bankruptcy (“**Trustee**”). Mr. Mullett is the Head of Corporate Finance and Investment Banking for A&M Canada Securities and while Mr. Mullett holds the CIRP and Trustee designations, he does not practice in the area of insolvency. A&M Canada Securities and A&M (the entity that holds A&M’s corporate trustee license) are affiliates.

3.15 As October 31 is A&M Canada Securities’ fiscal year end date, the professional fees and expenses have been allocated into three time periods as follows:

CAD\$	Mar 28, 2013 to Oct 31, 2013	Nov 1, 2013 to Oct 31, 2014	Nov 1, 2014 to May 11, 2015	Total
Financial Advisor	\$2,216,963	\$2,012,645	\$338,418	\$4,568,026
M&A Advisor	-	150,000	570,583	720,583
Other	-	85,010	67,175	152,185
Expenses + HST	313,092	324,893	139,654	777,639
TOTAL	\$2,530,055	\$2,572,548	\$1,115,830	\$6,218,433

Paragraph 5 – Question

3.16 Please provide copies of all accounts rendered by A&M to either of the Applicants, accompanied by docket entries to provide sufficient detail to understand the type of work and services provided by A&M to the Applicants.

3.17 *Response:* A&M Canada Securities has rendered approximately sixty invoices to the Applicants through May 9, 2015 for services rendered pursuant to the engagement letters referenced in Question 2 above. Attached as **Appendix “F”** to this Supplemental Report is a representative sample of invoices. As is typical in the type of investment banking mandates encompassed by the engagement letters, detailed time dockets were not maintained, with the exception of time incurred for services provided by certain A&M restructuring services personnel in the time period immediately preceding the May 12, 2015 Court hearing, which will be subject to taxation by this Court.

Paragraph 6 - Question

3.18 Paragraph 3.4 discloses that A&M has been engaged by Cengage Learning, Inc. (“**Cengage**”). Please confirm if these engagements included acting as restructuring

advisor to Cengage during its Chapter 11 proceedings. Please advise in what other capacity A&M has been engaged by Cengage.

3.19 *Response:* The Monitor is working with in-house legal counsel of Alvarez & Marsal Holdings, LLC (“**Holdings**”) (A&M Canada Inc. is a subsidiary of Holdings) to obtain the requested information, certain of which may require Cengage’s consent to disclose to third parties.

Paragraph 7 - Question

3.20 Please advise the total amount of professional fees billed by A&M to Cengage in any capacity.

3.21 *Response:* Same response as for Paragraph 6 – Question above.

Paragraph 8 - Question

3.22 Was A&M present when either management and/or the board of the Applicants discussed, deliberated or made the decision to stop paying interest on the Second Lien debt? If yes:

- (a) when did those discussions occur? and
- (b) did A&M support the decision?

3.23 *Response:* Yes:

- (a) Discussions regarding the Second Lien interest payments occurred throughout A&M Canada Securities’ engagements.

(b) Consistent with the scope of its initial mandate, A&M Canada Securities worked continuously to assist the Company in its attempts to achieve a consensual agreement between the First Lien Lenders and Second Lien Lenders. As directed by the Company's Board of Directors at the March 20, 2014 Board meeting, A&M Canada Securities, as well as Goodmans, subsequently had discussions with RBC and its advisors in connection with the interest due on March 31, 2014 under the Second Lien Credit Agreement (the "**March Interest Payment**"). At the March 27, 2014 meeting of the Company's Board of Directors, A&M Canada Securities, as well as Goodmans, presented their updates to the Board regarding those discussions. In addition, A&M Canada Securities provided certain financial information in respect of the Company's projected liquidity if the March Interest Payment was not made as scheduled. A&M Canada Securities was not requested to support the position of the Company nor did A&M Canada Securities provide a recommendation to the Company and the Board of Directors with respect to March Interest Payment.

Paragraph 9 - Question

3.24 Did A&M discuss or confer with the First Lien Lenders in connection with the decision to stop paying interest on the Second Lien debt?

3.25 *Response:* No.

Paragraph 10 - Question

3.26 Was A&M present when either management and/or the board of the Applicants discussed, deliberated or made the decision to stop paying the professional fees of the Second Lien Lenders? If yes:

- (a) when did those discussions occur?; and
- (b) did A&M support the decision?

3.27 *Response:* Yes:

- (a) Discussions regarding the Second Lien Lenders' financial advisory fees occurred at various times throughout A&M Canada Securities' engagements.
- (b) The Second Lien Lenders' financial advisor had been retained on a fixed monthly fee basis, which fixed monthly fee payments continued regardless of the level of monthly work that was being performed by the Second Lien Lenders' financial advisor. A&M Canada Securities had various discussions with the Second Lien Lenders' financial advisor in January and February 2014 regarding its fees, including a proposal to convert to an hourly fee arrangement, which was declined by the financial advisor. The financial advisor agreed in February 2014 to a reduced fixed monthly fee for a three- month period. In August 2014, the Company made the decision to stop paying the Second Lien Lenders' financial advisor's fixed monthly fee. A&M Canada Securities was present at the August 5, 2014

meeting of the Company's Board of Directors but left the meeting prior to the discussion of the Second Lien Agent's financial advisory fees and was not involved in the Company's decision to stop paying the advisory fees of the Second Lien Agent.

Paragraph 11 - Question

3.28 Did A&M discuss or confer with the First Lien Lenders in connection with the decision to stop paying professional fees to advisors for the Second Lien Lenders?

3.29 *Response:* No.

Paragraph 12 - Question

3.30 Was A&M present during discussions or negotiations regarding the First Lien Term Sheet and the Support Agreement? What role did A&M play during these negotiations?

3.31 *Response:* A&M Canada Securities had certain discussions regarding the First Lien Term Sheet and the Support Agreement prior to their completion from time to time and received updates in respect of ongoing discussions. A&M Canada Securities was not present at the negotiations regarding the First Lien Term Sheet and the Support Agreement which were led by the Company's management and Goodmans.

Paragraph 13 - Question

3.32 Was A&M present when either management and/or the board of the Applicants discussed, deliberated or made the decision to proceed with the First Lien Term Sheet and the Support Agreement? If yes:

- (a) when did those discussions occur?; and
- (b) did A&M support the decision?

3.33 *Response:* Yes:

- (a) The decision to proceed with the First Lien Term Sheet and the Support Agreement occurred at the September 4, 2014 meeting of the Board of Directors of the Company. A&M Canada Securities was present at the first part of the meeting at which an update on outstanding items was provided by management and Goodmans. The meeting was adjourned and later reconvened. A&M Canada Securities was not present at the reconvened portion of the Board meeting when the decision to proceed with the First Lien Term Sheet and the Support Agreement was made.
- (b) A&M Canada Securities was not present at the reconvened portion of the Board meeting when the decision to proceed with the First Lien Term Sheet and the Support Agreement was made. A&M Canada Securities was not requested to support the position of the Company with respect to the Support Agreement.

Paragraph 14 - Question

3.34 Did A&M provide any advice or assistance to management and/or the board in terms of the impact of the Support Agreement on the Second Lien Lenders or on the Non-Consenting First Lien Lenders? Did A&M support the company's decision to enter into the Support Agreement?

3.35 *Response:* A&M Canada Securities was involved in discussions regarding the impact of the Support Agreement on the Company's lenders. A&M Canada Securities was not requested to support the position of the Company with respect to the Support Agreement nor did A&M Canada Securities provide a recommendation to the Company and the Board of Directors with respect to it. The Support Agreement was negotiated by the Company and Goodmans. A&M Canada Securities did not attend the reconvened portion of the Board meeting on September 4, 2014 when the decision to proceed with the Support Agreement was made nor the meeting held in New York on September 4, 2014 with the First Lien Steering Committee and its financial and legal advisors.

Paragraph 15 - Question

3.36 Did the Applicants consider a reorganization pursuant to the *Canada Business Corporations Act*? If yes, why was it not pursued?

3.37 *Response:* Yes, the Applicants considered a reorganization pursuant to the *Canada Business Corporations Act* ("CBCA") throughout the course of evaluating and advancing potential strategic transactions and alternatives. A number of the restructuring term sheets and transaction structures that the Company advanced and provided to RBC and to the First Lien Lenders contemplated potential proceedings under the CBCA as part of implementing a transaction where the Company did not have the consent of 100% of the Company's lenders under the first and second lien credit facilities. The Company and its Board of Directors determined that commencing proceedings under the CCAA was in the best interests of the Company and its stakeholders based on the existing facts, status of

discussions between representatives of the Company, First Lien Lenders and Second Lien Lenders and the current circumstances at the time of the CCAA filing.

All of which is respectfully submitted to this Court this 26th day of May, 2015.

Alvarez & Marsal Canada Inc.
in its capacity as Monitor of
Nelson Education Ltd. and
Nelson Education Holdings Ltd.

Per: 

Name: Alan J. Hutchens
Title: Senior Vice President

Appendix A



Court File No. CV15-10961-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE
JUSTICE NEWBOULD

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TUESDAY, THE 12TH
DAY OF MAY, 2015

**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

INITIAL ORDER

THIS APPLICATION, made by Nelson Education Ltd. ("**Nelson Education**") and Nelson Education Holdings Ltd. ("**Holdings**", together with Nelson Education, the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Greg Nordal sworn May 11, 2015 and the Exhibits thereto (the "**Nordal Affidavit**") and the Pre-filing Report of the Proposed Monitor, Alvarez & Marsal Canada Inc. ("**A&M**"), and on being advised that the First Lien Agent and the First Lien Steering Committee were given notice of this Application, and on hearing the submissions of counsel for the Applicants, A&M, the First Lien Steering Committee and the First Lien Agent, and on reading the consent of A&M to act as the Court-appointed monitor (the "**Monitor**"), and on *ex parte* notice to the Second Lien Agent (as each defined in the Nordal Affidavit),

CAPITALIZED TERMS

1. THIS COURT ORDERS that, unless otherwise indicated or defined herein, capitalized terms have the meaning given to them in the Nordal Affidavit.

POSSESSION OF PROPERTY AND OPERATIONS

2. THIS COURT ORDERS that the Applicants shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicants shall each continue to carry on business in the ordinary course and in a manner consistent with the preservation of their business (the “**Business**”) and the Property.

3. THIS COURT ORDERS that the Applicants shall be entitled to continue to utilize the central cash management system currently in place, including the Applicants’ current business forms, cheques and bank accounts, as described in the Nordal Affidavit.

4. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay expenses and satisfy obligations whether incurred prior to, on or after the making of this Order, in the ordinary course of business.

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

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees’ wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, “**Sales Taxes**”) required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were

accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

6. THIS COURT ORDERS that until and including June 10, 2015, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

9. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with an Applicant or statutory or regulatory mandates for the supply of goods, content and/or services, including without limitation all computer software, communication and other data services, licenses, distribution, printing, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or an Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods, content or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods, content or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier, content provider or service provider and each of the applicable Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

12. THIS COURT ORDERS that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

13. THIS COURT ORDERS that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$2.2 million, as security for the indemnity provided in paragraph 12 of this Order. The Directors' Charge shall have the priority set out in paragraphs 22 and 24 herein.

14. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 12 of this Order.

APPOINTMENT OF MONITOR

15. THIS COURT ORDERS that A&M is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, employees, consultants, agents, experts, accountants, counsel and such other persons currently retained or employed by them shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall cooperate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

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

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicants in their preparation of their cash flow statements, which information shall be reviewed with the Monitor, as required from time to time, which may be used in these proceedings;
- (d) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (e) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

- (f) perform such other duties as are required by this Order or by this Court from time to time.

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

18. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

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

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

22. THIS COURT ORDERS that the Directors' Charge shall be a first priority charge (to the maximum amount of \$2.2 million), subject to paragraph 24 of this Order:

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

24. THIS COURT ORDERS that the Directors' Charge shall constitute a charge on the Property and such Directors' Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, notwithstanding the order of perfection or attachment, except for any validly perfected security interest in favour of a "secured creditor" as defined in the CCAA existing as at the date hereof other than any validly perfected security interest in favour of the First Lien Agent or the First Lien Lenders. Nothing in this Order affects the priority of the First Lien Agent, the Second Lien Agent, the First Lien Lenders and the Second Lien Lenders against the rights of each other and third parties (other than beneficiaries of the Directors' Charge) as of the date of this Order. The Applicants shall

be entitled to seek priority of the Directors' Charge ahead of all or certain of the other Encumbrances on a subsequent motion on notice to those parties likely to be affected thereby.

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

- (a) neither the creation of the Directors' Charge nor the execution, delivery, perfection registration or performance of any documents in respect thereof shall create or be deemed to constitute a breach by an Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Directors' Charge; and
- (c) the payments made by the Applicants pursuant to this Order and the granting of the Directors' Charge do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

26. THIS COURT ORDERS that the Directors' Charge created by this Order over leases of real property in Canada shall only be a charge in the Applicants' interest in such real property leases.

SEALING ORDER

27. THIS COURT ORDERS that each of (i) the summary of the key employee retention program attached as Exhibit J to the Nordal Affidavit, and (ii) the Stockholders and Registration Rights Agreement attached as Exhibit H to the Nordal Affidavit be sealed, kept confidential and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.

SERVICE AND NOTICE

28. THIS COURT ORDERS that the Monitor shall not, without further order of the Court, (i) publish in the Globe and Mail a notice containing the information prescribed under the CCAA, (ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$10,000, or (iii) prepare a list showing the names and addresses of those creditors, save and except creditors who are individuals, and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of individuals who are creditors publicly available.

29. THIS COURT ORDERS that the E-Service Guide of the Commercial List (the “**Guide**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at: www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL: <http://www.alvarezandmarsal.com/nelson>.

30. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Guide is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

31. THIS COURT ORDERS that, except with respect to any motion to be heard on the Comeback Date (as defined below), or an urgent motion subject to further Order of this Court, any interested party that wishes to object to the relief to be sought in a motion brought in these proceedings shall, subject to further Order of this Court, provide the Service List with responding motion materials or a written notice (including by e-mail) stating its objection to the motion no later than three (3) business days prior to the date such motion is returnable (the "**Objection Deadline**"). The Monitor shall have the right to extend the Objection Deadline after consulting with the Applicants.

32. THIS COURT ORDERS that following the expiry of the Objection Deadline, the Monitor or counsel to the Applicants shall inform the Court, including by way of a 9:30 a.m. appointment, of the absence or the status of any objections to the motion and the judge having carriage of the motion may determine (a) whether a hearing in respect of the motion is necessary, (b) whether such hearing will be in person, by telephone or by written submissions only and (c) the parties from whom submissions are required. In the absence of any such determination, a hearing will be held in the ordinary course on the date specified in the notice of motion.

GENERAL

33. THIS COURT ORDERS that each of the Applicants and the Monitor may from time to time apply to this Court to amend, vary, supplement or replace this Order or for advice and

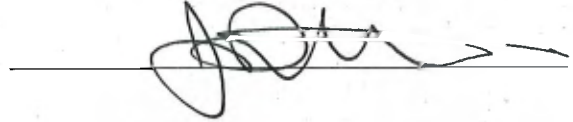
directions concerning the discharge of their respective powers and duties under this Order or the interpretation or application of this Order.

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

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

36. THIS COURT ORDERS that any interested party (other than the Applicants or the Monitor) that wishes to amend or vary this Order shall be entitled to appear or bring a motion before this Court on May 29, 2015 (the “**Comeback Date**”), and any such interested party shall give notice to the Service List and any other party or parties likely to be affected by the Order sought in advance of the Comeback Date. The comeback hearing is to be a true comeback hearing. In moving to set aside or vary any provisions of this Order, moving parties do not have to overcome any onus of demonstrating that the Order should be set aside or varied.

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



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

Giuseppe Dipietro
Registrar

MAY 13 2015
NB

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NELSON EDUCATION LTD. AND NELSON EDUCATION HOLDINGS LTD.

Applicants

ONTARIO
SUPERIOR COURT OF JUSTICE-
COMMERCIAL LIST

Proceeding commenced at Toronto

INITIAL ORDER

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Appendix B

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

**WRITTEN QUESTIONS IN RESPECT OF THE PROPOSED MONITOR'S
PRE-FILING REPORT DATED MAY 11, 2015**

Royal Bank of Canada requests responses to the written questions contained herein by close of business on May 25, 2015 in order to consider same prior to the Comeback Hearing. These questions are limited to those matters to be addressed at the Comeback Hearing, and Royal Bank of Canada reserves its rights with respect to any other matters not specifically addressed herein.

