

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

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

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

August 26, 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

**EIGHTEENTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
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 Stay has been extended a number of times by order of this Honourable Court. Most recently, pursuant to the order of Regional Senior Justice Morawetz dated May 20, 2015, the Stay currently extends to September 18, 2015.
 4. The Applicants, through the CRO, have brought a motion for an order extending the stay of proceedings until November 13, 2015 (the “**Stay Extension Order**”).
 5. The Court approved three asset purchase transactions during these CCAA Proceedings, each of which has subsequently closed. On October 15, 2014 the Court granted an Order approving the transaction contemplated by the asset purchase agreement among the Applicants and National Money Mart Company (the “**Money Mart Transaction**”). On January 26, 2015, the Court granted an Order approving the transaction contemplated by the asset purchase agreement among the Applicants and easyfinancial Services Inc. (the “**easyfinancial Transaction**”). On April 10, 2015 the Court granted an Order approving the transaction contemplated by the asset purchase agreement among the Applicants and CSF Asset Management Ltd. (the “**CSF Asset Management Transaction**”). Substantially all of the assets of the Applicants have now been sold.
 6. The Monitor has filed reports on various matters relating to the CCAA Proceedings. The purpose of this Eighteenth Report is to provide the Court with:
 - (a) an update on the status of the Cash Store’s ongoing operational activities;

- (b) information regarding the amount of Asset Sale Proceeds (as defined below) remaining in the Monitor's trust accounts;
- (c) an update regarding the settlement of the priority motion brought by Representative Counsel (defined below) and the status of other settlement negotiations;
- (d) the Monitor's comments and recommendations in respect of the requested Court-to-Court Communications Protocol Order (as defined below); and
- (e) the Monitor's comments and recommendations in respect of the requested Stay Extension Order.

TERMS OF REFERENCE

- 7. 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**").
- 8. 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.

9. The Monitor has prepared this Report in connection with the motion described in the Applicants' Notice of Motion dated August 20, 2015, the Monitor's Notice of Motion dated August 20, 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).
10. 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 previous reports of the Monitor, the Initial Order, and other Orders of the Court issued in the CCAA Proceedings.

ONGOING OPERATIONAL ACTIVITIES

11. Very few operational activities remain ongoing following the Money Mart Transaction, the easyfinancial Transaction and the CSF Asset Management Transaction, which cumulatively resulted in the sale of substantially all of the Cash Store's remaining assets.
12. The Cash Store, with the assistance of the Monitor and the CRO, continue to work towards the completion of the following tasks:
 - (a) finalizing post-closing adjustments following the National Money Mart Transaction and collecting on any remaining outstanding amounts owed to the Cash Store;
 - (b) preparing and filing financial statements and tax returns for the various Cash Store entities;
 - (c) winding-down employee benefit plans;
 - (d) closure of bank accounts;
 - (e) clean-up, storage and destruction of files;

- (f) finalize transactions regarding the two remaining properties owned by Cash Store in rural locations; and
 - (g) closure of the temporary office currently established in Edmonton, Alberta.
13. As of September 1, 2015, the company expects to have a total of 3 full time employees and independent contractors engaged to support the work streams listed above and to assist with outstanding litigation matters. By mid-October 2015, the Cash Store anticipates reducing this number to one full time independent contractor. In addition, the company has made arrangements with certain independent contractors to be available if necessary to complete work from time to time on an hourly basis.

ASSET SALE PROCEEDS HELD IN TRUST

14. The Monitor received funds on behalf of Cash Store from the purchasers in each of the Money Mart Transaction, the easyfinancial Transaction and the CSF Asset Management Transaction (the “**Asset Sale Proceeds**”). The Asset Sale Proceeds have been used in part to fund the Cash Store’s ongoing restructuring efforts and remaining operations.
15. As of August 20, 2015, the remaining amount of Asset Sale Proceeds held by the Monitor for the benefit of the Cash Store are:
- (a) National Money Mart transaction proceeds: \$19,658,854;
 - (b) easyhome transaction proceeds: \$2,515,015; and
 - (c) CSF Asset Management transaction proceeds: \$545,957.

STATUS OF SETTLEMENT NEGOTIATIONS

Timothy Yeoman v The Cash Store Financial Services Inc. et al.

16. On August 26, 2014 Regional Senior Justice Morawetz issued an order appointing Timothy Yeoman as representative of the class members in the *Timothy Yeoman v The Cash Store Financial Services Inc. et al.* proposed class action (the “**Ontario Class Action**”) and appointing Koskie Minsky LLP (“**Representative Counsel**”) as agent to Harrison Pensa.
17. On May 20, 2015, the Court determined that it would hear Representative Counsel’s motion in the CCAA Proceedings asserting a constructive trust or other form of priority in respect of the claims asserted in the Class Action on July 28 and 29th, 2015 (the “**Priority Motion**”).
18. The Monitor can now report that the Priority Motion that was filed by the Ontario Class Action group against Cash Store and its secured creditors has been settled following a mediation that was held with the Honourable Dennis O’Connor on June 10, 2015.
19. All relevant parties involved in the Priority Motion settlement have signed a binding term sheet.

DirectCash Entities

20. Following a successful mediation held on July 15th, 2015 with the Honourable Douglas Cunningham, an agreement in principle was reached between Cash Store, DirectCash (as defined below) and the class action claimants from Ontario, British Columbia, Alberta, Saskatchewan and Manitoba regarding a number of claims against the Directcash entities, which include Directcash Payments Inc., Directcash Management Inc., Directcash ATM Processing Partnership, Directcash ATM Management Partnership, Directcash Bank and Directcash Acquisition Corp. (collectively, “**DirectCash**”).
21. The following claims against DirectCash have been settled in principle:
 - (a) estate claims against DirectCash;

- (b) Ontario consumer class action claim against DirectCash;
 - (c) British Columbia consumer class action claims against DirectCash;
 - (d) Alberta consumer class action claims against DirectCash;
 - (e) Saskatchewan consumer class action claim against DirectCash;
 - (f) Manitoba consumer class action claims against DirectCash; and
 - (g) Any actions DirectCash may have asserted against the Applicants and their directors and officers.
22. The general terms of the DirectCash settlement agreement have been confirmed by email and the parties continue to work diligently towards the completion of a definitive agreement.

Insurers and Cash Store Directors and Officers

23. Following two mediations that were held with the Honourable George Adams, an agreement in principle has also been reached with the insurers and the Cash Store's former directors and officers regarding the following claims (subject to one outstanding issue described below):
- (a) estate claims against the Cash Store directors and officers;
 - (b) shareholder class action claims against the Cash Store directors and officers in Ontario, Quebec, Alberta and New York;
 - (c) noteholder class action claims against the Cash Store directors and officers in Ontario, Quebec, Alberta and New York; and
 - (d) consumer class action claims against the Cash Store directors and officers in Ontario.

24. This agreement in principle does not include recently asserted claims against the former directors and officers of Cash Store by class action plaintiff counsel in the British Columbia, Alberta, Saskatchewan and Manitoba consumer class proceedings. Discussions to address those asserted claims are ongoing.
25. The parties working towards a definitive agreement.

COURT-TO-COURT COMMUNICATIONS PROTOCOL

26. The Monitor will make a motion to the Court on August 27, 2015 for an order adopting a court-to-court communications protocol (the “**Communications Protocol**”), a copy of which is attached to the Monitor’s Motion Record at tab “A”.
27. Certain of the parties to these *CCAA* Proceedings and the parties to the Ontario, British Columbia, Alberta, Manitoba and Saskatchewan Class Actions anticipate entering into a global settlement which will require approval by the Ontario Court of a plan of arrangement under the *CCAA* and by the Courts in each province pursuant to the applicable provincial class action legislation.
28. The Communications Protocol was prepared by the Monitor following a case conference on July 24, 2015, during which Justice Morawetz requested that the parties prepare a court-to-court communications protocol to facilitate a joint hearing process between the various provincial courts.
29. As stated in the Monitor’s Notice of Motion dated August 20, 2015, the purpose of the Communications Protocol is to:
 - (i) harmonize and coordinate the settlement approval process before the various provincial courts;
 - (ii) promote the orderly and efficient administration of the approval process by reducing the duplication of efforts in each jurisdiction;

- (iii) facilitate fair and transparent administration of the approval process for the benefit of all interested parties; and
 - (iv) implement a set of guidelines to address administrative issues arising out of the multi-provincial nature of these proceedings.
30. The Communications Protocol is based in part on the *Guidelines Applicable to Court-to-Court Communications in Cross Border Cases*, which has been approved in Part XXVI of the Commercial List Practice Directions. The Communications Protocol has been modified to tailor the *Guidelines* to fit the particular circumstances in these CCAA Proceedings. The Monitor has also included a guideline permitting the Courts to adopt the provisions of *The Canadian judicial Protocol for the Management of Multijurisdictional Class Actions*, as deemed necessary or appropriate by the Courts.
31. The Monitor believes that the requested order is fair and reasonable and ought to be approved by this Court.

STAY EXTENSION

32. The Applicants have requested an extension of the Stay to November 13, 2015.
33. Under the supervision and direction of the CRO, the Cash Store has been working with due diligence and in good faith to address numerous issues in these CCAA Proceedings. In particular, since the Stay Period was last extended, the Applicants have, among other things:
- (a) significantly advanced settlement negotiations with various parties and in some circumstances achieved settlement agreements in principle;
 - (b) sold or otherwise realized upon the remaining material assets of the estate;
- and

- (c) reduced the number of employees to the amount necessary to assist with the orderly wind-down of the estate.
34. The Cashflow Forecast attached hereto as Schedule “A” demonstrates that the Applicants are projected to have sufficient liquidity to fund their activities without further financing until at least the week ended November 13, 2015. Existing cash and other receipts are estimated to exceed disbursements for the proposed extension of the Stay Period.
35. The Cashflow Forecast indicates that funding for the period would come from proceeds held in the Monitor’s trust accounts from the various sale transactions concluded by the Company.
36. The proposed extension of the Stay throughout the Stay Extension period requested would, among other things, enable the Applicants to:
- (a) finalize post-closing adjustments and collect on any outstanding amounts owed to Cash Store;
 - (b) finalize the terms of a settlement of the securities class action and other disputes;
 - (c) seek court approval of the settlement of the remaining disputes;
 - (d) develop, approve and sanction a plan of compromise or arrangement to implement the settlements and distribute the estate’s remaining funds;
 - (e) continue the process of winding-down the Cash Store’s business operations; and
 - (f) deal with other estate matters as they arise.
37. The Monitor believes that the length of the requested extension is appropriate in the circumstances.

38. Accordingly, the Monitor recommends that this Court grant the Stay extension to November 13, 2015 as requested by the Applicants.

39. The Monitor respectfully submits to the Court this Eighteenth Report.

Dated this 26th day of August, 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

Schedule "A" – Cashflow Forecast

The Cash Store Financial Services, Inc.
Weekly Cash Forecast
(CAD 000's)

Week Ended	8/28/2015	9/4/2015	9/11/2015	9/18/2015	9/25/2015	10/2/2015	10/9/2015	10/16/2015	10/23/2015	10/30/2015	11/6/2015	11/13/2015	Total
RECEIPTS:													
Receipts from Tax Refund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non_Operating Receipts	-	-	-	15	-	-	1,200	15	-	-	-	15	1,245
Asset Sale Proceeds	525	300	150	175	250	100	-	-	-	-	-	-	1,500
TOTAL RECEIPTS	525	300	150	190	250	100	1,200	15	-	-	-	15	2,745
OPERATING DISBURSEMENTS:													
Payroll and Benefits	35	25	15	-	10	-	10	-	10	-	7	-	112
Operating Expenses	35	70	30	30	30	10	10	10	10	10	10	10	265
Rent	-	10	-	-	-	-	3	-	-	-	3	-	16
TOTAL OPERATING DISBURSEMENTS	70	105	45	30	40	10	23	10	20	10	20	10	393
OPERATING CASH FLOW	\$ 455	\$ 195	\$ 105	\$ 160	\$ 210	\$ 90	\$ 1,177	\$ 5	\$ (20)	\$ (10)	\$ (20)	\$ 5	\$ 2,352
NON-OPERATING DISBURSEMENTS:													
Professional Fees - Restructuring	195	190	90	203	105	85	85	193	80	90	85	85	1,486
Credit Facility Interest	125	-	-	-	125	-	-	-	-	125	-	-	375
TOTAL NON-OPERATING DISBURSEMENTS	320	190	90	203	230	85	85	193	80	215	85	85	1,861
BoP Cash	\$ 25	\$ 160	\$ 165	\$ 180	\$ 137	\$ 117	\$ 122	\$ 1,214	\$ 1,026	\$ 926	\$ 701	\$ 596	\$ 25
Total Cash Flow	135	5	15	(43)	(20)	5	1,092	(188)	(100)	(225)	(105)	(80)	491
EOp Cash Before New Borrowing	\$ 160	\$ 165	\$ 180	\$ 137	\$ 117	\$ 122	\$ 1,214	\$ 1,026	\$ 926	\$ 701	\$ 596	\$ 516	\$ 516

Notes:

- [1] The purpose of this cash flow forecast is to determine the liquidity requirements of the Applicants during the forecast period.
- [2] Non-operating receipts represents reimbursement estimates from National Money Mart and tax refunds.
- [3] Forecast disbursements from operations are forecast based on existing Accounts Payable and operating expenses.
- [4] Post-petition non operating expenses include professional fees associated with the Applicants restructuring.
Forecast professional fee disbursements are based on advisor level estimates of fees that may be incurred during the forecast period.
- [5] Credit Facility Interest includes interest associated with the \$12 million in secured loans provided by the Senior Lenders.
- [6] Use of asset sale proceeds will be used to fund the estate during this forecast period.
- [7] DIP Exit Fee is expected be paid directly out of Monitor's trust account.
- [8] The company has submitted a claim for a tax refund. CRA is auditing the claim and verification of any payment has not been made by CRA to date.

Note: