

**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 2, 2002**

This Proxy Statement and Information Circular accompanies the Notice of the 2002 Annual General Meeting of Members (the "Meeting") of Nicholas Financial, Inc. (hereinafter called the "Company") to be held on Wednesday, August 7, 2002, at 9:00 a.m. (Clearwater, Florida time), at the Countryside Country Club, located at 3001 Countryside Blvd., Clearwater, Florida, and is being furnished in connection with a 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, 2002, together with this Proxy Statement and Information Circular and the accompanying proxy form ("Proxy"), are first being mailed on or about July 3, 2002 to members 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 member be able to attend the Meeting. The member 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 member or his attorney authorized in writing, or if the member 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 members' nominees or agents (including brokers holding shares on behalf of clients) for the cost incurred in obtaining from their principals 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

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 June 27, 2002, the record date for determining members entitled to notice of and to vote at the Meeting, there were issued and outstanding 4,997,764 Common shares and no Preference shares. At a General Meeting of the Company, on a show of hands, every member present in person and entitled to vote shall have one vote, and on a poll, every member present in person or represented by proxy and entitled to vote shall have one vote for each share of which such member 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 June 27, 2002 regarding (i) each of the Company's directors, (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)	1,593,572	31.1%
Dr. Ellis P. Hyman (3) (4)	135,500	2.7%
Stephen Bragin (5) (6)	68,472	1.4%
Melvin S. Cutler (7) (8)	270,933	5.4%
Alton R. Neal (9) (10)	6,667	*
Marvin & Ingrid Mahan (11) (12)	724,820	14.5%
Mahan Children, LLC (13)	372,464	7.5%
Mahan Family, LLC (14)	473,820	9.5%
Ralph T. Finkenbrink (15) (16)	92,003	1.8%
All directors and officers as a group (6 persons) (17)	2,167,147	41.3%

- (1) Mr. Vosotas' business address is 2454 McMullen Booth Road, Building C Clearwater, Florida 33759.
- (2) Includes 1,371,066 shares held in family trusts over which Mr. Vosotas retains voting and investment power and 666 shares held by Mr. Vosotas' spouse. Includes 133,334 shares issuable upon the exercise of outstanding stock options which are exercisable within 60 days and does not include 16,666 shares issuable upon the exercise of outstanding stock options which are not exercisable within 60 days.
- (3) Dr. Hyman's business address is 2700 East Bay Drive, Largo, Florida 33771
- (4) Includes 13,334 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include 6,666 shares issuable upon the exercise of outstanding stock options which are not exercisable within 60 days.
- (5) Mr. Bragin's business address is 17757 US Highway 19 North, Suite 26, Clearwater, Florida 33764.
- (6) Includes 13,334 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include 6,666 shares issuable upon the exercise of outstanding stock options which are not exercisable within 60 days.
- (7) Mr. Cutler's business address is 306 Main Street, Worcester, Massachusetts 01608-1518.
- (8) Includes 6,667 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include 3,333 shares issuable upon the exercise of outstanding stock options which are not exercisable within 60 days.
- (9) Includes 3,333 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include 3,333 shares issuable upon the exercise of outstanding stock options which are not exercisable within 60 days.

- (10) Mr. Neal's business address is 100 North Tampa Street, Suite 1800, Tampa, Florida 33602
- (11) Marvin H. Mahan and Ingrid T. Mahan are husband and wife. Their address is 6268 Palma Del Mar #110E, St. Petersburg, Florida 33715.
- (12) Includes 34,000 shares owned directly by Marvin H. Mahan, 13,334 shares owned directly by Ingrid T. Mahan, 473,820 shares owned by Mahan Family, LLC, and 203,666 shares owned by Grenma, Inc. Ingrid T. Mahan is the majority equity holder in Mahan Family, LLC, a New Jersey limited liability company. In addition, each of Marvin H. Mahan and Ingrid T. Mahan is one of five managers of Mahan Family, LLC, and in such capacity has a 47% voting interest with respect to any matter submitted to a vote of its managers. Ingrid T. Mahan is the sole shareholder of Grenma, Inc. a New Jersey corporation. Marvin H. Mahan is the sole director of Grenma, Inc.
- (13) The principal business address of Mahan Children, LLC, a New Jersey limited liability company, is Stonehouse Road, P.O. Box 407, Millington, New Jersey.
- (14) The principal business address of Mahan Family, LLC, a New Jersey limited liability company, is Stonehouse Road, P.O. Box 407, Millington, New Jersey. See note (10) above.
- (15) Mr. Finkenbrink's business address is 2454 McMullen Booth Road, Building C Clearwater, Florida 33759.
- (16) Includes 86,667 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include 13,333 shares issuable upon the exercise of outstanding stock options which are not exercisable within 60 days.
- (17) Includes an aggregate 256,669 shares issuable upon the exercise of outstanding stock options exercisable within 60 days and does not include an aggregate 49,997 shares under options which are not exercisable within 60 days

The Board of Directors has determined that all members of record as of the close of business on June 27, 2002 (the "Record Date") will be entitled to receive notice of and to vote at the Meeting. Those members 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 transaction of business. The Company's Articles of Incorporation provide that a quorum is present if two or more members 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.