Defined Terms

1. The following terms shall have the meanings set out below and terms not defined herein shall have the meanings ascribed to them in the Pre-Filing Report:
 - (a) “**A&M**” means Alvarez & Marsal Securities ULC, Alvarez & Marsal Canada Inc. and any of their affiliates, whether in Canada or the United States, including without limitation, Alvarez & Marsal Holdings, LLC;

- (b) “**CCAA Proceedings**” means the proceedings commenced by the Applicants under the *Companies’ Creditors Arrangement Act* (Canada) by Initial Order dated May 12, 2015 bearing Court File No. CV15-10961-CL;
- (c) “**Nelson Education**” means Nelson Education Ltd.;
- (d) “**Nelson Holdings**” means Nelson Education Holdings Ltd.;
- (e) “**Pre-Filing Report**” means the Pre-Filing Report of the Proposed Monitor Alvarez & Marsal Canada Inc. dated May 11, 2015 filed in support of the CCAA Proceedings; and
- (f) “**Monitor**” means Alvarez & Marsal Canada Inc. in its capacity as Proposed Monitor of the Applicants.

Questions

2. Please provide copies of the engagement letters relating to A&M’s engagements by Nelson Education in March 2013 and in September 2014 referenced in paragraph 3.1 of the Pre-Filing Report (and any amendments or modifications to such engagement letters) and copies of any engagement letters that they replaced or superseded.
3. Please advise when the earliest time A&M was retained by either of the Applicants (or their predecessors or affiliates) to perform any work or services. Please provide copies of any other engagement letters between A&M and the Applicants or their predecessors or affiliates.
4. For the period prior to May 12, 2015, what is the total amount of professional fees and expenses billed by A&M (and accrued) to either of the Applicants (in any capacity in which A&M acted)?

5. Please provide copies of all accounts rendered by A&M to either of the Applicants, accompanied by docket entries that provide sufficient detail to understand the type of work and services provided by A&M to the Applicants.
6. Paragraph 3.4 discloses that A&M has been engaged by Cengage Learning, Inc. Please confirm if these engagements included acting as restructuring advisor to Cengage during its Chapter 11 proceedings. Please advise in what other capacity A&M has been engaged by Cengage.
7. Please advise the total amount of professional fees billed by A&M to Cengage in any capacity.
8. Was A&M present when either management and/or the board of the Applicants discussed, deliberated or made the decision to stop paying interest on the Second Lien debt? If yes:
 - (a) when did those discussions occur? and
 - (b) did A&M support the decision?
9. Did A&M discuss or confer with the First Lien Lenders in connection with the decision to stop paying interest on the Second Lien Debt?
10. Was A&M present when either management and/or the board of the Applicants discussed, deliberated or made the decision to stop paying the professional fees of the Second Lien Lenders? If yes:
 - (a) when did those discussions occur?; and
 - (b) did A&M support the decision?

11. Did A&M discuss or confer with the First Lien Lenders in connection with the decision to stop paying professional fees to advisors for the Second Lien Lenders?
12. Was A&M present during discussions or negotiations regarding the First Lien Term Sheet and the Support Agreement? What role did A&M play during these negotiations?
13. Was A&M present when either management and/or the board of the Applicants discussed, deliberated or made the decision to proceed with the First Lien Term Sheet and the Support Agreement? If yes:
 - (a) when did those discussions occur?; and
 - (b) did A&M support the decision?
14. Did A&M provide any advice or assistance to management and/or the board in terms of the impact of the Support Agreement on the Second Lien Lenders or on the Non-Consenting First Lien Lenders? Did A&M support the company's decision to enter into the Support Agreement?
15. Did the Applicants consider a reorganization pursuant to the *Canada Business Corporations Act*? If yes, why was it not pursued?

May 22, 2015

THORNTON GROUT FINNIGAN LLP

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Lawyers for the Proposed Monitor

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. (collectively, the "**APPLICANTS**")

Court File No.: CV15-10961-CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at **Toronto**

**WRITTEN QUESTIONS IN RESPECT OF THE PROPOSED
MONITOR'S PRE-FILING REPORT DATED MAY 11, 2015**

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Appendix C

**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.**

**PRE-FILING REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.**

MAY 11, 2015

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Appendix A – Cash Flow Forecast for the 5-Week Period Ending June 12, 2015

Appendix B – Management’s Representation Letter Regarding the Cash Flow Forecast

1.0 INTRODUCTION

1.1 Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that Nelson Education Ltd. (“**Nelson Education**”) and Nelson Education Holdings Ltd. (“**Nelson Holdings**” and, collectively, “**Nelson**” or the “**Applicants**”) intend to bring an application before this Court seeking certain relief under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), in the form of an Order granting, among other things, a stay of proceedings until June 10, 2015 and appointing A&M as Monitor (the “**Monitor**”, and the proposed Order, the “**Proposed Initial Order**”). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”. As described below, the CCAA Proceedings are being commenced to effect the going concern sale of Nelson Education’s business and the transfer of substantially all of Nelson Education’s assets and property to its First Lien Lenders (as defined below).

1.2 The purpose of this pre-filing report (the “**Report**”) is to provide the Court with:

- (1) information regarding the following:
 - (a) A&M’s qualifications to act as Monitor;
 - (b) background information with respect to Nelson;
 - (c) events leading up to the CCAA Proceedings;
 - (d) proposed sale transaction;
 - (e) Nelson’s cash management system;
 - (f) Nelson’s five-week cash flow forecast;
 - (g) key employee retention plan;
 - (h) court ordered charges sought in the Proposed Initial Order; and
- (2) the Proposed Monitor’s conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this report, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by Nelson, and discussions with management of Nelson (collectively, the “**Information**”). Except as otherwise described in this Report in respect of Nelson’s cash flow forecast:

- (a) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (“**CPA Handbook**”) and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- (b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this Report was prepared based on management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

3.0 A&M'S QUALIFICATION TO ACT AS MONITOR

- 3.1 Alvarez & Marsal Canada Securities ULC (“**A&M Securities**”), an affiliate of A&M, was engaged in March 2013 to act as financial advisor to Nelson Education to assist the company in reviewing and considering potential strategic alternatives. A&M Securities was further engaged in September 2014 to assist Nelson Education with a sale and investment solicitation process (as described later in this Report).
- 3.2 The Proposed Monitor is familiar with the business and operations of Nelson, their personnel, and the key issues and stakeholders in the proposed CCAA Proceedings. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.
- 3.3 The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals and licensed Trustees in Bankruptcy and whom have acted in CCAA matters of a similar nature in Canada.
- 3.4 A&M is a subsidiary of Alvarez & Marsal Holdings, LLC (“**A&M Holdings**”). A&M Holdings and its subsidiaries (together, the “**A&M Firm**”) comprise an international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. From time to time, the A&M Firm’s non-Canadian groups have been engaged by Cengage Learning, Inc. and its subsidiaries (“**Cengage**”) to provide financial, interim management and tax advisory services, including during Cengage’s proceedings under Chapter 11 of Title 11 of the *United States Bankruptcy Code* (the “**U.S. Bankruptcy Code**”).¹ Cengage provides educational content

¹ Cengage commenced Chapter 11 proceedings in July 2013 and completed its financial restructuring and emerged from its Chapter 11 reorganization on March 31, 2014.

and certain operational support to Nelson Education through an Operating Agreement and a Master Services Agreement, and both of these agreements are to be assumed under the Proposed Transaction (defined below). As described later in this Report, Apax Partners (through related entities) (collectively, “**Apax**”) is a shareholder in each of Nelson Holdings and Cengage. Following the completion of the Proposed Transaction, Apax will not have an equity interest in the purchaser of the Nelson business. The A&M Firm’s Nelson and Cengage engagements have been segregated such that there is no communication or sharing of information regarding Nelson and Cengage as between the respective engagement teams.

3.5 The Proposed Monitor has retained Davies Ward Phillips & Vineberg LLP (“**Davies**”) to act as its independent legal counsel.

3.6 A&M has consented to act as Monitor of the Applicants should this Court grant the Applicants’ request to commence the CCAA Proceedings.

4.0 BACKGROUND INFORMATION

General

4.1 This Report should be read in conjunction with the Affidavit of Greg Nordal, President and Chief Executive Officer of Nelson Education sworn May 11, 2015 (the “**Nordal Affidavit**”) for additional background and other information regarding Nelson.

4.2 Nelson Education is an education publishing company, providing learning solutions to universities, colleges, students, teachers, professors, libraries, government agencies, schools, professionals and corporations across the country. It is also a leading developer of digital educational resources.

- 4.3 As described in the Nordal Affidavit, in July 2007, the business and assets of Nelson Education were acquired by certain private equity investors together with the U.S. business and assets of Thomson Learning for a combined total value of approximately US\$7.75 billion, of which approximately US\$550 million was attributed to the Canadian business. As a result of, among other factors, certain *Investment Canada Act* (Canada) restrictions with respect to non-Canadian acquisition of a majority interest in a Canadian book publisher, Nelson Education was structured as a separate entity from the U.S. business and, as further discussed below, was financed primarily through two tiers of debt facilities.
- 4.4 Nelson Education operates two business segments: (i) “K-12”, which produces and distributes print and digital products for kindergarten to grade 12 across all subject areas; and (ii) “Higher Education”, which offers tailored learning solutions for the post-secondary education market, including universities, colleges and trade schools, in the major fields of study.
- 4.5 Nelson’s corporate headquarters are located in Scarborough, Ontario in an owned 230,000 square foot facility. Nelson employs approximately 335 full-time, permanent, non-unionized employees and approximately 38 part-time, non-unionized employees.
- 4.6 As described in the Nordal Affidavit and further discussed below, Nelson Education currently has in the aggregate over US\$430 million (CAD\$544 million) of secured first and second lien debt (including accrued interest) outstanding under its credit agreements, resulting in an unsustainable leverage ratio of debt to EBITDA (earnings before interest, taxes, depreciation and amortization), net of pre-publication expenditures, of approximately 17:1 based on the preliminary fiscal year ending results as at March 31, 2015. The Nelson business has also been negatively impacted by a general decline over the past several years in the Canadian kindergarten to grade 12 market (the “**K-12 Market**”) and higher education market (the “**Higher Education Market**”).

Corporate Organization

4.7 Nelson Education is the sole operating entity in the Nelson group of companies. Nelson Education is a corporation organized under the *Canada Business Corporations Act* (the “CBCA”) and is a direct, wholly owned subsidiary of Nelson Holdings. Nelson Holdings is also a corporation organized under the CBCA and is a guarantor under each of the First Lien Credit Agreement and Second Lien Credit Agreement (each defined below). Nelson Holdings directly owns 100% of the shares of Nelson Education. Nelson Holdings’ shares are owned by certain entities owned by OMERS Administration Corporation and certain funds of APAX Partners.

Financing / Credit Agreements

4.8 As described in the Nordal Affidavit, Nelson Education is financed primarily through two tiers of debt facilities which were established at the time of the acquisition of the business and assets in 2007, as follows:

- (a) first lien debt pursuant to a First Lien Credit Agreement (the “**First Lien Credit Agreement**”) dated as of July 5, 2007 among Nelson, Royal Bank of Canada (“RBC”), as Administrative Agent, Collateral Agent and Swing Line Lender, as succeeded by Wilmington Trust, National Association, as Administrative Agent and Collateral Agent (the “**First Lien Agent**”) and the lenders party thereto (the “**First Lien Lenders**”); and
- (b) second lien debt pursuant to a Second Lien Credit Agreement (the “**Second Lien Credit Agreement**”, together with the First Lien Credit Agreement, the “**Credit Agreements**”) dated July 5, 2007 among Nelson, RBC, as Administrative Agent and Collateral Agent (the “**Second Lien Agent**”) and the lenders party thereto (the “**Second Lien Lenders**”).

- 4.9 As at the date of this Report, Nelson Education has, in the aggregate, in excess of US\$430 million of outstanding debt (including accrued interest) under the Credit Agreements, with approximately US\$268,753,930, plus accrued interest, outstanding under the First Lien Credit Agreement and approximately US\$153,218,764, plus accrued interest, outstanding under the Second Lien Credit Agreement.
- 4.10 The First Lien Credit Agreement matured on July 3, 2014, and Nelson Education was not able to repay the outstanding principal. Interest and fees accruing under the First Lien Credit Agreement are being paid in the ordinary course. Nelson Holdings guaranteed the obligations of Nelson Education under the First Lien Credit Agreement, and as security for repayment of amounts owed under the facility, each of Nelson Education and Nelson Holdings granted first-priority security over all or substantially all of their respective assets, including a pledge of the shares of Nelson Education by Nelson Holdings.
- 4.11 The Second Lien Credit Agreement matures on July 3, 2015. Nelson Education is in default of the Second Lien Credit Agreement as it has not made quarterly interest payments since March 31, 2014. Nelson Holdings guaranteed the obligations of Nelson Education under the Second Lien Credit Agreement, and as security for repayment of amounts owed under the facility, each of Nelson Education and Nelson Holdings granted second-priority security over all or substantially all of their respective assets.
- 4.12 As part of the arrangements as between each of the Credit Agreements, Nelson, RBC, in its capacity as collateral agent for the obligations under the First Lien Credit Agreement (including its successors and assigns), and RBC, in its capacity as collateral agent for the obligations under the Second Lien Credit Agreement (including its successors and assigns), entered into an Intercreditor Agreement (the “**Intercreditor Agreement**”) dated July 5, 2007, a copy of which is attached as Exhibit “**F**” to the Nordal Affidavit.

Security Opinion

4.13 The Proposed Monitor has obtained an independent legal opinion from Davies on the security granted in respect of the First Lien Credit Agreement and the Second Lien Credit Agreement (collectively, the “**Security**”). Davies has provided an opinion to the Proposed Monitor that Nelson has granted valid security interests to the First Lien Agent on behalf of the First Lien Lenders and the Second Lien Agent on behalf of the Second Lien Lenders, respectively, in substantially all of the assets of Nelson, which have been properly perfected by registration pursuant to the Ontario *Personal Property Security Act*, subject to the standard assumptions, qualifications and limitations contained in the opinion. The opinion also confirms that there are no registrations prior in time to those in favour of the First Lien Agent and Second Lien Agent other than one registration pertaining to a motor vehicle lease agreement.

Financial Information

4.14 A copy of Nelson Education’s financial statements for the following periods are attached as Exhibits “**A**” and “**B**”, respectively, to the Nordal Affidavit:

- (a) audited financial statements for the fiscal year ended as at March 31, 2014; and
- (b) unaudited financial statements as at December 31, 2014.

4.15 Nelson Education’s unaudited balance sheet as at December 31, 2014 reported total assets of approximately \$262.7 million of which \$86.2 million were current assets. Nelson Education’s liabilities amounted to approximately \$657.6 million, including approximately \$529.6 million of current liabilities and approximately \$128.0 million of non-current liabilities. The current liabilities include approximately \$31.2 million of accounts payable, approximately \$8.8 million of deferred revenue and approximately \$489.5 million of the current portion of long term debt.

4.16 Based on preliminary financial statements for the fiscal year ended March 31, 2015, Nelson Education’s revenue was approximately \$129 million and its EBITDA, net of pre-publication

expenditures, was approximately \$31.5 million, and for the twelve-month period ended March 31, 2014, Nelson Education's revenue was approximately \$128 million and its EBITDA, net of pre-publication expenditures, was approximately \$31.7 million. Nelson Education's financial leverage (measured as the ratio of debt to EBITDA, net of pre-publication expenditures) was approximately 17:1 for the fiscal year ended March 31, 2015. As noted above, Nelson Education has not been able to repay the current principal amounts due and outstanding pursuant to the First Lien Credit Agreement and has not made certain interest payments under the Second Lien Credit Agreement.

- 4.17 A copy of Nelson Holdings' unaudited financial statements as at March 31, 2014 is attached as Exhibit "C" to the Nordal Affidavit. Nelson Holdings had assets with a book value of approximately \$161.8 million. Of this asset value, approximately \$122.5 million consists of an intercompany note owing by Nelson Education to Nelson Holdings and approximately \$39.3 million consisted of its investment in Nelson Education. Nelson Holdings had liabilities of approximately \$123.4 million, of which approximately \$122.2 million was a promissory note to its parent company.
- 4.18 Nelson Education entered into an Operating Agreement and a Master Services Agreement pursuant to which, among other things, Cengage provides educational content and certain related operational support to Nelson Education. Nelson Education pays approximately US\$22 million annually for such content and operational support. The Operating Agreement expires on January 1, 2018, subject to automatic extensions for successive one-year renewal periods unless terminated by either party on at least 270 days' written notice prior to the expiry of the agreement.

