

NICHOLAS FINANCIAL INC

Form PRE 14A

June 30, 2005

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**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant ☒ [X]

Filed by a Party other than the Registrant ☐ [ ]

Check the appropriate box:

☒ Preliminary Proxy Statement

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☐ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material under Rule 14a-12

**Nicholas Financial, Inc.**

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**(Name of Registrant as Specified In Its Charter)**

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**NICHOLAS FINANCIAL, INC.  
Building C. #501B  
2454 McMullen Booth Road  
Clearwater, FL 33759-1340  
(727) 726-0763  
NOTICE OF ANNUAL GENERAL MEETING**

To the Shareholders of Nicholas Financial, Inc:

NOTICE IS HEREBY GIVEN that the 2005 Annual General Meeting of the Shareholders (the Meeting ) of Nicholas Financial, Inc. (hereinafter called the Company ) will be held at the Company s Corporate Headquarters, located at 2454 McMullen Booth Road, Clearwater, Florida, on Wednesday August 10, 2005, at the hour of 10:00 AM for the following purposes:

1. to receive the Report of the Directors;
  2. to receive the financial statements of the Company for its fiscal year ended March 31, 2005 and the report of Dixon Hughes PLLC, the Company s Independent Auditors, thereon;
  3. to elect one director to hold office until the 2008 Annual General Meeting of Shareholders or until his successor is duly elected and qualified.
  4. to approve a special resolution to alter the Notice of Articles to remove the application of Pre-existing Company Provisions, as more particularly described in the Proxy Statement and Information Circular accompanying this Notice;
  5. to approve a special resolution to alter the Articles of the Company to a new form of Articles and to alter the Notice of Articles to increase the authorized share structure of the Company to an unlimited number of Common shares without par value and an unlimited number of Preference shares without par value, as more particularly described in the Proxy Statement and Information Circular accompanying this Notice;
  6. to approve the appointment of Dixon Hughes PLLC as the Company s Independent Auditors for the fiscal year ending March 31, 2006; and
  7. to transact such other business as may properly come before the Meeting.
- Accompanying this Notice are a Proxy Statement and Information Circular and Form of Proxy.

Shareholders of record as of the close of business on July 11, 2005 will be entitled to attend and vote at the Meeting, or any adjournment or postponement thereof. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy holder to attend and vote in his stead.

Your vote is important. If you are unable to attend the Meeting (or any adjournment or postponement thereof) in person, please read the Notes accompanying the Form of Proxy enclosed herewith and then complete and return the Proxy within the time set out in the Notes.

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The enclosed Form of Proxy is solicited by the Board of Directors of the Company but, as set out in the Notes accompanying the Form of Proxy, you may amend it if you so desire by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the Meeting.

DATED at Clearwater, Florida, July 13, 2005.

**BY ORDER OF THE BOARD OF DIRECTORS**

Peter L. Vosotas

President

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AS AT AND DATED JULY 13, 2005

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**NICHOLAS FINANCIAL, INC**  
**Building C #501B**  
**2454 McMullen Booth Road**  
**Clearwater, FL 33759**  
**(727) 726-0763**

**PROXY STATEMENT AND INFORMATION CIRCULAR**  
**AS AT AND DATED JULY 13, 2005**

This Proxy Statement and Information Circular accompanies the Notice of the 2005 Annual General Meeting of Shareholders (the Meeting ) of Nicholas Financial, Inc. (hereinafter called the Company ) to be held on Wednesday, August 10, 2005, at 10:00 a.m. (Clearwater, Florida time), at the Company Corporate Headquarters, located at 2454 McMullen Booth Road, Clearwater, Florida, and is being furnished in connection with the solicitation of proxies on behalf of the Board of Directors of the Company for use at that Meeting and at any adjournment thereof.

The Company s Annual Report on Form 10-KSB for the fiscal year ended March 31, 2005 (the Annual Report ), together with this Proxy Statement and Information Circular and the accompanying proxy form ( Proxy ), are first being mailed on or about July 13, 2005 to shareholders entitled to vote at the Meeting.

**REVOCABILITY OF PROXY**

If the accompanying Proxy is completed, signed and returned, the shares represented thereby will be voted at the Meeting. The giving of the Proxy does not affect the right to vote in person should the shareholder be able to attend the Meeting. The shareholder may revoke the Proxy at any time prior to the voting thereof.

In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or his attorney authorized in writing, or if the shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited either at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or, as to any matter in respect of which a vote shall not already have been cast pursuant to such proxy, with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

**PERSONS MAKING THE SOLICITATION**

**THE ENCLOSED PROXY IS BEING SOLICITED BY**  
**THE BOARD OF DIRECTORS OF THE COMPANY**

Solicitations will be made by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The Company may reimburse shareholders nominees or agents (including brokers holding shares on behalf of clients) for the cost incurred in obtaining from their principals

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authorization to execute forms of proxy. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation of proxies on behalf of the Board of Directors will be borne by the Company.

**VOTING SHARES AND OWNERSHIP  
OF MANAGEMENT AND PRINCIPAL HOLDERS**

As of the date of this Proxy Statement and Information Circular, the Company is authorized to issue 50,000,000 Common shares without par value and 5,000,000 Preference shares without par value. As of the close of business on July 11, 2005, the record date for determining shareholders entitled to notice of and to vote at the Meeting, there were issued and outstanding 9,870,531 Common shares and no Preference shares. At a General Meeting of the Company, on a show of hands, every shareholder present in person and entitled to vote shall have one vote, and on a poll, every shareholder present in person or represented by proxy and entitled to vote shall have one vote for each share of which such shareholder is the registered holder. Shares represented by proxy will only be voted on a poll.

The following table sets forth certain information regarding the beneficial ownership of Common shares as of July 11, 2005 regarding (i) each of the Company's directors and the sole nominee for director, (ii) each of the Company's executive officers, (iii) all directors and officers as a group, and (iv) each person known by the Company to beneficially own, directly or indirectly, more than 5% of the outstanding Common shares. Except as otherwise indicated, each of the persons listed below has sole voting and investment power over the shares beneficially owned.

Name	Number of Shares	Percentage Owned
Peter L. Vosotas (1) (2)	1,614,236	16.0%
Stephen Bragin (3) (4)	115,207	1.2
Alton R. Neal (5) (6)	20,000	*
Ralph T. Finkenbrink (7) (8)	101,754	1.0
Scott Fink (9) (10)	5,000	*
Percy Luney (11) (12)	5,000	*
Mahan Family, LLC (13)	543,552	5.5
All directors and officers as a group (6 persons) (14)	1,861,197	18.2

\* Less than 1%

(1) Mr. Vosotas' business address is 2454 McMullen Booth Road, Building C, Clearwater, Florida 33759.

(2) Includes 31,434 shares owned directly by Mr. Vosotas, 1,321,668 held in family trusts over which Mr. Vosotas retains voting and investment power and 36,134 shares held by Mr. Vosotas' spouse. Includes 225,000 shares issuable upon the exercise of outstanding stock options exercisable within 60 days.

(3) Mr. Bragin's business address is 17757 US Highway 19 North, Suite 26, Clearwater, Florida 33764.

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- (4) Includes 32,500 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include 5,000 shares issuable upon the exercise of outstanding stock options which are not exercisable within 60 days.
- (5) Mr. Neal's business address is 100 North Tampa Street, Suite 1800, Tampa, Florida 33602.
- (6) Includes 5,000 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include 2,500 shares issuable upon the exercise of outstanding stock options which are not exercisable within 60 days.
- (7) Mr. Finkenbrink's business address is 2454 McMullen Booth Road, Building C, Clearwater, Florida 33759.
- (8) Includes 90,000 shares issuable upon the exercise of outstanding stock options exercisable within 60 days.
- (9) Mr. Fink's business address is 3936 U.S. Highway 19, New Port Richey, Florida 34652.
- (10) Includes 5,000 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include 2,500 shares issuable upon the exercise of outstanding stock options which are not exercisable within 60 days.
- (11) Mr. Luney's business address is One North Orange Avenue, Orlando, Florida 32801.
- (12) Includes 5,000 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include 2,500 shares issuable upon the exercise of outstanding stock options which are not exercisable within 60 days.
- (13) Mahan Family, LLC, together with Roger Mahan, Gary Mahan, Nancy Ernst, Kenneth Ernst and Mahan Children, LLC, filed a joint Schedule 13D/A on May 18, 2005. As reported in such Schedule 13D/A, Roger Mahan, Nancy Ernst and Gary Mahan are siblings. Kenneth Ernst is the husband of Nancy Ernst. Mahan Family, LLC is a New Jersey limited liability company of which Roger Mahan, Nancy Ernst and Gary Mahan are equity holders and the sole managers. The principal business address of Mahan Family, LLC is Stonehouse Road, P.O. Box 367, Millington, New Jersey. Mahan Children, LLC is a New Jersey limited liability company of which Roger Mahan, Nancy Ernst and Gary Mahan are the sole equity holders and managers. The principal business address of Mahan Children, LLC is Stonehouse Road, P.O. Box 367, Millington, New Jersey. In addition to the 543,552 shares owned by Mahan Family, LLC, (i) Mahan Children, LLC owns 401,646 shares, (ii) Roger Mahan owns 120,000 shares, (iii) a son of Kenneth and Nancy Ernst owns 600 shares and (iv) a son of Gary Mahan owns 600 shares. These shares collectively constitute approximately 10.8% of the Company's outstanding Common shares.
- (14) Includes an aggregate of 362,500 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include an aggregate of 12,500 shares under options which are not exercisable within 60 days.

The Board of Directors has determined that all shareholders of record as of the close of business on July 11, 2005 (the Record Date) will be entitled to receive notice of and to vote at the Meeting. Those shareholders so desiring may be represented by proxy at the Meeting. The Proxy, and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited either at the office of the Registrar and Transfer Agent of the Company, Computershare Trust Company of Canada, 510 Burrard Street, Vancouver, B.C., V6C 3B9 or at the Head Office of the Company at Building C #501B, 2454 McMullen Booth Road, Clearwater, FL 33759-1343 not less than 48 hours, Saturdays and holidays excepted, prior to the time of the holding of the Meeting or any

adjournment thereof.

Votes cast by proxy or in person at the Meeting will be tabulated by the inspector of elections appointed for the Meeting, who will also determine whether a quorum is present for the

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transaction of business. The Company's Articles provide that a quorum is present if two or more shareholders of the Company are present in person (or represented by proxy) holding an aggregate of at least 33-1/3% of the total issued and outstanding shares of the Company as of the Record Date for the Meeting. Abstentions will be counted as shares that are present and entitled to vote for purposes of determining whether a quorum is present. Shares held by nominees for beneficial owners will also be counted for purpose of determining whether a quorum is present if the nominee has the discretion to vote on at least one of the matters presented, even though the nominee may not exercise discretionary voting power with respect to other matters and even though voting instructions have not been received from the beneficial owner (a broker non-vote). Neither abstentions nor broker non-votes are counted in determining whether a proposal has been approved. The vote required for each proposal set forth herein, including the election of directors, is set forth under the discussion herein of such proposal.

Shareholders are urged to indicate their votes in the spaces provided on the Proxy. Proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given therein. Where no instructions are indicated, signed Proxies will be voted FOR each proposal listed in the Notice of the Meeting which are set forth more completely herein. Returning your completed Proxy will not prevent you from voting in person at the Meeting should you be present and wish to do so.

**PROPOSAL 1: ELECTION OF DIRECTORS**

**The Board of Directors recommends the nominee set forth below for election as a Director and urges each shareholder to vote FOR the nominee. Proxies in the accompanying form will be voted at the Meeting, unless authority to do so is withheld, in favor of the election as a Director of the nominee named below.**

The Company's Board of Directors currently consists of six members divided into three classes, with the members of each class serving three-year terms expiring at the third Annual General Meeting of Shareholders after their election. In the event the proposal set forth herein regarding the adoption of new Articles for the Company (Proposal 4) is approved, the Board has determined that the size of the Board will be reduced from six (6) to five (5) members upon the effectiveness of the new Articles. Consequently, only one Director is to be elected at the Meeting, to hold office for a term of three years expiring at the 2008 Annual General Meeting of Shareholders, and until his successor shall have been duly elected and qualified. The Company's Board of Directors, upon the recommendation of the Nominating/Corporate Governance Committee, has nominated Stephen Bragin to stand for reelection as a Director. Mr. Bragin was recommended to the Nominating/Corporate Governance Committee of the Board for election as a Director by the Chief Executive Officer of the Company. (Percy Luney will not stand for reelection at the Meeting but will remain as a Director until the Meeting.) Assuming a quorum is present, the election of Mr. Bragin as a Director requires that a plurality of the total votes present, or represented, and entitled to vote at the Meeting vote in favor of his election. In the event Mr. Bragin is unable to serve, the persons designated as proxies will cast votes for such other person in their discretion as a substitute nominee. The Board of Directors has no reason to believe that the nominee will be unavailable, or if elected, will decline to serve. Mr. Bragin is a resident of the United States. Certain information is set forth below for the nominee for Director, as well as for each Director whose term of office will continue after the Meeting.

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**NOMINEE FOR DIRECTOR TERM TO EXPIRE 2008**

Name	Age	Principal Occupation And Other Information
Stephen Bragin	74	Mr. Bragin has served as a director of the Company since February 10, 1999 and as a director of the Company's two subsidiaries, Nicholas Data Services, Inc. and Nicholas Financial, Inc., since 1987 and 1990, respectively. He has served as Regional Development Director at the University of South Florida as well as other related positions for over five years.

**DIRECTORS CONTINUING IN OFFICE TERM TO EXPIRE 2006**

Name	Age	Principal Occupation And Other Information
Scott Fink	45	Mr. Fink has served as a director of the Company since August 11, 2004. In 2001, Mr. Fink was awarded the Hyundai of New Port Richey, Florida dealership, where he is currently President and Owner. In 1998, Mr. Fink formed S&T Collision Centers, which currently operates out of locations in Clearwater and Brandon, Florida. Prior to 1998, Mr. Fink owned and operated a Toyota and a Mitsubishi Dealership in Clearwater, Florida. Mr. Fink also previously worked for Ford Motor Company in various management positions. Mr. Fink received his Bachelor of Science degree in Accounting from Wagner College, Staten Island, NY.
Alton R. Neal	58	Mr. Neal has served as a director of the Company since May 17, 2000. He has been in the private practice of law since 1975 and has been a partner with the firm of Johnson, Blakely, Pope, Bokor, Ruppel & Burns, Tampa, Florida, since 1999. From 1994 until 1999, he was a partner in the firm of Forlizzo & Neal.

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**DIRECTORS CONTINUING IN OFFICE TERM TO EXPIRE 2007**

Name	Age	Principal Occupation And Other Information
Peter L. Vosotas	63	Mr. Vosotas founded the Company in 1985 and has served as Chairman of the Board, Chief Executive Officer and President of the Company and each of its subsidiaries since inception. Prior to founding the Company, Mr. Vosotas held a variety of Sales and Marketing positions with Ford Motor Company, GTE and AT&T Paradyne Corporation. Mr. Vosotas attended the United States Naval Academy and earned a Bachelor of Science Degree in Electrical Engineering from The University of New Hampshire.
Ralph T. Finkenbrink	44	Mr. Finkenbrink has served as Senior Vice President Finance of the Company since July 1997 and served as Vice President Finance of the Company from 1992 to July 1997. He joined the Company in 1988 and served as Controller of Nicholas Financial and NDS until 1992. Prior to joining the Company, he was a staff accountant for MBI, Inc. from January 1984 to March 1985 and Inventory Control Manager for the Dress Barn, Inc. from March 1985 to December 1987. Mr. Finkenbrink received his Bachelor of Science Degree in Accounting from Mount St. Mary's University in Emmitsburg, Maryland.

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**PROPOSAL 2: APPROVAL OF ALTERATIONS TO COMPANY'S  
NOTICE OF ARTICLES**

**The Board of Directors recommends the approval of the special resolution altering the Notice of Articles to delete the pre-existing company provisions ( PCPs ), and urges each shareholder to vote FOR such proposal. Executed and unmarked proxies in the accompanying form will be voted at the Meeting in favor of such proposal.**

**Overview**

On March 29, 2004, the new British Columbia (Canada) Business Corporations Act ( BCA ) was proclaimed, replacing the pre-existing British Columbia Company Act (the Company Act ). Accordingly, the Company is now subject to the BCA, and no longer governed by the Company Act. The BCA is an updated corporate statute, and is designed to provide greater flexibility and efficiency for British Columbia companies. For example, the new BCA does not impose any British Columbia or Canadian residency requirements on the members of the Board of Directors of the Company.

In accordance with the requirements of the BCA, the Company has filed a transition application with the British Columbian Registrar of Companies, the principal element of which involved replacing the Company's Memorandum with a new form designated a Notice of Articles. The Company filed its transition application as of July 12, 2004.

As a result of the Company having filed its transition application, it may alter its Notice of Articles and adopt a new form of Articles to take advantage of the greater flexibility and efficiency inherent in the BCA, and to make its Articles consistent with the terminology and certain provisions of the BCA.

The Company proposes to alter its Notice of Articles to remove the application of certain provisions prescribed in the BCA called the pre-existing company provisions ( PCPs ). Because there were several provisions under the Company Act which do not exist in the BCA, the legislators created a system pursuant to which certain provisions of the Company Act (namely, the PCPs) survived the enactment of the BCA. The PCPs are statutory provisions intended to preserve the application of certain provisions of the Company Act to companies formed under the Company Act until the shareholders pass a special resolution making them inapplicable. The legislators of the new BCA provided that the removal of such fundamental rights would require the approval of a special majority of the shareholders. Because the Company is a reporting issuer, the only material PCPs that are applicable to the Company are the requirements that:

1. A special resolution be approved by not less than three-quarters (3/4) of the votes cast under the Company Act (as opposed to the two-thirds (2/3) majority applicable under the BCA); and
  2. The Company repurchase or redeem its shares ratably among shareholders.
- Removal of the first of these PCPs will allow a special resolution of the Company to be approved by a two-thirds (2/3) majority vote. While the requirement of a two-thirds (2/3) majority vote to

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approve a special resolution could still impede the ability of a third party to acquire the Company by means of a merger, tender offer, proxy contest or otherwise, the removal of this PCP will reduce, to some extent, the ability of holders of less than a majority of the Company's shares to block any action and, thus, will provide the Company with greater flexibility for future corporate activities. Removal of the second of these PCPs will provide the Company with greater flexibility in terms of effecting share repurchases, whether through a share repurchase program or otherwise. From an individual shareholder's perspective, however, it means that such shareholder will no longer have the right to compel the Company to repurchase or redeem his or her shares on a pro rata basis in the event the Company has determined to effect a share repurchase or redemption. The Company's Board of Directors is not currently considering implementing a share repurchase program or effecting any share repurchases or redemptions, but it could do so in the future. There are no other PCPs applicable to the Company.

## **Special Resolution**

At the Meeting, shareholders will be asked to approve a special resolution altering the Notice of Articles to remove the application of the PCPs. The text of the special resolution to be considered and, if thought fit, approved at the Meeting is as follows:

### *BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:*

1. *The Notice of Articles of the Company be altered to remove the application of the pre-existing company provisions, as provided for in the British Columbia Business Corporations Act, and the Company's Notice of Articles be altered accordingly.*
2. *Any one director or officer of the Company be and is hereby authorized to do all things and execute all instruments necessary or desirable to give effect to this special resolution, including without limitation filing a notice of alteration of the Notice of Articles with the British Columbia Registrar of Companies.*
3. *Notwithstanding that this special resolution has been duly passed by the shareholders of the Company, the directors of the Company be and are hereby authorized and empowered to revoke this resolution at any time prior to the effective date hereof, and to determine not to proceed with the alteration to the Notice of Articles without further approval of the shareholders of the Company.*

## **Vote Required**

Assuming a quorum is present, approval of the foregoing special resolution requires that a special majority of not less than three-quarters (3/4) of the total votes present, or represented, and entitled to vote at the Meeting vote in favor of such proposal. As set out in the text of the special resolution, notwithstanding its approval, the Board of Directors may determine not to proceed with the alteration to the Notice of Articles at any time prior to its effective date.

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**PROPOSAL 3: APPROVAL OF NEW FORM OF ARTICLES**

**The Board of Directors recommends the approval of the special resolution altering the Articles of the Company, and urges each shareholder to vote FOR such proposal. Executed and unmarked proxies in the accompanying form will be voted at the Meeting in favor of such proposal.**

**Overview**

In addition to deleting the PCPs, the Company is proposing to replace its existing Articles in their entirety with a new set of Articles. The new set of Articles (the New Articles ) will make the Company s Articles consistent with the terminology and provisions of the BCA. Most of the changes in the New Articles are minor in nature, and will not affect shareholders or the day-to-day administration of the Company. However, there are several key changes:

1. The Directors will be able to approve a change of name of the Company without the necessity of obtaining shareholder approval.
2. The Directors will be able to increase the authorized capital of the Company, or create one or more classes or series of shares, without the necessity of obtaining shareholder approval.
3. The requirement that the Company purchase or redeem its shares on a pro-rata basis will be deleted.
4. The Company will be able to hold general meetings of the shareholders outside the Province of British Columbia, without special permission each year from the Registrar of Companies.
5. The Company will not be required to publish advance notice of general meetings of shareholders in any local newspapers.

Additionally, as now permitted by the BCA, the Company proposes an amendment to its Notice of Articles (the Notice Amendment ) to increase the Company s authorized share structure to an unlimited number of Common shares without par value and an unlimited number of Preference shares without par value. Of the 50,000,000 Common shares and 5,000,000 Preference shares presently authorized, 9,870,531 Common shares and no Preference shares were issued and outstanding as of the Record Date. The increase in the Company s authorized shares will provide shares for various purposes, including, without limitation: possible future stock splits or stock dividends; issuances from time to time in the event opportunities are presented for the acquisition of other companies; possible future public offerings or private placements; possible adoption of a rights plan; and possible future employee stock option or benefit plans.

The Company s Board of Directors will have the power to determine, with respect to any class or series of Preference shares, the number and designation of shares, the powers, preferences and rights, and the qualifications, limitations or restrictions of the class or series,

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including without limitation the dividend rights, dividend rate, conversion rights, voting rights, redemption rights and terms (including sinking fund provisions), liquidation preferences and other matters. The issuance of Preferred shares could decrease earnings and assets available for distribution to holders of Common shares or adversely affect their rights and powers, including voting rights. The issuance of Preferred shares may have the effect of delaying, deferring or preventing a change in control. Except as otherwise indicated herein, the Company currently has no understandings, agreements, plans or commitments relating to the issuance of additional Common shares or Preference shares.

The New Articles and the Notice Amendment were approved by the Company's Board of Directors on June 30, 2005. The Board of Directors has determined, after giving due consideration to the foregoing, that the adoption of the New Articles and the Notice Amendment would be in the best interests of the Company and its shareholders. If the New Articles and the Notice Amendment are approved by the Company's shareholders, the Company will file with the Registrar of Companies for British Columbia (Canada) a Notice of Alteration, which will set forth the Notice Amendment and the date of these changes. The New Articles and the Notice Amendment will become effective as of the date specified in the Notice of Alteration.

In the event the New Articles and the Notice Amendment are approved by the shareholders and the increase in the Company's authorized shares becomes effective, an unlimited number of Common and/or Preference shares can be issued at such times and for such consideration as the Board of Directors, in its discretion, determines without further shareholder action, except as may be required by applicable law. Since the New Articles do not provide for preemptive rights, shareholders will not have a preferential right to subscribe for their proportionate share of any new issue of shares unless so provided by the Board of Directors. Issuance of any of the proposed additional authorized shares, other than as a pro rata distribution to existing shareholders, would dilute the proportionate voting power of existing shareholders.

The Company does not view the New Articles or the Notice Amendment as part of an "anti-takeover" strategy. The Notice Amendment is not being advanced as a result of any known effort by any party to accumulate shares of the Company's voting Common shares or to obtain control of the Company. Nevertheless, the Notice Amendment might have the effect of discouraging an attempt by another person or entity, through the acquisition of a substantial number of shares of the Company's voting Common shares, to acquire control of the Company with a view to imposing a merger, sale of all or any part of the Company's assets or a similar transaction, since the issuance of new shares could be used to dilute the share ownership of such person or entity. Furthermore, certain corporations have issued preferred shares or warrants or other rights to acquire preferred shares or Common shares to the holders of their Common shares pursuant to rights plans having terms designed to protect against the adverse consequences to shareholders of partial takeovers and front-end loaded two-step takeovers and freezeouts. The purpose of such a rights plan is to ensure that shareholders receive a fair price for their shares in the event of a takeover, by requiring any person who seeks to acquire a significant block of the corporation's stock to obtain a waiver of the rights plan from its board of directors. The Company's Board of Directors is not currently considering adopting a rights plan for the Company, although if it were to do so in the future, the unlimited additional authorized and unissued Common shares and Preference shares contemplated by the Notice Amendment would be available for issuance pursuant thereto.

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A copy of the proposed New Articles of the Company is attached hereto as Appendix A. A copy of the proposed Notice of Alteration will be available for inspection at the Meeting and at the Company's registered office, located at Suite 1750 1185 West Georgia Street, Vancouver, British Columbia, during regular business hours up to the day before the Meeting.

## **Special Resolution**

At the Meeting, shareholders will be asked to approve a special resolution deleting the existing Articles of the Company in their entirety and replacing them with the New Articles. The text of the special resolution to be considered and, if thought fit, approved at the Meeting is as follows:

### *BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:*

- 1. The existing Articles of the Company be deleted in their entirety, and the form of Articles presented to the shareholders at the annual general and special meeting of the Company, a copy of which is attached as Appendix A hereto, be adopted as the Articles of the Company.*
- 2. The Notice of Articles be altered to increase the authorized share structure from 50,000,000 Common shares without par value to an unlimited number of Common shares without par value.*
- 3. The Notice of Articles be altered to increase the authorized share structure from 5,000,000 Preference shares without par value to an unlimited number of Preference shares without par value.*
- 4. Any one director or officer of the Company be and is hereby authorized to do all things and execute all instruments necessary or desirable to give effect to this special resolution, including without limitation delivering a Notice of Alteration to the British Columbia Registrar of Companies.*
- 5. Notwithstanding that this special resolution has been duly passed by the shareholders of the Company, the directors of the Company be and are hereby authorized and empowered to revoke this resolution at any time prior to the effective date hereof, and to determine not to proceed with the alteration of the Articles of the Company without further approval of the shareholders of the Company.*

## **Vote Required**

Assuming a quorum is present, approval of the foregoing special resolution requires that a special majority of not less than three-quarters (3/4) of the total votes present, or represented, and entitled to vote at the Meeting vote in favor of such proposal. As set out in the text of the special resolution, notwithstanding its approval, the board of directors may determine not to proceed with the alteration of the Articles at any time prior to its effective date.

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**PROPOSAL 4: APPOINTMENT OF INDEPENDENT AUDITORS**

**The Board of Directors and Audit Committee recommend the approval of the appointment of Dixon Hughes PLLC as Independent Auditors of the Company for the fiscal year ending March 31, 2006, and urge each shareholder to vote FOR such proposal. Executed and unmarked proxies in the accompanying form will be voted at the Meeting in favor of such proposal.**

**Appointment of Independent Auditors**

The Board of Directors and Audit Committee propose the appointment of Dixon Hughes PLLC as Independent Auditors of the Company for the fiscal year ending March 31, 2006. Dixon Hughes PLLC have been the Company's independent auditors since March 3, 2004. No representative of Dixon Hughes PLLC will be present at the Company's Annual General Meeting or available at the Meeting to answer any questions or make any statements with respect to the Company.

Ernst & Young LLP ( E&Y ) served as the Company's independent auditors from 1994 until 2003. Effective following completion of its review of the Company's financial statements as of and for the quarter ended September 30, 2003, E&Y resigned as the Company's independent public accountants.

E&Y's reports on the Company's financial statements for the fiscal years ended March 31, 2003 and 2002 did not contain an adverse opinion or a disclaimer of opinion, and none of such reports was qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended March 31, 2003 and 2002, and the subsequent interim period ended September 30, 2003, there were not any disagreements between the Company and E&Y on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of E&Y, would have caused it to make reference to the subject matter of the disagreements in connection with its reports.

The Company requested that E&Y furnish a letter addressed to the Securities and Exchange Commission (the Commission ) stating whether E&Y agreed with the above statements. On October 3, 2003, E&Y filed the letter that the Company requested with the Commission stating that E&Y had read the Company's statements and agreed with such statements.

Effective December 3, 2003, the Company engaged the accounting firm of Crisp Hughes Evans LLP as its new independent auditors. Effective March 1, 2004, Crisp Hughes Evans LLP merged with Dixon Odom PLLC, with the combined firm now known as Dixon Hughes PLLC. On March 3, 2004, the Company engaged Dixon Hughes PLLC as its independent auditors effective as of the consummation of the merger of the two firms.

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During the period from December 3, 2003 through March 3, 2004, there were no disagreements between the Company and Crisp Hughes Evans LLP on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Crisp Hughes Evans LLP, would have caused it to make reference to the subject matter of the disagreements in connection with its reports.

The Company did not consult with Dixon Hughes PLLC (or its predecessors) during the two fiscal years ended March 31, 2003 and 2002 or during the subsequent interim periods from March 31, 2003 through and including December 3, 2003, or with Dixon Odom PLLC during the interim periods from December 3, 2003 through March 3, 2004, on either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements.

The Company requested that Crisp Hughes Evans LLP furnish a letter addressed to the Commission stating whether Crisp Hughes Evans LLP agreed with the above statements. On March 4, 2004, Crisp Hughes Evans LLP filed the letter that the Company requested with the SEC stating that it had read the Company's statements and agreed with such statements.

**Vote Required**

Assuming a quorum is present, approval of the appointment of Dixon Hughes PLLC as Independent Auditors of the Company for the fiscal year ending March 31, 2006 requires that a majority of the total votes present, or represented, and entitled to vote at the Meeting vote in favor of such proposal.

**Fees for Audit and Non-Audit Related Matters**

The fees charged by Dixon Hughes PLLC for professional services rendered in connection with all audit and non-audit related matters for each of the fiscal years ended March 31, 2005 and 2004, respectively were as follows:

	<b>Fiscal Year Ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
<b>Audit Fees (1)</b>	<b>\$ 89,000</b>	<b>\$ 104,000</b>
<b>Audit Related Fees (2)</b>	<b>\$ 20,000</b>	<b>\$ 10,000</b>
<b>Tax Fees (3)</b>	<b>\$ 34,000</b>	<b>\$ 14,000</b>
<b>All Other Fees</b>	<b>None</b>	<b>None</b>

- (1) Audit fees consist of fees for the audit of the Company's annual financial statements, review of the Company's financial statements included in the Company's quarterly reports on Form 10-QSB and for 2004 include \$54,000 related to registration statements and consents pertaining to a stock offering completed in June 2004.
- (2) Audit related fees consist primarily of fees for the audit of the Company's retirement plan and in fiscal 2005, consultation regarding financial reporting matters and consultation regarding SEC filing requirements.
- (3) Tax fees consist of fees for tax compliance, tax advice and tax planning services.



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The Audit Committee considered the provision of non-audit services in their consideration of Dixon Hughes PLLC independence.

### **Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the Company's independent auditors in order to assure that the provision of such services does not impair the auditor's independence. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. Management is required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. During the fiscal year ended March 31, 2005, all services were pre-approved by the Audit Committee in accordance with this policy.

## **BOARD OF DIRECTORS**

### **Directors Compensation**

Directors who are not executive officers of the Company each receive an annual retainer of \$5,000, plus \$500 per Board of Directors meeting or committee meeting attended. Directors who are executive officers of the Company receive no additional compensation for service as a member of either the Board of Directors or any committee of the Board. Directors who are not employees of the Company also are entitled to option grants under the Company's Non-Employee Director Stock Option Plan. Under this Plan, each Non-Employee Director is entitled to receive options to purchase 7,500 Common shares at the time of his or her election to the Board of Directors. Each Non-Employee Director also is entitled to receive options to purchase 7,500 Common shares on the day following his or her reelection to the Board at the Annual General Meeting of Shareholders of the Company. The exercise price of such options will be equal to 110% of the Fair Market Value of the underlying shares on the date of grant of such options. The above options vest over a three-year period and are exercisable at the rate of one-third of the total option each year.

### **Committees of the Board of Directors and Meeting Attendance**

The Company expects all members of the Board to attend the Meeting barring other significant commitments or special circumstances. All of the Company's Board members attended the Company's 2004 Annual General Meeting of Shareholders. During the Company's fiscal year ended March 31, 2005, there were four meetings of the Board, and each incumbent Director attended at least 75% of such meetings.

The Board of Directors of the Company has the standing committees listed below.

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Audit Committee. The Board of Directors has established an Audit Committee. From April 1, 2004 until June 30, 2005, the Audit Committee was comprised of two members, namely Messrs. Neal (Chair) and Bragin. The Audit Committee held two meetings during the fiscal year ended March 31, 2005, and each of Messrs. Neal and Bragin attended both meetings. Effective June 30, 2005, the size of the Audit Committee was expanded from two to three members, and Mr. Fink was added to the Audit Committee. The Board has determined that Messrs. Neal, Bragin and Fink satisfy the independence requirements of current Securities and Exchange Commission rules and Nasdaq National Market listing standards. The Board also has determined that Mr. Fink qualifies as an audit committee financial expert as defined under these rules and listing standards.

The Audit Committee assists the Board of Directors with its responsibilities by (A) overseeing the Company's accounting and financial reporting processes and the audits of the Company's financial statements and (B) monitoring (i) the Company's compliance with legal, risk management and regulatory requirements, (ii) the Company's independent auditors' qualifications and independence, (iii) the performance of the Company's audit function and independent auditors, and (iv) the Company's systems of internal control with respect to the integrity of financial records, adherence to its policies and compliance with legal requirements. The Audit Committee: has sole responsibility to retain and terminate the Company's independent auditors, subject to shareholder ratification; has sole authority to pre-approve all audit and non-audit services performed by the Company's independent auditors and the fees and terms of each engagement; appoints and oversees the Company's internal auditor, and reviews the scope and results of each annual internal audit; and reviews the Company's audited financial statements and related public disclosures, earnings, press releases and other financial information and earnings guidance provided to analysts or rating agencies. The Audit Committee is governed by a written charter, which sets forth the specific functions and responsibilities of the Audit Committee. A copy of the current Audit Committee charter is attached hereto as Appendix B.

Compensation Committee. On June 30, 2005, the Board of Directors established a Compensation Committee, which is comprised of three directors, namely Messrs. Bragin, Fink and Neal. The Board has determined that Messrs. Bragin, Fink and Neal satisfy the independence requirements of current Nasdaq National Market listing standards.

The principal responsibilities of the Compensation Committee are to evaluate the performance and approve the compensation of the Company's Chief Executive Officer and executive officers; prepare an annual report on executive compensation for inclusion in future proxy statements of the Company; and oversee the Company's compensation and benefit plans for key employees and non-employee directors.

The Compensation Committee reviews and approves corporate goals and objectives relevant to the Company's Chief Executive Officer's compensation, evaluates the Chief Executive Officer's performance in light of these goals and objectives and establishes his compensation levels based on its evaluation. This Committee is also responsible for administration of the Company's existing Employee Stock Option Plan and Non-Employee Director Stock Option Plan. The specific functions and responsibilities of the Compensation Committee are set forth in its written charter.

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Nominating/Corporate Governance Committee. On June 30, 2005, the Board of Directors established a Nominating/Corporate Governance Committee, which is comprised of two directors, namely Messrs. Bragin and Neal. The Board has determined that Messrs. Bragin and Neal satisfy the independence requirements of current Nasdaq National Market listing standards. The Nominating/Corporate Governance Committee is governed by a written charter, which will be reviewed on an annual basis. A copy of the current Nominating/Corporate Governance Committee charter is attached hereto as Appendix C. The Nominating/Corporate Governance Committee charter is not currently available on the Company's web site.

The principal functions of the Nominating/Corporate Governance Committee are to: identify, consider and recommend to the Board qualified director nominees for election at the Company's annual meeting; review and make recommendations on matters involving the general operation of the Board and its committees and recommend to the Board nominees for each committee of the Board; and develop and recommend to the Board the adoption and appropriate revision of the Company's corporate governance practices.

**Nominations of Directors**

The entire Board by majority vote selects the Director nominees to stand for election at the Company's annual general meetings of shareholders and to fill vacancies occurring on the Board, based on the recommendations of the Nominating/Corporate Governance Committee. In selecting nominees to recommend to the Board to stand for election as Directors, the Nominating/Corporate Governance Committee will examine each Director nominee on a case-by-case basis regardless of who recommended the nominee and take into account all factors it considers appropriate. Directors shall be selected so that the Board is a diverse body. The Nominating/Corporate Governance Committee believes, however, that the following minimum qualifications must be met by a Director nominee to be recommended to stand for election as Director:

Each Director must display high personal and professional ethics, integrity and values.

Each Director must have the ability to exercise sound business judgment.

Each Director must be highly accomplished in his or her respective field, with broad experience at the executive or policy-making level in business, government, education, technology or public interest.

Each Director must have relevant expertise and experience, and be able to offer advice and guidance based on that expertise and experience.

Each Director must be able to represent all shareholders of the Company and be committed to enhancing long-term shareholder value.

Each Director must have sufficient time available to devote to activities of the Board and to enhance his or her knowledge of the Company's business.

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The Nominating/Corporate Governance Committee may use various sources for identifying and evaluating nominees for Directors, including referrals from the Company's current Directors, management and shareholders. The Nominating/Corporate Governance Committee will review the resume and qualifications of each candidate identified through any of the sources referenced above, and determine whether the candidate would add value to the Board. With respect to candidates that are determined by the Nominating/Corporate Governance Committee to be potential nominees, one or more members of the Committee will contact such candidates to determine the candidate's general availability and interest in serving. Once it is determined that a candidate is a good prospect, the candidate will be invited to meet with the full Committee, which will conduct a personal interview with the candidate. During the interview, the Committee will evaluate whether the candidate meets the guidelines and criteria adopted by the Board as well as exploring any special or unique qualifications, expertise and experience offered by the candidate and how such qualifications, expertise and/or experience may complement that of existing Board members. If the candidate is approved by the Committee as a result of the Committee's determination that the candidate will be able to add value to the Board and the candidate expresses his or her interest in serving on the Board, the Committee will then review its conclusions with the Board and recommend that the candidate be selected by the Board to stand for election by the shareholders or fill a vacancy or newly created position on the Board.

Recommendations for Director nominees to be considered by the Nominating/Corporate Governance Committee, including recommendations from shareholders of the Company, should be sent in writing, together with appropriate biographical information concerning each proposed nominee, to the Nominating/Corporate Governance Committee of the Board of Directors, care of the Secretary of the Company, at the Company's headquarters.

## **Communications with Board of Directors**

Shareholders may communicate with the full Board or individual Directors by submitting such communications in writing to Nicholas Financial, Inc., Attention: Board of Directors (or the individual Director(s)), Building C #501B, 2454 McMullen Booth Road, Clearwater, FL 33759. Such communications will be delivered directly to the appropriate Director(s).

## **Report of the Audit Committee**

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee reviewed with the Company's Independent Auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the

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Company's accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards. In addition, the Committee has discussed with the Independent Auditors the Auditors' independence from management and the Company, including the matters in the written disclosures required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and considered the compatibility of nonaudit services with the Auditors' independence.

The Committee discussed with the Company's Independent Auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Committee held two meetings during the fiscal year ended March 31, 2005.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report for filing with the Commission. The Committee and the Board have also recommended, subject to shareholder approval, the selection of the Company's Independent Auditors for the fiscal year ending March 31, 2006.

The foregoing report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates such report by reference therein.

Alton Neal, Audit Committee Chair  
Stephen Bragin, Audit Committee Member  
June 27, 2005

Table of Contents**EXECUTIVE OFFICERS AND COMPENSATION****(Form 51-102F6, National Instrument 51-102)**

The Company has two (2) executive officers, Peter L. Vosotas, Chairman of the Board, Chief Executive Officer and President, and Ralph T. Finkenbrink, Senior Vice-President and Chief Financial Officer. For additional information regarding, Messrs. Vosotas and Finkenbrink, see Proposal 1: Election of Directors above. For the fiscal year ended March 31, 2005, total cash compensation of US \$849,832 was paid to the Company's executive officers. Except pursuant to option grants as described below, there are no plans in effect pursuant to which cash or non-cash compensation was paid or distributed to the executive officers during the most recently completed financial year or is proposed to be paid or distributed in a subsequent year.

The following table sets forth certain information concerning compensation paid to or earned by each of the Company's executive officers for the fiscal years ended March 31, 2005, 2004 and 2003:

**Summary Compensation Table**

Name & Principal Position	Fiscal Year Ended March 31	Annual Compensation			Long-Term Compensation Shares Underlying	All Other
		Salary	Bonus	Other	Options	Compensation
PETER L. VOSOTAS Chairman of the Board, Chief Executive Officer and President	2005	\$ 186,000	\$ 464,285	Nil	225,000	\$ 8,439
	2004	\$ 183,000	\$ 304,060	Nil	225,000	\$ 8,439
	2003	\$ 174,000	\$ 270,759	Nil	225,000	\$ 10,453
RALPH T. FINKENBRINK Senior Vice President and Chief Financial Officer	2005	\$ 113,125	\$ 86,422	Nil	112,500	\$ 4,104
	2004	\$ 105,000	\$ 61,083	Nil	150,000	\$ 4,104
	2003	\$ 100,000	\$ 44,565	Nil	150,000	\$ 7,135

Note: All of the above compensation amounts are expressed in U.S. dollars.

Note: Option shares in the above table have been adjusted for the three-for-two stock split effective June 17, 2005.

**Table of Contents****Long Term Incentive Plan (LTIP) Awards**

The Company does not have a LTIP, pursuant to which cash or non-cash compensation (other than stock options) intended to serve as an incentive for performance (whereby performance is measured by reference to financial performance or the price of the Company's securities) was paid or distributed to the Company's executive officers during the fiscal year ended March 31, 2005.

**Options and Stock Appreciation Rights (SARs)**

The Company currently maintains an Employee Stock Option Plan (the "Employee Plan"), under which stock options have been granted and may be granted to purchase up to an aggregate of 1,050,000 Common shares, and a Non-Employee Director Stock Option Plan (the "Director Plan"), under which stock options had been granted and may be granted to purchase up to an aggregate of 360,000 Common shares. As of March 31, 2005, stock options to purchase a total of up to 992,550 Common shares had been granted under the Employee Plan, leaving options for 57,450 Common shares available for issuance thereunder, and stock options to purchase a total of up to 260,000 Common shares had been granted under the Director Plan, leaving options for 100,000 Common shares available for issuance thereunder. As of March 31, 2005, no SARs had been granted to the Company's executive officers by the Company.

The following table sets forth information with respect to grants of stock options during the fiscal year ended March 31, 2005 to the executive officers of the Company:

**Option Grants During Fiscal 2005**

Name of Executive	Option	% of Total Options Granted to Employees in Fiscal 2005	Exercise Price	Market Value of Securities Underlying Options on Date of Grant	Expiration Date
Officer	Granted		(\$/Share)	(\$/Share)	
Peter L. Vosotas	Nil				
Ralph T. Finkenbrink	Nil				

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The following table sets forth information with respect to aggregate stock option exercises during the fiscal year ended March 31, 2005 by the executive officers of the Company and the fiscal year end value of unexercised options held by such executive officers.

**Aggregated Option Exercises in Fiscal 2005  
and Fiscal Year-End Option Values**

Name of Executive Officer	Number Of Shares Acquired on Exercise	Aggregate Value Realized (1)	Number of Unexercised Options at Fiscal Year End	Value of Unexercised in-the-Money Options at Fiscal Year End (2)
			Exercisable/Unexercisable	Exercisable/Unexercisable
Peter L. Vosotas	Nil	Nil	225,000/0	\$ 2,411,000/\$0
Ralph T. Finkenbrink	37,500	281,250	112,500/0	\$ 1,195,300/\$0

- (1) The aggregate value realized as shown above is calculated by the difference between the exercise price and the market price at the time of exercise, and does not necessarily mean the shares were sold.
- (2) Potential value of the exercisable/unexercisable in the money options calculated by multiplying the number of shares that may be acquired upon the exercise of options by the difference between (i) the closing sales price per share on March 31, 2005 (\$12.00 per share, as adjusted) and (ii) the exercise price per share.
- Note: Option shares in the above table have been adjusted for the three-for-two split effective June 17, 2005.

**Employment Agreements**

Effective March 16, 2001, the Company entered into an employment agreement with Peter L. Vosotas, Chairman of the Board, President and Chief Executive Officer. The agreement currently provides for a minimum base salary of \$186,000 and annual performance bonuses as determined by the Company's Board of Directors. The initial term of this agreement was for a period of one year, however, the agreement automatically renews for successive two-year terms unless the Company provides to Mr. Vosotas, at least sixty days prior to the expiration of any term, written notification that it intends not to renew this agreement. Mr. Vosotas's employment agreement provides that, if he is terminated by the Company without cause, he shall be entitled to severance equal to the sum of two times his annual base salary in effect at the time of such termination and his average annual bonus and other compensation for the two full calendar years immediately preceding such termination. Mr. Vosotas's agreement further provides that, during the term of the agreement and for a period of two years thereafter, Mr. Vosotas will not, directly or indirectly, compete with the Company by engaging in certain proscribed activities.

Effective November 22, 1999, the Company entered into an employment agreement with Ralph T. Finkenbrink, Senior Vice-President of Finance. The agreement currently provides for a minimum base salary of \$115,000 and

annual performance bonuses as determined by the Company's Board of Directors. The initial term of this agreement was for a period of one year, however, the agreement automatically renews for successive two-year terms unless the Company provides to Mr. Finkenbrink, at least sixty days prior to the expiration of any term, written

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notification that it intends not to renew this agreement. Mr. Finkenbrink's employment agreement provides that, if he is terminated by the Company without cause, he shall be entitled to severance equal to the sum of two times his annual base salary in effect at the time of such termination and his average annual bonus and other compensation for the two full calendar years immediately preceding such termination. Mr. Finkenbrink's agreement further provides that, during the term of the agreement and for a period of two years thereafter, Mr. Finkenbrink will not, directly or indirectly, compete with the Company by engaging in certain proscribed activities.

In the event the Company terminated without cause, as of the day of this proxy statement, the employment of Peter L. Vosotas, the amount of severance would be equal to \$1,140,346. In the event the Company terminated without cause, as of the day of this proxy statement, the employment of Ralph T. Finkenbrink, the amount of severance would be equal to \$377,506.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and more than 10% shareholders to file reports of their beneficial ownership of the Company's Common shares with the Commission and furnish copies of such reports to the Company. During the fiscal year ended March 31, 2005 the executive officers and directors of the Company filed with the Commission on a timely basis all required reports relating to transactions involving equity securities of the Company beneficially owned by them. The Company has relied on the written representation of its executive officers and directors and copies of the reports they have filed with the Commission in providing this information.

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No Director or executive officer of the Company, no proposed nominee for election as a Director of the Company, and no associate or affiliate of any of them, is or has been indebted to the Company or its subsidiaries at any time since the beginning of the Company's last completed financial year.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Company has outstanding promissory notes issued to Peter L. Vosotas, President, Chief Executive Officer, and Chairman of the Board of the Company. As of March 31, 2005 and 2004, the aggregate principal balance of such notes totaled approximately \$1.0 million and \$682,000, respectively. These promissory notes are due upon thirty-day demand by Mr. Vosotas and carry an interest rate equal to the average cost of funds for the Company, plus twenty-five basis points. These notes have been approved by the Audit Committee of the Board of Directors and are on terms no less favorable to the Company than could be obtained from an unaffiliated third party.

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**INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No director or executive officer of the Company, no nominee for election as a director of the Company, no person who has been a director or executive officer of the Company since the commencement of the Company's last completed fiscal year and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership or securities or otherwise, in any matter to be acted upon at the Meeting.

**SHAREHOLDER PROPOSALS**

The deadline for submission of shareholder proposals pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended ( Rule 14a-8 ), for inclusion in the Company's proxy statement for its 2006 Annual General Meeting of Shareholders is March 15, 2006. After May 29, 2006, notice to the Company of a shareholder proposal submitted other than pursuant to Rule 14a-8 is considered untimely, and the persons named in proxies solicited by the Board of Directors of the Company for the 2006 Annual General Meeting may exercise discretionary voting power with respect to any such proposal.

**OTHER MATTERS**

MANAGEMENT KNOWS OF NO OTHER MATTERS TO COME BEFORE THE MEETING OTHER THAN THOSE REFERRED TO IN THE NOTICE OF MEETING. HOWEVER, SHOULD ANY OTHER MATTERS PROPERLY COME BEFORE THE MEETING, THE SHARES REPRESENTED BY THE PROXY SOLICITED HEREBY WILL, ON A POLL, BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE SHARES REPRESENTED BY THE PROXY.

**APPROVAL AND CERTIFICATION**

The contents of this Information Circular have been approved and this mailing has been authorized by the Directors of the Company.

Where information contained in this Information Circular rests specifically within the knowledge of a person other than the Company, and that person has provided the information to the Company, the Company has relied upon information furnished by such person.

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The foregoing contains no untrue statement of material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Dated this 13th day of July, 2005

**BY ORDER OF THE BOARD OF DIRECTORS**

/s/ Peter L. Vosotas  
Chairman of the Board,  
Chief Executive Officer and President

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**Appendix A**

**Nicholas Financial, Inc.**

(the Company )

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### **1. Interpretation**

#### **1.1 Definitions**

In these Articles, unless the context otherwise requires:

- (1) board of directors , directors and board mean the directors or sole director of the Company for the time being;
- (2) *Business Corporations Act* means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;
- (3) legal personal representative means the personal or other legal representative of the shareholder;
- (4) registered address of a shareholder means the shareholder's address as recorded in the central securities register;
- (5) seal means the seal of the Company, if any.

#### **1.2 *Business Corporations Act* and *Interpretation Act* Definitions Applicable**

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

### **2. Shares and Share Certificates**

#### **2.1 Authorized Share Structure**

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

#### **2.2 Form of Share Certificate**

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

#### **2.3 Shareholder Entitled to Certificate or Acknowledgment**

Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

## **2.4 Delivery by Mail**

Any share certificate or non-transferable written acknowledgment of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the

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Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

**2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement**

If the directors are satisfied that a share certificate or a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit:

- (1) order the share certificate or acknowledgment, as the case may be, to be cancelled; and
- (2) issue a replacement share certificate or acknowledgment, as the case may be.

**2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment**

If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, as the case may be, if the directors receive:

- (1) proof satisfactory to them that the share certificate or acknowledgment is lost, stolen or destroyed; and
- (2) any indemnity the directors consider adequate.

**2.7 Splitting Share Certificates**

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

**2.8 Certificate Fee**

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.7, the amount, if any and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the directors.

**2.9 Recognition of Trusts**

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as by law or statute or these Articles provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

**3. Issue of Shares**

**3.1 Directors Authorized**

Subject to the *Business Corporations Act* and the rights of the holders of issued shares of the Company, the



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Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

**3.2 Commissions and Discounts**

The Company may at any time pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

**3.3 Brokerage**

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

**3.4 Conditions of Issue**

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

- (1) consideration is provided to the Company for the issue of the share by one or more of the following:
  - (a) past services performed for the Company;
  - (b) property;
  - (c) money; and
- (2) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

**3.5 Share Purchase Warrants and Rights**

Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

**4. Share Registers**

**4.1 Central Securities Register**

As required by and subject to the *Business Corporations Act*, the Company must maintain in British Columbia a central securities register. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors

may terminate such appointment of any agent at any time and may appoint another agent in its place.

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**4.2 Closing Register**

The Company must not at any time close its central securities register.

**5. Share Transfers**

**5.1 Registering Transfers**

A transfer of a share of the Company must not be registered unless:

- (1) a duly signed instrument of transfer in respect of the share has been received by the Company;
- (2) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company; and
- (3) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment has been surrendered to the Company.

**5.2 Form of Instrument of Transfer**

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors from time to time.

**5.3 Transferor Remains Shareholder**

Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

**5.4 Signing of Instrument of Transfer**

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

- (1) in the name of the person named as transferee in that instrument of transfer; or
- (2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

**5.5 Enquiry as to Title Not Required**

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the

shares, of any interest in the shares, of any share certificate

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representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

**5.6 Transfer Fee**

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

**6. Transmission of Shares**

**6.1 Legal Personal Representative Recognized on Death**

In case of the death of a shareholder, the legal personal representative, or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

**6.2 Rights of Legal Personal Representative**

The legal personal representative has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company.

**7. Purchase of Shares**

**7.1 Company Authorized to Purchase Shares**

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

**7.2 Purchase When Insolvent**

The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

- (1) the Company is insolvent; or
- (2) making the payment or providing the consideration would render the Company insolvent.

**7.3 Sale and Voting of Purchased Shares**

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

- (1) is not entitled to vote the share at a meeting of its shareholders;
- (2) must not pay a dividend in respect of the share; and

(3) must not make any other distribution in respect of the share.

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**8. Borrowing Powers**

The Company, if authorized by the directors, may:

- (1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
- (2) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
- (3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
- (4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

**9. Alterations**

**9.1 Alteration of Authorized Share Structure**

Subject to Article 9.3 and the *Business Corporations Act*, the Company may by resolution of the directors:

- (1) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- (2) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
- (3) if the Company is authorized to issue shares of a class of shares with par value:
  - (a) decrease the par value of those shares; or
  - (b) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- (4) subdivide all or any of its unissued or fully paid issued shares by way of a stock dividend;
- (5) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- (6) alter the identifying name of any of its shares; or
- (7) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*.

**9.2 Consolidations and Call-in Subdivisions**

Subject to Article 9.3 and the *Business Corporations Act*, the Company may by ordinary resolution:

(1) consolidate all or any of its unissued, or fully paid issued, shares.

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(2) subdivide all or any of its unissued or fully paid issued shares, other than by way of a stock dividend.

**9.3 Special Rights and Restrictions**

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