

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

**THE CASH STORE FINANCIAL SERVICES INC.
AND RELATED APPLICANTS**

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

May 15, 2014

**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 THE CASH STORE FINANCIAL
SERVICES INC., THE CASH STORE INC., TCS CASH STORE
INC., INSTALOANS INC., 7252331 CANADA INC., 5515433
MANITOBA INC., AND 1693926 ALBERTA LTD DOING
BUSINESS AS "THE TITLE STORE"

APPLICANTS

**FOURTH 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**") to The Cash Store Financial Services Inc. ("**CSF**"), The Cash Store Inc., TCS Cash Store Inc., 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. On April 15, 2014, the Court granted an Amended and Restated Initial Order (the "**Amended & Restated Initial Order**") which, among other things, approved an

- interim CCAA credit facility (the “**Initial DIP**”) by Coliseum Capital LP, Coliseum Capital Partners II LP and Blackwell Partners LLC (collectively “**Coliseum**”) and appointed 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. In the Third Report of the Monitor, dated May 9, 2014 (the “**Third Report**”), the Monitor reported that the Applicants had received two proposals for additional DIP financing:
 - (a) a proposal from Coliseum and certain members of the ad hoc committee of holders of the Applicants’ 11 1/2% senior secured notes (the “**Ad Hoc Committee**”, and such members of the Ad Hoc Committee together with Coliseum, the “**Joint DIP Lenders**”) for additional financing by way of amendments to the Initial DIP (such proposal, as amended from time to time, the “**Joint DIP**”); and
 - (b) a proposal from DirectCash Payments Inc. (“**DCPI**”) for additional financing (such proposal, as amended from time to time, the “**DCPI DIP**”).
 4. The Monitor also reported in the Third Report that it understood that the amount remaining under the Initial DIP for outstanding principal and interest had or would be repaid on May 9, 2014 and that the Applicants were projected to have sufficient liquidity to continue operations without further financing until at least May 16, 2014. The Monitor attached to the Third Report a cashflow forecast demonstrating that additional financing was projected to be required during the week ended May 23, 2014.
 5. On May 13, 2014, the Applicants obtained an order extending the Stay to May 16, 2014 and scheduled a motion, returnable May 16, 2014 at 2:15 p.m., to seek approval of additional DIP financing and a further extension of the Stay, among

- other things. The source of the additional DIP financing – either the Joint DIP Lenders or DCPI – remained to be determined.
6. On May 15, 2014, DCPI rescinded its DIP proposal and the Applicants, through the CRO, selected the Joint DIP, subject to Court approval.
 7. The purpose of this Fourth Report of the Monitor is to provide the following information to this Honourable Court:
 - (i) relevant background regarding the proposals for additional DIP financing and selection of the Joint DIP;
 - (ii) a summary of the key terms of the Joint DIP and the Monitor’s recommendations regarding the Joint DIP; and
 - (iii) the Applicants’ request for an extension of the Stay to June 17, 2014.

TERMS OF REFERENCE

8. 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 the Applicants’ management and advisers. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. 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. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

DIP FINANCING: BACKGROUND

10. As set out in the Third Report, prior to the approval of the Initial DIP the Applicants had received two competing initial DIP proposals from each of Coliseum and the Ad Hoc Committee.
11. On April 15, 2014 pursuant to the Amended & Restated Initial Order, the Court approved the Initial DIP in the amount of \$8.5 million, which was expected to be of a very short-term nature only given the cashflow projections at that time.
12. In light of the anticipated need for additional DIP financing, the Applicants through their financial advisor, Rothschild Inc. (“**Rothschild**”), requested proposals for additional DIP financing from each of Coliseum and the Ad Hoc Committee by noon on April 24, 2014. At the same time, the Applicants, with the assistance of the CRO and the Monitor, explored with Coliseum and the Ad Hoc Committee the possibility of a joint facility in which both parties would participate in the proposed additional financing.
13. On April 24, 2014, after a series of discussions, this process resulted in an agreement in principle between Coliseum and the Ad Hoc Committee to offer additional interim financing to the Applicants on a joint basis.
14. In part due to receipts not anticipated within the first two weeks of the CCAA Proceedings, the Applicants anticipated having sufficient cash to fund their operations through to May 5, 2014 without further financing (rather than requiring further financing by April 28, 2014). Accordingly, while the Initial DIP technically matured on April 28, 2014, the parties agreed to seek approval of additional DIP financing on May 5, 2014 and not April 28, 2014 to provide sufficient time to conclude new DIP financing documentation. This time was later extended again to May 13, 2014 in part due to additional receipts not anticipated in this timeframe.

15. The Applicants and the CRO, in consultation with the Monitor, continued to negotiate terms for the provision of additional financing under the Joint DIP with counsel to Coliseum and the Ad Hoc Committee during this time.
16. On May 8, 2014, the Applicants received an unsolicited competing DIP proposal from DCPI. The Monitor understands that DCPI provides prepaid debit and credit card services to Cash Store.
17. The Monitor understands that the amount remaining under the Initial DIP for outstanding principal and interest was repaid on May 9, 2014.
18. Given the timing of the DCPI DIP proposal, the Applicants did not seek approval of additional DIP financing at the May 13, 2014 hearing while it continued to consider the two proposals and engage in discussions with the Joint DIP Lenders and DCPI.

Discussions with DIP Lenders

19. The Applicants and the CRO, in consultation with the Monitor, had been in discussions with the proposed Joint DIP Lenders for some time when the DCPI DIP was received. This includes that the CRO (or its counsel or Rothschild) provided specific comments to and had discussions with the Joint DIP Lenders regarding the terms of the proposed Joint DIP.
20. Shortly after receipt of the DCPI DIP proposal, the CRO, in consultation with the Monitor and Rothschild, developed a list of questions for DCPI to assist them in evaluating the DCPI DIP proposal. Between May 9 and May 13, 2014, a series of communications occurred between DCPI, the CRO and the Monitor (or their counsel or Rothschild) regarding the terms of the proposed DCPI DIP and the relationship between DCPI and the Applicants, among other things.

Request for Best and Final Bids

21. Early in the morning on May 14, 2014, Rothschild delivered to both Houlihan Lokey (financial adviser to the Joint DIP Lenders) and DCPI an email thanking each party for its continued interest in supporting Cash Store and, in light of Cash

Store's impending need for additional financing and the May 16, 2014 Court date, asking each party to provide its final and best DIP financing offer by the close of business that day.

22. To assist the parties in preparing a final offer, Rothschild also delivered a non-exhaustive list of principles that were developed by the CRO and the Monitor for use in assessing offers in addition to the factors to be considered by the Court as set out in section 11.2(4) of the CCAA. The relevant principles and considerations included:
- (a) the extent to which the offer is complete and, subject to Court approval, is capable of closing without delay and with funding readily available thereafter;
 - (b) the amount of funds on offer relative to current milestones in the restructuring process, and the pricing and other economic conditions applicable in respect of such funding;
 - (c) the impact of the proposed financing and its terms on Cash Store's stakeholders;
 - (d) the extent to which the terms are consistent with and recognize the authority granted to the CRO under the Initial Order to oversee, in consultation with the Monitor, the restructuring of Cash Store;
 - (e) the extent to which the terms are consistent with and do not potentially impede the existing sales process being run by Rothschild;
 - (f) the extent to which the proposed financing may facilitate an alternate plan process if pursued by the Company; and
 - (g) the extent to which the covenants include sufficiently flexible variance testing and cash flow monitoring to permit Cash Store to operate during the restructuring period.

23. Early in the morning of May 15, 2014, DCPI withdrew its offer for DIP financing.
24. Also early in the morning of May 15, 2014, the Joint DIP Lenders provided a revised Joint DIP proposal. The CRO, Monitor and Joint DIP Lenders continued discussions regarding the terms of the Joint DIP and after some further revisions, the Joint DIP Lenders presented the Joint DIP in the form attached to the affidavit of William Aziz dated May 15, 2014 (the “**Third Aziz Affidavit**”).

JOINT DIP FINANCING

25. The Joint DIP term sheet attached to the Third Aziz Affidavit is summarized in the table below. Terms capitalized in the table have the meaning ascribed to them in the Joint DIP term sheet.

The Cash Store Financial Services Inc. Summary of Joint DIP Facility Terms	
Borrower	The Cash Store Financial Services Inc.
Total Availability	\$14.5M with \$2.0M extension option consisting of: (a) initial tranche of \$8.5M (which has been repaid and may not be reborrowed); and (b) additional commitment of \$6M with a \$2M extension option (the Joint DIP Lenders “may provide” requested extension amounts and no Joint Lender is obligated to participate, although the rights of a non-exercising Joint Lender may be exercised by other Joint DIP Lenders as provided in the term sheet)
Interest Rate	12.5% per annum PIK interest on first \$8.5M (which has been paid out in cash) 17.5% per annum PIK interest on additional commitment
Funding Conditions	Receipt of weekly CCAA cash flow updates and projections. Payment of all reasonable documented expenses of DIP Lenders incurred up to the date of each DIP Advance.

	<p>Disclosure of employment agreements in excess of \$100,000 and all material contracts.</p> <p>CRO scope and authority shall not be changed.</p> <p>Receipt of all written expressions of interest relating to a Plan, Sale, recapitalization or restructuring since January 1, 2012.</p>
Maturity Date	<p>Earliest of (a) the date on which a demand is made following the occurrence of any Event of Default, (b) 180 days from date of Initial Order, (c) date Approved Transaction is consummated, (d) date stay of CCAA proceedings expire or terminate without being extended.</p>
Commitment Fee	<p>Initial DIP Lenders retain original commitment fee of 3.5% earned on initial \$8.5M tranche</p> <p>5% of \$6.0M additional commitment payable to the DIP Lenders <i>pro rata</i> to their respective commitments</p> <p>If the Extension Option is exercised, 5% to DIP Lenders <i>pro rata</i> based upon their respective share of the Extension Amount.</p>
Exit Fee	<p>15% of the first \$40M of Excess, payable to Senior Secured Noteholders who are also DIP Lenders in respect of the principal amount of indebtedness owed under the Senior Secured Notes as distributed pursuant to the Plan or Sale Transaction.</p> <p>No Exit Fee payable if Senior Secured Notes are repaid in full.</p>
Voluntary Prepayments	<p>No penalty for pre-payment of principal amount of DIP together with accrued interest.</p>
Mandatory Prepayments	<p>Net cash from sale of property over \$25K or extraordinary receipts of cash outside the normal course of business.</p> <p>Immediate payment equivalent to 100% of Tax Refunds.</p>

Extension Option	Additional \$2.0M is available if the Extension Option is exercised.
Security & Priority	<p>First priority charge over all assets subject only to:</p> <ul style="list-style-type: none"> - Priority Payables - First \$1.25M of Director's Charge - TPL Charge (ranking <i>pari passu</i>) - KERP Charge (ranking <i>pari passu</i>) - PMSIs - English Registrations, only in respect to assets of English Entities
Variance Test (Events of Default)	<p>Adverse variance of actual cash flows from the CCAA Cash Flow by an amount exceeding:</p> <ul style="list-style-type: none"> • Operating Cash Flow: the greater of 15% or \$1.5M during the first two weeks following May 16, 2014, 2014 (the week ending May 23, 2014 and the week ending May 30, 2014), and the greater of 15% or \$1.0M thereafter; and • Non-Operating Cash Flow: the greater of 15% or \$500k, measured on a cumulative basis from (not including) May 16, 2014.

26. As noted above, the Joint DIP provides \$6 million of new additional funding with a \$2 million extension option.
27. According to the cashflow forecast attached hereto as **Schedule "1"** (the "**Cashflow Forecast**"), the Applicants are anticipated to require additional financing during the week ended May 23, 2014. The Monitor understands that the first drawdown under the Joint DIP, if approved, will be scheduled to take place in this timeframe (i.e. next week).

28. As noted in the Third Report, Rothschild commenced a mergers and acquisitions process to seek a sale of significant investment in Cash Store (the “**M&A Process**”) prior to the start of the CCAA Proceedings. The M&A Process has continued during the CCAA Proceedings and Rothschild recently provided the following timeline to interested parties (subject to ongoing supervision of the Court and Court orders in these CCAA Proceedings):
- May 23, 2014 – parties to submit letters of interest (including transaction structure and price)
 - May 29, 2014 - selection of parties advancing to Phase 2
 - May 30-July 11, 2014 – Phase II due diligence
 - June 2-13, 2014 – Management presentations
 - July 11, 2014 – Binding proposals (for entire company or select assets) due.
29. Prior to exercising the extension option, the Joint DIP is projected to provide sufficient funding to the Applicants through to the week ended June 6, 2014 – which is after the date upon which parties submit letters of interest and the date for selecting parties to advance to Phase 2 of the M&A Process. Provided that the \$2 million extension option in the Joint DIP is exercised, the Joint DIP is projected to provide sufficient funding to the Applicants through to the end of the week ended August 8, 2014. Therefore, it is anticipated that the Joint DIP (including the extension option funds) will provide sufficient liquidity to assist the Applicants in completing the above-referenced elements of the M&A Process.
30. Without additional financing now, the Applicants will likely be forced to cease operations without completing the M&A Process, with the resulting impact on its employees, creditors, customers and other stakeholders.
31. The Monitor observes that the costs of the Joint DIP are not insignificant. However, the Joint DIP costs and quantum appear to reflect the circumstances of this financing.
32. The Joint DIP Lenders collectively have a prominent role in the current capital structure of the Applicants. The Monitor expects that having the Joint DIP

- provided by parties who are familiar with the Business should result in efficiencies in communications and reporting during the CCAA Proceedings and appears to reflect a level of confidence of those parties in the CRO and the restructuring process.
33. The Monitor notes that there are a number of terms and conditions of the Joint DIP that provide the DIP Lenders with discretion and control over the financing of the Applicants in these CCAA Proceedings. In light of the position of the DIP Lenders in the Applicants' capital structure, it is expected that the Joint DIP will be administered in a manner that furthers the goals of this proceeding.
 34. The existing DIP Priority Charge will apply, with necessary modifications, to secure the Joint DIP. As noted above, the DIP Priority Charge is proposed to rank behind certain items including amounts that are subject to a super priority claim under the *Bankruptcy and Insolvency Act* (Canada) and PMSIs. In addition, the Monitor has been advised by counsel to the CRO that the May 9, 2014 Motion Record – in which they noted that “Cash Store intends to seek approval of additional DIP financing in the near term” – was served on the service list and parties with security registrations against the Applicants (the “**PPSA Registrants**”). The Monitor also served its Third Report on the Service List and PPSA Registrants and, on May 13, 2014, the Monitor delivered a note to those parties (by email to the Service List and by overnight courier to the PPSA Registrants for whom the Monitor did not have email addresses) stating that “a hearing has been scheduled for May 16, 2014 at 2:15 p.m.” and advising that, among other things, the Monitor understood approval of additional DIP Financing (and a related DIP Charge) would be addressed at that hearing.
 35. For the foregoing reasons, the Monitor recommends that the Joint DIP and related DIP Priority Charge be approved as requested.

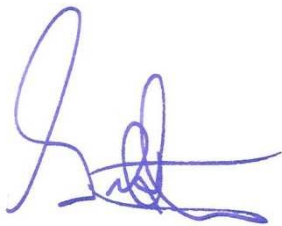
STAY EXTENSION

36. For the reasons set out in the Third Report, the Monitor supports the Applicants' request for an extension of the Stay to June 17, 2014 if the Joint DIP is approved.
37. As discussed in the Third Report and above, subject to approval of the Joint DIP (and exercise of the extension option provided therein), the Cashflow Forecast reflects that the Applicants are projected to have sufficient liquidity to continue operations during the proposed extension of the Stay period to June 17, 2014 and the Applicants, under the supervision and direction of the CRO, appear to be working with due diligence and in good faith.

The Monitor respectfully submits to the Court this Fourth Report.

Dated this 15th day of May, 2014.

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



Greg Watson
Senior Managing Director

Schedule "1" – Cashflow Forecast

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

Week Ended	5/16/2014	5/23/2014	5/30/2014	6/6/2014	6/13/2014	6/20/2014	6/27/2014	7/4/2014	7/11/2014	7/18/2014	7/25/2014	8/1/2014	8/8/2014	Total
Cash Receipts	\$ 7,238	\$ 9,330	\$ 10,489	\$ 5,983	\$ 7,915	\$ 8,935	\$ 10,727	\$ 6,058	\$ 6,044	\$ 7,443	\$ 7,847	\$ 6,863	\$ 6,160	\$ 101,033
Operating Disbursements:														
Loan Disbursements	7,802	7,802	6,252	6,478	6,478	6,977	4,983	6,222	5,185	5,185	6,741	2,593	5,240	77,937
Operating Expenses	1,818	3,222	2,118	2,967	1,136	2,680	1,418	2,344	853	1,807	249	2,909	346	23,867
Utility Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Critical Vendors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Disbursements	9,620	11,024	8,370	9,445	7,614	9,657	6,402	8,566	6,038	6,992	6,989	5,501	5,586	101,804
Operating Cash Flow	\$ (2,382)	\$ (1,694)	\$ 2,119	\$ (3,462)	\$ 302	\$ (721)	\$ 4,326	\$ (2,508)	\$ 6	\$ 451	\$ 858	\$ 1,362	\$ 574	\$ (771)
Non-Operating Disbursements:														
Post Petition Non Operating Expenses	352	1,476	381	396	433	633	719	341	271	341	682	271	351	6,645
Credit Facility Interest	-	-	125	-	-	-	125	-	-	-	-	125	-	375
DIP Interest and Related Fees	-	300	-	-	-	-	100	-	-	-	-	-	-	400
Third Party Lender Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capex	-	-	-	-	-	-	25	5	5	5	5	5	6	56
Total Non-Operating Disbursements	352	1,776	506	396	433	633	969	346	276	346	687	401	357	7,477
BoP Cash	\$ 9,036	\$ 6,303	\$ 5,832	\$ 7,445	\$ 6,586	\$ 8,455	\$ 7,101	\$ 10,458	\$ 7,605	\$ 7,335	\$ 7,440	\$ 7,611	\$ 8,572	\$ 9,036
Total Cash Flow	(2,734)	(3,470)	1,612	(3,858)	(131)	(1,354)	3,357	(2,854)	(269)	105	171	961	217	(8,247)
EoP Cash Before New Borrowing	\$ 6,303	\$ 2,832	\$ 7,445	\$ 3,586	\$ 6,455	\$ 7,101	\$ 10,458	\$ 7,605	\$ 7,335	\$ 7,440	\$ 7,611	\$ 8,572	\$ 8,789	\$ 789
BoP DIP Loan	\$ 0	\$ 0	\$ 3,000	\$ 3,000	\$ 6,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 0
DIP Draw	-	3,000	-	3,000	2,000	-	-	-	-	-	-	-	-	8,000
DIP Paydown	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP DIP Loan	\$ 0	\$ 3,000	\$ 3,000	\$ 6,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
EoP Cash After New Borrowing	\$ 6,303	\$ 5,832	\$ 7,445	\$ 6,586	\$ 8,455	\$ 7,101	\$ 10,458	\$ 7,605	\$ 7,335	\$ 7,440	\$ 7,611	\$ 8,572	\$ 8,789	\$ 8,789
Less: Non-Ontario Restricted Cash	(207)	(380)	(1,471)	(1,549)	(1,653)	(1,809)	(1,991)	(2,022)	(2,043)	(2,084)	(2,136)	(2,198)	(2,240)	(2,240)
Less: Ontario Restricted Cash	(1,761)	(1,945)	(1,945)	(1,974)	(2,013)	(2,071)	(2,139)	(2,149)	(2,156)	(2,170)	(2,187)	(2,208)	(2,208)	(2,208)
Less: Cash Minimum	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Less: Tax Refund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP Cash After Restricted Cash	\$ 1,335	\$ 507	\$ 1,029	\$ 63	\$ 1,790	\$ 222	\$ 3,329	\$ 434	\$ 137	\$ 186	\$ 288	\$ 1,166	\$ 1,341	\$ 1,341

Notes:

- [1] The purpose of this cash flow forecast is to determine the liquidity requirements of the Applicants during the forecast period.
- [2] Receipts from operations are forecast based on existing Consumer Loan Receivables and Accounts Receivable, forecast lending volumes and other revenues, and customer payment terms.
- [3] Forecast disbursements from operations are forecast based on existing Accounts Payable, forecast loan volumes and operating expenses, and payment terms.
- [4] Post-petition non operating expenses include professional fees associated with the Applicants restructuring and payments made to Third Party Lenders. Forecast professional fee disbursements are based on advisor level estimates of fees that may be incurred during the forecast period.
- [5] Third Party Lender payments include interest associated with the funds advanced by the Third Party Lenders.
- [6] Credit Facility interest includes interest associated with the \$12 million in secured loans provided by the Senior Lenders.
- [7] DIP Interest and Related Fees includes interest and transaction fees associated with the DIP financing.
- [7] DIP Proceeds include anticipated draws from the DIP facility.