5.0 EVENTS LEADING UP TO THE PROPOSED CCAA PROCEEDINGS

- 5.1 Commencing in April 2013, with the assistance of its professional advisors, Nelson Education engaged in discussions and explored a variety of transaction alternatives with a steering committee of its First Lien Lenders (the “**First Lien Steering Committee**”) as well as the Second Lien Agent, in an effort to achieve a transaction that would, among other things, address Nelson Education’s obligations under its Credit Agreements, protect value, improve the financial position of Nelson, and create stability for the business, including Nelson Education’s employees, customers, lenders and other key stakeholders.
- 5.2 These negotiations ultimately resulted in a transaction framework on the terms set out in a First Lien Term Sheet dated September 10, 2014 (the “**First Lien Term Sheet**”) for a sale or restructuring of the business. In connection with the First Lien Term Sheet, Nelson Education and Nelson Holdings entered into a support agreement (the “**First Lien Support Agreement**”) with First Lien Lenders representing approximately 88% of the principal amounts outstanding under the First Lien Credit Agreement (the “**Consenting First Lien Lenders**”). The Consenting First Lien Lenders comprise 21 of the 22 First Lien Lenders. The only First Lien Lender that is not a Consenting First Lien Lender is also a Second Lien Lender.
- 5.3 Pursuant to the terms of the First Lien Term Sheet and the First Lien Support Agreement, Nelson, with the assistance of its financial advisor, on September 22, 2014 commenced a sale and investment solicitation process (the “**SISP**”) to identify one or more potential purchasers of, or investors in, the Nelson Business. Dean Mullett, Managing Director of A&M Securities intends on filing an affidavit for the the Sales Approval Motion (as defined below) (the “**Mullett Affidavit**”) describing the strategic review process undertaken, the SISP and the proposed sale transaction for Nelson.

5.4 A total of 168 potential buyers and 11 potential lenders were contacted as part of the SISP, of which seven parties submitted non-binding expressions of interest. The SISP ultimately did not result in an executable transaction that would result in proceeds to repay the obligations under the First Lien Credit Agreement in full or that would otherwise be supported by the First Lien Lenders. As a result of this process, the Applicants are of the view that there is no value available beyond the value of the obligations under the First Lien Credit Agreement.

5.5 Nelson Education's advisors have had numerous exchanges and discussions with Canadian Heritage in connection with the Proposed Transaction. Nelson Education does not believe that there are any further consents required from Canadian Heritage prior to the completion of the Proposed Transaction.

6.0 PROPOSED SALE TRANSACTION

6.1 Pursuant to the First Lien Support Agreement, Nelson Education is proceeding at this time with a sale transaction (the "**Proposed Transaction**") pursuant to which the First Lien Lenders will exchange and release all of the indebtedness owing under the First Lien Credit Agreement in exchange for:

- (a) 100% of the common shares of a newly incorporated entity (the "**Purchaser Holdco**") that will own 100% of the common shares of the Purchaser to which substantially all of Nelson Education's assets would be transferred; and
- (b) the obligations under a new US\$200 million first lien term facility to be entered into by the Purchaser.

6.2 The Proposed Transaction includes, among other things: (i) the transfer of substantially all of Nelson Education's assets to the Purchaser; (ii) the assumption by the Purchaser of substantially all of Nelson Education's trade payables, contractual obligations and employment obligations

(other than certain obligations in respect of former employees, obligations relating to matters in respect of the Second Lien Credit Agreement, and the Nelson Education Promissory Note (as defined in the Nordal Affidavit)); and (iii) offers of employment by the Purchaser to all of Nelson Education's employees.

- 6.3 Under the Proposed Transaction, the Purchaser will not assume certain of Nelson Education's obligations, including: (i) any of Nelson Education's obligations to the Second Lien Agent or the Second Lien Lenders under the Second Lien Credit Agreement; (ii) any liabilities relating to excluded assets, including excluded contracts (if any); (iii) any pre-closing environmental liabilities of Nelson Education, except as required under applicable law; (iv) any liabilities of Nelson Education with respect to any pre-closing infringement, misappropriation, misuse or passing off of intellectual property, if any; and (v) any other liability of Nelson Education not expressly assumed under the Purchase Agreement, including the Nelson Education Promissory Note.
- 6.3 Pursuant to the Proposed Transaction, the Purchaser may, in its sole and absolute discretion, at any time up to three business days prior to the closing of the Proposed Transaction, elect to not acquire any of the assets, properties, and rights of Nelson Education, including contracts of Nelson Education specified by the Purchaser as excluded contracts.
- 6.4 Nelson Education maintains the ability under the Proposed Transaction to complete a sale transaction that would result in proceeds sufficient to repay the obligations under the First Lien Credit Agreement in full prior to the closing of the Proposed Transaction.
- 6.5 On May 11, 2015, Nelson Education, Nelson Holdings, the First Lien Agent, Cortland Capital Market Services LLC, as sub-agent and supplemental administrative agent appointed in connection with the implementation of the Proposed Transaction (the "**Supplemental Agent**") and Consenting First Lien Lenders party thereto entered into a supplemental support agreement

(the “**Supplemental Support Agreement**”) pursuant to which, upon entry of an Approval and Vesting Order approving the Proposed Transaction in the form attached to the Purchase Agreement, the Company agreed to enter into the Purchase Agreement and the Supplemental Agent (the sole shareholder of Purchaser Holdco on behalf of the First Lien Lenders) agreed to cause the Purchaser to enter into the Purchase Agreement with Nelson Education.

- 6.6 As a result of the Proposed Transaction, the indebtedness under the First Lien Credit Agreement will be partially satisfied and any remaining indebtedness under the First Lien Credit Agreement will be forgiven by the First Lien Lenders. The Purchaser will not assume any of Nelson’s obligations to the Second Lien Agent or the Second Lien Lenders in respect of the Second Lien Credit Agreement.
- 6.7 The Applicants have determined that it is necessary to seek protection under the CCAA in order to preserve enterprise value and continue as a going concern while seeking to implement the Proposed Transaction. In the Nordal Affidavit, the affiant submits that, based on the results of the SISF, there is no value available to the Second Lien Lenders and that the CCAA Proceedings are required in order to transfer Nelson Education’s assets and property in satisfaction of the indebtedness owing to the First Lien Lenders free and clear of the obligations under the Second Lien Credit Agreement.
- 6.8 The Applicants intend to bring a motion to be heard on a date to be set by this Court to, among other things, approve the Proposed Transaction (the “**Sale Approval Motion**”). Subject to the Court’s approval of the Proposed Transaction at the Sale Approval Motion, Nelson Education is seeking to complete the Proposed Transaction as efficiently as reasonably possible in order to minimize the impact of the CCAA Proceedings on the Nelson Education Business. Pursuant to the Purchase Agreement, the Proposed Transaction must be completed by June 2, 2015 or such later date as may be agreed to by the Majority Initial Consenting First Lien Lenders and Nelson.

7.0 CASH MANAGEMENT SYSTEM

7.1 Nelson Education has a banking relationship with RBC and the Applicants' cash management system (the "**Cash Management System**") is operated through Nelson Education's accounts held at RBC in Toronto. Nelson Education utilizes the following bank accounts:

- (a) Canadian dollar operating account for cash receipts from customers, payroll funding and certain payments to vendors;
- (b) U.S. dollar operating account for cash receipts from Cengage (payments for back office functions that Nelson Education provides to Cengage as well as revenue attribution payments) and disbursements to Cengage;
- (c) Canadian dollar and U.S. dollar positive pay accounts for disbursements to third party vendors related to day-to-day operations; and
- (d) Canadian dollar payroll account for payments relating to payroll transactions outside of the typical bi-monthly payroll payments.

7.2 Nelson Education also has one restricted cash account held with Valiant Trust in respect of certain payments payable under the key employee retention program (as described below).

7.3 Nelson Holdings does not maintain its own bank accounts. To the extent Nelson Holdings needs to make payments, generally for interest expense, such payments are made from Nelson Education's operating bank accounts and are accounted for through intercompany accounts with Nelson Holdings.

7.4 The Applicants intend to continue using the existing Cash Management System during the CCAA Proceedings, and are seeking the approval of the Court to do so. As described in the Nordal Affidavit, the current Cash Management System includes the necessary accounting controls to enable the Applicants, as well as their creditors and this Court, to trace funds through the system and ensure that all transactions are adequately ascertainable. The Proposed Monitor is of the

view that the continued use of the Cash Management System is required and appropriate in order for Nelson Education to continue its operations and advance towards a closing of the Proposed Transaction.

8.0 CCAA CASH FLOW FORECAST

- 8.1 The Applicants, with the assistance of the Proposed Monitor, have prepared a five-week cash flow forecast (the “**Cash Flow Forecast**”) for the period May 11, 2015 to June 12, 2015 (the “**Cash Flow Period**”). A copy of the Cash Flow Forecast is attached to this Report as **Appendix “A”**.
- 8.2 The Cash Flow Forecast is presented on a weekly basis during the Cash Flow Period and represents Nelson’s estimates of projected cash flows during the Cash Flow Period. The Cash Flow Forecast has been prepared using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast (the “**Cash Flow Assumptions**”).
- 8.3 The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor’s cash flow statement as to its reasonableness and to file a report with the Court on the Monitor’s findings. Pursuant to this standard, the Proposed Monitor’s review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of management and employees of Nelson. The Proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Proposed Monitor’s procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

8.4 Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:

- (i) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;
- (ii) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions;
or
- (iii) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

8.5 The Cash Flow Forecast projects that the Applicants will fund their operations in the Cash Flow Period from cash on hand. The estimated cash position as at the commencement of the CCAA Proceedings is approximately \$21.2 million. The Cash Flow Forecast assumes forecast receipts of approximately \$6.1 million and forecast disbursements of approximately \$11.0 million over the five week period, resulting in a projected cash balance of approximately \$16.3 million at the end of the Cash Flow Period.

8.6 The Applicants intend to make payments for goods, educational content and services supplied pre-filing and post-filing in the ordinary course as set out in the Cash Flow Forecast and as permitted by the Proposed Initial Order. As such, the Applicants are seeking Court approval to allow them to pay ordinary course pre-filing amounts to Nelson Education's suppliers, service providers and content providers and to allow them to satisfy obligations in respect of existing customer programs in order to obtain continued support from those parties and minimize disruptions during the CCAA Proceedings, for the benefit of the ongoing Nelson business.

8.7 Upon completion of the Proposed Transaction, which remains subject to, among other things, approval by this Court, substantially all of Nelson Education's assets, including Nelson

Education's cash, will be transferred to the Purchaser. Under the Purchase Agreement, the parties have agreed to a cash reserve of \$1.15 million to remain with Nelson Education, with any remaining funds to be provided to the Purchaser on the earlier of 18 months or the wind-down of Nelson Education. The amount of the cash reserve was determined with the assistance of the Proposed Monitor and is based on the estimated professional fees and other post-closing expenses of the Applicants.

8.8 The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

9.0 KEY EMPLOYEE RETENTION PROGRAM

9.1 In January 2014, Nelson Education developed a key employee retention program (the "**KERP**") in order to incent certain key employees that were considered to be critical to the preservation of enterprise value to remain with the company as it pursued a restructuring. Nelson Education consulted with the First Lien Steering Committee when developing the KERP. The KERP was reviewed and approved by Nelson Education's Board of Directors.

9.2 Under the KERP, eligible employees will become eligible to receive retention payments if they remain with the company until their applicable retention date (collectively, the "**Retention Payments**"). Remaining Retention Payments under the KERP in the aggregate amount of approximately \$340,000 (which is held in a separate escrow account) become payable to certain eligible employees on June 30, 2015 and are to be paid by no later than July 15, 2015.

9.3 The Proposed Monitor supports the KERP as: (i) it would be detrimental to the restructuring process if Nelson were required to find replacements for the three employees still to be paid their Retention Payments, particularly given that the KERP has been in place for approximately 15

months; and (ii) the KERP is reasonable and appropriate in the circumstances and provides appropriate incentives for the remaining eligible employees to remain in their current positions.

10.0 COURT ORDERED CHARGES SOUGHT IN THE PROPOSED INITIAL ORDER

10.1 The Proposed Initial Order provides for three charges (collectively, the “**Charges**”), as described below.

Administration Charge

10.2 The Proposed Initial Order provides for a charge in an amount not to exceed \$1.0 million, in favour of the Monitor, counsel to the Monitor, counsel to the Applicants, the First Lien Agent, the Supplemental Agent, and counsel to the First Lien Agent, the Supplemental Agent and the First Lien Steering Committee, and the financial advisor to the First Lien Steering Committee (the “**Administration Charge**”).

10.3 The Proposed Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that it is reasonable and appropriate in the circumstances, having regard to the nature of the CCAA Proceedings, potential work involved at peak times and the size of charges approved in similar proceedings.

10.4 In connection with the Sale Approval Motion, the Applicants expect to seek to amend the Administration Charge to reduce it to an aggregate amount of \$400,000 for the benefit of the Monitor and its counsel only, effective upon the completion of the Proposed Transaction.

Directors’ and Officers’ Charge

10.5 The Proposed Initial Order provides that the Applicants jointly and severally indemnify their directors and officers against obligations and liabilities that they may incur as directors and officers of the Applicants after the commencement of the CCAA Proceedings, except to the

extent that the obligation or liability was incurred as a result of an officers' or directors' gross negligence or wilful misconduct.

10.6 The Proposed Initial Order provides for a charge in an amount of \$2.2 million (the "**Directors' Charge**") in favour of the Applicants' directors and officers as security for any obligations or liabilities that may arise after the commencement of the CCAA Proceedings, except to the extent that such obligation or liability is incurred as a result of a directors' or officers' gross negligence or wilful misconduct.

10.7 Nelson has a liability insurance policy for the potential benefit of the directors and officers (the "**D&O Policy**") that covers an aggregate annual limit of \$15 million. The D&O Policy also includes certain additional coverage for the directors and officers of the Applicants in certain circumstances where indemnification is unavailable of up to \$1 million in excess of coverage otherwise provided by the D&O Policy.

10.8 The Proposed Monitor assisted the Applicants in the calculation of the Directors' Charge, taking into consideration the amount of the Applicants' payroll, vacation pay and federal and provincial sales tax liabilities. The Proposed Monitor is of the view that the Directors' Charge is required and reasonable in the circumstances.

KERP Charge

10.9 The Proposed Initial Order provides for a charge in an amount not to exceed \$340,000 (the "**KERP Charge**") in favour of the eligible employees as security for all amounts becoming payable under the KERP.

10.10 The Proposed Monitor is of the view that the KERP Charge is required and is reasonable in the circumstances.

10.11 In connection with the Sale Approval Motion, the Applicants expect to seek a release and discharge of the KERP Charge effective upon the completion of the Proposed Transaction and the assumption by the Purchaser of all of the obligations under the KERP pursuant to the terms of the Purchase Agreement.

Priority Charges Created by the Proposed Initial Order

10.12 The priorities of the Charges are proposed as follows:

- (a) First – Administration Charge (to the maximum amount of \$1.0 million);
- (b) Second – Directors’ Charge (to the maximum amount of \$2.2 million); and
- (c) Third – KERP Charge (to the maximum amount of \$340,000).

10.13 In summary, the Proposed Monitor has assisted in the preparation and/or reviewed the calculations that support the Charges and believes that the amounts are reasonable in the circumstances.

