

Court File No. CV-14-10518-00CL

**1511419 ONTARIO INC., FORMERLY KNOWN AS THE
CASH STORE FINANCIAL SERVICES INC.
AND RELATED APPLICANTS**

**NINETEENTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR**

September 25, 2015

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF 1511419 ONTARIO INC., FORMERLY
KNOWN AS THE CASH STORE FINANCIAL SERVICES INC.,
1545688 ALBERTA INC., FORMERLY KNOWN AS THE
CASH STORE INC., 986301 ALBERTA INC., FORMERLY
KNOWN AS TCS CASH STORE INC., 1152919 ALBERTA
INC., FORMERLY KNOWN AS INSTALOANS INC., 7252331
CANADA INC., 5515433 MANITOBA INC., AND 1693926
ALBERTA LTD DOING BUSINESS AS "THE TITLE STORE"

APPLICANTS

**NINETEENTH REPORT TO THE COURT
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IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On April 14, 2014, Regional Senior Justice Morawetz granted an Initial Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (Canada), as amended (the "**CCAA**") with respect to 1511419 Ontario Inc., formerly known as The Cash Store Financial Services Inc. ("**Cash Store**"), 1545688 Alberta Inc., formerly known as The Cash Store Inc., 986301 Alberta Inc., formerly known as TCS Cash Store Inc., 1152919 Alberta Inc., formerly known as Instaloans Inc., 7252331 Canada Inc., 5515433 Manitoba Inc. and 1693926 Alberta Ltd. doing business as "The Title Store" (collectively, the "**Applicants**" or "**Cash Store**") providing protections to the Applicants under the

- CCAA, including a stay of proceedings until May 14, 2014 (as extended from time to time, the “**Stay**”), and appointing FTI Consulting Canada Inc. (the “**Monitor**”) as CCAA monitor.
2. The Initial Order was amended and restated on April 15, 2014 (the “**Amended and Restated Initial Order**”) to, among other things, appoint Blue Tree Advisors Inc. as Chief Restructuring Officer of the Applicants (the “**CRO**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
 3. The Applicants’ are seeking an order (the “**Meetings Order**”):
 - (i) accepting the filing of the Plan of Compromise and Arrangement concerning, affecting and involving the Applicants (the “**Plan**”);
 - (ii) authorizing the Applicants to call, hold and conduct meetings of creditors whose claims are to be affected by the Plan for the purpose of enabling such creditors to consider and vote on a resolution to approve the Plan (“**Meetings**”);
 - (iii) approving the Information Package (defined below); and
 - (iv) approving the procedures to be followed with respect to the calling and conduct of the Meetings.
 4. Counsel to the representative plaintiff in each of the proposed class actions, *Timothy Yeoman v. The Cash Store Financial Services Inc. et al.*, *Timothy Yeoman v Gordon J. Reykdal, et al.*, and *Timothy Yeoman and Ronald Payne v. Trimor Annuity Focus Limited Partnership, et al.* (collectively, the “**Ontario Consumer Class Actions**”), on behalf of the proposed consumer class action members (“**Ontario Consumer Class Action Plaintiffs**”), and counsel to the proposed representative plaintiff in *David Fortier v. The Cash Store Financial Services Inc., et al.* (“**Securities Class Action**”), on behalf of the proposed

Securities Class Action members (“**Securities Class Action Plaintiffs**”), have each brought a motion for an order pursuant to the *Class Proceedings Act*, among other things, approving notices of their respective settlement approval hearings (the “**Class Action Notices**”).

5. The purpose of this Nineteenth Report is to provide the Court with:
 - (a) the Monitor’s comments and recommendations in respect of the requested acceptance of the filing of the Plan;
 - (b) the Monitor’s comments and recommendations in respect of the requested Meetings Order (as defined below);
 - (c) the Monitor’s comments and recommendations in respect of the Class Action Notices; and
 - (d) information regarding the calculation of the DIP Exit Amount.

TERMS OF REFERENCE

6. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants’ books and records, certain financial information prepared by the Applicants and discussions with various parties (the “**Information**”).
7. Except as described in this Report:
 - (a) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook;
 - (b) the Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with

the procedures described in the Canadian Institute of Chartered Accountants Handbook; and

- (c) future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
8. The Monitor has prepared this Report in connection with the motion described in the Applicants' Notice of Motion dated September 23, 2015, the Ontario Consumer Class Actions Plaintiffs' Notice of Motion dated September 23, 2015, the Securities Class Action Plaintiffs' Notice of Motion dated September 23, 2015, and the other matters specifically referenced herein. This Report should not be relied on for other purposes (except to the extent a future Monitor's report provides otherwise).
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the affidavit of William E. Aziz sworn September 23, 2015 (the "**Aziz Affidavit**"), previous reports of the Monitor, the Initial Order, and other Orders of the Court issued in the CCAA Proceedings.

PLAN

10. The Monitor reviewed and was consulted with respect to the development of the Plan and is of the view that it is appropriate and reasonable for the Applicants to file the Plan and seek the approval of the Plan by affected stakeholders at this time. The Monitor will be delivering a further report with respect to the Plan in advance of the Meetings. A copy of the Plan has been attached to the Aziz Affidavit as Exhibit "A".
11. The Applicants have stated that the purpose of the Plan is to:
- (a) distribute the remaining proceeds of the Asset Sales and any other available proceeds of the Applicants' assets, after the establishment of the

various reserves contemplated in the Plan, to the Applicants' secured creditors according to their priorities (including the DIP Lenders, the Senior Secured Lenders and the Secured Noteholders, (as each are defined in the Plan));

- (b) provide a central forum for the distribution of settlement proceeds from the Settlements to the Applicants' various stakeholders according to their various interests and entitlements;
 - (c) give effect to the releases contemplated for the released parties under the Plan and the Settlement Agreements, in exchange for the settlement payments made by those parties under the Plan and the Settlement Agreements; and
 - (d) position the Applicants to continue to pursue the Remaining Estate Claims pursuant to the Litigation Counsel Retainer and the Litigation Funding and Indemnity Reserve for the further benefit of the Applicants' stakeholders.
12. The Applicant's Senior Secured Lenders and other priority secured claims, such as the remaining amounts owing under the DIP, will be paid in full pursuant to the Plan.
13. The Plan also contemplates distributions to class action counsel on behalf of Ontario Consumer Class Action Plaintiffs and on behalf of Ontario Securities Class Action Plaintiffs.
14. The Plan contemplates distributions to the Secured Noteholders. The amount available for distribution to the Secured Noteholders on implementation of the Plan is, however, insufficient to pay the Secured Noteholders in full. As a result, the Secured Noteholders' claims will be compromised.

15. At this time, it is anticipated that there will be no recovery for junior creditors and their claims will remain unaffected by the Plan. However, the Plan contemplates the continuing pursuit of the Remaining Estate Litigation and the Plan preserves the possibility of future distributions to the Applicants' unsecured creditors if the Remaining Estate Litigation and any other subsequent events result in the Applicants having sufficient assets to repay the Secured Noteholders in full.
16. The Plan also contemplates the release of a number of settling parties in accordance with the Settlement Agreements and compromises of the claims of the Senior Secured Lenders and the Secured Noteholders. The Monitor will comment on these releases in the report the Monitor will serve in advance of the Meetings.

MEETINGS ORDER

17. The Applicants are seeking an order authorizing them to call and conduct the Meetings on November 10, 2015 for the purpose of voting on a resolution to approve the Plan (the "**Meetings Order**").
18. The proposed terms relating to the Meetings are described in greater detail in the Aziz Affidavit and include, *inter alia*, the following:
 - (a) there will be two classes of creditors entitled to vote on the Plan: (i) a class of the first lien lenders under the Applicants' senior secured credit facility (the "**Senior Secured Lenders**") and (ii) a class of the holders of the Applicants' second lien secured notes (the "**Secured Noteholders**" and, collectively with the Senior Secured Lenders each individual being an "**Affected Creditor**");
 - (b) the Monitor or another representative of the Monitor will preside as the chair of the Meetings and may appoint one or more scrutineers for the supervision and tabulation of the attendance at, quorum at and votes cast at the Meetings;

- (c) the Plan will be deemed to be accepted by the required majorities in each class if the Plan is approved by Affected Creditors present in person or represented by proxy at their respective Meetings pursuant to section 6 of the CCAA; and
 - (d) any vote conducted at a meeting of an Affected Creditor class shall be binding upon all Affected Creditors of that class, whether or not any such Affected Creditor was present or voted at the meeting.
- 19. The proposed Meeting Order also sets out the notice procedures for the calling of the Meetings and, if the classes of Affected Creditors approve the Plan at the Meetings, the notice procedure for a motion seeking entry of the Sanction Order (the “**Sanction Hearing**”).
- 20. The Applicants have prepared an information package (the “**Information Package**” consisting of:
 - (a) The Applicants’ information statement;
 - (b) The form of notice of the Meetings and hearing for approval of the Sanction Hearing (the “**Notice of Meeting**”);
 - (c) The form of proxy for the Senior Secured Lenders;
 - (d) The voting instruction form for the Secured Noteholders; and
 - (e) The form of Noteholder Proxy for use by the Participant Holders.
- 21. The Monitor is of the view that the information contained in the Information Package is fair and reasonable.
- 22. The Meetings Order provides a mechanism through which the Monitor will distribute copies of the Meetings Order and the Information Package to the members of each class of Affected Creditors and to the Indenture Trustee.

23. As soon as practicable after the granting of the Meetings Order, a copy of the Meetings Order and the Information Package will be posted on the Monitor's website. The Monitor will also send copies of the Information Package to all parties who have charges, security interests or claims evidenced by registrations pursuant to any personal property registry system in any Province in Canada (collectively, the "**PPSA Registrants**") and the Canada Revenue Agency and any other ministry of finance or similar governmental agency for each Province in Canada (collectively, the "**Crown Agencies**"). The foregoing stakeholders were also served with the Applicants' motion materials in respect of the Meetings Order and the motion materials have been posted on the Monitor's website for the proceedings.
24. The Monitor will also use reasonable efforts to cause the Notice of Meeting to be published for a period of one business day in the Globe and Mail (National Edition), The Edmonton Journal, The Australian (Australia) and The Daily Telegraph (U.K.) (the "**Newspaper Publication**").
25. Service of the Meetings Order, the delivery of the Information Package, the Newspaper Publication and the posting of the Order on the Monitor's website are intended to provide good and sufficient notice of the Sanction Hearing upon all persons who may be entitled to receive such notice. The Monitor believes that the service and notice that has been or is to be provided is adequate.
26. If the Plan has been accepted by the required majorities in each class of Affected Creditors, the Applicants will be authorized to seek Court approval of the Plan and entry of the Sanction Order at the Sanction Hearing. The Meetings Order provides a mechanism and timeline for any person wishing to oppose the motion for the Sanction Order to do so.

27. While there has been no general claims process in these CCAA Proceedings, the Plan contemplates that the Secured Noteholders will be compromised with no amounts remaining for distribution to the Applicants' unsecured creditors (unless there are sufficient proceeds from the Remaining Estate Litigation and other sources to repay the Secured Noteholders in full). The Applicants are not aware of any other secured claimants and notice of the Sanction Hearing will be given to PPSA Registrants, Crown Agencies and published in the Newspaper Publication so that anyone claiming priority in relation to the Affected Creditors can appear at the Sanction Hearing to have their claims addressed.

SECURITY OPINIONS

28. As more fully described in the Monitor's Twelfth Report to the Court, dated November 19, 2014 (the "**Twelfth Report**"), the Monitor has obtained security opinions which provided that, subject to the customary assumptions, qualifications and limitations contained therein:
- (a) each of the Alberta Documents (as defined in the Twelfth Report) reviewed constitute a legal, valid and binding obligation of each of the Cash Store Group members party thereto, enforceable against each such party in accordance with its terms;
 - (b) each security document creates a valid security interest in favour of the applicable secured parties in the collateral described therein; and
 - (c) to the extent capable of perfection by registration, such security interests have been validly perfected by registrations made in the relevant jurisdictions in order to perfect or evidence such security.
29. The security review opinion does not, among other things, speak to the existence and validity of the debt secured by the security, preferences or other forms of impeachable transactions or the relative priority to the Applicants' asset proceeds.

RECOMMENDATION AND CONCLUSIONS

30. The Monitor reviewed and was consulted with respect to the proposed terms of the Meetings Order setting out the procedure for the conduct of and voting at the Meetings and notice procedures with respect to same, and agrees with the Applicants that the proposed terms are fair and reasonable, including with respect to the proposed classification of creditors.
31. The notice provisions are sufficient to ensure that the Information Package is appropriately distributed among the Affected Creditors and also provides any other interested party with notice of the Applicants' intention to seek a Sanction Order in the event that the classes of Affected Creditors approve the Plan at the Meetings.
32. The Monitor supports the procedures for the conduct of and voting at the Meetings and notice procedures with respect to same as proposed by the Applicants.
33. The Monitor will be delivering a further report with respect to the Plan and its recommendations in connection with same in advance of the Meetings. This report will outline the anticipated level of recoveries for the Affected Creditors under the Plan and will be delivered in advance of the Meetings.

CLASS ACTION NOTICES

34. Counsel to the Ontario Class Action Plaintiffs and the Securities Class Action Plaintiffs have each brought motions to, among other things, approve the form and content of their respective Class Action Notices, as required pursuant to the Ontario *Class Proceedings Act*.

35. The Monitor has been consulted throughout the class action mediation and settlement process and has had the opportunity to review and participate in discussions regarding the Class Action Notices. The Monitor is aware of the significance of the class action settlement agreements to the success of the proposed Plan and is of the opinion that the provision of the Class Action Notices to the appropriate class members at this time will assist in advancing these CCAA proceedings. As such, the Monitor has no objections to the proposed form of the Class Action Notices.

DIP EXIT AMOUNT

36. For the purposes of this section, all capitalized terms not otherwise defined have the meanings given to them in the amended and restated DIP term sheet dated May 20, 2014, (as amended, the “**DIP Agreement**”).
37. As reported in the Monitor’s Fifteenth Report to the Court, on February 19, 2015, following the closing of the Money Mart and easyfinancial Transactions, the Monitor distributed a portion of the Base Amount (as defined in the Money Mart Asset Purchase Agreement) to repay the DIP Lenders under the DIP Agreement. This repayment amount did not include the payment of an Exit Amount.
38. Pursuant to the DIP Agreement, the Borrower shall pay to the DIP Lenders additional consideration (as more fully defined in the DIP Agreement, the “**Exit Amount**”). The Exit Amount is calculated using a formula that includes, among other things, the full purchase price of any sale transaction, which included certain customary purchase price adjustments.
39. The Monitor can now report that the DIP Lenders, the Applicant and the Monitor have agreed upon the calculation of the Exit Amount. The amount payable to the DIP Lenders in respect of the Exit Amount has been calculated to be \$6.0 million.
40. The Monitor respectfully submits to the Court this Nineteenth Report.

Dated this 25th day of September, 2015.

FTI Consulting Canada Inc.
The Monitor of
The Cash Store Financial Services Inc.
and Related Applicants

A handwritten signature in blue ink, appearing to read 'Greg Watson', with a stylized flourish at the end.

Greg Watson
Senior Managing Director