If a quorum exists, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election. The proposal set forth herein to approve the appointment of the Company's auditors will be adopted if a majority of the total votes present, or represented, and entitled to vote at the Meeting vote in favor of such proposal.

Members 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.

Advance Notice of the Meeting was published pursuant to Section 111 of the Company Act at Vancouver, B.C. on June \_\_, 2002.

**PROPOSAL 1: ELECTION OF DIRECTORS**

**The Board of Directors recommends the following nominees for election as directors and urges each shareholder to vote “FOR” the nominees. Proxies in the accompanying form will be voted at the Meeting, unless authority to do so is withheld, in favor of the election as directors of the nominees named below.**

The Company’s Board of Directors consists of five members divided into three classes, with the members of each class serving three-year terms expiring at the third Annual General Meeting of Members after their elections. One Director is to be elected at the Meeting to hold office for a term of three years expiring at the 2005 Annual General Meeting of Members, and until his successor shall have been duly elected and qualified. Another Director is to be elected at the Meeting to fill the vacancy created by the retirement of Melvin S. Cutler effective May 20, 2002. This Director is to be elected at the Meeting to hold office for a term of two years expiring at the 2004 Annual General Meeting of Members, and until his successor shall have been duly elected and qualified. In the event either of such nominees 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 nominees named below will be unavailable, or if elected, will decline to serve. Both of the nominees are residents of the United States.

Certain information is set forth below for the nominees for directors, as well as for each director whose term of office will continue after the Meeting.

**NOMINEE FOR DIRECTOR —TERM TO EXPIRE 2005**

<u>Name</u>	<u>Age</u>	<u>Principal Occupation And Other Information</u>
Stephen Bragin .....	71	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.

**NOMINEE FOR DIRECTOR —TERM TO EXPIRE 2004**

<u>Name</u>	<u>Age</u>	<u>Principal Occupation And Other Information</u>
Ralph Finkenbrink .....	40	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 from Mount St. Mary’s University in Emmitsburg, Maryland.

**DIRECTOR CONTINUING IN OFFICE —TERM TO EXPIRE 2004**

<u>Name</u>	<u>Age</u>	<u>Principal Occupation And Other Information</u>
Peter L. Vosotas.....	60	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.

**DIRECTORS CONTINUING IN OFFICE —TERMS TO EXPIRE 2003**

<u>Name</u>	<u>Age</u>	<u>Principal Occupation And Other Information</u>
Alton R. Neal.....	55	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 Johnson, Blakely, Pope, Bokor, Ruppel & Burns, Tampa, Florida since 1999. From 1994 until 1999, he was a partner in the firm of Forlizzo & Neal.
Dr. Ellis P. Hyman, D.D.S., P.A.....	64	Dr. Hyman has served as a director of the Company since February 10, 1999 and as a director of the Company's two subsidiaries, NDS and Nicholas Financial since 1987 and 1990 respectively. Dr. Hyman has been in private dental practice for many years.

**PROPOSAL 2: APPOINTMENT OF AUDITORS**

**The Board of Directors and Audit Committee recommend the approval of the appointment of Ernst & Young LLP as Auditors of the Company for the fiscal year ending March 31, 2003, and urge each member to vote “FOR” such proposal. Executed and unmarked proxies in the accompanying form will be voted at the Meeting in favor of such proposal.**

The Board of Directors and Audit Committee propose the appointment of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending March 31, 2003. Ernst & Young LLP have been the Company’s auditors since 1994. One or more representatives of Ernst & Young are expected to be present at the Meeting. Such representatives will be available to respond to appropriate questions and may make a statement if they so desire.

The fees charged by Ernst & Young LLP for professional services rendered in connection with all audit and non-audit related matters for the fiscal year ended March 31, 2002 were as follows:

<b>Audit Fees</b>	<b>\$53,000</b>
<b>Financial Information Systems Design and Implementation Fees</b>	<b>None</b>
<b>All Other Fees</b>	<b>\$21,000</b>

The Audit Committee of the Board of Directors has determined that the services provided by Ernst & Young LLP which were not directly related to the most recent audit are compatible with maintaining the principal accountant’s independence.

## **BOARD OF DIRECTORS**

### **Directors Compensation**

Directors who are not executive officers of the Company each receive an annual retainer of \$2,000 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 are entitled to option grants under the Non-Employee Director Stock Option Plan. Each Non-Employee Director shall be granted an option to purchase 10,000 shares at the time of their election to the Board of Directors. Each Director will also be entitled to receive an option to purchase 10,000 shares on the day following his or her reelection to the Board at the Annual Meeting of Shareholders. The exercise price of such options will be equal to 110% of the Fair Market Value of the shares on the date of grant of such options.

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

The Board of Directors has established an Audit Committee and a Compensation Committee. (The Board does not have a nominating committee.) The Audit Committee is presently comprised of Messrs. Neal (Chair) and Hyman, each of whom is "independent" (as defined under the applicable NASD listing standards). The Audit Committee is primarily responsible for overseeing the Company's financial reporting process on behalf of the Board and reporting the results of their activities to the full Board. The Audit Committee reviews the independence, qualifications and activities of the Company's independent certified public accountants and the Company's financial policies, control procedures and accounting staff. The Audit Committee recommends to the Board the appointment of the independent certified public accountants and reviews and approves the Company's financial statements. The Audit Committee is also responsible for reviewing any transactions between the Company and any officer or director of the Company or any entity in which any officer or director has a material interest. The Audit Committee is governed by a written charter approved by the Board of Directors. A copy of this charter is included as Appendix A hereto.

The Compensation Committee is presently comprised of Messrs. Cutler (Chair) and Bragin, and is responsible for establishing the compensation of the Company's senior management, including salaries, bonuses, termination arrangements and other benefits. The sole member of the compensation committee is currently Mr. Bragin. Mr. Cutler served as Chairperson of the Compensation Committee until his retirement from the Board of Directors of the Company effective May 20, 2002. The vacancy on the Compensation Committee created by Mr. Cutler's resignation is expected to be filled by the Board of Directors at its next regularly scheduled meeting.

During the fiscal year ended March 31, 2002, the Board of Directors held four meetings, the Audit Committee held two meetings and the Compensation Committee held two meetings. All Directors attended all meetings of the Board of Directors and all committees on which they served during the fiscal year ended March 31, 2002.

## **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 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 auditor's independence from management and the Company, including the matters in the written disclosures required by the Independence Standards Board, and considered the compatibility of nonaudit services with the auditors independence.

The Committee discussed with the Company's internal and 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 fiscal year 2002.

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 Securities and Exchange 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, 2003.

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  
Ellis Hyman, Audit Committee Member

## EXECUTIVE OFFICERS AND COMPENSATION

(Form 41, B.C. Securities Act and Regulations)

The Company has two (2) executive officers, Peter L. Vosotas, Chairman of the Board, Chief Executive Officer and President, and Ralph T. Finkenbrink, Sr. Vice-President–Finance. For additional information regarding, Messrs. Vosotas and Finkenbrink, see “Proposal 1: Election of Directors” above. For the fiscal year ended March 31, 2002, total cash compensation of US \$532,428 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, 2002, 2001 and 2000:

### SUMMARY COMPENSATION TABLE

NAME & PRINCIPAL POSITION	FISCAL YEAR ENDED MARCH 31	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	ALL OTHER COMPENSATION
		SALARY	BONUS	OTHER	SHARES UNDER OPTION	
PETER L. VOSOTAS Chairman of the Board, Chief Executive Officer & President	2002	\$144,000	\$244,985	Nil	150,000	\$8,788
	2001	\$144,000	\$212,243	Nil	150,000	\$9,378
	2000	\$122,000	\$117,595	Nil	100,000 666,666 <sup>(1)</sup>	\$8,200
RALPH T. FINKENBRINK Sr. Vice President–Finance	2002	\$91,667	\$51,776	Nil	100,000	\$7,013
	2001	\$75,000	\$60,000	Nil	100,000	\$7,289
	2000	\$75,000	\$40,000	Nil	100,000	\$6,174

(1) Represents a bonus warrant exercisable at US \$2.64/share until September 3, 2000 issued to Mr. Vosotas for guaranteeing the Company's indebtedness to Bank of America under a line of credit. On September 3, 2000 the warrant expired unexercised.

Note: All of the above compensation amounts are expressed in U.S. dollars and for the fiscal year ended March 31, 2002 each executive officer’s salary exceeded \$100,000 Cdn.