11.0 IMPACT OF PROPOSED CCAA PROCEEDINGS

11.1 The Applicants are seeking an Order under the CCAA that is intended to accomplish, among other things, the following:

- (a) the ongoing operations of Nelson Education’s business;
- (b) continued payment of obligations to trade suppliers, service providers, content providers and employees incurred in the ordinary course, including pre-filing amounts incurred in the ordinary course;
- (c) completion of the Proposed Transaction, including:
 - i. the going-concern sale of Nelson Education’s business and the transfer of substantially all of Nelson Education’s assets and property

to the Purchaser free and clear of claims relating to the Second Lien Credit Agreement;

- ii. the assumption by the Purchaser of substantially all of Nelson Education's trade payables, contractual obligations and employment obligations incurred in the ordinary course and as reflected in Nelson Education's balance sheet, including the remaining Retention Payments under the KERP;
- iii. an offer of employment to all of Nelson Education's employees; and
- iv. the exchange and release of all of the indebtedness owing to the First Lien Lenders under the First Lien Credit Agreement in exchange for:
 - (i) 100% of the common shares of the Purchaser Holdco which will own 100% of the common shares of the Purchaser; and (ii) the obligations under a new US \$200 million first lien term facility to be entered into by the Purchaser.

11.2 Under the Proposed Transaction, certain liabilities will not be assumed by the Purchaser, including:

- (a) to the Second Lien Agent or the Second Lien Lenders under the Second Lien Credit Agreement;
- (b) certain obligations in respect of former employees;
- (c) any liabilities relating to excluded assets, including excluded contracts, if any;
- (d) any pre-closing environmental liabilities of Nelson, except as required under applicable law;
- (e) any liabilities of Nelson with respect to any pre-closing infringement, misappropriation, misuse or passing off of intellectual property, if any; and


- (f) any other liability of Nelson not expressly assumed under the proposed Purchase Agreement.

12.0 PROPOSED MONITOR'S RECOMMENDATION

- 12.1 For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Applicants is reasonable and respectfully recommends that this Court make the Order granting the relief requested by the Applicants.

All of which is respectfully submitted to this Court this eleventh day of May, 2015.

**Alvarez & Marsal Canada Inc.
in its capacity as Proposed Monitor
of Nelson Education Ltd. and
Nelson Education Holdings Ltd.**

Per: 
Name: Alan J. Hutchens
Title: Senior Vice President

Appendix “A”

(see attached)

Nelson Education Ltd.

Cash flow forecast for the 5-week period May 11, 2015 to June 12, 2015

(Unaudited, in '000s CAD)

Week Ending, Friday:	Notes	Week 1 5/15/2015 Forecast	Week 2 5/22/2015 Forecast	Week 3 5/29/2015 Forecast	Week 4 6/5/2015 Forecast	Week 5 6/12/2015 Forecast	Total
<u>Receipts</u>							
Sales receipts	2	999	827	746	1,545	1,839	5,956
Other receipts	2	-	-	150	-	-	150
Total Receipts		999	827	896	1,545	1,839	6,106
<u>Disbursements</u>							
Operating expenses	3	247	755	233	191	231	1,657
Payroll & benefits	4	1,504	5	1,304	5	1,501	4,319
KERP	5	-	-	-	-	-	-
Other expenses	6	167	486	298	337	236	1,524
Capital expenditures and plate spend	7	263	143	354	219	199	1,178
Professional fees	8	225	125	280	835	25	1,490
Financing charges	9	-	-	820	-	-	820
Total Disbursements		2,406	1,515	3,288	1,587	2,192	10,987
Net Operating Cash Flow		(1,407)	(688)	(2,392)	(41)	(352)	(4,881)
Beginning Cash Balance	1	21,200	19,793	19,105	16,713	16,671	21,200
Net Cash Flow		(1,407)	(688)	(2,392)	(41)	(352)	(4,881)
Ending Cash Balance		19,793	19,105	16,713	16,671	16,319	16,319

To be read in conjunction with the attached Notes and Summary of Assumptions.

Nelson Education Ltd.
Cash Flow Forecast
Notes and Summary of Assumptions

In the Matter of the CCAA Proceedings of Nelson Education Ltd. ("Nelson Education") and Nelson Education Holdings Ltd. ("Holdings", together with Nelson Education, the "Company").

Disclaimer

In preparing this cash flow forecast (the "Forecast"), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

Overview:

The Forecast assumes that payments in respect of employee compensation, utility services, suppliers, content providers and other normal business obligations will be paid in the ordinary course. The Company, with the assistance of the Monitor, has prepared the Forecast based primarily on historical results and Management's current expectations. The Forecast is presented in thousands of Canadian dollars.

Assumptions

1) **Opening Position**

The estimated opening cash balance as at May 11, 2015.

2) **Receipts**

Receipts from sales are estimated based on current accounts receivable collections and Management's current sales forecast for both the Higher Education ("HE") and Kindergarten to Grade 12 ("K-12") businesses. Sales taxes are included in forecast receipts. Other receipts include monthly reimbursements from Cengage Learning USA ("Cengage") for certain expenses Nelson incurs on Cengage's behalf.

3) **Operating Expenses**

Operating expenses include Paper, Print, and Binding ("PP&B") costs which are forecast based on current accounts payable and Management's current cost of sales forecast for both the HE and K-12 businesses.

Operating expenses also include royalty payments to authors for Indigenous content originally created/published by Nelson and royalty payments to Cengage or other affiliated companies in the U.S. for agency products (i.e. products originally created/published by third parties).

4) **Payroll & benefits**

Disbursements include payroll, payroll taxes and employee benefits for salaried and hourly employees, and are forecast based on historical run-rates. All employees are paid a salary and are entitled to participate in the Company's benefit program, defined contribution pension plan and incentive plan. All employees are paid bi-weekly, two weeks in arrears. The Company offers all of its employees comprehensive medical and dental benefits through Sun Life Financial.

5) **Key Employee Retention Program**

Nelson Education entered in to a Key Employee Retention Program ("KERP") agreement with certain employees in 2014. The final payment of approximately \$340,000 to certain employees is expected to be paid in July 2015.

6) **Other expenses**

These disbursements include insurance, facility costs, sales tax remittance, service agreements with Cengage, selling, general and administrative expenses, marketing expenses, travel and entertainment and other ongoing operating expenses.

7) **Capital Expenditures and Plate Spend**

Capital expenditures are based on expected license renewals and hardware upgrades for laptops, cell phones and network equipment. In addition, ongoing capital expenditures includes maintenance costs required for Nelson's facility, warehouse equipment and general infrastructure.

Plate spend comprises a significant capital outlay for the development of new content and material that generates revenue for a number of future fiscal periods. The cost of plate spend is based on the accumulation of costs, either external invoices paid to third-party vendors, or for internal labour and associated costs, as an allocation of time spent on a project based on actual hours incurred. Plate spend is tracked at the ISBN level (title by title). For cash flow purposes only cash paid to third-party vendors is captured above. Internal labour costs are forecast in the payroll and benefits line item.

8) **Professional Fees**

These disbursements include payments to Nelson's financial advisors and legal counsel, the Monitor and its legal counsel, the First Lien Agent, the Supplemental Agent and the financial advisor and legal counsel to the First Lien Agent, the Supplemental Agent and the First Lien Steering Committee.

9) **Financing Charges**

Consent Fee:

As per the Support Agreement entered into between the consenting First Lien Lenders and Nelson Education on September 30, 2014, Nelson paid an Early Consent Fee to the consenting First Lien Lenders equal to such lenders' pro rata share of (i) 2% of the aggregate principal amount outstanding; plus (ii) a percentage of the aggregate principal amount outstanding calculated based on an annual rate of 10%, less the interest rate paid under the existing First Lien Credit Agreement for the period of July 4, 2014 to September 30, 2014.

Thereafter, on a monthly basis until termination of the Support Agreement, Nelson pays a monthly cash consent fee to the consenting First Lien Lenders calculated as a percentage of the aggregate principal amount outstanding, using an annual rate of 10% less the interest rate paid under the existing First Lien Credit Agreement.

Interest Expense:

Under its First Lien Credit Agreement, Nelson pays interest quarterly at a rate of Base Rate (3.25%) + 1.5% on First Lien debt plus an additional 2% default rate since July 4, 2014.

Appendix “B”

(see attached)

Alvarez & Marsal Canada Inc.
Royal Bank Plaza South Tower
200 Bay Street, Suite 2900
Toronto, ON, M5J 2J1

Attention: Mr. Alan J. Hutchens

May 8, 2015

Dear Sirs:

Re: Nelson Education Ltd. ("Nelson Education") and Nelson Education Holdings Ltd. ("Holdings", together with Nelson Education, the "Applicants") – CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast

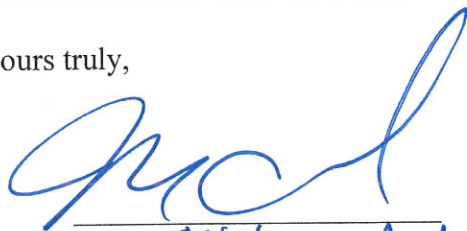
In connection with the application by the Applicants for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, the management of Nelson Education has, with the assistance of Alvarez & Marsal, prepared the attached 5-week projected cash flow statement of Nelson Education for the period May 11, 2015 to June 12, 2015 (the "**Cash Flow Statement**") and the list of assumptions on which the Cash Flow Statement is based. The purpose of the Cash Flow Statement is to determine the liquidity requirements of Nelson Education during the CCAA proceedings.

Nelson Education confirms that the hypothetical assumptions on which the Cash Flow Statement is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of the Nelson Education and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Cash Flow Statement (the "**Notes**").

Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.

Yours truly,



Per: Name: Michael Andrew
Title: CFO & SVP Finance
(authorized director or officer of Nelson Education)

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

Court File No: _____

**ONTARIO
SUPERIOR COURT OF JUSTICE-
COMMERCIAL LIST**

Proceeding Commenced at Toronto

PRE-FILING REPORT

DAVIES WARD PHILLIPS & VINEBERG LLP
155 Wellington Street West
Toronto, ON M5V 3J7

Robin B. Schwill (LSUC#: 38452I)

Tel: 416.863.5502

Fax: 416.863.0871

Lawyers for the Proposed Monitor

Appendix D



Alvarez & Marsal Canada Securities ULC
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900, P.O. Box 22
Toronto, ON M5J 2J1
Phone: +1 416 847 5200
Fax: +1 416 847 5201

PRIVATE & CONFIDENTIAL

March 28, 2013

Nelson Education Ltd.
1120 Birchmount Road
Scarborough, ON M1K 5G4
Canada
Attention: Mr. Greg Nordal

Dear Mr. Nordal:

Thank you for requesting the services of Alvarez & Marsal Canada Securities ULC ("A&M"). This letter confirms and sets forth the terms and conditions of the engagement between A&M and Nelson Education Ltd. (the "Company"), including the scope of the services to be performed by A&M and the basis of compensation for those services. Upon execution of this letter by each of the parties below and receipt of the Retainer (as defined below), this letter will constitute an agreement between the Company and A&M (the "Agreement").

1. Description of Services

The Company hereby engages A&M to provide consulting services to the Company at the direction of the Company's chief executive officer ("CEO"), chief financial officer ("CFO") and senior management (together with the CEO and CFO, the "Management") in connection with their efforts to better understand, analyze and improve the financial and operational performance of the Company as well as its prospects.

(a) As part of our engagement (this "Engagement"), it is anticipated A&M will do the following (collectively the "Services")

- i. Analyze and evaluate the Company's financial condition, operations, competitive environment, prospects and other related matters;
- ii. Analyze and evaluate the Company's industry, including an assessment of the industry's current and future outlook;
- iii. Assist the Company to prepare its integrated 5-year financial model, including balance sheet, income statement and cash flow statement, as well as perform sensitivities on the financial model;
- iv. Assist to the Company to prepare and evaluate its 5-year business plan and if requested by Management, present the Company's business plan to the Company's Board of Directors (the "Board") and lenders;
- v. Assist the Company and Management to respond to questions from its lenders in connection with either the business plan or the financial model;
- vi. If requested by Management, attending and participating in meetings of the Board with respect to matters on which we have been engaged to advise the Company hereunder; and
- vii. Other activities as are approved by Management or the Board and agreed to by A&M.

In rendering its services to the Company, A&M will report directly to the CEO and CFO of the Company and will make recommendations to and consult with Management as the CEO directs. Dean Mullett, a

Managing Director of A&M, will be responsible for the overall engagement. Adam Zalev, a Senior Director of A&M, will assist Mr. Mullett. Mr. Mullett and Mr. Zalev may also be assisted by other A&M personnel and, subject to Section 1(b) hereof, those of its affiliates, as appropriate.

A&M will regularly communicate its work plan to Management, including as requested by Management, provide an estimate of tasks to be performed by A&M and the timeline related thereto.

(b) In connection with the services to be provided hereunder, from time to time, A&M may utilize the services of employees of its affiliates under common control with A&M and subsidiaries (collectively, "Affiliates"); provided, that the applicable Affiliates and its or their applicable employees are bound to the confidentiality provisions applicable to A&M and its employees hereunder.

(c) A&M personnel providing services to the Company may, subject to Section 8 hereof, also work with other A&M clients that are not known by such A&M personnel to be a direct competitor to the Company and only in conjunction with unrelated matters.

2. Information Provided by the Company and Forward-Looking Statements

The Company shall use all reasonable efforts to: (i) provide A&M with all necessary access to Management and other representatives of the Company; and (ii) to furnish all data, material, and other information concerning the business, assets, liabilities, operations, cash flows, properties, financial condition and prospects of the Company that A&M reasonably requests in connection with the services to be provided to the Company. A&M shall reasonably rely, without further independent verification, on the accuracy and completeness of all publicly available information and information that is furnished by or on behalf of the Company and otherwise reviewed by A&M in connection with the services performed for the Company. The Company acknowledges and agrees that A&M is not responsible for the accuracy or completeness of such information and shall not be responsible for any inaccuracies or omissions therein. A&M is under no obligation to update data submitted to it or to review any other areas unless specifically requested by the Company to do so.

The Company understands that the services to be rendered by A&M may include the preparation of projections and other forward-looking statements regarding the Company and/or its affiliates and numerous factors can affect the actual results of the Company, which may materially and adversely differ from those projections. In addition, A&M will be relying on information provided by the Company for the preparation of those projections and other forward-looking statements.

3. Limitations of Duties

A&M makes no representation or guarantee that, inter alia, (i) an appropriate refinancing proposal, restructuring proposal or strategic alternative can be formulated for the Company (ii) any refinancing proposal, restructuring proposal or strategic alternative presented to the Company's Management or the Board will be more successful than all other possible refinancing proposals, restructuring proposals or strategic alternatives, (iii) refinancing, restructuring or strategic alternative is the best course of action for the Company or (iv) if formulated, that any proposed refinancing, restructuring plan or strategic alternative will be accepted by any of the Company's creditors, shareholders and other constituents. Further, A&M does not assume any responsibility for the Company's decision to pursue, or not pursue any business strategy, or to effect, or not to effect any transaction. A&M shall be responsible for assistance with the implementation only of the refinancing proposal, restructuring proposal or strategic alternative approved by the Company, the Board or Management and only to the extent and in the manner authorized by and directed by the Company, the Board or Management and agreed to by A&M.

The Company acknowledges that A&M's Engagement shall not constitute an audit, review or compilation, or any other type of financial statement reporting engagement that is subject to the rules of any provincial or national professional or regulatory body.

4. Compensation

As compensation for our services as described in this Agreement, the Company agrees to pay A&M as follows:

- i. a fixed fee of \$175,000 in arrears, for services rendered up to and including April 30, 2013. Thereafter, A&M will receive fees based on the time spent by its employees and agents in connection with this Engagement at its standard hourly rates, which, with the Company's consent, may be adjusted from time to time. Current hourly rates are as follows:

Standard Hourly Rate	
Managing Director	\$775
Senior Director	\$650
Director	\$550
Senior Associate	\$400
Analyst	\$275

- ii. reimbursement for its reasonable documented out-of-pocket expenses incurred in connection with this Engagement such as travel, lodging, duplicating, messenger and telephone charges. All fees and expenses will be documented and billed on a weekly basis, and payable 15 days from receipt of invoice by the Company.
- iii. the Company shall promptly remit to A&M a retainer in the amount of \$75,000 (the "Retainer") which shall be credited against any amounts due at the termination of this Engagement, with any remaining balance to be returned promptly to the Company upon such termination.
- iv. all fees will be subject to applicable taxes.
- v. A&M shall provide the Company with weekly statements of fees and reasonable, documented out-of-pocket expenses incurred during such week.

5. Term

- i. This Agreement will apply from the commencement of the services referred to in Section 1 and may be terminated with immediate effect by either party without cause upon written notice to the other party.
- ii. A&M normally does not withdraw from an engagement unless the Company misrepresents or fails to disclose material facts, fails to pay fees or expenses, or makes it unethical or unreasonably difficult for A&M to continue performance of this Engagement, or other just cause exists.
- iii. On termination of the Agreement, any fees and expenses earned and due to A&M shall be remitted promptly (including permitted fees and/or expenses that accrued prior to but are invoiced within thirty (30) days of such termination), and a copy of the then most recent versions of the Company's 5-year business plan, 5-year financial model, and related analyses, research and presentations in A&M's possession, shall be turned over to the Company upon final payment of all undisputed fees and expenses owed to A&M.
- iiii. The provisions of Sections 7, 9, 10 and 11 of this Agreement that give the parties rights or obligations beyond its termination shall survive and continue to bind the parties.

6. Relationship of the Parties

The parties intend that an independent contractor relationship will be created by this Agreement in order to provide the services described above to the Company. Neither A&M nor any of its personnel is acting as a fiduciary of the Company in connection with this Engagement. Furthermore, neither A&M nor any of its personnel or agents is to be considered an employee or agent of the Company and the personnel of A&M are not entitled to any of the benefits that the Company provides for the Company's employees.

7. No Third Party Beneficiary

The Company acknowledges that all advice (written or oral) provided by A&M to the Company in connection with this Engagement is intended solely for the benefit and use of the Company in considering the matters to which this Engagement relates. The Company agrees that no such advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time in any manner or for any purpose other than accomplishing the tasks referred to herein without A&M's prior approval (which shall not be unreasonably withheld), except as required by law.

8. Conflicts

As the Company is aware, Alvarez & Marsal North America, LLC, ("A&M US") an indirect parent company of A&M, has been engaged by Cengage Learning, Inc., and its subsidiaries (collectively, "Cengage"), to provide restructuring and financial advisory services. The Company and Cengage have common shareholders. Notwithstanding anything herein which may be construed to the contrary, the Company hereby consents to, and waives any conflict of interest that may exist or arise in connection with A&M US's engagement by Cengage

Other than the relationship between A&M US and Cengage (as described above), A&M is not currently aware of any relationship that would create a conflict of interest with the Company or those parties-in-interest of which you have made us aware and A&M will notify the Company of any relationship which it determines creates a conflict of interest with the Company. Because A&M and its affiliates and subsidiaries comprise a consulting firm (the "Firm") that serves clients on a global basis in numerous cases, both in and out of court, it is possible that the Firm may have rendered or will render services to or have business associations with other entities or people which had or have or may have relationships with the Company, including creditors or other stakeholders of the Company. The Firm will not provide services to other entities or individuals in matters directly related to this Engagement, however, other than the foregoing and as set forth in Section 1 c), the Firm will not be prevented or restricted by virtue of providing the services under this Agreement from providing services to other entities or individuals, including entities or individuals whose interests may be in competition or conflict with the Company's, provided the Firm makes appropriate arrangements to ensure that the confidentiality of information is maintained.

To maintain independence and confidentiality A&M has instituted a formal information screen between both the A&M team acting in connection with this Engagement and the A&M US team acting in connection with the Cengage engagement designed to prevent, among other things, the communication or sharing of information regarding the Company and Cengage between the respective teams.

Notwithstanding anything in this Agreement, specifically the foregoing paragraph, the Company agrees that:

- i. A&M shall not provide advice or counsel to the Company on any direct disputes currently underway or that may arise between the Company and Cengage; and

- ii. Should Cengage file for bankruptcy protection, the Company further agrees that:
 - a. A&M will not provide any advice or counsel to the Company in matters relating to Cengage, except to the extent such matters also relate to the Company or this Engagement; and
 - b. the Engagement between A&M and the Company shall be publically disclosed by A&M.

9. Confidentiality/ Non-Solicitation

The Confidentiality and Non-Disclosure Agreement ("NDA"), even dated herewith, and attached hereto as Schedule A between the Company and A&M is incorporated by reference herein and made a part of this agreement; provided, however notwithstanding the terms of the NDA, should A&M's scope require the interaction with Company constituencies and third parties (i.e. lenders, creditors, advisors and customers), to the extent consistent with the scope of the Company's or Management's directed mandate to A&M personnel, A&M may disclose confidential information in such interactions if, in the good faith and judgment of the related A&M personnel, such disclosure is (a) reasonably required to further A&M's services on behalf of the Company pursuant to this Agreement, (b) not in contravention of consistent directions by Management and the Company board, and (c) in the best interest of the Company.

The Company, on behalf of itself and its subsidiaries and controlled affiliates and any person which may acquire all or substantially all of its assets agrees that, until two (2) years subsequent to the termination of this Engagement, no persons involved in or familiar with this Engagement employed by the Company or its subsidiaries or controlled affiliates will, on behalf of the Company or its subsidiaries or controlled affiliates, solicit or recruit or otherwise refer for hire or other engagement any employee of A&M or any of its affiliates who worked on this engagement while employed by A&M or its affiliates ("Solicited Person"). Should the preceding sentence be violated and should the Company or any of its subsidiaries or controlled affiliates or any person who acquires all or substantially all of its assets extend an offer of employment to or otherwise engage the related Solicited Person, then still employed by A&M or having been employed within six (6) months of such offer of employment or the related solicitation therefor, with respect to which such violation occurred and should such offer be accepted, A&M shall be entitled to a fee from the party extending such offer equal to the Solicited Person's hourly client billing rate at the time of the offer multiplied by 4,000 hours for a Managing Director, 3,000 hours for a Senior Director and 2,000 hours for any other A&M employee. The Company acknowledges and agrees that this fee fairly represents the loss that A&M will suffer if the Company breaches this provision. The fee shall be payable at the time of the Solicited Person's acceptance of employment or engagement.

10. Indemnification

The attached Indemnification Agreement, by and between A&M and the Company (the "Indemnification Agreement") which shall be executed concurrently with the Agreement is incorporated herein by reference. The Indemnification Agreement shall remain in full force and effect with respect to events occurring prior to such termination, where applicable.

As to the services the Company has requested and A&M has agreed to provide as set forth in this Agreement, the total aggregate liability of A&M under this Agreement to the Company and its successors and assigns, shall be limited to the actual damages incurred by the Company or its successors or assigns, respectively. In no event will A&M or any of its affiliates be liable to the Company or their successors or assigns for consequential, special or punitive damages, including loss of profit, data, business or goodwill. In no event shall the total aggregate liability of A&M under this Agreement to the Company and their successors and assigns exceed the total amount of fees received and retained by A&M hereunder.

11. Miscellaneous

No waiver, amendment or other modification of this agreement shall be effective unless in writing and signed by each party to be bound thereby. This Agreement (together with the attached indemnity and limitation on liability provisions), including, without limitation, the construction and interpretation of thereof and all claims,

controversies and disputes arising under or relating thereto: (a) shall be governed and construed in accordance with the laws of the Province of Ontario applicable therein without giving effect to such province's rules concerning conflicts of laws that might provide for any other choice of law; (b) incorporates the entire understanding of the parties with respect to the subject matter hereof; (c) may not be amended or modified except in writing executed by each of the parties hereto; (d) may be executed by facsimile and email and in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement; and (e) may not be assigned nor may the obligations of a party hereunder be delegated without the prior written consent of the other party hereto. The obligations of this agreement shall be binding upon and shall only inure to the benefit of the parties hereto, the Indemnified Parties (as defined in the Indemnification Agreement) and any of their successors, permitted assigns, heirs and personal representatives. Each of the Company and A&M agrees to waive trial by jury in any action, proceeding or counterclaim brought by or on behalf of the parties hereto with respect to any matter relating to or arising out of the engagement or the performance or non-performance of A&M hereunder. This Agreement shall be binding upon A&M and the Company, their respective successors, and assignees, and any successor, or assignee of a substantial portion of A&M's or the Company's respective businesses and/or assets, including any Chapter 11 Trustee.

The Company agrees that A&M may, at A&M's expense and with the advance written consent of the Company, after the completion of the engagement place announcements and advertisements or otherwise publicize the engagement and A&M's role in it (which may include the reproduction of the Company's corporate logo), provided that the terms are not disclosed. A&M will provide the Company a draft of any contemplated announcement prior to its publication and make all modifications to such announcement as requested by the Company. Furthermore, if requested by A&M, the Company may include a mutually acceptable reference to A&M in any press release or other public announcement made by the Company regarding the matters described in this letter.

The invalidity or unenforceability of any provision in this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect pursuant to the terms hereof.

Each party hereto represents that it has the requisite power and authority to enter into this Agreement, that this Agreement has been duly and validly authorized by all necessary action by it and has been duly executed and delivered by it and constitutes a legal, valid and binding agreement of it, enforceable in accordance with its terms.

This Agreement sets forth the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels any prior communications, understandings and agreements between the parties relating to the subject matter hereof.

If the foregoing is acceptable to you, kindly sign the enclosed copy to acknowledge your agreement with its terms and return an executed copy of this agreement, whereupon, after execution by A&M, it shall become a binding agreement between the parties hereto. A telecopy of a signed original of this Agreement shall be sufficient to bind the parties whose signatures appear hereon.

Very truly yours,

ALVAREZ & MARSAL CANADA SECURITIES ULC



By: _____
Name: Dean Mullett
Title: Managing Director



By: _____
Name: Adam Zalev
Title: Senior Director

Accepted and agreed to as of the date first written above:

NELSON EDUCATION LTD.

By: 
Name: Greg Nordal
Title: President & Chief Executive Officer

By: 
Name: Michael Andrews
Title: Senior Vice President & Chief Financial Officer

INDEMNIFICATION AGREEMENT

This indemnification agreement (the "Indemnification Agreement") is made part of an agreement, dated March 28, 2013, (which, together with any renewals, modifications or extensions thereof, is herein referred to as the "Agreement") by and between Alvarez & Marsal Canada Securities ULC ("A&M") and Nelson Education Ltd. and its subsidiaries (collectively, the "Company") for services to be rendered to the Company by A&M.

Indemnity Provisions

- A. The Company agrees to indemnify and hold harmless each of A&M, its affiliates and their respective members, managers, employees, agents and representatives (each, an "Indemnified Party" and collectively, the "Indemnified Parties") against any and all losses, claims, damages, liabilities, penalties, obligations and expenses (collectively, "Losses"), including, without limitation, the reasonable costs for counsel or other professionals in investigating, preparing or defending any action or claim (other than with respect to a dispute initiated with a claim by A&M), whether or not in connection with litigation in which any Indemnified Party is a party, as and when incurred (subject to paragraph C below) based upon or arising out of or relating to (directly or indirectly) the Indemnified Parties' acceptance of or the performance or nonperformance of the obligations under the Agreement; provided, however, such indemnity shall not apply to any such Loss to the extent it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted from such Indemnified Party's gross negligence, bad faith or willful misconduct. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the engagement of A&M, except to the extent that any such liability for losses, claims, damages, liabilities or expenses that are found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted from such Indemnified Party's gross negligence, bad faith or willful misconduct.
- B. These indemnification provisions shall be in addition to any liability which the Company may otherwise have to the Indemnified Parties. In the event that, at any time whether before or after termination of the engagement or the Agreement, as a result of or in connection with the Agreement or A&M's and its personnel's role under the Agreement, A&M or any Indemnified Party is required to produce any of its personnel (including former employees) for examination, deposition or other written, recorded or oral presentation, or A&M or any of its personnel (including former employees) or any other Indemnified Party is required to produce or otherwise review, compile, submit, duplicate, search for, organize or report on any material within such Indemnified Party's possession or control pursuant to a subpoena or other legal (including administrative) process, the Company will reimburse the Indemnified Party for its out of pocket expenses, including the reasonable fees and expenses of its counsel.
- C. Promptly after receipt by an Indemnified Party of notice of the commencement of any action, claim, proceeding or investigation for which a claim of indemnification will be made hereunder, such Indemnified Party will notify the Company in writing of the commencement thereof; provided the failure so to notify you (i) will not relieve the Company from liability hereunder unless and to the extent such failure results in prejudice or the forfeiture by the Company of substantial rights or defenses and (ii) will not, in any event, relieve the Company from any obligations to any Indemnified Party other than as provided herein. The Company shall be entitled to appoint counsel (including local counsel) of its choice at its expense to represent the Indemnified Party in any action for which indemnification is sought (in which case the Company shall not thereafter be responsible for the fees and expenses of any separate counsel, other than local counsel if not appointed by the Company, retained by the Indemnified Party except as set forth below); provided however, that such counsel shall be reasonably satisfactory to the Indemnified Party. Notwithstanding the Company's election to appoint counsel (including local counsel) to represent the Indemnified Party in any action, the Indemnified Party shall have the right to employ separate counsel (including local counsel), and the Company shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Company to represent the Indemnified Party would present such counsel with a conflict of interest (based on the advice of counsel to the Indemnified Party); (ii) such action includes both the Indemnified Party and the Company, and the Indemnified Party shall have reasonably concluded (based on the advice of counsel to the Indemnified Party), that there may be legal defenses available to it and/or other Indemnified Party that are different from or additional to those available to the Company; (iii) the Company shall not have employed counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party within a reasonable time after notice of the institution of such action; or (iv) the Company shall authorize the Indemnified Party to employ separate


counsel at the Company's expense. It is understood and agreed that the Company shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Parties.

- D. In order to provide for just and equitable contribution if a claim for indemnification pursuant to these indemnification provisions is made but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification may not be enforced in such case, even though the express provisions hereof provide for indemnification, then the relative fault of the Company, on the one hand, and the Indemnified Parties, on the other hand, in connection with the statements, acts or omissions which resulted in the Losses giving rise to the indemnification claim and other relevant equitable considerations shall be considered; and further provided that in no event will the Indemnified Parties' aggregate contribution for all Losses with respect to which contribution is available hereunder exceed the amount of fees actually received by the Indemnified Parties pursuant to the Agreement. No person found liable for a fraudulent misrepresentation shall be entitled to contribution hereunder from any person who is not also found liable for such fraudulent misrepresentation.
- E. In the event the Company and A&M seek judicial approval for the assumption of the Agreement or authorization to enter into a new engagement agreement pursuant to either of which A&M would continue to be engaged by the Company, the Company shall promptly pay expenses reasonably incurred by the Indemnified Parties, including attorneys' fees and expenses, in connection with any motion, action or claim made either in support of or in opposition to any such retention or authorization, whether in advance of or following any judicial disposition of such motion, action or claim, promptly upon submission of invoices therefor and regardless of whether such retention or authorization is approved by any court. The Company will also promptly pay the Indemnified Parties for any expenses reasonably incurred by them, including attorneys' fees and expenses, in seeking payment of all amounts owed it under the Agreement (or any new engagement agreement) whether through submission of a fee application or in any other manner, without offset, recoupment or counterclaim, whether as a secured claim, an administrative expense claim, an unsecured claim, a prepetition claim or a postpetition claim.
- F. Neither termination of the Agreement nor termination of A&M's engagement nor the filing of a petition or application under the Companies' Creditors Arrangement Act or Bankruptcy and Insolvency Act (Canada) (nor the conversion of an existing case to a different form of proceeding, including a receivership) shall affect these indemnification provisions, which shall hereafter remain operative and in full force and effect.
- G. The rights provided herein shall not be deemed exclusive of any other rights to which the Indemnified Parties may be entitled under the certificate of incorporation or bylaws of the Company, any other agreements, any vote of stockholders or disinterested directors of the Company, any applicable law or otherwise.

ALVAREZ & MARSAL CANADA SECURITIES ULC



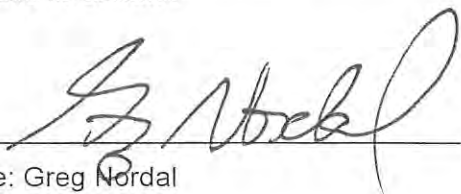
By: _____
Name: Dean Mullett
Title: Managing Director



By: _____
Name: Adam Zalev
Title: Senior Director

AGREED TO:

NELSON EDUCATION LTD., on behalf of
itself and its affiliates



By: _____
Name: Greg Nordal



By: _____
Name: Michael Andrews

Appendix E



Alvarez & Marsal Canada Securities ULC
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900, P.O. Box 22
Toronto, ON M5J 2J1
Phone: +1 416 847 5200
Fax: +1 416 847 5201

PRIVATE & CONFIDENTIAL

September 5, 2014

Nelson Education Ltd.
1120 Birchmount Road
Scarborough, ON M1K 5G4
Canada
Attention: Mr. Greg Nordal

Dear Mr. Nordal:

Thank you for requesting the services of Alvarez & Marsal Canada Securities ULC ("A&M"). This letter confirms and sets forth the terms and conditions of our engagement to assist Nelson Education Ltd. ("Nelson" or the "Company") in connection with the proposed sale of the Company or its assets (the "Transaction").

A&M will act as the exclusive lead advisor for the Transaction and will in all instances lead and manage the sale process from initiation through to the completion of the Transaction. We will assist and advise you on all aspects of the proposed engagement, while permitting you and the management of Nelson to remain focused on running the business. As your advisors, we will respect the Company's right to make any and all decisions regarding whether a transaction brought forward by us is to be accepted or rejected.

This letter outlines the services to be provided by us to you as described herein (the "Services") and the fees to be paid in respect of the Services. Upon execution of this letter by each of the parties below, this letter will constitute an agreement between the Company and A&M.

1. Description of Services

In acting as your advisor with a goal of completing a successful Transaction in the most expedient manner, we utilize the approach described below. The following provides an overview of the A&M approach to the process (the "Process") and as part of our engagement, we will, if appropriate and requested, do the following:

PREPARATION	<ul style="list-style-type: none"> • Assist the Company in preparing teaser & confidential information memoranda (“CIM”) including the preparation of financial models to present to prospective buyers, investors and acquisition financing sources • Assist the Company in identifying a list of potential buyers, investors, and acquisition financing sources by analyzing and evaluating the Company’s industry in the context of a Transaction • Assist the Company with the preparation of bid procedures including establishing phases of the Process, timelines and drafting of form of bid letter to be provided by prospective buyers, investors and acquisition financing sources • Assist with the preparation of forms of confidentiality agreements (“CA’s”) • Assist with the preparation of Data Room, including reviewing documents for confidentiality sensitivity and developing disclosure strategy for various participants • Assist the Company in preparing management presentations, including financial data • Participate in communications (including attending meetings) with the Company’s first and second lien senior lenders and participate in negotiation of credit bid term sheet • Engage with Cengage regarding support/interest in the Transaction • Update the Company’s board of directors on a weekly basis on the Process, attend board meetings as required by the Company’s management and answer the board’s inquiries relating to the Process and related issues.
Phase 1 – FORMAL MARKETING	<ul style="list-style-type: none"> • Contacting prospective buyers, investors and acquisition financing sources • Distribute preliminary marketing materials including teasers to prospective buyers, investors and acquisition financing sources • Engage in preliminary discussions with prospective buyers, investors and acquisition financing sources to assess degree of interest and address any inquiries (subject to confidentiality restrictions) • Distribute CA’s to potential buyers, investors and acquisition financing sources • Work with Company counsel to negotiate and finalize CA’s (including responding to any inquiries) with buyers, investors and acquisition financing sources • Distribute CIMs to buyers, investors and acquisition financing sources

	<ul style="list-style-type: none"> • Assist the Company in preparing management presentations to, and site visits by, potential buyers, investors and acquisition financing sources • Facilitate potential buyer and investor Phase I due diligence including participating in discussions and attending meetings (which may include travel) with buyers, investors and acquisition financing sources • Assist in responses to Phase I due diligence requests and data room maintenance, including providing updated financial analysis • Participate in communications (including attending meetings) with the Company's first and second lien senior lenders and participate in negotiation of credit bid term sheet • Participate in communications (including attending meetings) with Cengage regarding support/interest in the Transaction • Review initial indications of interest letters and assist the Company to assess such letters, including providing a comparative summary analysis to the Company's board and management • Update the Company's board of directors on a weekly basis on the Process, attend board meetings as required by the Company's management and answer the board's inquiries relating to the Process and related issues. • Assist in resolving issues & moving the process to Phase II • Assist the Company in managing publicity relating to the Transaction
Phase II – DILIGENCE / NEGOTIATION / CLOSING	<ul style="list-style-type: none"> • Communicate to buyers, investors and acquisition financing sources with respect to which of these are moving to Phase II of the Process • Request final proposals from Phase II prospective buyers, investors and acquisition financing sources • Provide "strategic competitor" Phase II prospective buyers and investors will full CIM • Assist the Company in preparing management presentations to, and site visits by, Phase II buyers, investors and acquisition financing sources • Attend management presentations and site visits and answer inquiries for Phase II buyers, investors and acquisition financing sources • Assist in responses to Phase II due diligence requests and data room maintenance, including providing updated financial analysis • Review Phase II offers from buyers, investors and acquisition financing sources and assist the Company to assess such offers, including providing a comparative

	<p>summary analysis to the Company's board and management</p> <ul style="list-style-type: none"> • Assist legal counsel to draft and negotiate transaction documents • Assist the Company with the selection of final buyer/investor • Participate in communications (including attending meetings) with the Company's first and second lien senior lenders throughout Phase II process and facilitate the resolution of any related issuesengage regarding support/interest in the Transaction • Update the Company's board of directors on a weekly basis on the Process, attend board meetings as required by the Company's management and answer the board's inquiries relating to the Process and related issues. • Assist in resolving issues & moving the process to a successful closing • Participate in the preparation for and attend any court proceedings (excluding the provision of a Fairness Opinion, or as Monitor which the parties acknowledge would be addressed in a separate engagement), including reviewing and commenting on any documentation relating thereto • Participate in discussions relating to, or communications with, Heritage Canada, the Competition Bureau (or any foreign governmental equivalent), including, in each case, reviewing and commenting on any documentation relating thereto • Assist with any post closing matters • Assist the Company in managing publicity relating to the Transaction
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For purposes of this agreement, the term "Transaction" is defined to include any of the following (whether in one or a series of transactions): (a) a merger or consolidation of the Company or any of its Business Units (as defined below) with a third party, (b) a sale of at least 50% of the equity securities of the Company, (c) a sale of any of the K-12 business or the Higher Education business, each a "**Business Unit**" or all or substantially all of the assets of the Company, (d) any transaction which results in a third party having the right to elect a majority of the members of the Board of Directors of the Company, (e) any recapitalization or restructuring (including spin-off or split-off of assets) of the Company, (f) any investment in the Company by a third party that results in a restructuring or repayment of all or part of the third party indebtedness, or (g) any other form of disposition which results in the effective disposition of, or change of control of, all or substantially all of the business and operations of the Company.

Dean Mullett, a Managing Director of A&M, will be responsible for the overall engagement. Adam Zalev, a Senior Director of A&M, will assist Mr. Mullett. Mr. Mullett and Mr. Zalev may also be assisted by other A&M personnel and, subject to the following paragraph, those of its affiliates, as appropriate.

In connection with the services to be provided hereunder, from time to time, A&M may utilize the services of employees of its affiliates under common control with A&M and subsidiaries (collectively, "Affiliates"); provided, that the applicable Affiliates and its or their applicable employees are bound to the confidentiality provisions applicable to A&M and its employees hereunder.

A&M personnel providing services to the Company may, subject to Section 8 hereof, also work with other A&M clients whose interests may be in competition or conflict with the Company's but only in conjunction with unrelated matters.

2. Information Provided by the Company and Forward-Looking Statements

The Company shall use all reasonable efforts to: (i) provide A&M with all necessary access to Management and other representatives of the Company; and (ii) to furnish all data, material, and other information concerning the business, assets, liabilities, operations, cash flows, properties, financial condition and prospects of the Company that A&M reasonably requests in connection with the services to be provided to the Company. A&M shall reasonably rely, without further independent verification, on the accuracy and completeness of all publicly available information and information that is furnished by or on behalf of the Company and otherwise reviewed by A&M in connection with the services performed for the Company. The Company acknowledges and agrees that A&M is not responsible for the accuracy or completeness of such information and shall not be responsible for any inaccuracies or omissions therein. A&M is under no obligation to update data submitted to it or to review any other areas unless specifically requested by the Company to do so.

The Company will be solely responsible for the contents of any teaser, confidential memorandum and any and all other written or oral communications provided by or on behalf of the Company to any investors and/or purchasers ("Investor Communications"). The Company represents and warrants that the Investor Communications will not contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading. If an event occurs as a result of which the Investor Communication would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the Company will promptly notify A&M and A&M will suspend solicitations of prospective investors and /or purchasers until such time as the Company prepares a supplement or amendment to the applicable Investor Communications that corrects such statement(s) and/or omission(s).

The Company agrees that it will be solely responsible for ensuring that any Transaction complies with applicable law. The Company understands that A&M is not undertaking to provide any legal, regulatory, accounting, insurance, or similar professional advice.

The Company understands that the services to be rendered by A&M may include the preparation of projections and other forward-looking statements regarding the Company and/or its affiliates and numerous factors can affect the actual results of the Company, which may materially and adversely differ from those projections. In addition, A&M will be relying on information provided by the Company for the preparation of those projections and other forward-looking statements.

3. Limitations of Duties

A&M makes no representation or guarantee that an appropriate Transaction can be formulated, that any Transaction in general or any transaction in particular is the best course of action for the Company or, if formulated, that the execution of any proposed Transaction will, if required, be accepted or approved by the Board of Directors (including any special committee of the Board of Directors) or the Company's stockholders and other constituents. Further, A&M assumes no responsibility for the selection and approval of any strategic alternative presented to the Company or the Company's Board of Directors (including any special committee of the Board of Directors), which determination shall rest with the Company and the Board.

The Company acknowledges that A&M's Engagement shall not constitute an audit, review or compilation, or any other type of financial statement reporting engagement that is subject to the rules of any provincial or national professional or regulatory body.

It is understood and agreed that A&M's services hereunder will not include providing any tax advice or developing any tax strategies for the Company. It is further understood and agreed that A&M's services hereunder will not include the preparation of a due diligence report, presentation or otherwise for the

Company, but A&M shall be involved in the diligence process to the extent set out above. If the Company should request additional services not otherwise contemplated by this letter agreement, the Company and A&M will enter into an additional letter agreement which will set forth the nature and scope of the services, appropriate compensation and other customary matters, as mutually agreed upon by the Company.

4. Compensation

As compensation for our services as described in this Agreement, the Company agrees to pay A&M as follows:

Preparation & Phase 1

To be billed at the standard hourly rates for those A&M professionals involved, with a cap of C\$150,000 (the "Phase 1 Fee").

Excluded from the Phase 1 Fee will be time associated with A&M's involvement with matters pertaining to (i) the Cengage operating agreement; (ii) Heritage Canada; (iii) competition review; and (iv) A&M's existing mandate as Financial Advisor to Nelson in accordance with its pre-existing engagement letter, including any contingency planning and/or any future mandate as Monitor pursuant to the CCAA or the provision of a Fairness Opinion.

Phase 2

To be billed at the standard hourly rates for those A&M professionals involved (the "Phase 2 Fee"), subject to any other arrangements agreed upon among Nelson, the lenders and A&M.

Plus a Transaction completion fee (the "Transaction Fee") determined as follows:

- a. For any proceeds in excess of US\$275 million, a fee equal to 2% of the difference between Aggregate Sale Consideration and US\$275 million.
- b. For greater certainty, no Transaction Fee will be payable in the event of a completed lender credit bid.

Current hourly rates are as follows:

	Standard Hourly Rate
Managing Director	\$775
Senior Director	\$650
Director	\$550
Senior Associate	\$400
Analyst	\$275

All fees are payable in Canadian dollars and are subject to applicable taxes. In addition to the fees, A&M shall be reimbursed for all reasonable and documented out-of-pocket expenses. All fees and expenses will be documented and billed on a bi-weekly basis and payable within 15 days of receipt of invoice by the Company.

For purposes of this agreement, the term "Aggregate Sale Consideration" shall mean the total fair market value (at the time of closing) of all consideration (including, without duplication, cash, debt or equity securities, dividends, extraordinary bonuses to stockholders, property or otherwise) paid, payable or to become payable, or otherwise to be distributed, directly or indirectly, to the Company, the Company's

Business Unit or the Company's stockholders, plus all indebtedness assumed by the purchaser of assets of the Company and / or any Business Unit or from which the Company or any Business Unit is relieved in connection with a Sale Transaction whether by repayment or other refinancing. If any portion of the Aggregate Sale Consideration is payable in the form of securities, the value of such securities, for purposes of calculating our Transaction Fee, will be determined based on the average closing price for such securities for the five trading days prior to the closing of the Transaction. In the case of securities that do not have an existing public market, Aggregate Sale Consideration will be determined based on the fair market value of such securities as mutually agreed upon in good faith by the Company and A&M prior to the closing of the Transaction. Fees on amounts paid into escrow will be payable upon the establishment of such escrow. Fees relating to contingent payments other than escrowed amounts will be calculated based on the present value of the reasonably expected amount of such contingent payments as determined in good faith by the Company and A&M prior to the closing of the Transaction, utilizing a discount rate equal to the prime rate published in The Wall Street Journal on the last business day preceding the closing of the Transaction. Should the Company and A&M not agree on any of the foregoing values 10 business days' prior to the closing of the Transaction, then the value shall be determined by a mutually selected independent accountant, whose fees shall be borne equally by each of the Company and A&M.

The Transaction Fee shall be earned and payable upon the closing of any Transaction. In addition, if this Agreement is terminated for any reason, and the Company consummates, or enters into an agreement in principle to engage in (and which subsequently closes), a Transaction within 24 months after the termination of this Agreement, then the Transaction Fee shall be payable upon the closing of any such transaction as if no termination had occurred.

You agree that prior to the closing of the Transaction; you will provide your legal counsel with a letter of direction of the Aggregate Sale Consideration to satisfy full payment of A&M's Transaction Fee immediately upon closing of the Transaction.

5. Term

- i. This Agreement will apply from the commencement of the services referred to in Section 1 and may be terminated with immediate effect by either party without cause upon written notice to the other party.
- ii. A&M normally does not withdraw from an engagement unless the Company misrepresents or fails to disclose material facts, fails to pay fees or expenses, or makes it unethical or unreasonably difficult for A&M to continue performance of this Engagement, or other just cause exists.
- iii. On termination of the Agreement, any fees and expenses earned and due to A&M shall be remitted promptly (including permitted fees and/or expenses that accrued prior to but are invoiced within thirty (30) days of such termination).
- iiii. The provisions of Sections 7, 9, 10 and 11 of this Agreement that give the parties rights or obligations beyond its termination shall survive and continue to bind the parties.

6. Relationship of the Parties

The parties intend that an independent contractor relationship will be created by this Agreement in order to provide the services described above to the Company. Neither A&M nor any of its personnel is acting as a fiduciary of the Company in connection with this Engagement. Furthermore, neither A&M nor any of its personnel or agents is to be considered an employee or agent of the Company and the personnel of A&M are not entitled to any of the benefits that the Company provides for the Company's employees.

7. No Third Party Beneficiary

The Company acknowledges that all advice (written or oral) provided by A&M to the Company in connection with this Engagement is intended solely for the benefit and use of the Company in considering the matters to which this Engagement relates. The Company agrees that no such advice shall be used for any other

purpose or reproduced, disseminated, quoted or referred to at any time in any manner or for any purpose other than accomplishing the tasks referred to herein without A&M's prior approval (which shall not be unreasonably withheld), except as required by law.

8. Conflicts

In addition to the prior restructuring services of which you are aware, an A&M affiliate is currently providing certain financial advisory and financial management services to Cengage Learning, Inc., and its subsidiaries (collectively, "Cengage"). Notwithstanding anything herein which may be construed to the contrary, the Company hereby consents to, and waives any conflict of interest that may exist or arise in connection with such engagement by Cengage.

Other than the relationship between A&M's US affiliates and Cengage (as described above), A&M is not currently aware of any relationship that would create a conflict of interest with the Company or those parties-in-interest of which you have made us aware and A&M will notify the Company of any relationship which it determines creates a conflict of interest with the Company. Because A&M and its affiliates and subsidiaries comprise a consulting firm (the "Firm") that serves clients on a global basis in numerous cases, both in and out of court, it is possible that the Firm may have rendered or will render services to or have business associations with other entities or people which had or have or may have relationships with the Company, including creditors or other stakeholders of the Company. The Firm will not provide services to other entities or individuals in matters directly related to this Engagement, however, other than the foregoing and as set forth in Section 1, the Firm will not be prevented or restricted by virtue of providing the services under this Agreement from providing services to other entities or individuals, including entities or individuals whose interests may be in competition or conflict with the Company's, provided the Firm shall institute a formal information screen between both the A&M team acting in connection with this Engagement and such A&M affiliate providing services to entities or individuals whose interests may be in competition or conflict with the Company's, designed to prevent, among other things, the communication or sharing of information regarding the Company and Cengage between the respective teams

To maintain independence and confidentiality A&M has instituted a formal information screen between both the A&M team acting in connection with this Engagement and the A&M affiliate US team acting in connection with the Cengage engagement designed to prevent, among other things, the communication or sharing of information regarding the Company and Cengage between the respective teams.

9. Confidentiality

The Confidentiality and Non-Disclosure Agreement ("NDA"), executed concurrently with our March 28, 2013 engagement letter to provide consulting services to the Company between the Company and A&M is incorporated by reference herein and made a part of this agreement; provided, however notwithstanding the terms of the NDA, should A&M's scope require the interaction with Company constituencies and third parties (i.e. lenders, creditors, advisors, customers, potential investors/purchasers), to the extent consistent with the scope of the Company's or Management's directed mandate to A&M personnel, A&M may disclose confidential information in such interactions if, in the good faith and judgment of the related A&M personnel, such disclosure is (a) reasonably required to further A&M's services on behalf of the Company pursuant to this Agreement, (b) not in contravention of consistent directions by Management and the Company board and (c) in the best interest of the Company.

The Company, on behalf of itself and its subsidiaries and controlled affiliates and any person which may acquire all or substantially all of its assets agrees that, until two (2) years subsequent to the termination of this Engagement, no persons involved in or familiar with this Engagement employed by the Company or its subsidiaries or controlled affiliates will, on behalf of the Company or its subsidiaries or controlled affiliates, solicit or recruit or otherwise refer for hire or other engagement any employee of A&M or any of its affiliates who worked on this engagement while employed by A&M or its affiliates ("Solicited Person"). Should the preceding sentence be violated and should the Company or any of its subsidiaries or controlled affiliates or any person who acquires all or substantially all of its assets extend an offer of employment to or otherwise engage the related Solicited Person, then still employed by A&M or having been employed within six (6) months of such offer of employment or the related solicitation therefor, with respect to which such violation

occurred and should such offer be accepted, A&M shall be entitled to a fee from the party extending such offer equal to the Solicited Person's hourly client billing rate at the time of the offer multiplied by 4,000 hours for a Managing Director, 3,000 hours for a Senior Director and 2,000 hours for any other A&M employee. The Company acknowledges and agrees that this fee fairly represents the loss that A&M will suffer if the Company breaches this provision. The fee shall be payable at the time of the Solicited Person's acceptance of employment or engagement.

10. Indemnification

The attached Indemnification Agreement, by and between A&M and the Company (the "Indemnification Agreement") which shall be executed concurrently with the Agreement is incorporated herein by reference. The Indemnification Agreement shall remain in full force and effect with respect to events occurring prior to such termination, where applicable.

As to the services the Company has requested and A&M has agreed to provide as set forth in this Agreement, the total aggregate liability of A&M under this Agreement to the Company and its successors and assigns, shall be limited to the actual damages incurred by the Company or its successors or assigns, respectively. In no event will A&M or any of its affiliates be liable to the Company or their successors or assigns for consequential, special or punitive damages, including loss of profit, data, business or goodwill. In no event shall the total aggregate liability of A&M under this Agreement to the Company and their successors and assigns exceed the total amount of fees received and retained by A&M hereunder.

11. Miscellaneous

No waiver, amendment or other modification of this agreement shall be effective unless in writing and signed by each party to be bound thereby. This Agreement (together with the attached indemnity and limitation on liability provisions), including, without limitation, the construction and interpretation of thereof and all claims, controversies and disputes arising under or relating thereto: (a) shall be governed and construed in accordance with the laws of the Province of Ontario applicable therein without giving effect to such province's rules concerning conflicts of laws that might provide for any other choice of law; (b) incorporates the entire understanding of the parties with respect to the subject matter hereof; (c) may not be amended or modified except in writing executed by each of the parties hereto; (d) may be executed by facsimile and email and in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement; and (e) may not be assigned nor may the obligations of a party hereunder be delegated without the prior written consent of the other party hereto. The obligations of this agreement shall be binding upon and shall only inure to the benefit of the parties hereto, the Indemnified Parties (as defined in the Indemnification Agreement) and any of their successors, permitted assigns, heirs and personal representatives. Each of the Company and A&M agrees to waive trial by jury in any action, proceeding or counterclaim brought by or on behalf of the parties hereto with respect to any matter relating to or arising out of the engagement or the performance or non-performance of A&M hereunder. This Agreement shall be binding upon A&M and the Company, their respective successors, and assignees, and any successor, or assignee of a substantial portion of A&M's or the Company's respective businesses and/or assets, including any Chapter 11 Trustee.

The Company agrees that A&M may, at A&M's expense and with the advance written consent of the Company, after the completion of the engagement place announcements and advertisements or otherwise publicize the engagement and A&M's role in it (which may include the reproduction of the Company's corporate logo), provided that the terms are not disclosed. A&M will provide the Company a draft of any contemplated announcement prior to its publication and make all modifications to such announcement as requested by the Company. Furthermore, if requested by A&M, the Company may include a mutually acceptable reference to A&M in any press release or other public announcement made by the Company regarding the matters described in this letter.

The invalidity or unenforceability of any provision in this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect pursuant to the terms hereof.

Each party hereto represents that it has the requisite power and authority to enter into this Agreement, that this Agreement has been duly and validly authorized by all necessary action by it and has been duly executed and delivered by it and constitutes a legal, valid and binding agreement of it, enforceable in accordance with its terms.

This Agreement sets forth the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels any prior communications, understandings and agreements between the parties relating to the subject matter hereof.

Notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be mailed or delivered: (a) if to the Company, at its offices at 1120 Birchmount Road Scarborough, ON M1K 5G4 Canada, Attention: Greg Nordal; and (b) if to A&M, at its offices at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2900, P.O. Box 22, Toronto, ON M5J 2J1, Attention: Dean Mullett.

This Agreement may be signed in one or more counterparts (by original or facsimile signature), and each of which, when so executed, shall be deemed to be an original, and such counterparts together shall constitute one in the same instrument. A signed facsimile counterpart of this Agreement or any amendment to or modifications thereto shall have the same effect as a signed original.

If the foregoing is acceptable to you, kindly sign the enclosed copy to acknowledge your agreement with its terms and return an executed copy of this agreement, whereupon, after execution by A&M, it shall become a binding agreement between the parties hereto. A telecopy of a signed original of this Agreement shall be sufficient to bind the parties whose signatures appear hereon.

Very truly yours,

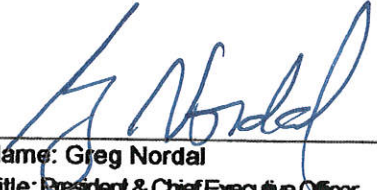
ALVAREZ & MARSAL CANADA SECURITIES ULC


By: 
 Name: Dean Mullett
 Title: Managing Director

By: 
 Name: Adam Zalev
 Title: Senior Director

Accepted and agreed to as of the date first written above:

NELSON EDUCATION LTD.

By: 
 Name: Greg Nordal
 Title: President & Chief Executive Officer

By: 
 Name: Michael Andrews
 Title: Senior Vice President & Chief Financial Officer

INDEMNIFICATION AGREEMENT

This indemnification agreement (the "Indemnification Agreement") is made part of an agreement, dated September 5, 2014, (which, together with any renewals, modifications or extensions thereof, is herein referred to as the "Agreement") by and between Alvarez & Marsal Canada Securities ULC ("A&M") and Nelson Education Ltd. and its subsidiaries (collectively, the "Company") for services to be rendered to the Company by A&M.

Indemnity Provisions

- A. The Company agrees to indemnify and hold harmless each of A&M, its affiliates and their respective members, managers, employees, agents and representatives (each, an "Indemnified Party" and collectively, the "Indemnified Parties") against any and all losses, claims, damages, liabilities, penalties, obligations and expenses (collectively, "Losses"), including, without limitation, the reasonable costs for counsel or other professionals in investigating, preparing or defending any action or claim (other than with respect to a dispute initiated with a claim by A&M), whether or not in connection with litigation in which any Indemnified Party is a party, as and when incurred (subject to paragraph C below) based upon or arising out of or relating to (directly or indirectly) the Indemnified Parties' acceptance of or the performance or nonperformance of the obligations under the Agreement; provided, however, such indemnity shall not apply to any such Loss to the extent it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted from such Indemnified Party's gross negligence, bad faith or willful misconduct. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the engagement of A&M, except to the extent that any such liability for losses, claims, damages, liabilities or expenses that are found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted from such Indemnified Party's gross negligence, bad faith or willful misconduct.
- B. These indemnification provisions shall be in addition to any liability which the Company may otherwise have to the Indemnified Parties. In the event that, at any time whether before or after termination of the engagement or the Agreement, as a result of or in connection with the Agreement or A&M's and its personnel's role under the Agreement, A&M or any Indemnified Party is required to produce any of its personnel (including former employees) for examination, deposition or other written, recorded or oral presentation, or A&M or any of its personnel (including former employees) or any other Indemnified Party is required to produce or otherwise review, compile, submit, duplicate, search for, organize or report on any material within such Indemnified Party's possession or control pursuant to a subpoena or other legal (including administrative) process, the Company will reimburse the Indemnified Party for its out of pocket expenses, including the reasonable fees and expenses of its counsel.
- C. Promptly after receipt by an Indemnified Party of notice of the commencement of any action, claim, proceeding or investigation for which a claim of indemnification will be made hereunder, such Indemnified Party will notify the Company in writing of the commencement thereof; provided the failure so to notify you (i) will not relieve the Company from liability hereunder unless and to the extent such failure results in prejudice or the forfeiture by the Company of substantial rights or defenses and (ii) will not, in any event, relieve the Company from any obligations to any Indemnified Party other than as provided herein. The Company shall be entitled to appoint counsel (including local counsel) of its choice at its expense to represent the Indemnified Party in any action for which indemnification is sought (in which case the Company shall not thereafter be responsible for the fees and expenses of any separate counsel, other than local counsel if not appointed by the Company, retained by the Indemnified Party except as set forth below); provided however, that such counsel shall be reasonably satisfactory to the Indemnified Party. Notwithstanding the Company's election to appoint counsel (including local counsel) to represent the Indemnified Party in any action, the Indemnified Party shall have the right to employ separate counsel (including local counsel), and the Company shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Company to represent the Indemnified Party would present such counsel with a conflict of interest (based on the advice of counsel to the Indemnified Party); (ii) such action includes both the Indemnified Party and the Company, and the Indemnified Party shall have reasonably concluded (based on the advice of counsel to the Indemnified Party), that there may be legal defenses available to it and/or other Indemnified Party that are different from or additional to those available to the

Company; (iii) the Company shall not have employed counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party within a reasonable time after notice of the institution of such action; or (iv) the Company shall authorize the Indemnified Party to employ separate counsel at the Company's expense. It is understood and agreed that the Company shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Parties.

- D. In order to provide for just and equitable contribution if a claim for indemnification pursuant to these indemnification provisions is made but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification may not be enforced in such case, even though the express provisions hereof provide for indemnification, then the relative fault of the Company, on the one hand, and the Indemnified Parties, on the other hand, in connection with the statements, acts or omissions which resulted in the Losses giving rise to the indemnification claim and other relevant equitable considerations shall be considered; and further provided that in no event will the Indemnified Parties' aggregate contribution for all Losses with respect to which contribution is available hereunder exceed the amount of fees actually received by the Indemnified Parties pursuant to the Agreement. No person found liable for a fraudulent misrepresentation shall be entitled to contribution hereunder from any person who is not also found liable for such fraudulent misrepresentation.
- E. In the event the Company and A&M seek judicial approval for the assumption of the Agreement or authorization to enter into a new engagement agreement pursuant to either of which A&M would continue to be engaged by the Company, the Company shall promptly pay expenses reasonably incurred by the Indemnified Parties, including attorneys' fees and expenses, in connection with any motion, action or claim made either in support of or in opposition to any such retention or authorization, whether in advance of or following any judicial disposition of such motion, action or claim, promptly upon submission of invoices therefor and regardless of whether such retention or authorization is approved by any court. The Company will also promptly pay the Indemnified Parties for any expenses reasonably incurred by them, including attorneys' fees and expenses, in seeking payment of all amounts owed it under the Agreement (or any new engagement agreement) whether through submission of a fee application or in any other manner, without offset, recoupment or counterclaim, whether as a secured claim, an administrative expense claim, an unsecured claim, a prepetition claim or a postpetition claim.
- F. Neither termination of the Agreement nor termination of A&M's engagement nor the filing of a petition or application under the Companies' Creditors Arrangement Act or Bankruptcy and Insolvency Act (Canada) (nor the conversion of an existing case to a different form of proceeding, including a receivership) shall affect these indemnification provisions, which shall hereafter remain operative and in full force and effect.

The rights provided herein shall not be deemed exclusive of any other rights to which the Indemnified Parties may be entitled under the certificate of incorporation or bylaws of the Company, any other agreements, any vote of stockholders or disinterested directors of the Company, any applicable law or otherwise.

ALVAREZ & MARSAL CANADA SECURITIES ULC

By:

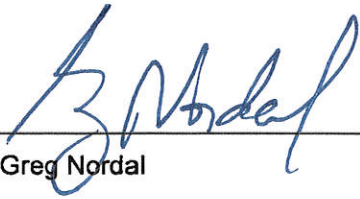
Name: Dean Mullett
Title: Managing Director

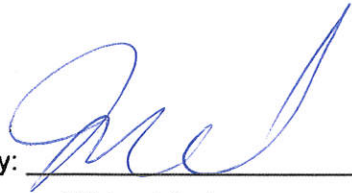
By:

Name: Adam Zalev
Title: Senior Direct

AGREED TO:

NELSON EDUCATION LTD., on behalf of
itself and its affiliates

By: 
Name: Greg Nordal

By: 
Name: Michael Andrews

Appendix F



May 7, 2013

Nelson Education Ltd.
 1120 Birchmount Road
 Scarborough, Ontario
 M1K 5G4

Attention: Mr. Greg Nordal

INVOICE
Nelson Education Ltd. (the “Company”)

For professional services rendered in connection with engagement as Financial Advisor to the Company for the period to April 30, 2013.

Our Fee		\$175,000.00
Add: Out of pocket expenses including:		
Mileage	\$1,267.07	
Telephone	292.78	
Parking	<u>95.00</u>	<u>1,654.85</u>
		\$176,654.85
Add: HST @ 13%*		<u>22,657.41</u>
TOTAL INVOICE		<u>\$199,312.26</u>

**Excludes HST exempt out of pocket expenses*

Mail Instructions:

Alvarez & Marsal Canada ULC
 Attn: A. Singels-Ludvik
 Royal Bank Plaza, South Tower
 200 Bay Street, Suite 2900
 P.O. Box 22
 Toronto, ON M5J 2J1

Wire Instructions:

Bank: TD Canada Trust
 Account Name: Alvarez & Marsal Canada Securities ULC
 Swiftcode: TDOMCATTOR
 Bank Address: 55 King Street West
 Toronto, ON
 Bank Transit #: 10202
 Institution #: 0004
 Account #: 5410766
 Reference #: Nelson – Inv #1 (89895)
 HST: 83486 3367 RT0001



May 7, 2013

Nelson Education Ltd.
1120 Birchmount Road
Scarborough, Ontario
M1K 5G4

Attention: Mr. Greg Nordal

INVOICE
Nelson Education Ltd. (the "Company")

For professional services rendered in our capacity as Financial Advisor to the Company for the period May 1 to 4, 2013.

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
D. Mullett, Managing Director	9.5	\$775	\$7,362.50
A. Zalev, Senior Director	26.5	650	17,225.00
E. Allin, Director	37.0	550	20,350.00
J. Belcher, Director	33.5	550	18,425.00
C. Kroach, Analyst	26.5	275	7,287.50
	<u>133.0</u>		<u>\$70,650.00</u>
Add: Out of pocket expenses - mileage			95.26
			<u>\$70,745.26</u>
Add: HST @ 13%*			9,184.50
			<u>\$79,929.76</u>

TOTAL INVOICE

**Excludes HST exempt out of pocket expenses*

Mail Instructions:

Alvarez & Marsal Canada ULC
Attn: A. Singels-Ludvik
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
P.O. Box 22
Toronto, ON M5J 2J1

Wire Instructions:

Bank: TD Canada Trust
Account Name: Alvarez & Marsal Canada Securities ULC
Swiftcode: TDOMCATTOR
Bank Address: 55 King Street West
Toronto, ON
Bank Transit #: 10202
Institution #: 0004
Account #: 5410766
Reference #: Nelson – Inv #2 (89895)
HST: 83486 3367 RT0001

NELSON EDUCATION LTD.

**HOURS BY PERSON, BY DAY
FOR THE PERIOD MAY 1 TO 4, 2013**

Date	D. Mullett	A. Zalev	E. Allin	J. Belcher	C. Kroach	Total
1-May	6.5	10.0	12.0	12.5	8.5	49.5
2-May	0.5	4.5	11.0	9.0	9.5	34.5
3-May	1.0	8.0	9.0	6.5	8.5	33.0
4-May	1.5	4.0	5.0	5.5	-	16.0
Total	9.5	26.5	37.0	33.5	26.5	133.0



September 10, 2013

Nelson Education Ltd.
1120 Birchmount Road
Scarborough, Ontario
M1K 5G4

Attention: Mr. Greg Nordal

INVOICE
Nelson Education Ltd. (the "Company")

For professional services rendered in our capacity as Financial Advisor to the Company for the period September 1 to 7, 2013.

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
D. Mullett, Managing Director	15.5	\$775	\$12,012.50
A. Zalev, Senior Director	32.0	650	20,800.00
E. Allin, Director	34.0	550	18,700.00
J. Belcher, Director	33.5	550	18,425.00
C. Kroach, Analyst	13.0	275	3,575.00
	128.0		\$73,512.50
Add: Out of pocket expenses			3,364.71
			\$76,877.21
Add: HST @ 13% *			9,831.96
TOTAL INVOICE			\$86,709.17

**Excludes HST exempt out of pocket expenses*

Mail Instructions:

Alvarez & Marsal Canada ULC
Attn: A. Singels-Ludvik
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
P.O. Box 22
Toronto, ON M5J 2J1

Wire Instructions:

Bank: TD Canada Trust
Account Name: Alvarez & Marsal Canada Securities ULC
Swiftcode: TDOMCATTTOR
Bank Address: 55 King Street West
Toronto, ON
Bank Transit #: 10202
Institution #: 0004
Account #: 5410766
Reference #: Nelson -- Inv #20 (89895A)
HST: 84041 8404 RT0001

NELSON EDUCATION LTD.

**HOURS BY PERSON, BY DAY
FOR THE PERIOD SEPTEMBER 1 TO 7, 2013**

Date	D. Mullett	A. Zalev	E. Allin	J. Belcher	C. Kroach	Total
1-Sep	0.5	1.0	-	-	-	1.5
2-Sep	1.5	2.5	-	-	-	4.0
3-Sep	4.5	11.5	9.0	8.5	-	33.5
4-Sep	3.5	12.0	9.0	9.0	7.5	41.0
5-Sep	4.5	2.5	10.0	10.0	-	27.0
6-Sep	1.0	2.5	6.0	6.0	5.5	21.0
7-Sep	-	-	-	-	-	-
Total	15.5	32.0	34.0	33.5	13.0	128.0



October 3, 2014

Nelson Education Ltd.
1120 Birchmount Road
Scarborough, Ontario
M1K 5G4

Attention: Mr. Greg Nordal

Nelson Education Ltd. (the “Company”)

INVOICE (89895A, C and D) - #48A

For professional services rendered in our capacity as Financial Advisor to the Company for the period July 27 to August 31, 2014.

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
<u>Financing:</u>			
D. Mullett, Managing Director	88.0	\$775	\$68,200.00
A. Zaley, Senior Director	100.5	650	65,325.00
J. Belcher, Director	111.5	550	61,325.00
C. Kroach, Analyst	111.5	275	30,662.50
	<u>411.5</u>		<u>\$225,512.50</u>
<u>Contingency Planning:</u>			
A. Hutchens, Managing Director	8.2	\$725	\$5,945.00
G. Karpel, Director	17.0	550	9,350.00
	<u>25.2</u>		<u>\$15,295.00</u>

Continued next page ...

Mail Instructions:

Alvarez & Marsal Canada ULC
Attn: A. Singels-Ludvik
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
P.O. Box 22
Toronto, ON M5J 2J1

Wire Instructions:

Bank: TD Canada Trust
Account Name: Alvarez & Marsal Canada Securities ULC
Swiftcode: TDOMCATTOR
Bank Address: 55 King Street West
Toronto, ON
Bank Transit #: 10202
Institution #: 0004
Account #: 5410766
Reference #: Nelson – (89895A, C and D) Inv #48A
HST: 84041 8404 RT0001

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
<u>M&A:</u>			
J. Belcher, Director	18.0	\$550	\$9,900.00
C. Kroach, Analyst	29.0	\$275	7,975.00
	<u>47.0</u>		<u>\$17,875.00</u>
 Total before out of pocket expenses	 <u>483.7</u>		 <u>\$258,682.50</u>
 Add: Out of pocket expenses including airfare, telephone costs, mileage and printing costs.			 <u>3,023.01</u>
			<u>\$261,705.51</u>
Add: HST @ 13% *			<u>33,916.21</u>
TOTAL INVOICE			<u>\$295,621.72</u>

**Excludes HST exempt out of pocket expenses*





October 3, 2014

Nelson Education Ltd.
 1120 Birchmount Road
 Scarborough, Ontario
 M1K 5G4

Attention: Mr. Greg Nordal

Nelson Education Ltd. (the “Company”)

INVOICE (89895A, C and D) - #48B

For professional services rendered in our capacity as Financial Advisor to the Company for the period September 1 to 27, 2014.

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
<u>Financing:</u>			
D. Mullett, Managing Director	56.5	\$775	\$43,787.50
A. Zalev, Senior Director	96.8	650	62,920.00
H. Rowan-Legg, Senior Director	3.5	650	2,275.00
J. Belcher, Director	103.5	550	56,925.00
G. Karpel, Director	7.0	550	3,850.00
C. Kroach, Analyst	91.5	275	25,162.50
	<u>358.8</u>		<u>\$194,920.00</u>
<u>Contingency Planning:</u>			
A. Hutchens, Managing Director	2.3	\$725	\$1,667.50
G. Karpel, Director	23.2	550	12,760.00
	<u>25.5</u>		<u>\$14,427.50</u>

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Mail Instructions:

Alvarez & Marsal Canada ULC
 Attn: A. Singels-Ludvik
 Royal Bank Plaza, South Tower
 200 Bay Street, Suite 2900
 P.O. Box 22
 Toronto, ON M5J 2J1

Wire Instructions:

Bank: TD Canada Trust
 Account Name: Alvarez & Marsal Canada Securities ULC
 Swiftcode: TDOMCATTOR
 Bank Address: 55 King Street West
 Toronto, ON
 Bank Transit #: 10202
 Institution #: 0004
 Account #: 5410766
 Reference #: Nelson – (89895A, C and D) Inv #48B
 HST: 84041 8404 RT0001

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
<u>M&A:</u>			
D. Mullett, Managing Director	22.5	\$775	\$17,437.50
A.Zalev, Senior Director	52.0	\$650	33,800.00
G. Karpel, Director	18.0	\$550	9,900.00
J. Belcher, Director	70.5	\$550	38,775.00
S. Glustein, Associate	4.5	\$325	1,462.50
C. Kroach, Analyst	80.0	\$275	22,000.00
	<u>247.5</u>		<u>\$123,375.00</u>
 Total before out of pocket expenses	 <u>631.8</u>		 <u>\$332,722.50</u>
 Add: Out of pocket expense (printing)			 <u>128.00</u>
			<u>\$332,850.50</u>
Add: HST @ 13%			<u>43,270.56</u>
TOTAL INVOICE			<u>\$376,121.06</u>





November 12, 2014

Nelson Education Ltd.
1120 Birchmount Road
Scarborough, Ontario
M1K 5G4

Attention: Mr. Greg Nordal

Nelson Education Ltd. (the "Company")

INVOICE (89895A, C and D) - #51

For professional services rendered in our capacity as Financial Advisor to the Company for the period October 26 to November 8, 2014.

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
<u>Financing:</u>			
D. Mullett, Managing Director	10.5	\$775	\$8,137.50
A. Zalev, Senior Director	41.5	\$650	26,975.00
J. Belcher, Director	10.0	\$550	5,500.00
C. Kroach, Analyst	32.0	\$275	8,800.00
	94.0		\$49,412.50
<u>Contingency Planning:</u>			
G. Karpel, Director	4.0	\$550	\$2,200.00
Subtotal for Financing and Contingency Planning	98.0		\$51,612.50

Continued next page ...

Mail Instructions:

Alvarez & Marsal Canada ULC
Attn: A. Singels-Ludvik
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
P.O. Box 22
Toronto, ON M5J 2J1

Wire Instructions:

Bank: TD Canada Trust
Account Name: Alvarez & Marsal Canada Securities ULC
Swiftcode: TDOMCATTOR
Bank Address: 55 King Street West
Toronto, ON
Bank Transit #: 10202
Institution #: 0004
Account #: 5410766
Reference #: Nelson - (89895A, C and D) Inv #51
HST: 84041 8404 RT0001

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
<u>M&A:</u>			
D. Mullett, Managing Director	20.0	\$775	\$15,500.00
A. Zalev, Senior Director	47.5	\$650	30,875.00
G. Karpel, Director	4.0	\$550	2,200.00
J. Belcher, Director	38.0	\$550	20,900.00
S. Glustein, Associate	12.0	\$325	3,900.00
C. Kroach, Analyst	37.5	\$275	10,312.50
	<u>159.0</u>		<u>\$83,687.50</u>
	<u>257.0</u>		
Invoice #48 – Total M&A Fee \$ (July 27 to Sept 27/14)			\$141,250.00
Invoice #49 – Total M&A Fee \$ (Sept 28 to Oct 11/14)			<u>8,750.00</u>
Total M&A Billed and Paid to Oct 11/14 – Phase 1	Capped @		<u>\$150,000.00</u>
Total M&A Fees Incurred up to Nov 8/14			<u>\$377,135.00</u>
Net Amount Outstanding			<u>\$227,135.00</u>
Total M&A Amount Billed – Inv #51			<u>NIL</u>
Total before out of pocket expenses			<u>\$51,612.50</u>
Add: Out of pocket expenses			183.60
			\$51,796.10
Add: HST @ 13%			<u>6,733.49</u>
TOTAL INVOICE			<u>\$58,529.59</u>



NELSON EDUCATION LTD.

HOURS BY PERSON, BY DAY
FOR THE PERIOD OCTOBER 26 TO NOVEMBER 8, 2014

Date	Financing (89895A)					Contingency Planning (89895C)			M&A (89895D)						TOTAL HOURS	
	D. Mullett	A. Zalev	J. Belcher	C. Kroach	Total	A. Hutchens	G. Karpel	Total	D. Mullett	A. Zalev	G. Karpel	J. Belcher	S. Glustein	C. Kroach		Total
26-Oct	-	1.0	-	-	1.0	-	-	-	-	0.5	-	-	-	-	0.5	1.5
27-Oct	1.0	4.5	0.5	2.0	8.0	-	-	-	1.5	4.0	1.0	4.0	3.0	6.0	19.5	27.5
28-Oct	1.0	4.0	1.5	2.0	8.5	-	1.0	1.0	1.5	5.0	0.5	3.0	1.0	5.0	16.0	25.5
29-Oct	1.0	5.0	1.5	4.0	11.5	-	-	-	1.5	5.0	0.5	3.0	1.0	5.0	16.0	27.5
30-Oct	1.0	3.5	1.0	5.0	10.5	-	-	-	1.5	4.5	0.5	4.0	1.0	4.0	15.5	26.0
31-Oct	1.5	3.5	1.0	3.0	9.0	-	1.0	1.0	2.0	3.5	-	3.0	-	3.0	11.5	21.5
1-Nov	-	0.5	-	-	0.5	-	-	-	-	0.5	-	-	-	-	0.5	1.0
2-Nov	0.5	0.5	-	-	1.0	-	-	-	-	1.0	-	-	-	-	1.0	2.0
3-Nov	1.0	3.5	0.5	3.0	8.0	-	-	-	1.5	4.5	-	4.0	1.0	5.0	16.0	24.0
4-Nov	1.0	4.0	0.5	6.0	11.5	-	-	-	1.5	5.0	0.5	4.0	1.0	3.0	15.0	26.5
5-Nov	1.0	3.5	1.5	4.0	10.0	-	0.5	0.5	1.5	6.0	0.5	3.0	1.0	3.0	15.0	25.5
6-Nov	1.0	5.0	1.0	1.5	8.5	-	-	-	1.5	3.0	-	4.0	2.0	2.0	12.5	21.0
7-Nov	0.5	3.0	1.0	1.5	6.0	-	1.5	1.5	4.0	5.0	0.5	6.0	1.0	1.5	18.0	25.5
8-Nov	-	-	-	-	-	-	-	-	2.0	-	-	-	-	-	2.0	2.0
Total	10.5	41.5	10.0	32.0	94.0	-	4.0	4.0	20.0	47.5	4.0	38.0	12.0	37.5	159.0	257.0



May 11, 2015

Nelson Education Ltd.
1120 Birchmount Road
Scarborough, Ontario
M1K 5G4

Attention: Mr. Greg Nordal

Nelson Education Ltd. (the "Company")

INVOICE (89895A & C) - #60

For professional services rendered in our capacity as Financial Advisor to the Company for the period May 3 to 9, 2015.

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
<u>Financing:</u>			
D. Mullett, Managing Director	8.0	\$775	\$6,200.00
A. Zalev, Senior Director	8.2	\$650	5,330.00
J. Belcher, Director	2.0	\$550	1,100.00
C. Kroach, Associate	16.0	\$275	4,400.00
	<hr/> 34.2 <hr/>		<hr/> \$17,030.00 <hr/>
<u>Contingency:</u>			
A. Hutchens, Managing Director	5.5	\$725	\$3,987.50
A. Yandreski, Senior Director	5.5	\$650	3,575.00
G. Karpel, Director	21.0	\$550	11,550.00
	<hr/> 32.0 <hr/>		<hr/> \$19,112.50 <hr/>
	<hr/> 66.2 <hr/>		<hr/> \$36,142.50 <hr/>
Add: HST @ 13%			<hr/> 4,698.53 <hr/>
TOTAL INVOICE			<hr/> \$40,841.03 <hr/>

Mail Instructions:

Alvarez & Marsal Canada ULC
Attn: A. Singels-Ludvik
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
P.O. Box 22
Toronto, ON M5J 2J1

Wire Instructions:

Bank: TD Canada Trust
Account Name: Alvarez & Marsal Canada Securities ULC
Swiftcode: TDOMCATTOR
Bank Address: 55 King Street West
Toronto, ON
Bank Transit #: 10202
Institution #: 0004
Account #: 5410766
Reference #: Nelson -- (89895A & C) Inv #60
HST: 84041 8404 RT0001

NELSON EDUCATION LTD.

HOURS BY PERSON, BY DAY
FOR THE PERIOD MAY 3 to 9, 2015

Date	Financing (89895A)					Contingency				TOTAL HOURS
	D. Mullett	A. Zalev	J. Belcher	C. Kroach	Total	A. Hutchens	A. Yandreski	G. Karpel	Total	
3-May	-	-	-	-	-	-	-	3.5	3.5	3.5
4-May	1.0	1.5	1.0	3.0	6.5	-	1.5	3.0	4.5	11.0
5-May	2.5	1.2	-	3.0	6.7	1.5	1.5	2.5	5.5	12.2
6-May	1.0	1.5	-	4.0	6.5	-	-	2.5	2.5	9.0
7-May	2.5	2.0	-	3.5	8.0	1.0	1.5	4.0	6.5	14.5
8-May	1.0	2.0	1.0	2.5	6.5	3.0	1.0	5.5	9.5	16.0
9-May	-	-	-	-	-	-	-	-	-	-
Total	8.0	8.2	2.0	16.0	34.2	5.5	5.5	21.0	32.0	66.2