The following table sets forth information with respect to grants of stock options during the fiscal year ended March 31, 2002 to the executive officers of the Company:

**OPTION GRANTS DURING FISCAL 2002**

NAME OF EXECUTIVE OFFICER	OPTION GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 2002	EXERCISE PRICE (\$/SHARE)	MARKET VALUE OF SECURITIES UNDERLYING OPTIONS ON DATE OF GRANT (\$/SHARE)	EXPIRATION DATE
Peter L. Vosotas	Nil	-	-	-	-
Ralph T. Finkenbrink	Nil	-	-	-	-

The following table sets forth information with respect to aggregate stock option exercises during the fiscal year ended March 31, 2002 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 2002 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 EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR END (2) EXERCISABLE/ UNEXERCISABLE
Peter L. Vosotas	Nil	Nil	133,333/16,667	\$350,667/\$35,334
Ralph T. Finkenbrink	Nil	Nil	86,667/13,333	\$224,534/\$28,266

- (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 the closing price per share on March 31, 2002 and the exercise price per share.

## **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 provides for a minimum base salary of \$144,000 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 provides for a minimum base salary of \$75,000 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 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.

## **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, 2002, 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, except that Mr. Vosotas filed six reports late covering an aggregate of 10 transactions. 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**

On June 3, 1994, Peter L. Vosotas, Chairman of the Board, Chief Executive Officer and President of the Company, was granted a warrant to purchase 333,333 Common shares at a price of US \$5.28 per share. This bonus warrant was granted in exchange for Mr. Vosotas' guarantee of the Company's indebtedness to BankAmerica under its line of credit facility. On September 3, 2000 the warrant expired unexercised.

In April 1996, Dr. Ellis Hyman, currently a Director of the Company, agreed to subordinate \$200,000 of debt at 12% interest with semi-annual interest payments only. The entire principal balance plus accrual interest was due on April 20, 2000. Dr. Hyman had the option of converting the note into Common shares of the Company at a price of \$5.00 per share. On April 20, 2000 the Company elected, pursuant to the terms of the above note, to repay the entire principal balance plus all accrued interest.

On August 9, 2001 the Company issued 111,111 shares of its Common Stock to the Mahan Family Trust (the "Family Trust") pursuant to the Family Trust's exercise of its conversion right under a Convertible Promissory Note, dated November 30, 1992 (the "Family Trust Note"), issued by the Company in favor of the Family Trust. The aggregate principal amount of the Family Trust Note was \$500,000 and the maturity date was November 30, 2001, subject to certain prepayment rights granted to the Company thereunder. Pursuant to such rights, the Company gave notice on July 10, 2001 that it intended to prepay the Family Trust Note in full. Under the terms of the Family Trust Note, this notification entitled the Family Trust to convert the note into shares of Common Stock, at a conversion price of \$4.50 per share. As result of such conversion, the Family Trust Note was cancelled. The issuance of shares of the Company's Common Stock pursuant to this transaction is claimed to be exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof. The above transaction, if adjusted for the Company's two-for-one stock-split, would have resulted in the issuance of 222,222 shares of Common stock at a conversion price of \$2.25 per share.

## **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.

## **MEMBER PROPOSALS**

The deadline for submission of member 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 2003 Annual General Meeting of Members is March 7, 2003. After May 20, 2003, notice to the Company of a member 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 2003 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.

## **BY ORDER OF THE BOARD OF DIRECTORS**

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

## **Appendix A**

### **Nicholas Financial, Inc. Audit Committee Charter (Originally Adopted June 15, 2000)**

#### **Organization**

This charter governs the operations of the audit committee. The committee shall review and reassess the charter at least annually and obtain the approval of the board of directors. The committee shall be appointed by the board of directors and shall comprise at least two directors, each of whom are independent of management and the Company. Members of the committee shall be considered independent if they have no relationship that may interfere with the exercise of their independence from management and the Company.

#### **Statement of Policy**

The audit committee shall provide assistance to the board of directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the board. In so doing, it is the responsibility of the committee to maintain free and open communication between the committee, independent auditors, the internal auditors and management of the Company. In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel, or other experts for this purpose.

#### **Responsibilities and Processes**

The primary responsibility of the audit committee is to oversee the Company's financial reporting process on behalf of the board and report the results of their activities to the board. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. The committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

## **Audit Committee Charter (continued)**

The following shall be the principal recurring processes of the audit committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the committee may supplement them as appropriate.

- The committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the board and the audit committee, as representatives of the Company's shareholders. The committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, replace the independent auditors. The committee shall discuss with the auditors their independence from management and the Company and the matters included in the written disclosures required by the Independence Standards Board. Annually, the committee shall review and recommend to the board the selection of the Company's independent auditors, subject to shareholders' approval.
- The committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk, and legal and ethical compliance programs. Further, the committee shall meet separately with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations.
- The committee shall review the interim financial statements with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the committee shall discuss the results of the quarterly review and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards. The chair of the committee may represent the entire committee for the purposes of this review.
- The committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards.