

**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., INTSALOANS INC., 7252331 CANADA INC.,
5515433 MANITOBA INC., 1693926 ALBERTA LTD. DOING BUSINESS AS "THE TITLE
STORE"

APPLICANTS

**BRIEF OF TRANSCRIPTS OF THE MOVING PARTY,
0678786 B.C. LTD. (FORMERLY THE MCCANN FAMILY
HOLDING CORPORATION)**

Dated: June 2, 2014

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TAB 1

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

ONTARIO
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(COMMERCIAL LIST)

CT/sp

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
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Applicants

This is the Cross-Examination of STEVEN CARLSTROM on
his Affidavit sworn the 14th day of April, 2014, held at
the Offices of Osler Hoskin & Harcourt LLP, 100 King Street
West, 1 First Canadian Place, 45th Floor, Toronto, Ontario,
on the 22nd day of April, 2014.

A P P E A R A N C E S:

JEREMY DACKS} --- for the CRO of Cash
 KARIN SACHAR} Store Financial
 ROBERT W. STALEY --- for the McCann Family
 Holding Corporation
 ALAN MERSKEY --- for Coliseum Capital
 Management
 DAVID PREGER --- for Computershare Trust
 Company of Canada et al
 HEATHER MEREDITH --- for the Monitor
 BRENDAN O'NEILL --- for the Ad Hoc
 Noteholders Committee
 ANDREW J. HATNAY} --- for Tim Yeoman (Class
 JAMES HARNUM } Plaintiff)
 BRETT HARRISON --- for Trimor Annuity
 Focus LP #5

ALSO PRESENT:

William E. Aziz
 Greg Watson
 Murray McCann

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1 STEVEN CARLSTROM, affirmed
 2 CROSS-EXAMINATION BY MR. STALEY:

- 3
 4 1. Q. Mr. Carlstrom, my name is Robert
 5 Staley. I act for the McCann family interests, and
 6 I am here today to ask you some questions about,
 7 among other things, an affidavit that you have sworn
 8 in the Cash Store Financial CCAA. So do you have in
 9 front of you an affidavit that you swore on April
 10 14th, 2014?
 11 A. Yes, I do.
 12 2. Q. When you swore the affidavit, it was
 13 true to the best of your knowledge and ability?
 14 A. Yes, it was.
 15 3. Q. Is there anything in the affidavit
 16 since then that you looked at that you believe you
 17 need to correct, because it's not accurate, sitting
 18 here today?
 19 A. Yes, I believe there is one item.
 20 4. Q. Okay.
 21 A. I'm just trying to find the
 22 paragraph.
 23 MR. DACKS: It had to do with a number
 24 that was brought forward from an earlier
 25 paragraph, and we'll get that for you.

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1 Maybe you want to start. I'll find it.
 2

3 BY MR. STALEY :

- 4 5. Q. So there is one just numerical error
 5 in the affidavit. Apart from that, sitting here
 6 today, as best your recollection and belief, the
 7 affidavit is true?
 8 A. Correct.
 9 MR. DACKS: Yes, paragraph 56.
 10 THE DEPONENT: So in paragraph 56 the
 11 31.3 million of accrued liability includes
 12 an amount of 6.4 million due to the TPLs, I
 13 believe that should read 5.7 million. Let
 14 me just...yes, 5.7.

15 BY MR. STALEY :

- 16 6. Q. Just before we go further, before we
 17 went on the record today, you affirmed to tell the
 18 truth?
 19 A. I did, yes.
 20 7. Q. Now, are you aware that earlier
 21 today affidavits were sworn on behalf of my client
 22 by Sharon Fawcett and Mr. McCann, Murray McCann?
 23 A. I am aware that...yes, I wasn't
 24 aware that Mr. McCann swore an affidavit.
 25

1 8. Q. I take it from your answer...have
 2 you seen either of the affidavits that they swore
 3 earlier today?
 4 A. I haven't had a chance to review
 5 them in detail, but I have seen them.
 6 9. Q. Okay, so when you say, "I haven't
 7 reviewed them in detail," did you read through the
 8 text of either of those affidavits?
 9 A. Very quickly.
 10 10. Q. Very quickly, both of them or just
 11 one of them?
 12 A. Both of them. Mr. McCann's was, I
 13 believe, not sworn in, the version that I saw.
 14 11. Q. Okay. So you have been through them
 15 at least once, and you have got a general sense of
 16 what they say, sitting here today. That's where
 17 you're at?
 18 A. Yes.
 19 12. Q. Okay. So I understand you flew in
 20 from Alberta for this cross-examination?
 21 A. Yes, I did.
 22 13. Q. That's where you live, is it?
 23 A. Yes.
 24 14. Q. And if I look at the preamble to
 25 your affidavit, that you live in the County of

1 help the witness when he answers questions.
 2 MR. DACKS: I recognize that.
 3 20. MR. STALEY: Okay, so why don't we just
 4 let him answer the questions.
 5 MR. DACKS: It's a cross-examination on
 6 an affidavit.
 7 21. MR. STALEY: Right, right.
 8 MR. DACKS: Go ahead, Steve.
 9
 10 BY MR. STALEY :
 11 22. Q. So sir, this is the SEDAR face page
 12 for the Cash Store Financial Services Inc.?
 13 A. Yes.
 14 23. Q. And it shows a head office address
 15 on 123rd Avenue in Edmonton. Do you see that?
 16 A. Yes, I do.
 17 24. Q. And that is the company's head
 18 office address?
 19 A. That's correct.
 20 25. MR. STALEY: Can we mark that as the
 21 first exhibit, please, Exhibit 1?
 22
 23 --- EXHIBIT NO. 1 : SEDAR face page for Cash Store
 24 Financial Services Inc.
 25

1 Strathcona. Is that somewhere near Edmonton?
 2 A. It is. It's Sherwood Park, just
 3 outside of Edmonton.
 4 15. Q. Okay. Except for the company's
 5 senior...or its foreign subsidiaries and the new
 6 regulatory person who has been hired out of Ontario,
 7 Cash Store Financial senior management group is all
 8 in Edmonton. Isn't that right?
 9 A. That's correct.
 10 16. Q. I'm going to show you a face page
 11 from SEDAR. Do you know what SEDAR is?
 12 A. Yes, I do.
 13 17. Q. The face page for SEDAR...this is
 14 the face page for the Cash Store Financial Services
 15 Inc. that's the parent public company?
 16 MR. DACKS: Mr. Staley, we have an
 17 affidavit here with numerous exhibits.
 18 What is the purpose of introducing that
 19 document?
 20 18. MR. STALEY: I am asking the witness
 21 questions about the document. I have asked
 22 him first if he recognizes it.
 23 MR. DACKS: Yes.
 24 19. MR. STALEY: I'm not here to answer
 25 questions you may want to put to try to

1 BY MR. STALEY :
 2 26. Q. And sir, I'm now going to show you a
 3 copy of Cash Store Financial's annual information
 4 form for the year ended September 30, 2013. Do you
 5 see that? Are you familiar with that form, sir?
 6 A. Yes, I am.
 7 27. Q. Did you help in the preparation of
 8 that form?
 9 A. Yes, I did.
 10 28. MR. STALEY: I'll mark that as the next
 11 exhibit, Exhibit 2, please.
 12
 13 --- EXHIBIT NO. 2 : Copy of Cash Store Financial's
 14 annual information form for the year
 15 ended September 30, 2013
 16
 17 BY MR. STALEY :
 18 29. Q. Now, sir, I'm just going to take you
 19 through some portions of the management information
 20 circular. Do you have a copy in front of you?
 21 A. I have a copy of the annual
 22 information form.
 23 30. Q. Sorry, yes, I want to take you
 24 through that for a second. So start on page 2. I
 25 want to refer you to the paragraph that speaks to

1 the company's registered office. Do you see that?
 2 A. I do.
 3 31. Q. And it says there:
 4 "...The registered office of the company is
 5 located at Scotia Plaza, suite 2100, 40
 6 King Street West..."
 7 And then gives a head office address in Edmonton.
 8 Do you see that?
 9 A. I do.
 10 32. Q. Is the registered office address as
 11 set out there in Scotia Plaza the correct registered
 12 office address of the company?
 13 A. To the best of my knowledge, yes.
 14 33. Q. And if I turn to paragraph 24 of
 15 your affidavit, if you could turn that up, in
 16 paragraph 24 of your affidavit you indicate
 17 there...I think I'm six lines down. It's page 11 of
 18 the affidavit, paragraph 24. Do you see that?
 19 A. Yes, I do.
 20 34. Q. You indicate there that the
 21 registered office is located in Toronto. Is that
 22 the address...when you swore the affidavit, did you
 23 know where the registered office was in Toronto?
 24 A. Just with respect to what we have
 25 disclosed in our filings.

1 purposes of your corporate filings. Is that fair?
 2 A. I believe so.
 3 42. Q. Now, sir, if you turn ahead in the
 4 document to the...I'm now in the annual information
 5 form, turn ahead to page 11. There is a list there
 6 of the company's directors and officers. It starts
 7 on the top of page 11 and goes over to about the
 8 middle of page 13.
 9 A. Yes.
 10 43. Q. And on the first page we see there
 11 listed the company's directors, including Mr.
 12 Reykdal, who is both a director and officer. Do you
 13 see that on the first page?
 14 A. Yes, I do.
 15 44. Q. Then starting on the second page,
 16 the second entry down, we get into the company's
 17 officers?
 18 A. Yes.
 19 45. Q. Do you see that?
 20 A. Yes.
 21 46. Q. And putting aside for a second
 22 Barret Reykdal, whose name appears on the second
 23 page, which is page 12, as being involved with your
 24 United Kingdom subsidiary, all of the officers
 25 listed there, including the CEO, Mr. Reykdal, all

1 35. Q. So that is all you know about it, is
 2 what is disclosed in the filings?
 3 A. That's correct.
 4 36. Q. Have you ever been to that office,
 5 sir?
 6 A. No, I have not.
 7 37. Q. You'll agree with me, sir, that that
 8 office address there is the office of Cassels Brock
 9 & Blackwell. It's a law firm?
 10 A. Yes.
 11 38. Q. And it's not as though Cash Store
 12 actually carries on business at that location. That
 13 is just a registered office, a mailing address, as
 14 it were?
 15 A. Okay.
 16 39. Q. Do you agree with me on that? As
 17 far as you know, that's right?
 18 A. Yes.
 19 40. Q. And Cassels Brock has for years been
 20 the outside legal counsel...or one of the outside
 21 legal counsel to Cash Store in Canada. Is that
 22 right?
 23 A. Correct.
 24 41. Q. And that's why you use their office
 25 address as your registered office address for the

1 give as their place of residence Edmonton, Alberta?
 2 A. Yes.
 3 47. Q. And that's where they all live,
 4 right?
 5 A. I believe so.
 6 48. Q. To your knowledge, that's true?
 7 A. To my knowledge, that's true.
 8 49. Q. You work with them day-to-day. Is
 9 that right?
 10 A. That's correct, I do.
 11 50. Q. Now, I see a number of officers
 12 listed here. How long have you been with the
 13 company, sir?
 14 A. I started with the company in late
 15 August, 2012.
 16 51. Q. Is there some reason why you're not
 17 among the officers listed in this document?
 18 A. It's my understanding that the
 19 officers of the company are the senior vice-
 20 presidents and above.
 21 52. Q. I'm not asking you to tell me
 22 something that's privileged, but is there any reason
 23 why you ended up swearing this affidavit as opposed
 24 to any of them?
 25 MR. DACKS: I don't...we're not going

1 to answer that question.
 2
 3 BY MR. STALEY :
 4 53. Q. I take it, sir, that putting aside
 5 anyone who has been terminated by the company, I
 6 believe that speaks to...is it Mr. Barret Reykdal
 7 has been terminated? Has he been terminated?
 8 A. Not to my knowledge.
 9 54. Q. Okay. All of these other
 10 individuals, to your knowledge, who were listed as
 11 officers, were all available to swear an affidavit
 12 in connection with this proceeding?
 13 A. No, Mr. Michael Baker was
 14 terminated...
 15 55. Q. Mr. Baker, okay.
 16 A. ...in late 2013, and Mr. Dean Ozanne
 17 is no longer an officer of the company. He is
 18 working for the company on a contract basis.
 19 56. Q. And Mr. Gord Reykdal, he is still
 20 with the company?
 21 A. Yes, he is, I believe.
 22 57. Q. Still the CEO?
 23 A. Yes, he is.
 24 58. Q. Now, if you turn back in your
 25 affidavit to paragraph 23...

1 compliance and regulatory affairs officer, and that
 2 is Ms. McCarthy?
 3 A. Correct.
 4 65. Q. And she was hired, as I recall your
 5 press release, at the end of February of this year?
 6 A. Yes.
 7 66. Q. That's a new position?
 8 A. Yes.
 9 67. Q. Now, if I could get you, sir, to
 10 turn to your affidavit, to paragraph 6 of your
 11 affidavit, do you have that, sir?
 12 A. I do.
 13 68. Q. And in paragraph 6 you summarize
 14 information that appears later in the affidavit.
 15 You there talk about some of the challenges the
 16 company is facing. Do you see that?
 17 A. Yes, I do.
 18 69. Q. Among the things that you reference,
 19 starting four lines down, is a decision of the
 20 Ontario registrar of the Ministry of Consumer
 21 Services to refuse to issue a lender's licence to
 22 the company's subsidiaries. Do you see that?
 23 A. Yes.
 24 70. Q. And then you also reference a final
 25 determination that was made on March 27th, pursuant

1 MR. DACKS: Mr. Staley, are we finished
 2 with Exhibit 2?
 3 59. MR. STALEY: We're going to come back to
 4 it later, but on another subject.
 5
 6 BY MR. STALEY :
 7 60. Q. So sir, in paragraph 23 you set out
 8 there...there is a heading there "Chief place of
 9 business". Do you see that?
 10 A. I do.
 11 61. Q. And you there, starting in paragraph
 12 23, provide statements as to...first you say that:
 13 "...Cash Store's chief place of business is
 14 the province of Ontario..."
 15 Then you make further statements to support that
 16 assertion. Do you see that?
 17 A. I do.
 18 62. Q. Okay, and the first statement that
 19 you make to support that assertion is the presence
 20 of 176 store branches in Ontario?
 21 A. That's correct.
 22 63. Q. And then employees then follow from
 23 the fact that you have got store branches, right?
 24 A. Yes.
 25 64. Q. And then you reference the chief

1 to that earlier notice, right?
 2 A. Yes.
 3 71. Q. And you indicate at the bottom of
 4 page 6...sorry, paragraph 6, that:
 5 "...Cash Store is therefore not currently
 6 permitted to sell any payday loan products
 7 or line of credit products in Ontario..."
 8 Now, if I turn ahead in your affidavit, sir, to
 9 paragraph 93, in paragraph 93 you begin a longer
 10 discussion of regulatory issues affecting the
 11 province of Ontario. Do you see that?
 12 A. I do.
 13 72. Q. And it covers a number of pages, and
 14 by my count, the discussion there goes over to
 15 paragraph 102. Do you see that?
 16 A. Yes.
 17 73. Q. And as I understand your evidence,
 18 sir, looking at your affidavit, as a result of the
 19 regulatory developments that you describe, summarize
 20 in paragraph 6 and set out in greater detail in
 21 paragraphs 93 to 102, Cash Store can no longer sell
 22 the principal revenue-generating products that it
 23 has historically sold in the province of Ontario.
 24 Is that right?
 25 A. That's correct.

1 74. Q. And as I also understand, if I look
2 at paragraph 100 of your affidavit, you indicate
3 about the middle of the paragraph that:
4 "...The company is not able reapply for an
5 Ontario licence for 12 months from the date
6 of issuance of the final order..."
7 Which you indicate earlier is March 27, 2014. Do
8 you see that?

9 A. Yes.

10 75. Q. So at least up until March...towards
11 the end of March of next year, the company won't be
12 able to carry on business in Ontario in the
13 principal lines of business it has carried on to
14 this point in time. Is that right?

15 A. Unless we provide evidence to the
16 registrar that there has been a change in
17 circumstance. We may be able to apply sooner than
18 that.

19 76. Q. Okay, and I don't see that anywhere
20 in your...I see in your affidavit a statement that
21 you're not eligible to re-apply for 12 months. I
22 don't see anything about changed circumstances.
23 It's not in your affidavit, sir?

24 A. It's in paragraph 100, about two-
25 thirds of the way down.

1 affidavit?

2 A. Correct.

3 82. Q. And it has both attempted to
4 persuade the Ontario government to allow it to do
5 what you want, and been unsuccessful to this point.
6 Is that fair?

7 A. Yes.

8 83. Q. And it has also been involved in
9 litigation with the government that it has lost,
10 right?

11 A. Yes.

12 84. Q. And so, sitting here today, barring
13 some extraordinary change of circumstances, you're
14 out of the business in Ontario for 12 months. You
15 say it might happen sooner, but we don't know?

16 A. Correct.

17 85. Q. Now, if you could turn back to
18 paragraph 24 of your affidavit, you indicate
19 there...and I just...I pause to note that this is
20 under the section of the affidavit "Chief place of
21 business", which starts at paragraph 23.

22 A. Yes.

23 86. Q. Paragraph 24 you indicate that:
24 "...For fiscal year 2013 the Ontario
25 operations accounted for 57.6 million in

1 77. Q. It says there:
2 "...If Cash Store chooses to re-apply for a
3 licence after such time..."
4 After 12 months?

5 A. Oh, I apologize, I apologize. It is
6 my understanding that it is possible to re-apply.
7 I'm not an expert in the regulatory side of the
8 business, but if circumstances have changed, it's my
9 understanding that the Cash Store may be permitted
10 to re-apply sooner than that.

11 78. Q. But as it sits right now, reading
12 your affidavit...

13 A. Yes.

14 79. Q. ...it's your understanding that the
15 company has tried very hard over a number of years
16 to get licences or permission to do what it wants in
17 this province. Is that fair?

18 A. I can't speak to a number of years
19 ago.

20 80. Q. Okay, but certainly since the time
21 you have been with the company, the company has
22 faced regulatory challenges in Ontario. Is that
23 fair?

24 A. Yes.

25 81. Q. And those are set out in your

1 revenue, which was roughly 30 percent of
2 Cash Store's total revenue, more than any
3 other province..."

4 Do you see that?

5 A. Yes, I do.

6 87. Q. It is fair to say, sir, that as a
7 result of the regulatory developments that we were
8 just talking about, the company's revenue
9 attributable to Ontario for the current fiscal year
10 will be significantly below historic levels. Is
11 that fair?

12 A. Correct, yes.

13 88. Q. Reduced to close to nothing or
14 very...or to very minimal levels. Is that fair?

15 A. Yes, up until February 12th.

16 89. Q. Right, and after February 12th,
17 you're essentially not able to carry on business
18 selling the key products you sold historically?

19 A. Correct. It would just be limited
20 to ancillary products.

21 90. Q. Like...and what would those be?

22 A. Money transfers, cheque cashing,
23 sales of prepaid phone cards and things like that.

24 91. Q. But not the money makers?

25 A. Not our primary product offering.

1 92. Q. Not your big money makers. Where
2 you make most of your revenue, it doesn't come from
3 the ancillary products you just mentioned?

4 A. It comes from consumer lending, yes.

5 93. Q. And in fact, if I read on in
6 paragraph 24, the last sentence, you indicate there
7 that:

8 "...The impact of the court and regulatory
9 decisions has significantly curtailed Cash
10 Store's Ontario revenues..."

11 Is that fair?

12 A. That's correct, yes.

13 94. Q. So I want to go now back and have
14 you turn with me and look with me for a second again
15 at the annual information form.

16 A. Sure.

17 95. Q. And I now want to have you look with
18 me at page 3.

19 A. Okay.

20 96. Q. And I want to, for the moment, focus
21 on...there is a table in the top half of the page
22 that lists various jurisdictions. Do you see that?

23 A. I do.

24 97. Q. And a timeline for different types
25 of businesses?

1 line of credit products at that time. I think that
2 was something that the company had included in its
3 own strategic plan. So essentially the lines of
4 credit were designed to offer additional benefits
5 over and above what a payday loan could provide to a
6 customer.

7 So for the company primarily...the company
8 would benefit from a longer term relationship with
9 the customer because the line of credit was longer
10 term in nature.

11 The consumer would benefit from the
12 ability to, after demonstrating good payment
13 history, graduate into reduced cost line of credit
14 products.

15 101. Q. And this was also done in an effort
16 to devise a regime that would allow Cash Store to
17 make money but also to comply with the applicable
18 regulatory regime in the province, right?

19 A. That's correct.

20 102. Q. And you'll agree with me that
21 ultimately the issue of whether it complied went to
22 court, and there was a determination made that the
23 brokered lines of credit did not comply. Is that
24 fair?

25 A. Yes.

1 A. That's correct.

2 98. Q. And as you can see there...I want to
3 start with Ontario:

4 "...Over time the nature of the business
5 has changed province to province..."

6 Where, for example, if I look at Ontario, up until
7 January of 2012 there were brokered payday loans.
8 Then there was a period of direct lending payday
9 loans and then lines of credit brokered. Are you
10 able today to tell me why the business changed as it
11 did on these dates, as set out in the table?

12 A. Specific to Ontario?

13 99. Q. Yes, let's start...I'm just using
14 that as an example.

15 A. Yes, the biggest change you'll see
16 occurred on February 1st, 2012. That coincides with
17 when the company issued its senior secured notes,
18 purchased a portfolio of loans from third party
19 lenders and began its direct lending platform. So
20 basically transitioned from primarily being a broker
21 of loans to a direct lender of loans.

22 100. Q. And then there was a change as of
23 February 1, 2013. What happened there and why did
24 that happen?

25 A. Yes, the company launched a suite of

1 103. Q. So let's now turn ahead to paragraph
2 76 of your affidavit.

3 A. Sure.

4 104. Q. And there is a discussion starting
5 on paragraph 76 of third party lenders, and you
6 indicate in paragraph 76 that:

7 "...Cash Store has entered into written
8 business agreements with a number of third
9 party lenders who are prepared to lend cash
10 to the store's customers or to purchase
11 advances originated by Cash Store..."

12 You describe them as broker agreements. Do you see
13 that?

14 A. Yes.

15 105. Q. I'm just going to have you turn up
16 for a second the second volume of the record, and
17 I'm going to have you look at Exhibit H.

18 A. H, yes.

19 106. Q. This is one of the forms of
20 agreement you entered into with one of the third
21 party lenders. This is the agreement dated June
22 19th, 2002 between the Cash Store and...

23 MR. DACKS: 2012, Mr. Staley.

24 BY MR. STALEY :
25

1 107. Q. Sorry, '12, sorry, 2012 between
2 McCann Family Holding Corporation, my client, and
3 the Cash Store Inc.?

4 A. Yes.

5 108. Q. And are you familiar with these
6 agreements?

7 A. I am familiar, yes.

8 109. Q. The form of broker agreement is a
9 form that the Cash Store prepares, and then it seeks
10 to have the brokers adopt when they become...enter
11 into a brokering relationship...or sorry, they seek
12 to have the financiers adopt when they enter into a
13 financing arrangement with the Cash Store. Is that
14 fair?

15 A. I believe so. These...

16 MR. DACKS: Don't believe. Only answer
17 if you know.

18 THE DEPONENT: So the broker agreement
19 was signed before I started with the
20 company. I'm not sure how it was
21 negotiated.

22 BY MR. STALEY :

23 110. Q. Okay, you're aware that the form of
24 agreement is very similar, agreement to agreement?
25

1 A. Correct.

2 115. Q. And is also responsible for the
3 administration of the loan and advance, right?

4 A. That's correct, yes.

5 116. Q. And as I understand it, the two ways
6 in which the money that belongs to a third party
7 lender can be utilized is one is in the form of
8 direct advances to Cash Store's customers. Is that
9 right? So Cash Store brokers an arrangement where
10 the third party lender's money is given to the
11 customer who borrows it. Is that right?

12 A. Yes.

13 117. Q. And then the other is that sometimes
14 there are receivables that are due to the Cash Store
15 that are credited to the account of the third party
16 lender. Those are the two different ways that can
17 happen?

18 A. Yes. There also is contemplation in
19 the agreement of transfers of loans between lenders
20 and between Cash Store and the third party lenders.

21 118. Q. So there are different ways
22 that...but in each case what is happening here is
23 it's the money that belongs to the third party
24 lender that gets advanced to make a loan to
25 someone...to a third party, to a customer?

1 A. Yes.

2 111. Q. If you take a look, for example, at
3 the next tab, at I and J, that we're dealing with
4 what looks like a form agreement that is modified to
5 include the name of the financier, but otherwise
6 remains largely the same, agreement to agreement?
7 Is that fair?

8 A. Yes..

9 112. Q. Okay. So just so I can understand
10 the process here, sir, under the program, the third
11 party lender takes its money and lends its money to
12 Cash Store's customers. Is that right? Is that how
13 you understand it?

14 A. Yes. The company brokers loans on
15 behalf of customers, yes.

16 113. Q. So the money...using my example,
17 McCann Family Holding Corporation, it has money, and
18 it lends the money to one of Cash Store's customers,
19 and Cash Store acts as a broker in that arrangement,
20 right? That is how it works?

21 A. Yes.

22 114. Q. And by "broker" Cash Store
23 identifies who the lender might...or the borrower
24 might be and does the administration in connection
25 with the loan or advance, right?

1 A. Third party lenders make funds
2 available for lending to consumers.

3 119. Q. Right, and again, just so I'm clear,
4 it's the money that belongs to the third party
5 lender that gets advanced to the consumer, and Cash
6 Store acts as a broker to broker the arrangement?

7 A. That's correct.

8 120. Q. Now, if you...and just in connection
9 with the transaction that we have just described,
10 and I'm going to...let's talk about a typical
11 Ontario brokerage or a line of credit transaction as
12 they existed up until earlier this year.

13 In the arrangement that takes place where
14 you have a brokered transaction, at the time that
15 the advance is made, the Cash Store gets a payment
16 or a fee off the top. Is that right?

17 A. That's correct.

18 121. Q. So whatever the cut is that Cash
19 Store gets, it gets that cut when the advance is
20 made?

21 A. At the time the advance is made.

22 122. Q. At the time the advance is made.
23 It's really it gets paid out of the advance
24 effectively, right?

25 A. Yes, often the customer will borrow

1 the broker fee.
 2 123. Q. Typically that's what happens,
 3 right?
 4 A. Typically, yes.
 5 124. Q. So that basically what happens is
 6 that you...Cash Store makes sure that it gets taken
 7 care of off the top when the advance is made, and
 8 then at a later date, you have to deal with the
 9 issue of collectability, right?
 10 A. That's correct.
 11 125. Q. But off the top, Cash Store gets
 12 paid when the advance is made?
 13 A. Yes, the broker fee is due at the
 14 time of the advance.
 15 126. Q. Right, and that's one reason, for
 16 example, why Cash Store wants to continue to make
 17 advances using third party lenders' money,
 18 because...
 19 MR. DACKS: Don't answer this. I don't
 20 see how that is possibly germane. You're
 21 saying why...
 22 127. MR. STALEY: I'm going to ask the
 23 question. You can object.
 24 MR. DACKS: Okay.
 25

1 using third party lenders' money, every time an
 2 advance is made, Cash Store Financial will get its
 3 fee off the top when the advance is made. Isn't
 4 that correct?
 5 A. I don't know. I don't think I
 6 understand the question.
 7 131. Q. Okay. I thought we agreed that
 8 every time there is an advance made, but it's a
 9 brokered...whether it's a payday loan or a line of
 10 credit advance, Cash Store Financial gets its fee
 11 off the top when the advance is made, right?
 12 A. Yes.
 13 132. Q. And you still want to carry on...you
 14 being Cash Store want to continue to carry on
 15 business and earn fees as advances are made, right?
 16 A. The company...is the company
 17 interested in earning revenue? Is that what you're
 18 asking?
 19 133. Q. I'm trying to get you to agree with
 20 me that if you...if Cash Store is allowed to
 21 continue to use third party lenders' money to make
 22 advances, every time it makes an advance, it will
 23 earn revenue on that transaction.
 24 A. Yes.
 25 134. Q. That's right. It's simple, isn't

1 BY MR. STALEY :
 2 128. Q. So you agree with me, sir, that Cash
 3 Store wants to continue to make advances using third
 4 party lenders' money because the moment that the
 5 advance is made, it earns revenue on those
 6 transactions, right? Do you agree with me, sir?
 7 MR. DACKS: You can answer that
 8 question, Mr. Carlstrom.
 9 THE DEPONENT: I can't speculate on what
 10 the Cash Store wants to do.
 11
 12 BY MR. STALEY :
 13 129. Q. So let's put it this way. You agree
 14 with me that if Cash Store is allowed to continue to
 15 use third party lenders' money to make advances to
 16 customers, every time an advance is made, Cash Store
 17 Financial will collect its fee upfront in those
 18 transactions, right?
 19 A. It's not my understanding that the
 20 primary reason for...
 21 130. Q. Sir, I didn't ask you that question.
 22 I asked you a different question. So let's go with
 23 the question I asked you.
 24 You'll agree with me that if Cash Store is
 25 allowed to continue to make advances to customers

1 it?
 2 A. Yes. I mean, the Cash Store earns
 3 revenue by brokering advances.
 4 135. Q. Right, and so that's why it wants to
 5 keep doing that, right?
 6 A. It earns revenue when it direct
 7 lends as well.
 8 136. Q. Right, but in terms of...in
 9 connection with the third party lenders'
 10 money...let's focus on the source of the revenue.
 11 Cash Store gets paid its revenue at the moment it
 12 makes the advance, right?
 13 A. Yes, the customer borrows money and
 14 uses a portion of the money that it borrows to pay a
 15 broker fee to the company.
 16 137. Q. Right, and so as we have been
 17 discussing, the Cash Store gets paid in that
 18 transaction whether or not the money ultimately is
 19 repaid. Isn't that right?
 20 A. That's correct.
 21 138. Q. So you have no credit risk on that
 22 transaction. The credit risk is with the third
 23 party lender?
 24 A. That's correct.
 25 139. Q. Now, sir, if I could turn to the

1 broker agreement, I am looking now at Exhibit H. I
2 want to focus on the McCann agreement for a second.
3 I think the other ones have similar terms, and turn
4 to page 8 of the agreement. It's 508 of the record.

5 A. Yes.

6 140. Q. I want to look at section or article
7 2.10. Do you see that?

8 A. Yes, I do.

9 141. Q. And this clause provides:
10 "...For greater certainty, funds from time
11 to time advanced to broker from financier
12 are solely intended to be utilized for the
13 purpose of making advances to broker
14 customers on financier's behalf as
15 contemplated hereunder. Broker agrees that
16 any funds not otherwise being held by the
17 broker as a float in anticipation of loan
18 approval shall not, without the consent of
19 financier, be advanced or utilized for any
20 other purpose..."

21 Do you see that?

22 A. I do.

23 142. Q. And that...sorry, it's your
24 understanding that the funds that are advanced by
25 third party lenders, consistent with the clause that

1 capital protection, and under capital protection you
2 describe two mechanisms to protect the capital of
3 the third party lenders. Do you see that?

4 A. I do.

5 146. Q. And sir, from the time that you
6 joined the company, you saw that both of these
7 practices were applied to...in relation to the
8 affairs of third party lenders. Is that fair?

9 A. Yes.

10 147. Q. And they were applied consistently
11 month-to-month?

12 A. It's a voluntary practice, but those
13 are the principles that the company had generally
14 adhered to since I was with the company, yes.

15 148. Q. And you describe it as "a voluntary
16 practice". You'll agree with me that there was an
17 expectation on the part of the third party lenders
18 that this practice would be followed monthly. Is
19 that fair?

20 A. Yes.

21 149. Q. Okay, and that was an expectation
22 that the Cash Store itself fostered because it
23 continued to actually comply with the terms of the
24 retention payments as you describe them in paragraph
25 84?

1 I just took you to, those funds will be used solely
2 for the purpose of making further advances to
3 customers. Is that right?

4 A. Yes, as contemplated in the broker
5 agreement.

6 143. Q. It's also contemplated in the broker
7 agreement that those funds are not to be used by
8 Cash Store Financial for its own corporate purposes.
9 Is that fair? That's your understanding?

10 A. Yes.

11 144. Q. Okay. Now, sir, if you turn ahead
12 in your affidavit to paragraph 84, in paragraph 84
13 you describe...under the heading "Voluntary
14 retention payments" you describe what are
15 there...set out is what you say are:

16 "...Voluntary retention payments to third
17 party lenders in order to lessen the impact
18 of loan losses..."

19 A. Yes.

20 145. Q. And you say:
21 "...Since I have been at my role in the
22 company, the TPL funds have been managed in
23 the following manner..."

24 And there are two things that you set out. One is a
25 monthly lender distribution, and the second is

1 A. Well, with respect to item number 1
2 in paragraph 84, that was a consistent practice of
3 the company since...at least since I was there.

4 150. Q. Okay.

5 A. With respect to the second
6 paragraph, that was more of the voluntary piece.

7 151. Q. When you say "more of the voluntary
8 piece", you agree with me, sir, that the company
9 repeatedly engaged in the practice of providing
10 capital protection to the third party lenders so
11 they wouldn't lose their principal? Do you agree
12 with me?

13 A. Yes, part of the retention payments
14 are to provide for that. The company didn't
15 necessarily do it on a consistent basis.

16 152. Q. It was done less frequently as
17 opposed to monthly, whereas the monthly...

18 A. Yes, there is a normal monthly
19 practice, yes, yes, at least in...since I was with
20 the company, that's true.

21 153. Q. So just so we're clear, in terms of
22 the monthly lender distributions, to get the lenders
23 to 17 and a half percent, that was something that
24 was done monthly, right?

25 A. Correct.

1 154. Q. Right, and then the other...the
2 capital protections were done less frequently, but
3 they were done periodically, and ultimately provided
4 capital protection for the third party lenders?

5 A. Yes, to a certain extent. Again,
6 it's at the...the company does it for commercial
7 reasons and it's completely voluntary. It's really
8 the third party lenders are contractually at risk
9 for loan losses and credit risk, yes.

10 155. Q. I understand you're saying that, but
11 in terms of the expectation, if I'm a third party
12 lender, my expectation, having dealt with you for
13 the last two years, is...

14 MR. DACKS: We are not going to answer
15 questions about expectations of other
16 parties.

17 156. MR. STALEY: That's fine.

18
19 BY MR. STALEY :

20 157. Q. So you'll agree with me, sir, that
21 you consistently paid the 17 and a half percent
22 monthly?

23 A. We made distributions of the 17 and
24 a half percent monthly, yes, we did, very
25 consistently.

1 A. Yes, that's...I would agree with
2 that.

3 165. Q. Okay, and this is an e-mail from
4 February 26th, 2014, sir, and you received that at
5 the time?

6 A. Yes.

7 166. Q. And she is making some arguments to
8 you here about how the McCann family funds ought to
9 be managed, and I want to focus you for a second on
10 the third paragraph down.

11 A. Yes.

12 167. Q. And there is a reference there to 17
13 and a half percent. Do you see that?

14 A. Yes.

15 168. Q. And this e-mail is consistent with
16 the practice that Cash Store had of regularly paying
17 17 and a half percent to the third party lenders,
18 right?

19 A. Yes.

20 169. Q. And you didn't respond to say, "We
21 have no such practice or arrangement or
22 understanding." You didn't respond to that...to
23 this e-mail in any way. Am I fair in that, to your
24 knowledge?

25 A. Correct. I don't believe I

1 158. Q. Right, and you less consistently,
2 but regularly, you provided the capital protections.
3 Is that fair?

4 A. Yes, it is.

5 159. Q. If you...turn in the record to...in
6 the second volume to tab R.

7 MR. DACKS: Do you mean a third volume,
8 Mr. Staley?

9 160. MR. STALEY: I'm sorry. Mine is in 2,
10 but I'm looking at tab R.

11 MR. DACKS: Tab R, okay.

12
13 BY MR. STALEY :

14 161. Q. This is an exhibit to your
15 affidavit, sir. This is an e-mail that you got from
16 Sharon Fawcett?

17 A. Yes.

18 162. Q. And Sharon Fawcett is associated
19 with my client?

20 A. Yes.

21 163. Q. And she is someone you corresponded
22 with from time to time?

23 A. That's correct.

24 164. Q. And she is the in-house accountant,
25 if I can call her that?

1 responded to it.

2 MR. DACKS: Well, do you not believe or
3 you don't know?

4 THE DEPONENT: I don't know. I'll have
5 to check.

6
7 BY MR. STALEY :

8 170. Q. And I'm going to show you here, sir,
9 another e-mail. It isn't in the record yet. Take a
10 look at that. This is an e-mail exchange involving
11 a Brian Dimmick and Ms. Fawcett. You're on this e-
12 mail exchange as well?

13 A. Okay.

14 171. Q. Do you see that?

15 A. I do.

16 172. Q. And who is Mr. Dimmick?

17 A. He is an accountant with Cash Store
18 Financial, just an accounting clerk.

19 173. Q. So is he someone who reports to you
20 or subordinate to you? How does he fit...

21 A. Yes, he ultimately reports to me,
22 yes.

23 174. Q. And as I look at this e-mail
24 exchange, sir, this is in anticipation of the
25 payment that would be made...the monthly payment

1 that would be made at the end of March to a third
2 party lender?

3 A. Yes.

4 175. Q. And you'll agree with me, sir, that
5 there was discussion at the end of March in
6 anticipation of such payment being made?

7 A. Yes.

8 176. Q. And in fact, sir, reading the
9 exchange, one would expect...one would be led to
10 believe that the payment would, in fact, be made.
11 Is that fair?

12 MR. DACKS: We're not going to answer
13 that. What the expectation of another
14 party is is not subject to cross-
15 examination.

16 177. MR. STALEY: Fair enough.

17
18 BY MR. STALEY :

19 178. Q. Sir, if you look at Mr. Dimmick's e-
20 mail, there is a request here for a calculation of
21 the payment due at the end of March. Is that fair?

22 MR. DACKS: Mr. Staley, where
23 specifically are you taking that from?
24

25 BY MR. STALEY :

1 MR. DACKS: I think it's only fair, Mr.
2 Staley, to read in the date of that e-mail.

3 186. MR. STALEY: It was March 13th.

4 MR. DACKS: I am just not sure that was
5 on the record.
6

7 BY MR. STALEY :

8 187. Q. Again, if you take a look...I assume
9 that you were asking that because it was not
10 proximate to month end. If you take a look at the
11 first e-mail on the first page, do you agree with
12 me, sir, reading the March 26th e-mail from Mr.
13 Dimmick, which attaches the calculation, as I read
14 it, sir, he is intending to communicate that this
15 payment was about to be made. Is that fair?

16 MR. DACKS: Mr. Dimmick isn't here. We
17 are not going to speculate on what he was
18 intending.
19

20 BY MR. STALEY :

21 188. Q. Do you, sir, know whether at that
22 time you were communicating to third party lenders
23 that they could expect to receive the payment at the
24 end of March? Do you know that, sir?

25 A. No.

1 179. Q. Take a look at the second page:
2 "...The next disbursement will be made on
3 Friday, March 28th..."

4 A. Yes.

5 180. Q. And if I take a look, sir, at the
6 attachment to that, it contemplates, you can see, a
7 payment rate of 17.5 percent?

8 A. Yes.

9 181. Q. Do you see that?

10 A. I do.

11 182. Q. And the document...the attachment
12 that's here, this is an attachment that is generated
13 by your accounting system?

14 A. It's a spreadsheet.

15 183. Q. It's a spreadsheet. It's
16 something...but it's something...it's a spreadsheet
17 generated by Cash Store Financial?

18 A. Yes, that's correct.

19 184. Q. Again, sir, it sets out there the
20 contemplated payment of 17.5 percent, when this
21 payment would be made at the end of March. Is that
22 fair?

23 A. Yes.

24 185. Q. Was this payment ever made?

25 A. No, it was not.

1 189. Q. You don't know that, one way or
2 another?

3 A. No. We had met with the audit
4 committee after Brian sent the original e-mail on
5 March 13th. The audit committee had instructed us
6 not to make such payments without their express
7 approval.

8 190. Q. When was this advice given?

9 A. To my knowledge, March 18th. I
10 believe there was an audit committee meeting.

11 191. Q. And were you aware of that at the
12 time this e-mail...the March 26th e-mail exchange
13 takes place?

14 A. I was, yes. It...the information
15 hadn't been provided to Brian as to the audit
16 committee's wishes.

17 192. Q. And so at the time, sir, that you
18 were copied on this, you were aware that barring
19 further instruction of the audit committee, this
20 payment would not be made. Is that fair?

21 A. I was aware...I was awaiting
22 approval to make the payment from the audit
23 committee.

24 193. Q. And you knew that in the absence of
25 approval from the audit committee, the payment would

1 not be made. Is that fair?
 2 A. That was the instructions.
 3 194. Q. That was the instruction. You told
 4 us that. They said, "Don't pay it without our
 5 consent," right?
 6 A. That's correct.
 7 195. Q. Right, and so when you're copied on
 8 this e-mail from Mr. Dimmick with the March 28th
 9 calculation, you know, sir, that as things then
 10 stood there was no authority to actually make that
 11 payment. Is that right?
 12 A. I was waiting for approval.
 13 196. Q. As at that time, sir, you knew there
 14 was no authority to make the payment at the time,
 15 right?
 16 MR. DACKS: He has already answered that
 17 question, Mr. Staley.
 18 197. MR. STALEY: No, he hasn't.
 19 MR. DACKS: He said he was waiting for
 20 approval.
 21 198. MR. STALEY: That's different than
 22 saying what he knew.
 23
 24 BY MR. STALEY :
 25 199. Q. You knew at that time that you did

1 not...it's nothing I can deal with?"
 2 A. I was corresponding with the
 3 advisors to the special committee.
 4 205. Q. Right, as opposed to the McCann
 5 family interests, right? You were corresponding
 6 with people internally, not the people who were
 7 looking to see, "Am I going to get paid?" right?
 8 A. I didn't know whether the payment
 9 was going to be made. I wasn't able to answer. If
 10 I was to correspond, I wouldn't have been able to
 11 provide a concrete answer.
 12 206. MR. STALEY: Let's mark that as the next
 13 exhibit. It's 3, is it?
 14
 15 --- EXHIBIT NO. 3 : E-mail string between Brian Dimmick
 16 and Sharon Fawcett from March 13,
 17 2014 to March 26, 2014 with
 18 attachment
 19
 20 BY MR. STALEY :
 21 207. Q. I asked you when we started today if
 22 you had taken a look at Ms. Fawcett's affidavit. Do
 23 you have a copy of that affidavit handy, sir?
 24 A. I don't.
 25 208. Q. I have got an extra copy, and I'm

1 not have approval to make the payment at that time,
 2 right?
 3 MR. DACKS: You have already answered
 4 the question. You can follow up with
 5 whatever remedies you want.
 6 200. MR. STALEY: I may well.
 7
 8 BY MR. STALEY :
 9 201. Q. Sir, I take it you didn't, on seeing
 10 Mr. Dimmick's e-mail, see fit to in any way contact
 11 the McCann interests to say, "Well, hold on a
 12 second. Unless we get approval from the audit
 13 committee, we can't make this payment"??
 14 A. No, by that point in time, the
 15 special committee and the advisors to the special
 16 committee were handling the matters related to the
 17 third party lenders.
 18 202. Q. So the answer is no, you didn't do
 19 any of those things?
 20 A. I did not follow up.
 21 203. Q. And that is because somebody else
 22 was handling it?
 23 A. That's correct.
 24 204. Q. And did you see fit to say at that
 25 time, "Someone else has to handle this if it's

1 going to show you a document attached to it.
 2 MR. DACKS: We have a copy of the
 3 Fawcett affidavit.
 4 209. MR. STALEY: Okay, excellent.
 5 MR. DACKS: But that's not to mean that
 6 we can accept that you can cross-
 7 examine...this is a cross-examination on
 8 Mr. Carlstrom's affidavit, and...
 9 210. MR. STALEY: He is examinable on all
 10 issues that are relevant to the motion, and
 11 not on the four corners of the affidavit.
 12 That's first year civil procedure. So I'm
 13 not going to have this debate with you.
 14 It's ridiculous.
 15 MR. DACKS: I'm sorry you feel that way.
 16 211. MR. STALEY: It's laughable. The
 17 position you're taking is laughable.
 18 MR. DACKS: We haven't taken any
 19 positions.
 20 212. MR. STALEY: Well, you just did.
 21 MR. MERSKEY: Mr. Staley, could you
 22 clarify something. You said "the motion",
 23 and I haven't heard yet today which motion
 24 is being relied upon. Is it the motion
 25 that was previously filed before the

1 commencement of the CCAA proceeding?
 2 213. MR. STALEY: Well, certainly there is a
 3 come-back in which we're entitled to
 4 challenge the initial order and seek change
 5 to the initial order. We haven't...we may
 6 also seek other relief. It's certainly in
 7 relation to the come-back.
 8 MR. MERSKEY: And that's the purpose for
 9 the examination today?
 10 214. MR. STALEY: Yes, it is.
 11 MR. MERSKEY: Are there particular
 12 provisions of the initial order that you're
 13 seeking that relief in connection with?
 14 215. MR. STALEY: We'll get instructions on
 15 that once we finish the cross-examination.
 16 MR. MERSKEY: Okay, and I take it you'll
 17 advise the company and the stakeholders of
 18 the position you intend to take and the
 19 time at which you intend to make it?
 20 216. MR. STALEY: We will provide appropriate
 21 notice to other parties at an appropriate
 22 time.
 23 MR. MERSKEY: I'm sure. Thank you.
 24
 25 BY MR. STALEY :

1 e-mail to Mr. Zvonkovic in which she asks questions
 2 here. She says:
 3 "...On the broker agreement funds, so you
 4 keep a separate designated broker bank
 5 account for each financier, such that all
 6 of the loans made using our funds are paid
 7 from and returned to that account, as well
 8 as all related interest and fees?..."
 9 Do you see that?
 10 A. I do.
 11 224. Q. And then she asks a...she says she
 12 wants clarification, and please advise, and the
 13 response is at the top of the page. Do you see
 14 that?
 15 A. Yes.
 16 225. Q. It says:
 17 "...In the new agreement we have tried to
 18 combine all of these accounts and not
 19 having a designated broker bank account.
 20 Your funds specifically would be tracked
 21 separately by our accounting system. Hope
 22 this is okay..."
 23 Do you see that?
 24 A. Yes.
 25 226. Q. And Ms. Fawcett has testified in her

1 217. Q. So sir, you have the affidavit in
 2 front of you?
 3 A. Is this it?
 4 MR. DACKS: Yes.
 5 THE DEPONENT: Yes, I do.
 6
 7 BY MR. STALEY :
 8 218. Q. Sir, I'm going to have you turn to
 9 Exhibit 2, which is an e-mail exchange with a
 10 Michael Zvonkovic. Is that...do you know Michael
 11 Zvonkovic?
 12 A. I have met Michael, yes.
 13 219. Q. Is he still with Cash Store?
 14 A. No, he is not.
 15 220. Q. Was he your predecessor?
 16 A. Yes, he was.
 17 221. Q. And did you overlap with him at all?
 18 A. I did not.
 19 222. Q. So I'm here dealing with an e-mail
 20 exchange with...between Mr. Michael Zvonkovic and
 21 Ms. Fawcett from July of 2012. That's shortly
 22 before you joined the company?
 23 A. Yes, about a month before.
 24 223. Q. Okay, and I want to just reference
 25 the...in the middle of the page Ms. Fawcett sends an

1 affidavit that she understood that what this meant
 2 was that all of the brokered funds were in one
 3 separate broker bank account, as opposed to having
 4 separate ones for each of the third party lenders,
 5 and that that was her understanding throughout,
 6 until that notion was disabused recently.
 7 Sir, do you agree with me, sir, I don't
 8 see any document coming from you in the e-mail
 9 exchanges you have had with her that would tell her
 10 clearly that that understanding is incorrect? Is
 11 that fair?
 12 A. I don't recall having discussions
 13 with Sharon about the bank account specifically.
 14 227. Q. You don't recall that?
 15 A. No.
 16 228. Q. And I take it, until you saw this,
 17 you weren't aware of this e-mail exchange?
 18 A. No, I was not aware.
 19 229. Q. That's news to you?
 20 A. Yes.
 21 230. Q. I take it, sir, from your evidence,
 22 that, in fact, there wasn't a separate bank account
 23 established for the third party lenders, to keep
 24 their funds segregated and separate?
 25 A. No, there was not. The way it

1 worked was the third party lenders would fund into a
2 bank account, and then the company would then put
3 those funds into the various bank accounts in order
4 to enable them to deploy them to customers, and so
5 they became commingled at that point.

6 231. Q. They became commingled?

7 A. Yes.

8 232. Q. And they remain commingled until
9 today's date?

10 A. That's correct.

11 233. Q. And to what extent is your
12 accounting system able to separately track funds
13 allocated to each individual third party lender?

14 A. Yes, it's all done...we have a
15 normal monthly reconciliation process that we do on
16 a detailed basis. We send each third party lender a
17 statement and a reconciliation every month. So our
18 normal process is to do that through the accounting
19 system, and it looks like as Mike indicated in his
20 e-mail.

21 234. Q. So if I turn ahead to paragraph 177
22 of your affidavit, do you see that?

23 A. Yes.

24 235. Q. You say there in the second
25 sentence:

1 A. Well, the accounting system is able
2 to do it, but the cash management system is not set
3 up to segregate the funds.

4 239. Q. So I'm sorry, I'm a lawyer, not an
5 accountant. So the difference between accounting
6 system and cash management, explain that to me.

7 A. Yes. So the way...the accounting
8 system tracks, on an individual loan-by-loan basis
9 and payment-by-payment basis, which loans belong to
10 who, whether it's...which third party lender or
11 whether they're directly lent by Cash Store.

12 Now, when the funds are collected...there
13 are different mechanisms that we use to collect
14 funds. We use our payment processing, third party
15 provider. A customer can come in and make a payment
16 in cash or write a cheque to the company.

17 All those funds end up getting deposited
18 into centralized bank accounts and they're managed
19 by a centralized treasury process in the company.
20 In order to segregate those funds, we would have to
21 make changes to the existing process.

22 240. Q. And those would be difficult changes
23 to make. Is that fair?

24 A. I have never investigated what it
25 would take to make the changes.

1 "...Cash Store is not in a position to
2 physically segregate the TPL repayments,
3 given the manner in which such repayments
4 are made and the limitations with Cash
5 Store's cash management system..."

6 Do you see that?

7 A. Yes, I do.

8 236. Q. And you'll agree with me, sir, that
9 the broker agreements contemplate that individual
10 third party lenders can request that there be
11 separate accounts established and fund segregation.
12 Is that right?

13 A. That's right.

14 237. Q. And I take it, sir, from your
15 affidavit, that you physically aren't capable of
16 delivering on that covenant if it's requested?

17 A. To my knowledge, none of the lenders
18 had requested that clause, that there would be
19 segregated bank accounts. So there was not a
20 necessity to change our existing processes to
21 facilitate that.

22 238. Q. So the answer to my question is,
23 sitting here today, your accounting system isn't
24 able to physically do the thing that you have
25 covenanted that you would do, if requested?

1 241. Q. You are someone who is experienced
2 in...a financial, accounting professional?

3 A. Accountant, yes.

4 242. Q. You agree with me that if you had to
5 implement procedures to segregate receipts store-to-
6 store, that would be a fairly onerous exercise in
7 all of your stores? It wouldn't be easy to
8 implement. Is that fair?

9 A. I'm not sure. I haven't tried.

10 243. Q. You haven't tried. You have no
11 idea?

12 A. I don't know.

13 244. Q. You don't know, okay, Sir, turn
14 back in your affidavit to paragraph 46. In
15 paragraph 46 you describe...if I'm looking here,
16 this is the company's current assets as of December
17 31, 2013?

18 A. Yes.

19 245. Q. And there is an amount of restricted
20 cash of just about 6.4 million?

21 A. Yes.

22 246. Q. Okay, and if you turn ahead to
23 paragraph 48, which is on the same page, you say
24 there in the last sentence, last line, that as of
25 February 28th the restricted cash had climbed to

1 just under 13 million, 12.9.

2 A. Yes, that's correct.

3 247. Q. Then if I flip ahead to paragraph
4 156, you indicate in paragraph 156 that as of the
5 close of business on April 11, 2014, the total cash
6 in Cash Store's bank accounts was approximately 2.9
7 million, which includes restricted cash.

8 A. That's correct.

9 248. Q. So if you could explain to me how it
10 was you went from restricted cash at the end of
11 February of 12.96 million to 2.9 million as of
12 roughly a month and a half later?

13 A. So the concept of restricted cash is
14 an accounting concept. It doesn't mean that the
15 restricted cash is physically segregated in any way,
16 shape or form. The accounting concept is that there
17 is a contractual restriction on funds, and one of
18 those contractual restrictions that the company has
19 is with respect to the broker agreement, as we
20 talked about earlier.

21 In the case that you're referring to in
22 paragraph 156 where we talk about total cash in the
23 bank accounts of approximately 2.9 million, that
24 would have been...for accounting purposes, we would
25 have had a higher amount of restricted cash than we

1 happen very often, but it has happened a handful of
2 times since I started with the company...is that we
3 invoke the clause in the broker agreement which
4 allows the company to essentially swap direct loans
5 with the third party lenders in order to...it
6 effectively frees up the restricted cash.

7 So we transfer loans to the third party
8 lenders in exchange for the restricted cash.

9 253. Q. And is that what happened in this
10 case?

11 A. As of March 31st, no.

12 254. Q. Okay, so what happened? Let me ask
13 you this: If you look at paragraph 2.10 of the
14 broker agreement it says there that the third
15 party...

16 MR. DACKS: Mr. Staley, let the witness
17 have a chance to...yes.

18
19 BY MR. STALEY :

20 255. Q. It says there that the third party
21 financier advances are to be used for the purpose of
22 making advances to broker customers, right? We
23 talked about that already.

24 A. Correct.

25 256. Q. Were any of the amounts advanced by

1 had total cash, because it's not...restricted cash
2 is not a...it doesn't refer to an actual cash in a
3 bank account. It's merely an accounting
4 classification. It's sort of a notional concept.

5 249. Q. Okay. So it's not...you don't
6 actually have the cash available that you could
7 disburse this. This is just an accounting entry.
8 Is that what you're telling me?

9 A. The concept of restricted cash is an
10 accounting concept, yes.

11 250. Q. So are you able to tell me what the
12 amount of restricted cash was as of April...the
13 close of business on April 11, 2014?

14 A. I don't know the exact amount.

15 251. Q. Would it have been more or less than
16 the roughly 12.96 million?

17 A. More.

18 252. Q. More. If it wasn't sitting in cash,
19 in what form or how was that held or otherwise
20 recorded in the company, either...what was done with
21 that restricted cash?

22 A. The normal process, if we were in a
23 situation where restricted cash...as part of our
24 normal month-end close procedures, if restricted
25 cash is greater than total cash, then...it doesn't

1 the third party lenders used for any other purpose?

2 A. So...

3 257. Q. Including, for example, general
4 operations?

5 A. So along the same lines as the
6 lender distribution, the audit committee also
7 prevented us from going through our normal process
8 to transfer loans. That was the same timing, around
9 March 18th, you know, pending further review and
10 further consideration by the special committee.

11 We did not do a loan transfer as of March
12 31st. We typically wouldn't do that until a couple
13 of weeks after month end, as part of our normal
14 month end close procedures. Instead, the special
15 committee elected to file for CCAA.

16 258. Q. So you didn't answer...come close to
17 answering my question. My question was were any of
18 the funds advanced by third party lenders used for
19 any purpose other than making advances to customers?

20 A. As of March 31st?

21 259. Q. At any time. I'm obviously focusing
22 on what happened leading up to the filing. That's what
23 I'm trying to find out right now. So tell me that.

24 A. Yes.

25 260. Q. They were used for other purposes?

- 1 A. Yes.
- 2 261. Q. So tell me how they were used.
- 3 A. Well, because the funds are
- 4 commingled in our bank accounts, those same bank
- 5 accounts we use for making direct advances to our
- 6 customers, we also use for paying expenses of the
- 7 business, overhead expenses, things like rent,
- 8 payroll, accounts payable.
- 9 262. Q. So just so we're clear, so some of
- 10 the monies that were advanced by third party lenders
- 11 to be used only for the purpose of customer
- 12 borrowings were, in fact, used by Cash Store
- 13 Financial for corporate purposes. Is that right?
- 14 A. That is correct as of the end of
- 15 March.
- 16 263. Q. Right, and also correct as of the
- 17 date of filing, right, for CCAA protection?
- 18 A. Yes.
- 19 264. Q. And that was used to pay salaries?
- 20 A. Because it was commingled in the
- 21 company's operating accounts, it could have been
- 22 used for direct lending purposes or to pay salaries.
- 23 265. Q. Salaries, outside lawyers?
- 24 A. Rents.
- 25 266. Q. Rent, outside lawyers, the

- 1 274. Q. And after filing?
- 2 A. I don't know what happens after the
- 3 filing.
- 4 275. Q. You don't know what happens?
- 5 A. So in terms of...
- 6 276. Q. You don't know, seriously? You
- 7 don't know? You don't know what happened after
- 8 filing?
- 9 MR. DACKS: After the filing, Mr.
- 10 Staley, there was an initial order made.
- 11 277. MR. STALEY: Yes.
- 12 MR. DACKS: It set out certain TPL
- 13 protections.
- 14 278. MR. STALEY: Yes.
- 15 MR. DACKS: And we have a monitor and a
- 16 CRO and that is what has been happening.
- 17 279. MR. STALEY: I'm just asking about what
- 18 he knows. What he knows...it's one thing
- 19 to say, "We complied with the initial
- 20 order," rather than say he doesn't know.
- 21
- 22 BY MR. STALEY :
- 23 280. Q. I'm going to ask what you know, sir.
- 24 A. Let me clarify. I know that there
- 25 is a number of other considerations when you file.

- 1 consultants, advisors, all of those things?
- 2 A. To pay the company's expenses.
- 3 267. Q. Which include all of those things I
- 4 just mentioned?
- 5 A. Correct.
- 6 268. Q. Are we talking about millions of
- 7 dollars here?
- 8 A. Yes.
- 9 269. Q. Over 10 million dollars?
- 10 A. The company's monthly expenses do
- 11 exceed 10 million dollars.
- 12 270. Q. So of the amounts that were advanced
- 13 by third party lenders to be used solely to
- 14 advance...to be used solely for third party loans,
- 15 how much of those monies have, to this date, been
- 16 used for corporate purposes?
- 17 A. I don't have an exact figure.
- 18 271. Q. Can you give me a ballpark?
- 19 A. No, I can't.
- 20 272. Q. Is it over 10 million?
- 21 A. I think it would be approximately
- 22 10.
- 23 273. Q. And that was done both before filing
- 24 and after filing?
- 25 A. Leading up to the filing.

- 1 I'm not an expert in CCAA. So maybe there is a
- 2 different way to...
- 3 MR. DACKS: If you have any specific
- 4 questions post-filing, maybe you can give
- 5 them to us in writing, and we can deal with
- 6 them with the monitor.
- 7 281. MR. STALEY: I'm sure you would. Thank
- 8 you.
- 9
- 10 BY MR. STALEY :
- 11 282. Q. Are you able to...you can't tell me,
- 12 sitting here today, sir, how many millions of
- 13 dollars...
- 14 MR. DACKS: You have asked this question
- 15 five times already. You have his answer.
- 16 283. MR. STALEY: I have a he doesn't know
- 17 answer, which I guess is the best I'm going
- 18 to get.
- 19
- 20 BY MR. STALEY :
- 21 284. Q. So do you agree with me, sir, that
- 22 many Cash Store Financial customers are repeat
- 23 customers?
- 24 A. Yes.
- 25 285. Q. And there are many people for whom,

1 unfortunately, they live from pay cheque to pay
2 cheque, and they seek to advance on the pay cheque
3 through your company. Is that fair?

4 A. Yes, the company lends against
5 customers' income streams.

6 286. Q. And it wouldn't be uncommon for
7 customers to get a new borrowing to replace an
8 existing borrowing when it comes due. Is that fair?

9 A. Customers are required to repay
10 their loan in full before they can take a new loan,
11 but the general cycle is a payment and a reborrow,
12 yes.

13 287. Q. So people will...the cycle is that
14 when you have a customer, the customer often comes
15 back?

16 A. Yes, anecdotally we often hear that
17 a typical customer goes through a period of six
18 borrows, I guess you could say, six cycles before
19 they move on.

20 288. Q. Well, if you take a look, for
21 example, at paragraph 175 of your affidavit, you
22 indicate there in paragraph 175 that there is likely
23 to be difficulty in collecting the Ontario loans,
24 because you can't advance new money to
25 customers...to the customers who already owe you

1 A. Yes.

2 294. Q. And there are limits on the funds it
3 has available to lend to people, to customers?

4 MR. DACKS: Perhaps you can rephrase
5 that question.
6

7 BY MR. STALEY :

8 295. Q. You, at this point, don't have new
9 sources of funding to lend to your customers?

10 A. The company is conducting its
11 lending business as business as usual.

12 296. Q. Business as usual, using the money
13 that it has available to it?

14 A. That's correct.

15 297. Q. Including the third party lenders'
16 money?

17 A. It's using the cash that is in its
18 bank accounts.

19 298. Q. Which includes third party lenders'
20 money, right?

21 A. The money is commingled.

22 299. Q. Well, whether it's commingled...we
23 agree it's commingled.

24 A. Yes.

25 300. Q. It includes third party lenders'

1 money, right?

2 A. That's right, yes.

3 289. Q. So you acknowledge that your ability
4 to lend new money to existing customers impacts your
5 ability to collect from those same customers?

6 A. That's correct.

7 290. Q. Right, and you talked about there
8 being six cycles as one thing that anecdotally
9 you're aware of?

10 A. Yes. It's multiple cycles, yes.

11 291. Q. And so just from the perspective
12 of...I'm now speaking, sir, about the prospective
13 advances that might be made, that whether or not
14 Cash Store remains in business as it is in Ontario
15 will affect its ability to actually collect monies
16 it advances, right?

17 A. That's correct.

18 292. Q. And you have indicated in paragraph
19 175 that because you're no longer able to broker new
20 loans in Ontario, it affects your collections in
21 Ontario, right?

22 A. Yes, it does.

23 293. Q. And you'll agree with me, sir, that
24 Cash Store, at this point in time, is in a
25 distressed financial situation. Is that fair?

1 money, right?

2 A. I just...I wasn't sure what you
3 were...

4 301. Q. No, I'm just trying to ask you if
5 includes third party lenders' money, right?

6 A. It includes funds that were made
7 available for third party lenders for funding to
8 consumers.

9 302. Q. Right, so that sits in your
10 accounts, commingled with the company's own
11 accounts, right?

12 A. That's correct.

13 303. Q. And so those monies are available at
14 this point in time to lend to customers, right?

15 A. That's correct.

16 304. Q. You'll agree with me that whether or
17 not Cash Store Financial remains in business as a
18 going concern remains to be determined based on what
19 happens in the CCAA ?

20 MR. DACKS: Don't answer that. We're
21 not going to speculate on what is going to
22 happen in CCAA, or whether or not it's
23 going to remain...
24

25 BY MR. STALEY :

1 305. Q. I think it's fair to say that by
 2 filing, the company is hoping to successfully
 3 restructure, right? Is that fair?
 4 A. That's correct.
 5 306. Q. And at this point, you don't know if
 6 that is going to happen or not. You're hoping it
 7 does, right, right?
 8 A. Yes.
 9 307. Q. And you'll agree with me, sir, that
 10 if you're unsuccessful in restructuring, and have to
 11 go out of business, it will affect your ability to
 12 collect amounts that you have lent to people
 13 already? It will be harder to collect those
 14 amounts. Isn't that fair?
 15 A. Yes.
 16 308. Q. So you'll agree with me, sir, that
 17 from the perspective of a third party lender whose
 18 money is now at risk, the risk to the third party
 19 lender today is greater than the risk was a year
 20 ago. Is that fair?
 21 MR. DACKS: He is not going to answer.
 22 309. MR. STALEY: Is that fair, sir?
 23 MR. DACKS: Don't answer that. We're
 24 not going to speculate on a risk to a third
 25 party. Perhaps you should rephrase your

1 definitely...if the company was to cease operating,
 2 the...I think it's fair to say that they would
 3 expect a lower recovery on the outstanding
 4 receivables. The collection of the receivables in
 5 large part depends on the branches physically
 6 existing and being open.
 7 315. Q. Okay, I think that answers my
 8 question. Thank you. So turn to paragraph 132,
 9 sir, of your affidavit.
 10 A. Sure.
 11 316. Q. In paragraph 32 (sic) you reference
 12 requests to return funds from two third party
 13 lenders. One is my client, and one is Trimor.
 14 A. Yes.
 15 317. Q. And you make reference to a
 16 requirement there to provide 120 days advance notice
 17 of reduced lending limits. Do you see that?
 18 A. That's correct.
 19 318. Q. And then you go on to calculate when
 20 the notices take effect. Do you see that?
 21 A. Yes.
 22 319. Q. And I'm not going to debate that
 23 with you, but is it my understanding, sir, from
 24 reading this, that as of the date the 120 days takes
 25 effect, that any third party funds attributable, for

1 question.
 2
 3 BY MR. STALEY :
 4 310. Q. Let's try it this way. So you agree
 5 with me, sir, a year ago it was Cash Store
 6 Financial's practice...first off, Cash Store
 7 Financial a year ago was carrying on business
 8 throughout the country, right, including in Ontario?
 9 A. That's correct.
 10 311. Q. And it had an expectation that it
 11 would continue to carry on business, right?
 12 A. Yes.
 13 312. Q. And the third party lender had
 14 protections which included the 17 and a half percent
 15 interest plus the capital protections that were in
 16 place at the time, right?
 17 A. Voluntary.
 18 313. Q. Such as they were. However you want
 19 to describe them, they existed, right?
 20 A. Yes.
 21 314. Q. Right, and you agree with me, sir,
 22 that to the extent the company is carrying on
 23 business actively, it's easier to collect fresh
 24 amounts that are advanced, right?
 25 A. Yes. So the collectability is

1 example, to my client, would be returned to my
 2 client as of that date, or would you continue...
 3 MR. DACKS: Well, Mr. Staley, I think
 4 that's a legal question.
 5 320. MR. STALEY: I'm asking factually,
 6 because he is making factual comments about
 7 when it's effective. I'm asking what their
 8 intention is. I'm asking about his
 9 intention.
 10 MR. DACKS: Okay, then I'm going to
 11 respond after.
 12
 13 BY MR. STALEY :
 14 321. Q. Okay. Once we get to the 120 days
 15 in relation to monies my client has advanced...
 16 A. Yes.
 17 322. Q. ...what do you intend to do with
 18 monies allocatable to my client's advances as of the
 19 120 days?
 20 A. I...
 21 MR. DACKS: Don't speculate, Mr.
 22 Carlstrom.
 23 THE DEPONENT: Okay.
 24
 25 BY MR. STALEY :

1 323. Q. Do you know what the intention is?
 2 A. I believe the money is available to
 3 lend to consumers in the 120-day period.
 4 324. Q. After the 120-day period?
 5 A. No, not after.
 6 325. Q. Not after. They would stop as of
 7 that date?
 8 A. That's correct.
 9 MR. DACKS: And Mr. Staley, I'm going to
 10 put on the record that there has been a
 11 CCAA filing since this affidavit was sworn.
 12 It was sworn in support of a CCAA filing,
 13 and the effect of that filing on your
 14 question is a legal matter.
 15 326. MR. STALEY: I accept that. I just
 16 wanted to know what factually...based on
 17 his statement in his affidavit, I wanted to
 18 understand what he was saying. That's all.
 19 I know there is a different set of legal
 20 issues here. Subject to the refusals, that
 21 completes my questions. Thank you.
 22 MR. DACKS: Thank you.

23
24 CROSS-EXAMINATION BY MR. MERSKEY:
25

1 332. Q. Mr. Staley asked a few times about
 2 whether cash was used for non...for purposes other
 3 than being advanced for...making advances to broker
 4 customers. You stated at the end of March that was
 5 the case, and at the time of filing. What would
 6 normally be done in those circumstances?
 7 A. The normal procedure, because we
 8 only measure the restricted cash once a month, as
 9 part of our month-end-accounting procedure, standard
 10 procedure, what we have always done, at least since
 11 I have been there, when we encounter a scenario
 12 where the restricted cash...the computation of
 13 restricted cash exceeds the total cash balance as
 14 reported under U.S. GAAP, we utilize the provision
 15 in the broker agreements to effectively swap loans
 16 with the third party lenders to ensure that the
 17 company has unrestricted cash.
 18 333. Q. With the result that you would
 19 not...
 20 MR. STALEY: Sorry, that's a leading
 21 question, by the way, just in case you're
 22 asking yourself. So you should stop right
 23 there.
 24 334. MR. DACKS: Well, I'll ask it again.
 25 MR. STALEY: Try to ask it in a non-

1 327. Q. I have a question for you, Mr.
 2 Carlstrom.
 3 A. Yes.
 4 328. Q. Go to paragraph 80 of your affidavit
 5 at page 80 of the record. At paragraph 80 you're
 6 describing, as I understand it, and 81, the monthly
 7 reconciliation of the restricted cash. Is that
 8 correct?
 9 A. Yes.
 10 329. Q. And you indicate that from time to
 11 time, as a process of that reconciliation, in order
 12 to compensate the third party lenders, the company
 13 would transfer loan receivables of its own. Is that
 14 correct?
 15 A. That's correct.
 16 330. Q. And as far as you know, were the
 17 TPLs aware of this practice?
 18 A. Yes, it was disclosed to them via
 19 the monthly account statements and reconciliations
 20 that were provided.
 21 331. MR. MERSKEY: Thank you.
 22 MR. DACKS: Anyone else? Okay, well, I
 23 have one question in re-examination.
 24
 25

RE-EXAMINATION BY MR. DACKS:

1 leading manner. You're leading the
 2 witness.
 3 335. MR. DACKS: I hear you. I will rephrase
 4 my question.
 5
 6 BY MR. DACKS :
 7 336. Q. What would the result be of that
 8 transaction?
 9 A. It's a non-cash transaction. So no
 10 cash physically changes hands. It doesn't change
 11 the total amount of cash in the company's bank
 12 account. It's merely an accounting classification
 13 determination.
 14 So it doesn't actually increase the
 15 company's cash by swapping loans with the third
 16 party lenders. It's just an acknowledgement and an
 17 accounting entry to change the classification of it
 18 on the balance sheet.
 19 337. MR. DACKS: That's all I have in re-
 20 examination.
 21 MR. STALEY: Thank you very much.

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| 1 | SEDAR face page for Cash Store Financial Services Inc. | 8 |
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| 3 | E-mail string between Brian Dimmick and Sharon Fawcett from March 13, 2014 to March 26, 2014 with attachment | 48 |

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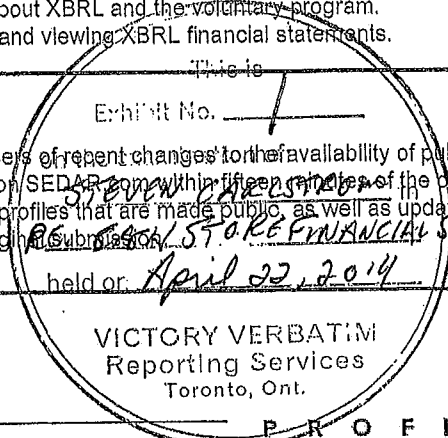
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| CUSIP Number: 14756F | Transfer Agent: Computershare Investor Services Inc. |
| Financial Year-End: Sep 30 | Size of Issuer (Assets): \$100,000,001 to \$500,000,000 |

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TAB B



December 11, 2013

Annual Information Form



Year Ended September 30, 2013

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Explanatory Notes

The information in this Annual Information Form ("AIF") is given as of September 30, 2013, unless otherwise indicated. All figures are presented in thousands of Canadian dollars, unless otherwise disclosed. In this AIF, unless the context otherwise requires, all references to "the Company" or "Cash Store Financial" are to The Cash Store Financial Services Inc.

Cash Store Financial is a Canadian corporation and is not affiliated with Cottonwood Financial Ltd. or the outlets Cottonwood Financial Ltd. operates in the United States under the name "Cash Store". Cash Store Financial does not conduct business under the name "Cash Store" in the United States and does not own or provide any consumer lending services in the United States.

Forward-Looking Information

In order to help our investors understand our current results and future prospects, this AIF includes "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian and United States federal securities legislation. These types of statements are referred to collectively, as "forward-looking information". Forward-looking information includes, but is not limited to, information with respect to our objectives, strategies, operations and financial results, competition as well as initiatives to grow revenue or reduce retention payments.

Forward-looking information can generally be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases. They may also be identified by statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved".

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied. These risks and uncertainties may include (but are not limited to) changes in economic and political conditions, legislative or regulatory developments, technological developments, third party arrangements, competition, litigation, market conditions, the availability of alternative transactions, shareholder, legal, regulatory and court approvals and third party consents and other factors described under the heading "Risks and Uncertainties".

Management has attempted to identify the important factors that could cause actual results to differ materially from those contained in forward-looking information, but other factors unknown to us at the time of writing could cause results to vary. There can be no assurance that forward-looking information will prove to be accurate. Actual results could differ materially. Management cautions readers not to place undue reliance on forward-looking information. Unless required by law, the Company does not undertake to update any forward-looking information.

CORPORATE STRUCTURE

The Company was incorporated on February 23, 2001, under the Business Corporations Act (Ontario) (the "OBCA"), as B&B Capital Corporation. On August 1, 2001, B&B Capital Corporation changed its name to "Rentcash Inc." and subsequently amalgamated with Larkfield Capital Corp. ("Larkfield"), under the OBCA, effective January 17, 2002 (the "Amalgamation"), with the amalgamated company continuing as Rentcash Inc. Larkfield was incorporated under the Company Act (British Columbia) on May 15, 2000, under the name Willow Creek Capital Corp. ("Willow Creek"). The name of Willow Creek was changed to "Larkfield Capital Corp." on August 24, 2000, and Larkfield was subsequently continued into Ontario under the OBCA, effective January 15, 2002.

Pursuant to the Amalgamation, each common share of Rentcash was exchanged for one common share of the Company, and each three common shares of Larkfield were exchanged for one common share of the Company.

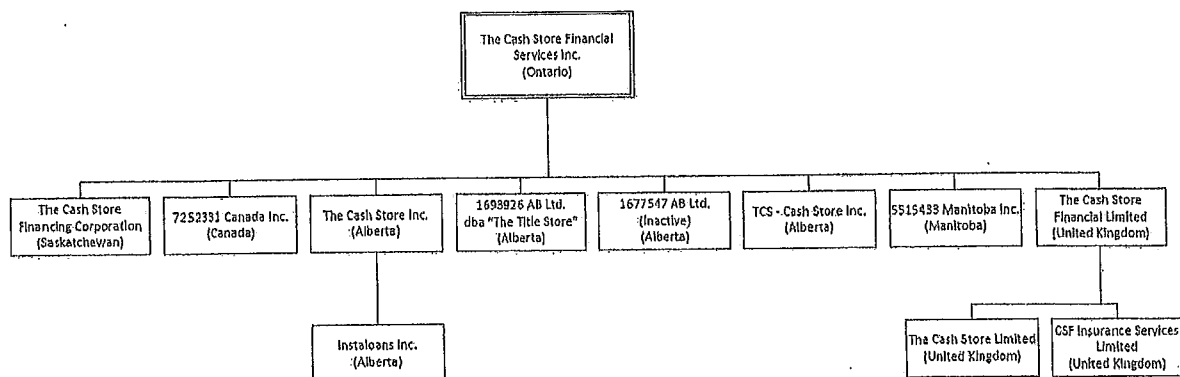
The Company changed its name on March 31, 2008, from Rentcash Inc. to "The Cash Store Financial Services Inc." in connection with the spin-off of its rental division. Cash Store Financial's common shares (the "Common Shares") are traded on the Toronto Stock Exchange ("TSX") under the symbol "CSF". On June 8, 2010, the Company began trading its shares on the New York Stock Exchange ("NYSE") under the symbol "CSFS".

On March 31, 2008, pursuant to a plan of arrangement, the Company separated its rental business and certain of its assets and liabilities into an independent, publicly-traded company. Each existing shareholder of Cash Store Financial received one common share of Insta-Rent for each Common Share held on March 31, 2008.

On April 28, 2010, the Company's board of directors (the "Board") approved a change in its fiscal year end from June 30 to September 30.

The registered office of the Company is located at Scotia Plaza, Suite 2100, 40 King Street West, Toronto, Ontario M5H 3C2. The head office of the Company is located at 15511 - 123 Avenue, Edmonton, Alberta T5V 0C3.

The Company's principal direct and indirect subsidiaries are as set forth in the following chart. The Company owns 100% of the issued and outstanding shares of each principal subsidiary. The Cash Store Inc., in turn, owns 100% of the issued and outstanding shares of Installoys Inc.; and The Cash Store Financial Limited owns 100% of the issued and outstanding shares of The Cash Store Limited and CSF Insurance Services Limited. Included in parenthesis within the corporate organization chart is the respective jurisdiction of incorporation of each entity:



GENERAL DEVELOPMENT OF THE BUSINESS

The Company, under its "Cash Store Financial", "Instaloans" and "The Title Store" banners, provides consumers with alternative financial products and services, serving everyday people for whom traditional banking may be inconvenient or unavailable. The Company acts as both a broker and lender of short term advances and offers a range of other products and services to help customers meet their day to day financial service needs. The Company employs a combination of payday loans and lines of credit as its primary consumer lending product offerings and earns fees and interest income on these consumer lending products. The Company also offers a wide range of financial products and services including bank accounts, prepaid MasterCard and private label credit and debit cards, cheque cashing, money transfers, payment insurance and prepaid phone cards. The Company has agency arrangements with a variety of companies to provide these products.

The table below illustrates the Company's primary consumer lending offerings summarized by jurisdiction since October 1, 2011:

| Jurisdiction | Branches | Oct 1, 2011 to Jan 31, 2012 | Feb 1, 2012 to Sep 30, 2012 | Oct 1, 2012 to Jan 31, 2013 | Feb 1, 2013 to Present |
|---|----------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|
| British Columbia, Alberta, Saskatchewan, Nova Scotia | 278 | Payday Loans (Brokered) | | | Payday Loans (Direct Lending) |
| Manitoba | 25 | Payday Loans (Brokered) | Payday Loans (Direct Lending) | | Lines of Credit (Brokered) |
| Ontario | 174 | Payday Loans (Brokered) | | Payday Loans (Direct Lending) | Lines of Credit (Brokered) |
| New Brunswick, Newfoundland, Prince Edward Isl, Yukon / NWT | 33 | | | Payday Loans (Brokered) | |
| United Kingdom | 27 | | | Payday Loans (Direct Lending) | |

Three Year History and Acquisitions

Since late 2009, the Canadian payday loan market has been in transition from an unregulated market to varying states of regulation. The key components of payday loans regulation are caps on the loan size, length and fees that can be charged. Typically regulations limit payday loans to a maximum of \$1,500 and 62 days in duration as well as providing a rate cap. The following table shows the date that regulations came into effect in the provinces where the Company currently offers payday loans and their rate cap:

| Province | Rate Cap (per \$100) | Effective Date |
|------------------|----------------------|-------------------|
| British Columbia | \$23 | November 18, 2009 |
| Alberta | \$23 | March 1, 2010 |
| Nova Scotia | \$25 | April 1, 2011 |
| Saskatchewan | \$23 | January 1, 2012 |

On April 14, 2010, the Company opened its first branch in the UK and has since expanded its operations to include 27 branches in the UK at September 30, 2013.

In January 2012, the Company completed a private placement of \$132.5 million of 11.5% senior secured notes (the "Notes") and used most of the net proceeds of this offering to acquire a portfolio of consumer loans from third-party lenders. With the acquisition of the loan portfolio, the Company began funding payday loans directly in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia.

On October 1, 2012 and February 1, 2013 the Company launched a new suite of line of credit products in Manitoba and Ontario, respectively, and payday loans are no longer being offered in those provinces. The lines of credit are traditional, unsecured, medium term revolving credit lines, with regular minimum payments tailored to customers' needs and profiles. This suite of line of credit products enables consumers to move up the credit ladder toward credit-scored products that will eventually enable access to mainstream lending

products. The Company is subject to regulatory risk and actions related to the lines of credit products and a discussion of these risk factors can be found in the section entitled "Risks and Uncertainties" in the Company's Management Discussion and Analysis ("MD&A") dated December 11, 2013 for the year ended September 30, 2013 and available on the Company's profile on SEDAR at www.sedar.com

DESCRIPTION OF THE BUSINESS

Products and Services

| Consumer Loans & Line of Credit | |
|-----------------------------------|--|
| Payday | <ul style="list-style-type: none"> - Bridge loans to help our clients span temporary cash shortfalls or meet emergency or unexpected expenses - Short-term non-collateralized loans - Range from \$100 to \$1500. |
| Signature | <ul style="list-style-type: none"> - Short-term loan against a government source of income (Child Tax, Disability, Pension, Employment Insurance) |
| Lines of Credit | <ul style="list-style-type: none"> - Up to \$5000 unsecured - Helps customers to rebuild their credit - Customers borrow as needed and repay at any time - Minimum payments are due at regular intervals - Introduced early in FY2012 |
| Injury Claims | <ul style="list-style-type: none"> - Immediate cash for personal injury claims awaiting payout - Provided by Rhino Legal Finance Inc. |
| Diversified Financial Products | |
| Bank Accounts: Standard & Premium | <ul style="list-style-type: none"> - Provided by DC Bank - Gives customers access to a variety of services - CDIC insured |
| Chèque Cashing | <ul style="list-style-type: none"> - Fast turn around - Funds transferred electronically; branches do not hold cash |
| Prepaid Credit Card | <ul style="list-style-type: none"> - Supplied by DC Bank and MasterCard - Provides the convenience of a credit card without interest - Can be used online |
| Prepaid Debit Card | <ul style="list-style-type: none"> - Supplied by DC Bank - Preloaded with funds for daily transactional needs and access to cash at ATMs |
| Money Transfer | <ul style="list-style-type: none"> - Provided by RIA Financial Services - Provides an easy and reliable way to pay bills or send and receive funds worldwide |
| Payment Insurance | <ul style="list-style-type: none"> - Covers outstanding loan balances in the event of unexpected events such as: involuntary unemployment, accidental injury, critical illness, death, dismemberment |

Payday loans – direct lending

The Company typically arranges for advances to customers that range from \$100 to \$1,500. In order to receive an advance, a customer is required to provide proof of income, copies of recent bank statements, current proof of residence and current telephone and utility bills. The customer must then either write a cheque or execute a pre-authorized debit agreement for the amount of the advance plus loan fees. Deposit of the cheque is deferred until the due date of the loan, which is the customer's next payday (normally 7 to 14 days but no later than 31 days).

Payday loans – brokering

For loans that the Company brokers on behalf of customers, the application process and documentation requirements are similar to those for direct lending. After an application is completed and other relevant information is obtained from a customer, the Company brokers the customer's loan request to third-party lenders. Based on approval criteria established by the third-party lenders, the customers' eligibility for an advance is assessed. If the customer is approved, the Company provides the lender's loan documentation to the customer. Upon fulfillment of the loan documentation requirements, the Company is authorized by the lender to forward the cash advance to the customer on behalf of the lender. When an advance becomes due and payable, the customer must make repayment of the principal and interest owing to the lender through the Company, which, in turn, remits the funds to the third-party lender. If there is difficulty with the collection process, the customer's account may be turned over to an independent collection agency.

Principal Markets and Foreign Operations

The Company conducts business in Canada and the United Kingdom. As at September 30, 2013, the Company operated 537 (September 30, 2012 - 536) short-term advance branches across Canada (510 branches) and the United Kingdom (27 branches). The Company operates branches in all Canadian provinces and territories except Quebec and Nunavut. The following chart presents the geographic distribution of the Company's branches:

| September 30, 2013 | Branches |
|---------------------------|-----------------|
| British Columbia | 97 |
| Alberta | 122 |
| Saskatchewan | 34 |
| Manitoba | 25 |
| Ontario | 174 |
| New Brunswick | 14 |
| Nova Scotia | 25 |
| Prince Edward Island | 3 |
| Newfoundland and Labrador | 13 |
| Northwest Territories | 2 |
| Yukon | 1 |
| United Kingdom | 27 |
| Total | 537 |

The Company also has investments in the following foreign operations:

- 18.3% of the outstanding common shares of The Cash Store Australia Holdings Inc., which operated payday loan branches in Australia under the name "The Cash Store Pty." ("Pty"). The Cash Store Australia Holdings Inc. is publicly listed on the TSX Venture exchange under the symbol "AUC". In December of 2012 the Alberta, Ontario and British Columbia Securities Commissions issued cease trade orders in respect of the shares of AUC for failure to file financial statements. On September 13, 2013 Pty appointed a voluntary administrator pursuant to Section 436A of the Australian Corporations Act 2001. In the opinion of the directors of Pty, Pty is insolvent. The Administrator has taken control of the operations and assets of Pty and the application to have the cease trade orders revoked have been withdrawn by AUC.
- 15.7% of the outstanding common shares of RTF Financial Holdings Inc., a private company in the business of short-term lending by utilizing highly automated mobile technology (SMS text message lending). RTF Financial Holdings Inc. currently operates in the UK.

Competition

The Company has a market share of approximately one third of all payday loan branches in Canada. The Company estimates there are approximately 1,500 short-term advance branches across Canada. The Company's biggest competitor is DFC Global Corp. ("Dollar Financial"), a U.S.-based public company. Dollar Financial operates approximately 489 branches in Canada under the banner "Money Mart". "Cash Money" is the next largest operator in Canada with approximately 120 branches. The remainder of the payday loans market consists of small, single store operations and regional operations that may have a number of payday loan advance centres in a given region. Competition also comes from companies, such as cheque cashers, pawnshops, rental stores and others, that offer the payday loan service as an ancillary service. Several companies also provide payday loans via the Internet.

In addition to other unsecured consumer lending and cheque cashing stores and online lenders, the Company competes with banks and other financial services entities and retail businesses that offer consumer loans and lines of credit, cash cheques, sell money orders, provide money transfer services or offer other products and services offered by the Company.

The Company estimates that the UK market for small, unsecured short-term consumer loans is served by approximately 1,200 store locations as well as numerous online lenders.

Some of the Company's competitors have larger and more established customer bases in other provinces and substantially greater financial and other resources than the Company.

Competitive Strengths

Management believes that the Company has a number of competitive strengths that provide a solid base for continued growth.

The Company's branch environment is unique in the market. Because Cash Store Financial branches do not disburse cash, the Company is able to offer a comfortable, upscale, open concept floor plan where customers can sit down with a customer service advisor to discuss their needs, much like they would in a traditional bank.

This differentiated environment complements the Company's expanded product offering, which is designed for long term customer retention.

Customers choose to do business with the Company for a number of reasons, including:

- the range of products offered;
- the provision of access to flexible credit products through a graduated line of credit suite that rewards good payment behavior;
- the provision of opportunities for consumers to rebuild credit;
- the comfortable, friendly, open concept branch environment that is more bank-like than other consumer lending stores;
- the specialized support and committed customer service that they receive from well-trained associates; and
- the convenience of branch locations and hours.

Intangible Assets

Through past business combinations, the Company has acquired customer lists, contracts, and relationships as well as brand names. These intangible assets have been and will continue to be important to the Company's overall success.

In January 2012, the Company acquired significant non-compete agreements, favourable supplier relationships, and proprietary knowledge from third-party lenders through the acquisition of consumer loans. Given that the majority of the Company's operations are in the the provinces where the loans were originated and the Company continues to depend on third-party lenders, the Company views these intangibles as critical to its future success and future growth.

Cycles

The Company has observed that the payday loans market, in terms of sales, has been relatively stable over the last several years and not strongly tied to general economic conditions.

The Company's business is not significantly affected by seasonality. Typically the Company's strongest

revenues are in its third and fourth fiscal quarters (which correspond with tax season and the summer months) followed by the Company's first fiscal quarter (Christmas/holiday season). The Company's second fiscal quarter is typically the weakest. In addition to seasonal demand, quarterly results are impacted by the number and timing of new branch openings.

Economic Dependence

The Company's business depends on the willingness of third-party lenders to make significant funds available for lending to the Company's customers and to purchase loans that the Company has made. There are no assurances that existing or new third-party lenders will continue to make funds available. Any reduction or withdrawal of funds could have a material adverse impact on the Company's results of operations and financial condition.

For a description of arrangements with third-party lenders, refer to the section entitled "Off-Balance Sheet Arrangements" in the Company's MD&A available on the Company's profile on SEDAR at www.sedar.com

Employees

As at September 30, 2013, the Company had 1,856 active employees across Canada and the United Kingdom.

Risks and Uncertainties

The Company's business is subject to risks and uncertainties that could result in material adverse effects on its business and financial results. Additional risks and uncertainties not presently known to Cash Store Financial, or that it currently deems immaterial, may also impair its business operations.

A discussion of the risk factors relating to business and operations can be found in the section entitled "Risks and Uncertainties" in the Company's MD&A available on the Company's profile on SEDAR at www.sedar.com.

RATINGS

The following information relating to the Company's credit ratings is provided as it relates to financing costs and liquidity. Specifically, credit ratings affect the Company's ability to obtain short-term and long-term financing and the cost of such financing. A reduction in the current ratings on the Company's debt by its rating agencies, particularly a downgrade or a negative change in the ratings outlook, could adversely affect the Company's cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect the Company's ability to, and the associated costs of, entering into normal course derivative or hedging transactions or its ability to maintain ordinary course contracts with customers and suppliers on acceptable terms.

Moody's Investor Service, Inc. ("Moody's")

Caa1: The Caa1 rating assigned to the Company's corporate family and the Notes is within the C rating category which is the seventh highest rating of Moody's nine rating categories, which range from Aaa to C. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aaa through Caa. The modifier 1 indicates a ranking in the higher end of that generic rating category. The outlook trend for this rating is negative.

Moody's rating description: Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P")

CCC+ (Recovery Rating 4): The CCC+ rating assigned to the Company and the Notes is within the CCC rating category which is the ninth highest rating of S&P's twelve rating categories, which range from AAA to D. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A recovery rating of 4 indicates an average recovery, or 30-50% of accrued principal plus interest at the time of default. S&P's ratings outlook is negative.

S&P Rating Description: An obligation rated 'CCC' is currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or an issuer of securities and such ratings do not address the suitability of a particular security for a particular investor. The ratings assigned to a security may not reflect the potential impact of all risks on the value of the security. The Company pays the applicable rating agency fees to have its debt rated by the rating agency. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

CAPITAL STRUCTURE

Cash Store Financial is authorized to issue an unlimited number of Common Shares having the following rights, privileges, restrictions and conditions:

1. The holders of Common Shares are entitled to receive notice of, and vote at, every meeting of the shareholders of Cash Store Financial and shall have one vote for each such Common Share held.
2. Subject to the rights, privileges, restrictions and conditions attached to any preferred shares of Cash Store Financial, the holders of Common Shares are entitled to receive such dividends as the directors of the Company may from time to time, by resolution, declare.
3. Subject to the rights, privileges, restrictions and conditions attached to any Common Shares of Cash Store Financial, in the event of liquidation, dissolution or winding up of Cash Store Financial or upon any distribution of the assets of Cash Store Financial among shareholders being made (other than by way of dividends out of monies properly applicable to the payment of dividends), the holders of Common Shares shall be entitled to share pro rata.

DIVIDENDS

The Company paid dividends to shareholders from 2008 to 2012. Starting in the fourth fiscal quarter of 2012 the Board suspended quarterly dividends. The dividend distribution policy is reviewed on a quarterly basis. This review includes evaluating the Company's financial position, profitability, cash flow and other factors that the Board considers relevant. The ability to declare and pay dividends is subject to compliance with a restricted payment covenant stipulated in the Indenture governing the Notes.

The following is the Company's dividend history for the past three fiscal years:

| Date declared | Date paid | Dividend per Common Share | Total amount paid (\$000's) |
|-------------------|-------------------|---------------------------|-----------------------------|
| December 6, 2010 | December 21, 2010 | \$0.10 | \$1,710 |
| February 7, 2011 | February 21, 2011 | \$0.12 | \$2,062 |
| May 9, 2011 | May 24, 2011 | \$0.12 | \$2,084 |
| August 10, 2011 | August 25, 2011 | \$0.12 | \$2,073 |
| November 16, 2011 | December 14, 2011 | \$0.12 | \$2,091 |
| February 8, 2012 | March 7, 2012 | \$0.12 | \$2,091 |
| May 10, 2012 | June 7, 2012 | \$0.06 | \$1,039 |
| August 10, 2012 | September 7, 2012 | \$0.06 | \$1,049 |

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed on the TSX under the symbol "CSF" and on the NYSE under the symbol "CSFS". The volume and price range for the Common Shares as traded on the TSX for each month for the twelve month period ended September 30, 2013, were as follows:

| Month | Volume of shares traded | Price Range (\$CDN) | |
|-----------------|-------------------------|---------------------|------|
| | | Low | High |
| October, 2012 | 280,884 | 4.57 | 5.73 |
| November, 2012 | 778,620 | 4.00 | 4.85 |
| December, 2012 | 504,860 | 2.85 | 4.44 |
| January, 2013 | 304,445 | 3.32 | 4.05 |
| February, 2013 | 490,438 | 2.85 | 4.38 |
| March, 2013 | 402,532 | 2.49 | 3.00 |
| April, 2013 | 806,482 | 1.65 | 3.07 |
| May, 2013 | 208,383 | 2.86 | 3.45 |
| June, 2013 | 220,774 | 2.35 | 3.37 |
| July, 2013 | 109,261 | 2.05 | 2.71 |
| August, 2013 | 79,744 | 2.15 | 2.50 |
| September, 2013 | 284,519 | 1.50 | 2.18 |

Prior Sales

On January 31, 2012, the Company completed a private placement offering in Canada and the US for \$132.5 million of 11.5% Notes. The Notes mature on January 31, 2017 and bear interest semi-annually on January 31 and July 31 each year. The Notes were issued at a price of 94.608% resulting in an effective interest rate of 13.4%.

The indenture governing the Notes ("the Indenture") contains certain covenants that limit the Company's ability to:

- incur or guarantee additional indebtedness;
- make capital expenditures;
- make certain investments and acquisitions;
- amend the Company's dividend policy or pay dividends or make distributions on capital stock or make certain other restricted payments;
- sell assets, including capital stock of the Company's restricted subsidiaries;
- enter into transactions with affiliates;
- create or incur liens;
- agree to payment restrictions affecting restricted subsidiaries;
- amend underwriting standards;
- form subsidiaries or fund foreign subsidiaries; and
- consolidate, merge, sell or otherwise dispose of assets, except those in the ordinary course of operations.

The ability to declare and pay dividends is subject to compliance with a restricted payment covenant stipulated

in the Indenture.

Compliance with the covenants are not impacted solely through the ordinary course of operations or the results of operations. The Company remains in compliance with all of the covenants under this Indenture.

In the event of specified change of control events, holders of Notes will have the right to require the Company to purchase all or a portion of the Notes at a purchase price in cash equal to 101% of the principal amount purchased, plus accrued interest to the date of purchase. In addition, upon certain asset sales, we may be required to use the net proceeds of such sales to offer to repurchase a portion of the Notes at a price in cash equal to 100% of the principal amount purchased, plus accrued and unpaid interest to the date of purchase.

Under the terms of the Notes, the Company may redeem up to 35% of the Notes with the net proceeds of certain equity offerings at a redemption price equal to 111.5% of the principal amount redeemed, plus accrued and unpaid interest to the redemption date any time before July 31, 2014. The Notes are redeemable in whole or in part, at any time on or after July 31, 2014 at the redemption prices (expressed as percentages of principal amounts) in the table below, plus accrued and unpaid interest:

| For the period | Percentage |
|------------------------------|------------|
| On or after July 31, 2014 | 103.084% |
| On or after January 31, 2015 | 102.091% |
| On or after July 31, 2015 | 101.127% |
| On or after January 31, 2016 | 101.194% |
| On or after July 31, 2016 | 100.000% |

The Indenture contains a first lien carve out that allows us to obtain credit facilities of up to \$32.5 million.

Proceeds from the issuance of the Notes were \$125.2 million. The Company used \$116.3 million of the proceeds to acquire a portfolio of loans from third-party lenders. \$8.2 million of the proceeds were used to pay fees and expenses related to the issuance and remainder was used for general corporate purposes.

DIRECTORS AND OFFICERS

As at December 11, 2013, the Company's directors and senior executive officers together beneficially owned 4,665,700 (26.5%) of the outstanding Common Shares.

The names and province or state, and country of residence of the directors and senior executive officers of the Company, the date when the individual first became a director, their principal occupations, the positions in the Company held by them and the number and percentage of voting securities of the Company as at December 11, 2013, are set out in the following table:

| Name, Province or State, and Country of Residence | Position with the Company and Date First Became a Director | Principal Occupation, Business or Employment (5 preceding years unless otherwise indicated) | Number and percentage of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised |
|--|--|---|--|
| Eugene I. Davis ⁽²⁾⁽³⁾ Livingston, New Jersey, USA | Chairman of the Board June 26, 2013 | Chairman of the Board of Atlas Air Worldwide Holdings Inc. (Nasdaq: AAWW), and U.S. Concrete, Inc (Nasdaq:USCR), Director of Global Power Equipment Group Inc (Nasdaq:GLPW), Spectrum Brands Holdings Inc.(NYSE:SPB) and WMI Holdings Corp. | NII |
| Gordon Reykdal ⁽²⁾ Edmonton, Alberta, Canada | Director and Chief Executive Officer February 23, 2001 | Founder and Chief Executive Officer of the Company. | 3,640,300 ⁽⁴⁾ 20.7% |
| William C. (Mickey) Dunn ⁽³⁾ Calgary, Alberta, Canada | Director May 14, 2002 | Chairman of Bellatrix Exploration (NYSE:BXE), an oil and gas exploration company. A director of Precision Drilling Inc. prior to the 2009 Arrangement of True Energy. | 750,000 4.3% |
| Edward C. McClelland ⁽²⁾ Burlington, Ontario, Canada | Director November 8, 2005 | Chairman of TEC (The Executive Committee) Group 223 & 323, an organization of international CEO's, Director of The Cash Store Australia Holdings Inc. since 2009. | 29,500 0.2% |
| Donald C. Campion ⁽¹⁾ Commerce Twp, Michigan, USA | Director August 14, 2013 | Director of Haynes International, Inc. (NASDAQ: HAYN) and is an independent director and Chair of the Audit Committee for three privately held companies. | NII |
| Thomas L. Fairfield ⁽¹⁾⁽³⁾ Landenberg, Pennsylvania, USA | Director August 14, 2013 | Executive Vice President, Chief Operating Officer, Counsel and a Director of Capmark Financial Group Inc, a financial services company focused on the commercial real estate industry. | NII |
| Ron Chilcoyne ⁽¹⁾⁽²⁾ Calgary, Alberta, Canada | Director October 29, 2008 | Founder & Managing Director of Links Capital Partners Ltd., an independent corporate finance firm. | 8,450 0.0% |

| Name, Province or State, and Country of Residence | Position with the Company and Date First Became a Director | Principal Occupation, Business or Employment (5 preceding years unless otherwise indicated) | Number and percentage of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised |
|---|--|---|--|
| Timothy J. Bernlohr ⁽²⁾⁽³⁾ Newtown, Pennsylvania, USA | Director August 14, 2013 | Managing Director of TJB Management Consulting, LLC, a firm specializing in project-specific consulting services to businesses in transformation. Chairman of the Board of Directors of Champion Home Builders, Inc. and The Manischewitz Co. and is a director of Atlas Air Worldwide Holdings (Nasdaq:AAWW), Chemtura Corp. (NYSE:CHMT) and Rock-Tenn Company (NYSE:RKT). | Nil |
| Kevin Paetz Edmonton, Alberta, Canada | President and Chief Operating Officer, Canadian Operations | Chief Operating Officer, Canadian Operations since March 1, 2012. Prior to this, he spent seven years with DFC Global Corp. (Dollar Financial) in several leadership positions including: Vice President Acquisitions, Vice President of Operations, United Kingdom, and Vice President, Field Operations Canada. | 15,100 0.1% |
| Barret Reykdal Bowdon, United Kingdom | President and Chief Operating Officer, UK Operations | Chief Operating Officer of the Company's UK operations since March 1, 2012. Prior to that he was the Chief Operating Officer of the Company since April 2005. | 170,367 1.0% |
| Craig Warnock Edmonton, Alberta, Canada | Chief Financial Officer | Chief Financial Officer of the Company since July 3, 2012. From August 2010 to July 2012 he was Executive Vice President and Chief Financial Officer of a private foreign exchange company. From May 2008 to May 2010 he served as Chief Financial Officer and Treasurer of the City of Edmonton. | 4,000 0.0% |
| S. William (Bill) Johnson Edmonton, Alberta, Canada | Senior Executive Vice President | Senior Executive Vice President since November 2008. Chief Financial Officer and Director of affiliated companies The Cash Store Australia Holdings Ltd. and RTF Financial Holdings Inc. | 35,600 0.2% |
| Halldor Kristjansson Edmonton, Alberta, Canada | Senior Executive Vice President Banking and Credit | Senior Executive Vice President of the Company since November 2010. Prior to joining the Company, he served as Group Co-Chief Executive Officer and Group Managing Director of a private Icelandic bank. | Nil |

| Name, Province or State, and Country of Residence | Position with the Company and Date First Became a Director | Principal Occupation, Business or Employment (5 preceding years unless otherwise indicated) | Number and percentage of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised |
|---|---|--|--|
| Michael Thompson Edmonton, Alberta, Canada | Senior Vice President Corporate Affairs | Senior Vice President Corporate Affairs since February 2012, prior to which he was the Senior Vice President and Corporate Secretary since February 2008. | 7,383 0.0% |
| Michael Baker Edmonton, Alberta, Canada | Senior Vice President, Canadian Operations | Senior Vice President, Canadian Operations since September 2013. From 2010 to 2013 was Senior Vice President Investment Operations with the Alberta Investment Management Corp. Previously spent 11 years with ATB Financial in a variety of executive leadership roles. | 5,000 0.0% |
| Dean Ozanne Edmonton, Alberta, Canada | Senior Vice President Virtual Operations and Innovation | Senior Vice President Virtual Operations and Innovation since September, 2013. Previously spent 13 years with ATB Financial in a variety of executive leadership roles. | 27,950 0.2% |

Notes

- (1) Member of Audit Committee.
- (2) Member of Corporate Governance and Nominating Committee.
- (3) Member of Compensation Committee.
- (4) 3,222,635 of these shares are directly owned by 424187 Alberta Ltd., a company controlled by Mr. Gordon Reykdal; 272,968 are held by Mr. Gordon Reykdal directly and 144,697 are held by Mr. Gordon Reykdal's spouse.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease-Trade Orders or Bankruptcies

Other than as set out below, no director, executive officer, or shareholder of the Company holding a sufficient number of securities of the Company to affect materially the control of the Company, or personal holding company of any of such persons, as applicable, is or has been, within the preceding 10 years of the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that, while that person was acting in such capacity:

- a) was the subject of a cease-trade order or similar order or an order that denied the relevant company access to any exemptions under securities legislation for a period of more than 30 consecutive days (an "order");
- b) was subject to an order that was issued after the director, chief executive officer, or chief financial officer ceased to be a director or executive officer and resulted from an event that occurred while that person was acting in such a capacity.

Disclosure of Ron Chicoyne as a Director of a bankrupt company

Ron Chicoyne served as a director of Paintearth Energy Services Ltd. ("Paintearth"), a private Alberta oilfield services company, from June 2008 to May 18, 2010. Mr. Chicoyne resigned from Paintearth several months before an interim receiver was appointed by the Court of Queen's Bench of Alberta in respect of the property of Paintearth. On December 20, 2010, the Court of Queen's Bench of Alberta approved a purchase and sale transaction for the sale of all of the assets of Paintearth to a third party.

Disclosure of Gordon Reykdal and Edward C. McClelland as Directors and S. William (Bill) Johnson as a Director and Chief Financial Officer of The Cash Store Australia Holdings Inc (AUC), a Company subject to a cease trade-order and insolvency

AUC operated payday loan branches in Australia under the name "The Cash Store Pty." ("Pty"). AUC is publicly listed on the TSX Venture exchange under the symbol "AUC". In December of 2012 the Alberta, Ontario and British Columbia Securities Commissions issued cease trade orders in respect of the shares of AUC for failure to file financial statements. On September 13, 2013 Pty appointed a voluntary administrator pursuant to Section 436A of the Australian Corporations Act 2001. In the opinion of the directors of Pty, Pty is insolvent. The Administrator has taken control of the operations and assets of Pty and the application to have the cease trade orders revoked have been withdrawn by AUC.

Penalties or Sanctions

No director, executive officer of the Company, or shareholder of the Company holding a sufficient number of securities of the Company to affect materially the control of the Company, or personal holding company of any such persons, is or has been subject to any penalties or sanctions relating to securities legislation imposed by a court or by a securities regulatory authority, or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanction imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision concerning the Company's securities.

Personal Bankruptcies

No director, executive officer of the Company, or shareholder of the Company holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such persons, is or has, within the preceding 10 years, become bankrupt, made a proposal under any legislation as at the date hereof relating to bankruptcy or insolvency, or was at the date hereof subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold its assets.

The directors, officers and shareholders of the Company holding a sufficient number of securities of the Company to affect materially the control of the Company have furnished the information pertaining to corporate cease-trade orders or bankruptcies, penalties or sanctions and personal bankruptcies.

Conflicts of Interest

To the best of the knowledge of the directors and executive officers of the Company, the following are existing or potential material conflicts of interest between directors or executive officers and the Company, its subsidiaries and entities that the Company holds significant influence:

- 424187 Alberta Ltd., a company controlled by the Company's CEO, Gordon Reykdal, provided a loan to the Company as described in Note 25 to the Company's annual consolidated financial statements;
- Mr. Gordon Reykdal, Mr. S. William Johnson and Mr. Edward C. McClelland are currently on the board of directors of The Cash Store Australia Holdings Inc., a company in which the Company has an investment as described above in "Principal Markets and Foreign Operations";
- Mr. Gordon Reykdal and Mr. S. William Johnson are currently on the board of directors of RTF Financial Holdings Inc., a company in which the Company has an investment as described above in "Principal Markets and Foreign Operations";
- Mr. S. William Johnson is the Chief Financial Officer of The Cash Store Australia Holdings Inc. and RTF Financial Holdings Inc.; and
- Mr. Barret J. Reykdal is the son of Mr. Gordon Reykdal.

LEGAL PROCEEDINGS

The Company is subject to class action proceedings and other material claims in the Canada and the United States. A detailed description of each proceeding and its status can be found in the section entitled "Risks and Uncertainties" in the 2013 annual MD&A available on the Company's profile on SEDAR at www.sedar.com.

REGULATORY ACTIONS

The Company is currently subject to ongoing regulatory actions in the Canadian provinces of British Columbia and Ontario. The result of these regulatory actions may impose significant limitations on the way the Company conducts or expands its business.

A discussion of current regulatory actions and the regulatory environment can be found in the section entitled "Risks and Uncertainties" in the 2013 annual MD&A available on the Company's profile on SEDAR at www.sedar.com.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed under the heading "conflicts of interest", to the best of the knowledge of the directors and executive officers of the Company, no director or executive officer of the Company or person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10% of the outstanding Common Shares of, or any of their associates or affiliates, had any material interest, direct or indirect, in any transaction within the three most recently completed financial years, or during the current financial year, that has materially affected, or is reasonably expected to materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

Computershare Investor Services Inc. acts as the transfer agent and registrar for the Common Shares of Cash Store Financial through its office in Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the Company entered into the following agreements, copies of which can be found on SEDAR at www.sedar.com:

- A credit agreement dated November 29, 2013 between the Company and Coliseum Capital Management, LLC, 8028702 Canada Inc. and 424187 Alberta Ltd. pursuant to which \$12.0 million of loans were provided to the Company.

EXPERTS

KPMG LLP, Chartered Accountants ("KPMG") were the auditors of the Company for the year ended September 30, 2013, and prepared and executed the audit report accompanying the annual financial statements. KPMG LLP have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation, and that are independent accountants with respect to the Company under all relevant US professional and regulatory standards.

AUDIT COMMITTEE INFORMATION

Audit Committee's Charter

The Company's Audit Committee charter sets out its roles and objectives, responsibilities and duties, and membership standards for reporting to the Board. A copy of the charter is attached hereto as Appendix "A".

Composition of the Audit Committee

The Company's board of directors has a separately-designated standing audit committee (the "Audit Committee") established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the "Exchange Act"). The Audit Committee is composed of Donald Campion, Thomas Fairfield and Ron Chicoyne, all of whom, in the opinion of the Board, are independent and financially literate. Each member of the Audit Committee is "financially literate" within the meaning of applicable Canadian securities laws.

Relevant Education and Experience

1. Donald Campion, BSc., MBA (Chairman of the Audit Committee)

Mr. Campion is a senior executive with broad corporate experience with strategic acquisitions, divestitures, integration activities and international operations. Mr. Campion currently serves as a director of Haynes International, Inc. (NASDAQ: HAYN), where he serves as the Chair of the Audit Committee, and is an independent director and Chair of the Audit Committee for three privately held companies. Mr. Campion had been a senior-level financial executive with a number of public and private companies. He spent 27 years with General Motors Corporation where he held various positions including CFO of several operating divisions, and he was the CFO of four privately held companies.

2. Thomas Fairfield, B.S.F.S.

Mr. Fairfield is Executive Vice President, Chief Operating Officer, Counsel and a director of Capmark Financial Group Inc. Capmark is a financial services company focused on the commercial real estate industry. Prior to joining Capmark in 2006, Mr. Fairfield practiced corporate and securities law for more than 20 years. He is admitted to the bar of the states of Connecticut, Pennsylvania, New York and the District of Columbia, and is a member of the American Bar Association and the National Association of Stock Plan Professionals.

3. Ron Chicoyne, CFA, CF, ICD.D

Mr. Chicoyne holds a Chartered Financial Analyst designation, Corporate Finance Qualification, Institute of Corporate Directors designation and received his Bachelor of Commerce (Honours) degree from the University of Manitoba. He is the founder and Managing Director of Links Capital Partners Ltd., a boutique corporate finance firm. Prior to this, he was a partner and director of the private equity firm, Mercantile

Bancorp Limited.

Audit Committee Financial Expert

The Board has determined that it has at least one Audit Committee financial expert serving on its Audit Committee. The Company's board of directors has determined that Donald Campion is an audit committee financial expert and is independent (as defined under Rule 10A-3 of the Exchange Act and Section 303A.06 of the New York Stock Exchange's Listed Company Manual).

The U.S. Securities and Exchange Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose on such person any duties, obligations or liability that are greater than those imposed on such person as a member of the Audit Committee and the Board in the absence of such designation and does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board.

Pre-approval Policies and Procedures

As part of the Company's corporate governance structure, the Audit Committee annually reviews and approves the terms and scope of the auditor's engagement. To further ensure that the independence of the auditors is not compromised, Company policy requires that the Audit Committee also pre-approve all significant engagements of the auditors for non-audit services and monitor all other engagements.

In addition, all non-audit service engagements, regardless of the cost estimate, are required to be coordinated by the Company's Chief Financial Officer, or a designate, to further ensure that adherence to this policy is monitored. All non-audit service engagements must also be reported to the Audit Committee on a quarterly basis.

External Audit Fees by Category

KPMG has served continually as the Company's external auditor since January 2002. The following table lists the fees billed by KPMG, by category, during the last two fiscal years:

| | Year Ended September 30, 2013 | Year Ended September 30, 2012 |
|--------------------|----------------------------------|----------------------------------|
| Audit fees | \$1,457,885 | \$638,250 |
| Audit-related fees | \$198,780 | \$510,450 |
| Tax fees | \$10,000 | \$3,600 |
| All other fees | Nil | Nil |
| Total fees | \$1,666,665 | \$1,152,300 |

Audit Fees - Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual financial statements or services provided in connection with statutory and regulatory filings or engagements and the review of the Company's interim financial statements.

Audit-related Fees - Audit-related fees were paid for assurance and related services that are related to the performance of the audit or review of the annual and interim financial statements and are not reported under the audit fees item above. These services consisted of special attest services as required by various government entities, services provided in relation to foreign investments and services in respect of special transactions.

Tax Fees - Tax fees were paid for professional services relating to tax compliance, tax advice and tax planning. These services consisted of the review of a goods and services tax re-assessment.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the Company's profile on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans is contained in the Company's management information circular dated December 11, 2013.

Additional financial information is provided in the Company's audited consolidated financial statements and MD&A for the year ended September 30, 2013, both of which are available on the Company's profile on SEDAR at www.sedar.com.

Security holders may also obtain a copy of the Company's financial statements and MD&A by writing to the Company at 15511 – 123 Avenue, Edmonton, Alberta T5V 0C3 attention: Chief Financial Officer, or through the Company's website at www.csfinancial.ca.

APPENDIX "A"

THE CASH STORE FINANCIAL SERVICES INC.

AUDIT COMMITTEE CHARTER

1. PURPOSE

1.1 The primary duties and responsibilities of the Audit Committee of the board of directors ("Board of Directors") of The Cash Store Financial Services Inc. (the "Corporation") are to:

- (a) assist the Board of Directors with its oversight of the integrity of the Corporation's financial statements and the Corporation's compliance with legal and regulatory requirements;
- (b) review and recommend to the Board for approval, prior to their public release, all material financial information required to be gathered and disclosed by the Corporation;
- (c) oversee management designed and implemented accounting systems and internal controls; and
- (d) be directly responsible for recommending, engaging, supervising, arranging for the compensation of and ensuring the independence and qualifications of any external auditor to the Corporation engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation.

2. COMPOSITION AND MEETINGS

2.1 The Audit Committee will be comprised of at least three members of the Board each of whom will at all times be independent and financially literate as those terms are defined in National Instrument 52-110 *Audit Committees* and the NYSE Listed Company Manual, and possess:

- (a) an understanding of the accounting principles used by the Corporation to prepare its financial statements;
- (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

2.2 The Audit Committee shall have at least one audit committee financial expert who has acquired the attributes listed above through education and experience as a principal financial officer, principal accounting officer, controller, public accountant, auditor, experience in positions performing similar functions, experience supervising persons performing similar functions, experience overseeing or assessing the performance of companies or public accountants with respect to preparation, auditing or evaluation of financial statements, or other relevant experience.

2.3 The Audit Committee is required to meet in person, or by telephone conference call at least once each quarter and as often thereafter as required to discharge the duties of the Audit Committee.

- 2.4 Each member of the Audit Committee shall serve at the pleasure of the Board of Directors and, in any event, only so long as that person shall be an independent director. The Board of Directors may remove a member of the Audit Committee at any time in its sole discretion by resolution of the Board of Directors. The Directors may fill vacancies in the Audit Committee by election from among their number.
- 2.5 In connection with the appointment of the members of the Audit Committee, the Board of Directors will determine whether any proposed nominee for the Committee serves on the audit committees of more than three public companies. To the extent that any proposed nominee for membership on the Audit Committee serves on the audit committees of more than three public companies, the Board of Directors will make a determination as to whether such simultaneous services would impair the ability of such member to effectively serve on the Audit Committee and may disclose such determination in the Corporation's annual report on Form 40-F or Form 20-F, as applicable, filed with the United States Securities and Exchange Commission (the "SEC").
- 2.6 The Chairman of the Audit Committee appointed by the Board will, in consultation with the members, determine the schedule, time and place of meetings, and in consultation with management and the external auditor, establish the agenda for meetings.
- 2.7 Notice of the time and place of every meeting shall be given in writing, by email or facsimile to each member of the Audit Committee at least 24 hours prior to the time fixed for such meeting, provided that a member may in any manner waive a notice of meeting.
- 2.8 The Committee should hold an in-camera session without management present, including management directors, as a regular feature of each regularly scheduled Committee meeting.

3. QUORUM

- 3.1 A quorum for a meeting of the Audit Committee shall be a majority of members present in person or by telephone conference call.

4. RESPONSIBILITIES

The Audit Committee is responsible for:

- 4.1 **Financial Reporting** - Prior to public disclosure, the Audit Committee will meet to review and discuss with senior management and the independent external auditors and to recommend to the Board of Directors for approval, the Corporation's:
- (a) annual consolidated financial statements and interim unaudited consolidated financial statements;
 - (b) annual and interim management discussion and analysis of financial condition and results of operations (MD&A);
 - (c) earnings press release and earnings guidance, if any; and
 - (d) financial public disclosure documents, including but not limited to, prospectuses, press releases with financial results and relevant sections of the Corporation's Annual Information Form, Management Information Circular, Annual Report and SEC Form 40-F or Form 20-F, as applicable.
- 4.2 **Accounting and Financial Management**
- (a) The Audit Committee will review, together with management, the internal auditor and the external auditors:

- (i) the Corporation's major accounting policies (including the impact of alternative accounting policies), key management estimates, risks and judgments that could materially affect the financial results and whether they should be disclosed in the MD&A;
 - (ii) any proposed changes to the Corporation's accounting policies including alternative treatment available to the Corporation;
 - (iii) emerging accounting issues and their potential impact on the Corporation's financial reporting;
 - (iv) the evaluation by either the internal or external auditors of the Corporation's internal control systems, and management's responses to any identified weaknesses; and
 - (v) the evaluation by management of the adequacy and effectiveness in the design and operation of the Corporation's disclosure controls and internal controls over financial reporting.
- (b) The Audit Committee will:
- (i) be satisfied and obtain reasonable assurances from management and the external auditors that accounting systems are reliable; prescribed internal controls are effective; and adequate procedures are in place for the review of the disclosure of financial information extracted or derived from the Corporation's financial statements;
 - (ii) periodically assess the adequacy of accounting systems, internal controls and procedures for the review of disclosure of financial information;
 - (iii) review control weaknesses identified by the external auditor and management's response;
 - (iv) review with the external auditor its view of the qualifications and performance of the key financial and accounting executives;
 - (v) discuss issues of its choosing with the external auditor, management and corporate counsel; and
 - (vi) make inquiries of the external auditor and legal counsel to the Corporation regarding potential claims, assessments, contingent liabilities, and legal and regulatory matters that may have a material impact on the financial statements of the Corporation.

4.3 Whistleblower Complaint Procedures

The Committee will:

- (a) establish procedures for the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. Following the receipt of any complaints received submitted through the confidential process established by the Corporation, if a complaint is deemed to require further investigation, the Audit Committee shall take appropriate steps to carry out such investigation, including appointing the appropriate investigators with respect to such complaint; and
- (b) establish procedures for the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters and the retention (for at least 7 years) of copies of concerns and evidence of investigations.

4.4 Independent Audit Function

To preserve the independence of the external auditor responsible for preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, the external auditors will report directly to the Audit Committee and the Committee will be directly responsible for:

- (a) maintaining direct communications with the external auditors ensuring that the external auditor is answerable to the Audit Committee, as representatives of the shareholders, rather than to the executive officers and management of the Corporation;
- (b) overseeing the work of the external auditor;
- (c) recommending to the Board of Directors the external auditor to be nominated;
- (d) recommending to the Board of Directors the external auditor's compensation;
- (e) evaluating the external auditor's qualifications, performance and independence including by annually reviewing:
 - (i) a report of the auditor describing its internal quality-control procedures;
 - (ii) material issues raised by its most recent internal quality-control review; and
 - (iii) the results of any inquiry or investigation by government or professional authorities of the auditor within the last five years;
- (f) reviewing the experience and qualifications of the senior members of the external auditors, ensure that the lead audit partner is replaced periodically in accordance with applicable law, and that the audit firm continues to be independent;
- (g) annually, prior to public disclosure of its annual financial statements, confirming that the external auditor has current participant status with the Canadian Public Accountability Board;
- (h) reviewing and pre-approving any engagements for non-audit services to be provided by the external auditor and its affiliates in light of the estimated fees and impact on the external auditor's independence;
- (i) reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and most recent former external auditor of the Corporation in compliance with the requirements set out in section 2.4 of National Instrument 52-110;
- (j) pre-approving all audit services;
- (k) meet with the external auditor prior to the audit to review the scope and general extent of the external auditor's annual audit including planning and staffing the audit and the factors considered in determining the audit scope, including risk factors;
- (l) meeting with the external auditor to:
 - (i) review significant changes to the audit plan, if any,
 - (ii) review any disputes or difficulties with management encountered during the audit, including any disagreements which, if not resolved, would have caused the external

- auditor to issue a non-standard report on the Corporation's financial statements;
and
- (iii) review the co-operation received by the external auditor during its audit and interim reviews including their ability to access all requested records, data and information;
 - (m) meeting with the external auditor at least annually in the absence of management;
 - (n) resolving any disagreements between management and the external auditor;
 - (o) discussing or reviewing specific issues that arise from time-to-time with the external auditor;
and
 - (p) directing the external auditor's examinations to particular issues.

4.5 Internal Audit Function

The Audit Committee will:

- (a) approve the appointment, replacement, or dismissal of the Vice President of the internal audit group;
- (b) review and approve the compensation of the Vice President of the internal audit group;
- (c) review and approve the reporting relationship of the internal auditor to ensure that an appropriate segregation of duties is maintained and that the internal auditor has an obligation to report directly to the Audit Committee on matters affecting the Audit Committee's duties, irrespective of his or her other reporting relationships;
- (d) direct the Vice President of the internal audit group to review any specific areas the Committee deems necessary;
- (e) consider and review the following issues with management and the Vice President of internal audit:
 - i. significant findings of the internal audit group as well as management's response to them;
 - ii. any difficulties encountered in the course of their internal audits, including any restrictions on the scope of their work or access to required information;
 - iii. the internal auditing budget and staffing;
 - iv. the Audit Services Charter; and
 - v. compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

5. RISK MANAGEMENT

The Audit Committee will:

- (a) discuss the Corporation's policies with respect to risk assessment and risk management, including guidelines and policies to govern the process by which risk assessment and risk management are undertaken;

- (b) review transactions involving the Corporation and "related parties" as that term is defined in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (collectively, "Related Party Transactions");
- (c) monitor any Related Party Transactions and report to the Board of Directors on a regular basis regarding the nature of any Related Party Transactions;
- (d) oversee and monitor any litigation, claim or regulatory investigation or proceeding involving the Corporation;
- (e) review and approve annually, directors' and officers' third party liability insurance coverage; and
- (f) review and monitor the Corporation's insurance claims.

6. REPORTING

- 6.1 The Audit Committee is responsible, following each meeting, to report to the Board of Directors regarding its activities, findings, recommendations, any issues that arise with respect to the quality or integrity of the Corporation's financial statements, compliance with applicable law, the performance and independence of the external auditor and the effectiveness of the internal audit function.
- 6.2 The Audit Committee will prepare any reports required to be prepared by the Committee under applicable law including quarterly reports regarding ongoing investigations made pursuant to the Corporation's Whistleblower Policy.

7. AUTHORITY

- 7.1 The Audit Committee has the power to, at the expense of the Corporation and as it determines necessary, retain, instruct, compensate and terminate independent advisors (including independent counsel) to assist the Audit Committee in the discharge of its duties.

8. OTHER

- 8.1 The Audit Committee is responsible to annually review its own performance, and in its discretion, make recommendations to the Board of Directors regarding changes to its Charter and the position description of its Chairman.

Approved by the Board of Directors - December 11, 2013

TAB C

Sharon Fawcett

From: Brian Dimmick <Brian.Dimmick@csfinancial.ca>
Sent: March-26-14 12:08 PM
To: Sharon Fawcett
Cc: Steve Carlstrom; Nigel Mbanga
Subject: RE: Lender Disbursement Calculation - March 2014
Attachments: Lender Disbursement Calculation - March 2014

Hi Sharon, yes, we sent the notification out previously but here it is again.

Let me know if you need anything else.

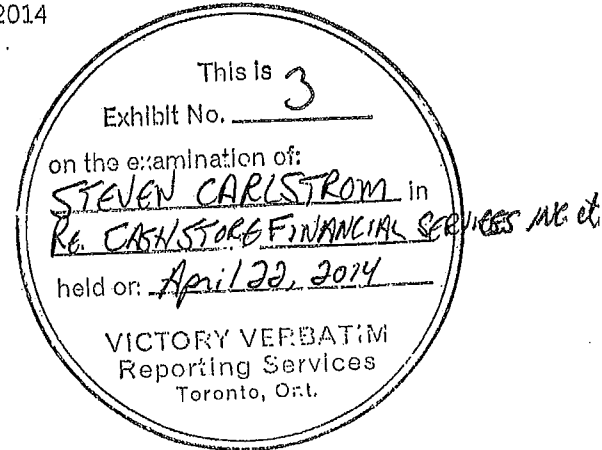
Thanks,

Brian Dimmick

CASH STORE FINANCIAL
15611 – 123 Avenue Edmonton, AB T5V 0C3
T: 780.408.5110 ext: 5152 F: 780.408.5122

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From: Sharon Fawcett [mailto:s.fawcett@aristoscorp.com]
Sent: Wednesday, March 26, 2014 12:02 PM
To: Brian Dimmick
Cc: Steve Carlstrom; Nigel Mbanga
Subject: Lender Disbursement Calculation - March 2014

Hi Brian – following up on the payment for March – I don't think you have sent out the distribution calculation as yet. Will the payment go on Friday Mar 28th or Monday Mar 31st. Please advise.

Sharon Fawcett
T: 403.251.5517
F: 1.888.474-8105
E: s.fawcett@aristoscorp.com

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From: Brian Dimmick [mailto:Brian.Dimmick@csfinancial.ca]
Sent: February-27-14 1:00 PM
To: Sharon Fawcett
Cc: Steve Carlstrom; Nigel Mbanga
Subject: Lender Disbursement Calculation - February 2014

Hi Sharon, my apologies – yes, payment is set for tomorrow. The calculation is attached for your information.

Sharon Fawcett

From: Brian Dimmick <Brian.Dimmick@csfinancial.ca>
Sent: March-13-14 3:49 PM
To: Sharon Fawcett
Cc: Steve Carlstrom; Nigel Mbanga
Subject: Lender Disbursement Calculation - March 2014
Attachments: The Family Trust Lender Payments Calc..xlsx

Hi Sharon, the next disbursement will be made on Friday, March 28, 2014.

The attached file contains the calculation.

Feel free to contact me if you have any questions.

Regards,

Brian Dimmick

Finance - Staff Accountant

CASH STORE FINANCIAL
15511 - 123 Avenue | Edmonton, AB T5V 0C3
T: 780.408.5110 ext: 5152 F: 780.408.5122

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Cash Store Interest Calculation
The Family Trust

| March 2014 | Fund Balance | Funds for Pyl. calc. | Payment Rate | Pro-rate for Mar | Total Payment |
|--------------------------------|-------------------------|----------------------|--------------|------------------|----------------------|
| Opening Balance March 1, 2014 | \$ 13,350,000.00 | | 17.50% | | \$ 184,687.50 |
| Closing Balance March 31, 2014 | <u>\$ 13,350,000.00</u> | | | | <u>\$ 184,687.50</u> |
| Disbursement March 28, 2014 | <u>\$ 184,687.50</u> | | | | |

TAB 2

2 ONTARIO
3 SUPERIOR COURT OF JUSTICE
4 COMMERCIAL LIST

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

7 AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
8 OF THE CASH STORE FINANCIAL SERVICES INC., THE CASH
9 STORE INC., TCS CASH STORE INC., INSTALOANS INC.,
7252331 CANADA INC., 5515433 MANITOBA INC., 1693926
ALBERTA LTD. DOING BUSINESS AS "THE TITLE STORE"
APPLICANT

10 This is the Cross-Examination of SHARON FAWCETT, on her
11 affidavits sworn April 11, 2014 and April 22, 2014
12 herein, taken at the offices of Bennett Jones LLP, First
Canadian Place, 100 King St. West, Suite 3400, Toronto,
Ontario, on Wednesday, May 21, 2014.

13 A P P E A R A N C E S :

14 Alan B. Merskey, for DIP Lenders
Andrew McCoomb
15
16 Robert Staley, for 0678786 B.C. Ltd., Formerly
Gannon G. Beaulne The McCann Family Holding
Corporation
17
18 Sharon A. Kour for FTI Consulting, the Monitor
19
20 Karin Sachar for the Chief Restructuring
Officer of the Applicants
21
22 Brett Harrison for Trimor Annuity Focus LP #5
23
24 Andrew J. Hatnay, for Tim Yeoman, Class Plaintiff
James Harnum
25
ALSO PRESENT:
23
24 Greg Watson Senior Managing Director,
FTI Consulting
25
Murray McCann Observer

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INDEX OF UNDERTAKINGS

Undertakings are noted by U/T and are found on the following pages: None.

INDEX OF REFUSALS

Refusals are noted by R/F and are found on the following pages: None.

INDEX OF UNDER ADVISEMENTS

Under advisements are noted by U/A and are found on the following pages: None.

*** The list of undertakings, refusals and under advisements is provided as a service to counsel and does not purport to be complete or binding upon the parties.

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| 2 | E-mail chain ending Monday, June 18, 2012 from Gord Reykdal to Sharon Fawcett and others. | 36 |
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| 4 | E-mail chain ending February 26, 2014 from Ms. Fawcett to Mr. Carlstrom. | 38 |

1 --- Upon commencing at 10:03 a.m.

2 SHARON FAWCETT: SWORN

3 CROSS-EXAMINATION BY MR. MERSKEY:

4 1. Q. Good morning, Ms. Fawcett.

5 A. Good morning.

6 2. Q. You've been sworn this morning?

7 A. I have.

8 3. Q. And you've sworn two affidavits, one
9 dated -- sworn, excuse me, April 11, 2014;
10 correct?

11 A. Correct.

12 4. Q. And I'll refer to that as your first
13 affidavit this morning, and the second is sworn
14 April 22nd, 2014?

15 A. Correct.

16 5. Q. And I'll probably refer to that as
17 your second affidavit when I'm going between the
18 two this morning.

19 Just to start with, could you give me a
20 bit of your professional background? I
21 understand from your affidavit that you are a
22 chartered accountant. Is that correct?

23 A. I'm a chartered accountant.

24 6. Q. Okay. So could you give me your
25 education and professional background?

1 A. I was educated at U of S and I came
2 to Calgary to article with Arthur Anderson. I
3 then transferred to Deloitte's where I began
4 working with Murray McCann as a client. I was a
5 senior manager in the tax group, and in 1994 I
6 went to work directly for Murray as his chief
7 financial officer, where I was full time in his
8 various businesses until about 2005, at which
9 point I became part time, doing part-time CFO
10 work for Murray and his businesses, and I worked
11 for two other groups as well, and that's been my
12 employment since 2006.

13 7. Q. What is your -- first of all, when
14 you're referring to Mr. McCann's company, I
15 understand it was previously called the McCann
16 Family Holding Company and is now called 0678786
17 B.C. Ltd. Is that correct?

18 A. That's correct.

19 8. Q. And just for the sake of simplicity,
20 I'll refer to that as McCann or the McCann
21 company this morning.

22 A. That's fine.

23 9. Q. So can you tell me your current
24 position with the McCann company? Is it
25 part-time CFO?

1 A. Yes. Contract CFO, basically. I'm
2 secretary of the company, but basically my
3 business is contract CFO work for three
4 organizations.

5 10. Q. And could you just outline for me
6 your operational role and activities as CFO for
7 McCann?

8 A. I basically look after the financial
9 reporting and accounting for the company, and I
10 am involved in all of the business dealings and
11 agreements and legal work for the McCann
12 companies.

13 11. Q. I take it the McCann companies have
14 other business dealings besides those of Cash
15 Stores?

16 A. They have other investments,
17 basically. They have had operating businesses
18 over the past number of years, but at this point
19 basically they're all investment assets.

20 12. Q. So it would be fair to call it an
21 investment company at the present point in time?

22 A. It would.

23 13. Q. What was your first contact with the
24 Cash Stores organization on behalf of McCann?

25 A. My initial dealings with Michael

1 Zvonkovic, when we first were entertaining the
2 broker agreement in June/July of 2012, I guess,
3 is when I first started speaking with him, late
4 June/early July.

5 14. Q. Did the McCann companies have any
6 business involvement with Cash Stores prior to
7 June/July 2012?

8 A. No, no direct involvement.

9 15. Q. When you say, "no direct
10 involvement", was there any involvement at all?

11 A. We were debenture holders in a
12 company that was acting as a former TPL.

13 16. Q. Did you say a form of TPL?

14 A. Former TPL.

15 17. Q. Was it a TPL at the time that you
16 were a debenture holder?

17 A. Yes.

18 18. Q. And just for the sake of the record,
19 TPL is third party lender?

20 A. Yes.

21 19. Q. So is it correct then that the broker
22 agreement of June 19th, 2012 is the first direct
23 investment by McCann --

24 A. Yes.

25 20. Q. Thanks. ...with Cash Stores?

1 A. Yes.

2 21. Q. Were you responsible for negotiating
3 the broker agreement?

4 A. I was working with Murray in
5 negotiating it. I was the direct contact with
6 Michael.

7 22. Q. So were there discussions with
8 Michael about the form of the agreement and the
9 amount of the investment?

10 A. The form of the agreement, the amount
11 of the investment was discussions with Murray.

12 23. Q. Aside from you and Murray, did
13 anybody else at McCann have contact with Cash
14 Stores over these issues?

15 A. No.

16 24. Q. Were you the regular Cash Stores
17 contact for McCann in charge of administering the
18 agreement and receipts?

19 A. Yes.

20 25. Q. Was your primary contact there
21 initially Michael Zvonkovic?

22 A. It was.

23 26. Q. And then did it become Steven
24 Carlstrom?

25 A. Yes, it did.

1 27. Q. According to your affidavit, McCann
2 placed \$13,350,000 with Cash Stores since June of
3 2012. From what you've told me, is it fair -- do
4 I understand correctly that there were no amounts
5 placed with Cash Stores before that?

6 A. That's correct.

7 MR. MERSKEY: Off the record for a minute.

8 --- Off the record at 10:10 a.m.

9 --- Upon resuming at 10:12 a.m.

10 BY MR. MERSKEY:

11 28. Q. I'm showing you page 502 of the
12 application record, which is a portion of the
13 broker agreement between McCann and The Cash
14 Store dated June 19th, 2012, and I have a couple
15 of questions for you about the "designated
16 financier bank account" definition there. Could
17 you just take a minute to read that?

18 Okay. You see from that definition that
19 it provides for something called a designated
20 financier bank account where receipts from
21 broker-funded loans were to be deposited?

22 A. Right.

23 29. Q. And you see that it provides for the
24 financier to designate that?

25 A. Right.

1 30. Q. And could you just turn to the
2 beginning of the agreement to the preamble? And
3 I see from there that "financier" is defined as
4 McCann in this document?

5 A. Right.

6 31. Q. So under this definition it was up to
7 McCann to designate a bank account for which loan
8 receipts were to be deposited into. Is that
9 correct?

10 A. Correct.

11 32. Q. And I take it if such an account was
12 set up, that you would have been the person
13 responsible to do that?

14 A. Yes.

15 33. Q. And I take it that no such account
16 was ever set up?

17 A. During the course of the negotiations
18 on this agreement, I had asked if there were
19 separate accounts for each individual broker that
20 would be used to accumulate and track our funds
21 received and distributed on the loans.

22 I was advised by Michael Zvonkovic that
23 that practice, although it had been done in the
24 past, had changed with the new form of broker
25 agreement and that there was to be one account

1 that was to be used for all brokers, but it was a
2 separate account, separate and apart from Cash
3 Store's own accounts, and that we would be
4 included in that for all of our loans and
5 activities with Cash Store, and we would receive
6 separate accounting for our piece of that broker
7 account, but it was to only include broker funds.

8 34. Q. So I'll come back to that, but just
9 sticking with the agreement itself, you never did
10 designate an individual account for receipt of
11 McCann funds. Correct?

12 A. I was told that I did not have the
13 ability to do that under the new arrangement,
14 so--

15 35. Q. The answer is then yes?

16 A. Yes.

17 36. Q. Thank you.

18 A. I did not.

19 37. Q. And did you object to the fact that
20 you didn't have the ability to do that under the
21 new arrangement?

22 A. We were working within the
23 arrangements that Cash Store had set up with its
24 brokers, and we were advised that all of the
25 brokers were being treated the same and were

1 having all of their funds deposited into one
2 segregated account, and we agreed that that was
3 fine on the assumption that it was only broker
4 money that was in there. It was not part of Cash
5 Store's operating account.

6 38. Q. Did you discuss that assumption with
7 Michael Zvonkovic?

8 A. I did, and I was told that there was
9 a separate bank account for that purpose.

10 39. Q. Did you receive bank account records
11 for that bank account?

12 A. I did not.

13 40. Q. Did you ask to?

14 A. I did not. I did not expect to
15 receive them because it would have included not
16 only our information but information of other
17 broker lenders, which we would not have been
18 privy to. That's why we got the accounting
19 reconciliations.

20 41. Q. You got the accounting
21 reconciliations to tell you what was being done
22 with your holdings?

23 A. Within that broker account, yes.

24 42. Q. As long as you got those
25 reconciliations, you were satisfied?

1 A. I didn't make any further inquiries
2 into the bank account itself.

3 43. Q. There's also in that document at
4 paragraph G a definition of "designated broker
5 account". Can you take a moment and read that,
6 please? It's on page 502.

7 Did you ever use that mechanism?

8 A. Well, I believe there's maybe a bit
9 of confusion between broker account and financier
10 bank account.

11 44. Q. Well, the document provides that the
12 broker -- the broker is Cash Store, correct?

13 A. Right.

14 45. Q. And the document provides that Cash
15 Store will set up a bank account for receipt of
16 funds from the financier, in this case McCann?

17 A. Right.

18 46. Q. To provide to customers of Cash
19 Store, correct?

20 A. Yes.

21 47. Q. So my question is, did you use that
22 mechanism to provide funds to Cash Store to
23 provide to its customers?

24 A. Yes.

25 48. Q. And as we've just been through, the

1 designated financier account provided for a
2 mechanism for receipts from customers to be
3 deposited separately to McCann; correct? You
4 seem to have another answer on the tip of your
5 tongue, so I would like you to answer my question
6 first, please.

7 A. My understanding is that what we had
8 was one account where receipts from customers on
9 our accounts and receipts of the funds that we
10 deposited with the broker were tracked so that
11 when we put money into the account for Cash Store
12 to lend to our customers, to lend our funds to
13 its customers, the money went into that account.
14 When funds were collected from customers to be
15 repaid on our loans, the money went into that
16 account.

17 So basically it was one account for all
18 broker lenders. So all of the cash activity for
19 the brokers went through one separate bank
20 account.

21 49. Q. So just to understand the mechanism
22 of how you provided the funds, it appears that
23 you'd provide funds in fairly large tranches.
24 Correct?

25 A. Yes.

1 50. Q. So, for instance, do you recall what
2 the original amount of funding provided was?

3 A. The original amount of funding was 8
4 million in total.

5 51. Q. And then I take it you would provide
6 -- you provided in total, I think you said \$13.5
7 million?

8 A. Thirteen. 13,350.

9 52. Q. Do you remember what size the other
10 tranches were?

11 A. I can't recall.

12 53. Q. But I take it that they would not
13 have been tens of thousands or even hundreds of
14 thousands generally?

15 A. Oh, no, no. I think the minimum
16 would generally have been over a million dollars
17 at a time.

18 54. Q. And is it fair to describe what was
19 going on as a cycle of funding once that cash was
20 sent to Cash Stores, so that you would provide
21 that money to Cash Stores, it would go out to
22 customers, receipts would come back from
23 customers and those receipts would then be
24 recycled or re-lent?

25 A. In our case we typically acquired

1 loans from other TPL, third party lenders, so we
2 do not appear as the initial lender to the
3 customer. We are not on those documents.

4 So our loans would have gone into this
5 account and would have been used to acquire
6 existing loans from other lenders, and then
7 repayments would have, on those loans that we had
8 acquired, would go into the account and be
9 reacquired.

10 55. Q. With that clarification, is it fair
11 to describe that as the funds being recycled over
12 a course of many loans?

13 A. Yes. Our funds were used to lend to
14 Cash Store's customers under the broker
15 agreement, and as customers -- when the customer
16 repaid, the funds were lent again.

17 56. Q. So they generally weren't coming out
18 of the system to go back to McCann before going--

19 A. No, they weren't. No, they weren't.

20 57. Q. Sorry, let me finish, please, Ms.
21 Fawcett.

22 A. Sorry.

23 58. Q. ...to go back to McCann before they
24 went back to the customer? I'm sorry, you have
25 to say yes or no.

1 A. No.

2 59. Q. You also from time to time received
3 assignments, not just from other lenders, but
4 from Cash Stores itself; correct?

5 A. Yes, I did.

6 60. Q. And those funds would also have gone
7 into this account, is that correct?

8 A. My understanding is yes.

9 61. Q. And were you aware as to whether
10 funds from those receivables were going into that
11 one account before they were assigned to you?

12 A. If they were received from Cash
13 Store, they wouldn't have been.

14 62. Q. You said, "wouldn't have been." Were
15 you aware?

16 A. No, I wasn't aware.

17 63. Q. So it's possible that funds were
18 coming generally from Cash Store customers into
19 this account and being recycled for loans?

20 A. My understanding is that would not
21 have happened because that account was
22 specifically for broker lenders, and Cash Store's
23 loans would have been outside of that.

24 When we were assigned loans by Cash Store,
25 they were a sizeable amount, and I believe it

1 only happened twice. We were assigned a full
2 portfolio which we would have acquired from Cash
3 Store, and those subsequent collections were all
4 collected in our account.

5 64. Q. When you say, "our account", you
6 believed the -- you're referring to the account
7 that you believed to be there for all brokers?

8 A. Yes.

9 65. Q. Do you have your second affidavit
10 handy?

11 MR. STALEY: It's in front of the witness.

12 MR. MERSKEY: Thank you.

13 BY MR. MERSKEY:

14 66. Q. And at paragraph 3 of your affidavit
15 you indicate that all capital R restricted cash
16 would be placed in a designated broker bank
17 account, that that was what was represented to
18 you. Do you see that?

19 A. That's correct.

20 67. Q. But I take it that from the evidence
21 you've just given me this morning, you understood
22 that in fact it wasn't going into a defined
23 designated broker bank account. It was going
24 into this more central account that you've
25 described to me?

1 A. We called it a designated broker bank
2 account for all brokers as opposed to one
3 specifically for us.

4 68. Q. Well, you're using the capitalized
5 term in your affidavit; correct?

6 A. Hm-hmm.

7 69. Q. And I take it that that capitalized
8 term is intended to refer to a capitalized term
9 in the broker agreement that McCann entered into
10 individually. Correct?

11 A. Hm-hmm.

12 70. Q. So I take it that in your affidavit
13 it was intended to indicate that you thought and
14 continued to believe that your funds, as it were,
15 were going into a specific broker bank account
16 for McCann. That's what the evidence was
17 intended to imply in this affidavit, is that not
18 the case?

19 A. It was intended to agree with our
20 understanding, which was that there was one
21 account, and I say later that the bank required
22 the names of brokers who owned the money
23 specifically on that one account, realizing that
24 there was more than one broker involved.

25 71. Q. Well, I appreciate that it was

1 intended to say what you understood, but I'm
2 suggesting to you that in at least one respect it
3 is incorrect in that it is suggesting that the
4 particular process set out in the broker
5 agreement was followed, and it seems to me from
6 the evidence you've just given me, that the
7 particular defined mechanism in the broker
8 agreement was not followed.

9 MR. STALEY: But it doesn't say that and
10 she's already explained to you what her
11 understanding was of the words that are there.

12 MR. MERSKEY: Mr. Staley, I'm entitled to
13 cross-examine the witness. I'm entitled to put
14 to her a different understanding and I'm entitled
15 to come at it a few different ways.

16 MR. STALEY: You did and she answered the
17 question.

18 MR. MERSKEY: And she gave me a different
19 answer and I'm entitled to ask the answer to my
20 question.

21 BY MR. MERSKEY:

22 72. Q. So I'll just come at it one more time
23 and be blunt. Isn't paragraph 3 in some respect
24 wrong when it refers to designated broker bank
25 account under the broker agreement being --

1 MR. STALEY: It doesn't say that.

2 MR. MERSKEY: Please don't interrupt.

3 MR. STALEY: It doesn't say that. I've
4 already objected. It doesn't say that and she's
5 already explained what she meant.

6 MR. MERSKEY: Mr. Staley --

7 MR. STALEY: You are stating a premise
8 that she has already rejected and she's answered
9 the question.

10 If you want to ask a question that doesn't
11 state a premise that she's rejected, go ahead and
12 do that, but that's not a proper question.

13 BY MR. MERSKEY:

14 73. Q. The premise, which was accepted, was
15 that capital D designated, capital B broker,
16 capital B bank, capital A account, was intended
17 to refer to the definition in the broker
18 agreement; correct?

19 A. Correct, except as I've already --

20 74. Q. No, let's take it one by one then.

21 MR. STALEY: No, she's allowed to answer
22 the question. You've got to stop interrupting
23 her when she answers the question.

24 MR. MERSKEY: Mr. Staley, the person doing
25 the interrupting here is you.

1 MR. STALEY: It's you. So you interrupted
2 her. She was trying to answer the question.
3 She's entitled to finish answering the question.
4 Do not interrupt the witness when she's answering
5 a question.

6 MR. MERSKEY: And you're entitled to
7 conduct re-examination but you are not entitled
8 to interfere with my examination.

9 MR. STALEY: You're not entitled to cut
10 off her answer when she's giving an answer, which
11 is what you just did.

12 MR. MERSKEY: You're not entitled to speak
13 over me either, but apparently that rule gets
14 ignored as well.

15 MR. STALEY: Do you want to finish your
16 answer?

17 BY MR. MERSKEY:

18 75. Q. Designated broker bank account.

19 A. Designated broker bank account in the
20 agreement does refer to an individual account.

21 In our conversations and understanding
22 with Cash Store, there was one designated broker
23 account that covered all brokers. That's what
24 I'm referring to here and that was my
25 understanding. It was not a Cash Store account.

1 It was not -- it was only broker money that was
2 in that account.

3 76. Q. And so can you turn to page 18 of
4 your record? And this is an e-mail chain ending
5 July 23rd, 2012 from Michael Zvonkovic to you?

6 A. Hm-hmm.

7 77. Q. And in the first part of that e-mail
8 chain you ask him whether a separate designated
9 broker bank account -- and I take it that you're
10 referring to the designated broker bank account
11 in the specific broker agreement?

12 A. I am.

13 78. Q. You asked him if that is being kept,
14 correct?

15 A. Correct.

16 79. Q. And in his response he says, no;
17 correct?

18 A. He says, no, we don't have an
19 individual one.

20 80. Q. He said -- well, we can read what he
21 says. He says:

22 In the new agreement we've tried to
23 combine all these accounts and not to have
24 a designated broker bank account. Your
25 funds specifically would be tracked

1 separately via our accounting system.

2 So I take it then that your understanding
3 was consistent with what Mr. Zvonkovic said in
4 his e-mail?

5 A. My understanding was that there was
6 one account for all brokers. It was separate and
7 apart from Cash Store and it was set up to
8 accumulate all of the broker funds.

9 81. Q. Is your understanding -- did you
10 understand what Mr. Zvonkovic told you here?

11 A. I did.

12 82. Q. And you didn't take any issue with
13 it?

14 A. We had further discussions to clarify
15 that he was referring to a broker account for all
16 of the broker lenders and, no, I did not take
17 exception.

18 83. Q. And were those discussions by way of
19 e-mails?

20 A. No. They were conversations.

21 84. Q. You used the words "restricted cash"
22 in your affidavit. What did you intend the words
23 "restricted cash" to refer to?

24 A. The words in the affidavit were
25 following the terminology that had recently been

1 used by Cash Store and its representatives
2 discussing our undeployed funds.

3 Prior to this, I had never had a
4 conversation with any individuals from Cash Store
5 where our undeployed funds or float were ever
6 referred to as restricted cash.

7 85. Q. Sorry, you said, "Prior to this".
8 What point in time are you referring to?

9 A. April.

10 86. Q. 2012?

11 A. 2014.

12 87. Q. In paragraph --

13 A. My affidavit refers to terminology
14 that Cash Store had used.

15 88. Q. So in paragraph 3 some of the
16 terminology refers to the broker agreement? It's
17 page 7 of your record.

18 A. Paragraph?

19 89. Q. Paragraph 3.

20 A. Three? Okay.

21 90. Q. Some of the terminology, I take it,
22 refers to the broker agreement?

23 A. Hm-hmm.

24 MR. STALEY: You have to say yes or no, by
25 the way.

1 THE DEPONENT: Sorry. Yes.

2 BY MR. MERSKEY:

3 91. Q. And was "restricted cash" a term that
4 was used at the time of the broker agreement or--

5 A. No.

6 92. Q. No. So that only entered into a
7 conversation in April 2014?

8 A. That's correct.

9 93. Q. At page 13 of your record, this is in
10 your first affidavit, in paragraph 9 you state
11 that you confirmed, at the end of that paragraph,
12 certain arrangements with Mr. Carlstrom in
13 writing. What arrangements are you referring to?

14 A. This was the arrangement whereby our
15 undeployed funds would be returned to us
16 immediately.

17 94. Q. And how were undeployed funds
18 referred to on your lender account statements?

19 A. Funding excess and deficiency.

20 95. Q. At paragraph -- page 8, paragraph 4,
21 this is your second affidavit, you refer to
22 numerous discussions regarding the -- you used
23 the words "restricted cash" there?

24 A. Hm-hmm.

25 96. Q. And I take it that you're referring

1 to the e-mails at tab 3 of your record?

2 A. Yes, I am.

3 97. Q. And what are the references to
4 restricted cash in those e-mails that you're
5 referring to?

6 A. Those are all references to our
7 undeployed funds.

8 98. Q. Am I correct in understanding that
9 the words "restricted cash" are not used there?

10 A. No, they're not, not in the e-mails
11 themselves.

12 99. Q. Sorry, I didn't hear your last
13 answer.

14 A. Not in the e-mails. My conversations
15 with Steve were all in connection with undeployed
16 funds as opposed to restricted cash.

17 100. Q. I'm showing you a document entitled
18 Lender Statement of Account, McCann Family
19 Holding Corporation, September 2013. It is, for
20 reference for those interested, from the Cash
21 Store productions, Bates number CH0000497.

22 I take it that this is an example of the
23 monthly statement of accounts that you would have
24 received?

25 A. This is an example. This is not the

1 final September statement. There was an
2 amendment issued.

3 101. Q. I'm sorry, there was a?

4 A. There was a revision issued
5 subsequent to this, but this was the initial
6 September statement that was produced.

7 102. Q. Well, we're just looking at it as an
8 example. You can let me know if the revision
9 affects it.

10 A. Fair enough.

11 MR. MERSKEY: I'm going to mark that as
12 Exhibit 1, please.

13 EXHIBIT NO. 1: Lender Statement of
14 Account, McCann Family Holding
15 Corporation, September 2013.

16 BY MR. MERSKEY:

17 103. Q. So I take it, reading through this
18 statement, that the statement would have shown
19 the total funds that had been made available.
20 That's the 13,350,000-dollar entry?

21 A. Correct.

22 104. Q. It will show lines of credit
23 transferred from other lenders. That's the
24 7,338,528-dollar entry?

25 A. Correct.

1 105. Q. And I take it those other lenders are
2 TPLs. Correct?

3 A. Correct.

4 106. Q. And that is because, I think you told
5 me earlier in your evidence, McCann did not
6 extend the initial loan directly to customers but
7 rather bought other TPLs' loans?

8 A. Correct.

9 107. Q. And then there's also an entry for
10 loans assigned by Cash Stores?

11 A. Correct.

12 108. Q. And that's the 5,022,876-dollar
13 entry?

14 A. Correct.

15 109. Q. And that, I take it, were funds that
16 Cash Stores was assigning to you to make up for
17 deficiencies elsewhere?

18 A. No, they were not. This was a loan
19 portfolio that was assigned to us. I mentioned
20 before we had it occur twice during our term, I
21 believe. We were assigned a five-million-dollar
22 loan portfolio to utilize additional funds that
23 had been advanced to Cash Store.

24 So the cash was there at the end of --
25 undeployed funds were there at the end of August

1 and they assigned us a portfolio of loans which
2 were subsequently collected by us over the next
3 two months.

4 110. Q. But this was to deal with undeployed
5 cash?

6 A. Undeployed cash.

7 111. Q. And those loans originally went to
8 the borrower in Cash Store's name?

9 A. They would have presumably gone to
10 the borrower in Cash Store's name and were
11 acquired by us and subsequently collected by us.

12 112. Q. I take it that you would have got
13 these reconciliations on a monthly basis?

14 A. Correct.

15 113. Q. And that you would have reviewed them
16 on a monthly basis?

17 A. Correct.

18 114. Q. And the excess funds in the bottom
19 line in the first half of the page would have
20 been the amount of undeployed funds that you
21 believed McCann to be entitled to?

22 A. Correct.

23 115. Q. And those are the funds that you
24 believed couldn't be used for other purposes?

25 A. Correct.

1 116. Q. And as we've already discussed, you
2 believed those funds were going into a
3 centralized account?

4 A. A centralized broker account, yes.

5 117. Q. For all brokers?

6 A. For all brokers.

7 118. Q. And including the receipts from the
8 Cash Store loans that were assigned to you?

9 A. Yes, we would have acquired the Cash
10 Store loans within that account. So the
11 collections would have gone into that account as
12 well.

13 119. Q. Did you ever, before April 2014, seek
14 to exercise the audit inspection right under the
15 broker agreement?

16 A. No, we did not.

17 120. Q. And that audit inspection right would
18 have allowed you to inspect the records of that
19 centralized account, correct?

20 A. Correct.

21 MR. STALEY: Let's go off the record for a
22 minute while he hands those out.

23 MR. MERSKEY: Okay.

24 --- Off the record at 10:44 a.m.

25 --- Upon resuming at 10:46 a.m.

1 BY MR. MERSKEY:

2 121. Q. I am showing you a document. It's an
3 e-mail chain ending Monday, June 18th, 2012. The
4 last e-mail in the chain is from Mr. Reykdal, and
5 you are one of the people copied on the e-mail, I
6 take it?

7 A. Correct.

8 122. Q. And the e-mail was dealing with
9 funding being extended by McCann to Cash Stores,
10 correct?

11 A. Correct.

12 123. Q. And lower down in the chain -- so I
13 take it you are familiar with this?

14 A. Yes.

15 124. Q. Lower down in the chain Mr. Reykdal
16 wrote to Mr. McCann and indicated:

17 "Below are the wiring instructions and
18 just to confirm 4 million at 12 percent
19 under a gsa 1st lien security on Cash
20 Store Financial and 4 million at 17.5
21 percent unsecured under our broker lender
22 agreement."

23 Am I correct in understanding that the 4
24 million was referring to one particular form of
25 lending to the company, the first 4 million at 12

1 percent?

2 A. Yes.

3 125. Q. And that was to be secured by a first
4 lien?

5 A. Correct.

6 126. Q. And McCann was also providing another
7 4 million to the company?

8 A. My understanding at this point was
9 that we were providing 8 million in aggregate,
10 but the terms had not yet been hammered out and
11 the agreements had not been done.

12 So that was the purpose of this e-mail,
13 was to deal with funding in advance of
14 documentation being fully completed and agreed
15 to.

16 127. Q. So initially some of it was going to
17 be secured for a 12 percent interest rate?

18 A. Correct.

19 128. Q. And some of it was going to be
20 unsecured for a 17.5 percent rate of return?

21 A. Some of it was going to be under the
22 broker-lender agreement.

23 129. Q. Well, the word "unsecured" is used
24 here; correct?

25 A. Hm-hmm.

1 130. Q. And as an accountant, you have an
2 understanding of what the word "unsecured" means,
3 I take it?

4 A. This is a communication between
5 Murray and Gord as opposed to a discussion with
6 me. I had no involvement in those conversations.
7 I have a different view of what the broker
8 agreement contains and what the first lien
9 agreement contained.

10 131. Q. Was it your view that you were
11 receiving a 17.5 percent rate of return under the
12 ultimate broker-lender agreement?

13 A. My view was that we were -- under the
14 broker agreement as it was finalized, we're
15 entitled to receive a stated rate of interest of
16 59 percent, but that historically, in order to
17 have the third party lenders continue to make
18 funds available, there was a general inducement
19 amount that was traditionally made on a monthly
20 basis in order to ensure that the broker lenders
21 were receiving a return commensurate with the
22 risk.

23 132. Q. A general inducement paid by Cash
24 Stores, correct?

25 A. Yes.

1 133. Q. So the 59 percent would be paid by
2 the Cash Store customer. Correct?

3 A. Correct.

4 134. Q. But the general inducement amount
5 would be paid by Cash Stores, correct?

6 A. The general inducement amount, my
7 understanding, came out of the broker account
8 after a reconciliation of interest payments in,
9 loan losses out. It was a return on our
10 customer-lent funds.

11 135. Q. Sorry, I don't understand that. The
12 customer is only paying 59 percent in plus
13 principal, correct?

14 A. Correct.

15 136. Q. So how could you be receiving more
16 than that out of the account?

17 A. We're not receiving more than that.

18 137. Q. You're receiving historical
19 inducements, was your word; correct?

20 A. We're receiving, during the course of
21 the broker agreement, a return on our funds lent
22 to customers.

23 138. Q. And a portion of that was paid by the
24 company, correct?

25 A. I don't know that.

1 139. Q. That general inducement amount, that
2 was paid on a monthly basis; correct?

3 A. Right, again, my understanding from
4 the general broker account.

5 140. Q. Well, from the same account that you
6 received all proceeds; correct?

7 A. Exactly.

8 MR. STALEY: Was that marked as an
9 exhibit?

10 MR. MERSKEY: If not, let's mark it as
11 Exhibit 2.

12 EXHIBIT NO. 2: E-mail chain ending
13 Monday, June 18, 2012 from Gord Reykdal to
14 Sharon Fawcett and others.

15 BY MR. MERSKEY:

16 141. Q. I'm showing you an e-mail chain
17 ending with an e-mail from you dated May 30th,
18 2013 to Craig Warnock. I'm going to mark that as
19 Exhibit 3.

20 EXHIBIT NO. 3: E-mail chain ending May
21 30, 2013 from Sharon Fawcett to Craig
22 Warnock.

23 BY MR. MERSKEY:

24 142. Q. And in the e-mail you say:
25 The funds are available to be sent when

1 required.

2 I take it this is additional funding to be
3 provided to Cash Stores by McCann?

4 A. Correct.

5 143. Q. And you said there were concerns
6 about the legal, regulatory and structural issues
7 of acting as a direct lender.

8 Can you tell me what those were?

9 A. We entered into the broker agreement
10 under the understanding that we would be
11 acquiring loans from other lenders and not be a
12 direct lender.

13 At some point early on in 2013, when Cash
14 Store was moving into the Ontario line of credit
15 product, they approached us to move into that
16 product as a direct lender in Ontario. We were
17 not set up to do business in that manner through
18 McCann Family Holding Corp.

19 We were concerned with the issues that
20 Cash Store was under -- dealing with in Ontario,
21 and if we were to be involved in that manner, we
22 would have needed to set up a separate subsidiary
23 company that would have been the lender. We
24 would have had to ensure that we had the
25 appropriate regulatory approvals in place, and it

1 would be a substantial process for us to set
2 ourselves up to be able to be a direct lender in
3 Ontario. That's what we were referring to.

4 144. Q. So your funds at no time ever went
5 directly to a customer. Correct?

6 A. Exactly.

7 145. Q. This is an e-mail chain ending
8 February 26, 2014 from you to Mr. Carlstrom;
9 correct?

10 A. Correct.

11 MR. MERSKEY: I'm going to mark that as
12 Exhibit 4.

13 EXHIBIT NO. 4: E-mail chain ending
14 February 26, 2014 from Ms. Fawcett to Mr.
15 Carlstrom.

16 BY MR. MERSKEY:

17 146. Q. And in this e-mail chain you are
18 generally discussing with Mr. Carlstrom the
19 return of your undeployed funds, correct?

20 A. Correct.

21 147. Q. And that would be the same as the
22 excess that's referred to on the monthly
23 statement, correct?

24 A. Correct.

25 148. Q. And I take it you were asking for the

1 return of the undeployed funds for the time being
2 because there were no products being sold in
3 Ontario?

4 A. Yes. This was immediately after
5 their Ontario line of credit business was shut
6 down by the regulators. I was concerned about
7 those accounts and I requested a detailed lender
8 statement of our portfolio as at that date, which
9 I ultimately received, and wanted to ensure that
10 all funds collected on that portfolio remained
11 with us and were returned to us.

12 149. Q. And I take it by that you mean were
13 not in Cash Store's hands?

14 A. Exactly.

15 150. Q. And I take it that you expected as
16 long as the funds were in Cash Store's hands,
17 that you would be receiving from Cash Stores a
18 17.5 percent rate of return?

19 A. We expected that monthly payment to
20 continue as it had in the past.

21 151. Q. So if the funds are in Cash Store's
22 hands at that point in time, you're expecting
23 Cash Stores to be making that 17.5 percent
24 payment?

25 A. They have our funds to deploy in

1 their broker business. We would expect a return.

2 152. Q. And you would expect them to pay?

3 A. Yes.

4 153. Q. Thank you. In preparing your
5 affidavits and for this examination, did you
6 search McCann's records with respect to
7 communications with Cash Stores around the
8 creation of the broker agreement and the
9 maintenance of segregated funds and monthly
10 reporting?

11 A. I did.

12 MR. MERSKEY: And can I have production of
13 those documents, counsel?

14 MR. STALEY: I'm giving you an accordion
15 folder with 114 tabs of documents and then two
16 separate clips of documents that touch on the
17 same matters.

18 MR. MERSKEY: Thank you, counsel. I don't
19 propose to review on the spot and conduct a
20 cross-examination on all of those documents. So
21 I will review the documents and adjourn my
22 portion of the cross-examination that might arise
23 from them if it does, which I'm not sure that it
24 does.

25 MR. STALEY: The witness is here today to

1 answer questions. I'm not bringing the witness
2 back. You can ask questions today, but this
3 examination is over when we finish today.

4 MR. MERSKEY: You can take that position,
5 counsel, but I asked you for production of these
6 documents a week ago. You insisted you were only
7 obliged to provide them on the day of the
8 examination. You've provided them on the day of
9 the examination. I don't think it's a proper
10 process for me to sit here and flip through the
11 documents. I will do it in a reasonable fashion.
12 There is time set aside in the schedule for
13 follow-up examination on undertakings if it's
14 necessary. May I finish speaking?

15 MR. STALEY: You can finish speaking.

16 MR. MERSKEY: Thank you. And should I
17 choose to exercise that right, I will request it
18 of you, and if you deny that right, then we will
19 simply have to seek the remedies that are
20 available from Justice Morawetz. I understand
21 your position.

22 MR. STALEY: You should take it as the
23 witness is here today to answer any questions.
24 You should ask any questions today. The witness
25 is not being produced for re-attendance to answer

1 any further questions arising out of documents
2 we've produced on the examination today.

3 If you need to take a break to look at the
4 documents and ask questions, you should feel free
5 to do so, but this is your day to examine this
6 witness. We're giving no undertakings. We're
7 not bringing the witness back again.

8 So you should exercise your rights
9 accordingly and act accordingly.

10 MR. MERSKEY: Well, I have heard your
11 speech, counsel, and it's contrary to the process
12 that was set up to deal with these matters and
13 it's contrary to the prior request that I made.

14 So I am not at this point in time going to
15 commit to reviewing these documents and asking
16 those questions, so be it. We have our
17 positions, I think.

18 MR. STALEY: You and I will disagree that
19 it's contrary to a process. There's a time for
20 re-attendance to answer questions arising out of
21 undertakings. We are not giving you any
22 undertakings today. I'm not producing the
23 witness again. So you can do as you see fit, but
24 you have my position.

25 MR. MERSKEY: I'm not going to quibble

1 with you about semantics, Mr. Staley.

2 In any event, I'm going to go off the
3 record to review the documents that I do have
4 prior to this attendance and my notes, and I'll
5 let you know if I have anymore questions for this
6 morning.

7 --- Off the record at 11:02 a.m.

8 --- Upon resuming at 11:04 a.m.

9 MR. STALEY: I'm just reminded by my
10 colleague that almost all of the documents we
11 have given you today are documents that were
12 otherwise produced by the CRO in the process that
13 has taken place in the last week.

14 So I believe you're going to find there's
15 very little there that you've not already seen.

16 MR. MERSKEY: Then if that is the case,
17 there may be absolutely no need for further
18 questions, Mr. Staley. I wasn't insisting on it.
19 I was reserving the possibility. I think
20 otherwise we understand each other. I'm not
21 going to express my view one more time on that.

22 So subject to the reservation I've
23 expressed regarding the documents you've just
24 given me, those are the questions that I have for
25 this witness.

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--- Cross-examination is concluded at 11:05 a.m.

I HEREBY CERTIFY THE FOREGOING
to be a true and accurate
transcription of my shorthand notes
to the best of my skill and ability.

Susanna Massa, CSR
Computer-Aided Transcription

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original signature of the Court Reporter

TAB A



LENDER STATEMENT OF ACCOUNT
McCann Family Holding Corporation

September 2013

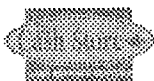
Account Reconciliation

| | MONTH | YTD |
|--|--------------------|--------------------|
| Funds made available, opening | \$ (13,350,000) | \$ (9,000,000) |
| Additional funds advanced to CSF | - | (4,350,000) |
| Loans Assigned by CSF at fair value | 5,022,876 | 5,022,876 |
| Lines of Credit transferred from other lenders | 7,338,528 | 7,338,528 |
| Balance Forward | (46,876) | 123,755 |
| Interest Collected | (985) | (1,172,670) |
| Accounts Written Off | 810,787 | 1,115,170 |
| Cash payments made | 192,021 | 1,431,955 |
| Broker Retention Contribution | - | (543,264) |
| Funding (Excess) / Deficiency | \$ (33,649) | \$ (33,649) |

**Effective on September 30, 2013 all delinquent receivables related to consumer loans and line of credit advances are written off when they reach 90 days past due. Future collections and recoveries on these written-off amounts will be credited to your account when received.*

Portfolio Continuity

| | Loans Assigned by CSF | Payday Loans Transferred From Other Lenders | Lines of Credit Transferred From Other Lenders | Total |
|--------------------------------------|--------------------------|--|---|----------------------|
| Prior Month Closing Balance | \$ 830,686 | 0 | \$ 7,133,199 | 7,963,884 |
| Transferred to other lenders | - | - | (7,617,829) | (7,617,829) |
| Transferred from other lenders | - | - | 7,823,158 | 7,823,158 |
| Collections | (19,899) | - | - | (19,899) |
| Loans assigned by CSF | 5,022,876 | - | - | 5,022,876 |
| Accounts Written Off | (810,787) | - | - | (810,787) |
| Current month closing balance | \$ 5,022,876 | \$ 0 | \$ 7,338,528 | \$ 12,361,404 |



Portfolio Summary

1. Loans Assigned by CSF

| Province | Current | 1-30 Days Overdue | 31-60 Days Overdue | 61-90 Days Overdue | 90 Days + Overdue | Total |
|------------------------------------|---------------------|-------------------|--------------------|--------------------------------|-------------------|---------------------|
| Ontario | \$ 5,400,942 | \$ - | \$ - | \$ - | \$ - | \$ 5,400,942 |
| AR Discrepancy Under Investigation | | | | | | \$ - |
| Sub Total - Gross Amounts | \$ 5,400,942 | \$ - | \$ - | \$ - | \$ - | \$ 5,400,942 |
| | | | | Allowance on Doubtful Accounts | | \$ (378,066) |
| | | | | Carrying Value | | \$ 5,022,876 |

2. Lines of Credit Transferred From Other Lenders

| Province | Current | 1-30 Days | 31-60 Days | 61-90 Days | 90 Days + Overdue | Total |
|------------------------------------|---------------------|-------------------|-------------|-------------|-------------------|---------------------|
| Ontario | \$ 6,287,897 | \$ 912,615 | \$ - | \$ - | \$ - | \$ 7,200,513 |
| AR Discrepancy Under Investigation | | | | | | |
| Ontario | | | | | | \$ 138,015 |
| Sub Total | \$ 6,287,897 | \$ 912,615 | \$ - | \$ - | \$ - | \$ 7,338,528 |



The Cash Store Financial Services Inc.
 15511 - 123 Avenue Edmonton, AB Canada T5V 0C3
 Phone: 780.408.5110 Fax: 780.408.5122
 TSX:CSF NYSE:CSFS
 www.csfinancial.ca



TAB B

From: Gord Reykdal <gord@csfinancial.ca>
Sent: Monday, June 18, 2012 2:17 PM
To: aristos1@me.com
Cc: s.fawcett@aristoscorp.com; s.schalin@aristoscorp.com; Halldor Kristjansson <Halldor.Kristjansson@csfinancial.ca>; mzvonkovic@csfinancial.ca
Subject: Re: Fwd:

Hi Murray

May this serve to confirm that I am in full agreement and accept the terms and conditions as per below as stated in both our emails. Any questions please feel free to contact me at anytime. Thanks for the support. Gord

Gordon J Reykdal
Chairman and CEO
Cash Store Financial Services Inc.
Office 780.408.5118
Fax 780.443.2653
E-mail: gord@csfinancial.ca
Canadian Cell 780.497.1480
UK Cell +44 7557 148672

The information and any files attached to this email are confidential and intended solely for the use of Cash Store Financial Services Inc. and the intended recipient. Any disclosing, copying, or distribution of information within this email, without the expressed permission of the writer, is strictly prohibited. The Cash Store Financial Services Inc. is a Canadian corporation that is not affiliated with Cottonwood Financial Ltd. under the name "Cash Store." The Cash Store Financial Services Inc. does not do business under the name "Cash Store" in the United States and does not provide any consumer lending services in the United States.

"J. Murray McCann" <aristos1@me.com> wrote:
Good morning Gord,

McCann Family Holding Corporation will be loaning Cash Store Financial Services Inc at the interest rate you set out \$8,000,000.00. This loan will be "On Demand" until such time as documentation, satisfactory to both parties is signed by both parties.

If these terms meet your approval please indicate by return email so that the funds may be wired to you under the instructions you set forth in your previous email.

Thanks Gord
Murray

On Jun 14, 2012, at 10:45 AM, Gord Reykdal <gord@csfinancial.ca> wrote:

Hi Murray,

Below are the wiring instructions and just to confirm 4 million at 12 percent under a gsa 1 st lien security on Cash Store Financial and 4 million at 17.5 percent unsecured under our broker lender agreement.

Can you please let me know what name the security and broker agreement should be under.

Any questions please call me.

Gord

Gordon J Reykdal
Chairman and CEO
Cash Store Financial Services Inc.
Office 780.408.5118
Fax 780.443.2653
E-mail: gord@csfinancial.ca
Canadian Cell 780.497.1480
UK Cell +44 7557 148672

The information and any files attached to this email are confidential and intended solely for the use of Cash Store Financial Services Inc. and the intended recipient. Any disclosing, copying, or distribution of information within this email, without the expressed permission of the writer, is strictly prohibited. The Cash Store Financial Services Inc. is a Canadian corporation that is not affiliated with Cottonwood Financial Ltd. under the name "Cash Store." The Cash Store Financial Services Inc. does not do business under the name "Cash Store" in the United States and does not provide any consumer lending services in the United States.

----- Original message -----

Subject: RE:

From: Michael Zvonkovic <michael.zvonkovic@csfinancial.ca>

To: Gord Reykdal <gord@csfinancial.ca>

CC: Halldor Kristjansson <Halldor.Kristjansson@csfinancial.ca>

The Cash Store Financial Services Inc.

Bank – 0010

Bank Transit – 00059

Bank Account – 7223315

Address:

10102 Jasper Avenue

Edmonton, AB

T5J 1W5

The swift code is CIBCCATT.

TAB C

From: Sharon Fawcett <s.fawcett@aristoscorp.com>
Sent: Thursday, May 30, 2013 12:17 AM
To: Craig Warnock <Craig.Warnock@csfinancial.ca>
Cc: Gord Reykdal <gord@csfinancial.ca>
Subject: RE: Funds

Hi Craig,

The funds are available to be sent when required. I had a discussion with Murray after his conversation with Gord and he did mention the additional \$3.5 million. Murray and Gord also discussed our concerns with the legal, regulatory and structural issues we had become aware of associated with acting as a direct lender, both with the new line of credit product and the existing broker arrangement. Murray indicated that this discussion would continue when he returned, and that we would be able to connect with other broker lenders who had already been through the process. My understanding is that our funds continue to be used to purchase existing loans in the regulated provinces and/or to form part of your required float. I assume that is what will be done with the additional \$3.5 million until such time as the legal and regulatory matters have been fully addressed.

In addition, we are working with Karen Hoffman on funding the CDI structure. This documentation has been finalized, but the funding date has been delayed from June 1st to July 1st. Karen mentioned that the funds earmarked for that vehicle may be able to be invested with Cash Store through the month of June so as not to be idle.

I will be in the McCann office later tomorrow afternoon. Perhaps we could arrange a time for a call to discuss the various matters outstanding.

Cheers

Sharon

Sharon Fawcett, CA
McCann Family Holding Corporation

T: 403.251.5517
F: 1.888.474.8105
E: s.fawcett@aristoscorp.com

□

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-----Original Message-----

From: Craig Warnock [<mailto:Craig.Warnock@csfinancial.ca>]
Sent: May-29-13 8:06 PM
To: Sharon Fawcett
Cc: Gord Reykdal
Subject: Funds

Hi Sharon, I just wanted to follow up on a recent conversation between Gord and Murray. It was discussed that the trust would send an additional \$3.5 million to Cash Store.

Sharon, with the great growth that we are experiencing this month, we could use these additional funds to cover our growth.

Could you please let me know the timing of receiving these funds so I can better manage our cash balances.

Thank you for all your support.

Craig Warnock.

Sent from my iPad

TAB D

From: Sharon Fawcett <s.fawcett@aristoscorp.com>
Sent: Wednesday, February 26, 2014 1:09 PM
To: Steve Carlstrom <Steve.Carlstrom@csfinancial.ca>
Cc: Craig Warnock <Craig.Warnock@csfinancial.ca>
Subject: RE: Cash Store Portfolio

Thanks Steve

Sharon Fawcett, CA
McCann Family Holding Corporation

T: 403.251.5517
F: 1.888.474.8105
E: s.fawcett@aristoscorp.com

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From: Steve Carlstrom [mailto:Steve.Carlstrom@csfinancial.ca]
Sent: February-26-14 11:03 AM
To: Sharon Fawcett
Cc: Craig Warnock
Subject: RE: Cash Store Portfolio

Hi Sharon,

Thanks for your message.

- We are working on an updated loan listing for you as of February 12th and I will provide shortly. No new amounts will be assigned in February and you will be able to see collections to the 12th.
- We will be reducing your January 31 portfolio balance accordingly as amounts continue to be collected on your behalf.
- I have asked Gord to confirm his agreement with Murray with respect to status and go-forward plans for the undeployed funds

Steve

From: Sharon Fawcett [mailto:s.fawcett@aristoscorp.com]
Sent: Wednesday, February 26, 2014 10:27 AM
To: Steve Carlstrom
Subject: Cash Store Portfolio

Hi Steve,

I have reviewed our Lender Statement for January, as well as the detailed AR report. I wanted to touch base with you on the status of our portfolio now that you have stopped offering the line-of-credit product in Ontario. I would like to

receive an updated listing of our loan portfolio to February 12th, the date you stopped offering the line-of-credit product. I expect that this update will reflect the January 31st balance of \$10,769,390 (includes AR discrepancy) reduced by collections over the period from February 1st to 12th. Presumably these repayments will have been added to our unexpended capital balance, which was \$2,602,699 at January 31st, increasing that amount accordingly.

If my understanding is correct, the amounts transferred to us from other lenders occurs at month end. Given the suspension of the line-of-credit product, we assume that we will simply be reducing our loan portfolio balance as at February 12th as these amounts are collected. We expect that no further amounts will be assigned to us. We do not want to increase our exposure with respect to outstanding balances on this product.

I understand that Murray and Gord have had a number of discussions over the last few weeks. As I understand it, they have agreed that it makes sense to return our unexpended capital balance to us as the loans in our portfolio are repaid. These funds would be available to reinvest with Cash Store in future to deploy as new products are introduced by Cash Store to replace the Ontario line-of-credit business. Until such time, it makes no sense for Cash Store to be paying 17.5% on funds it is unable to deploy.

In keeping with Murray and Gord's agreement, I anticipate that a repayment would be made to us at the beginning of March which would include the unexpended capital balance at January 31st of \$2,602,699 plus all collections received with respect to our Ontario portfolio through the end of February.

I look forward to receiving the updated portfolio listing and confirmation of the anticipated repayments.

Cheers

Sharon

Sharon Fawcett, CA
McCann Family Holding Corporation

T: 403.251.5517
F: 1.888.474.8105
E: s.fawcett@aristoscorp.com

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TAB 3

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

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., 1693926
ALBERTA LTD. DOING BUSINESS AS "THE TITLE STORE"
APPLICANTS

This is the Cross-Examination of J. MURRAY MCCANN, on
his affidavit sworn April 22, 2014 herein, taken at the
offices of Bennett Jones LLP, 1 First Canadian Place,
100 King St. West, Suite 3400, Toronto, Ontario, on
Wednesday, May 21, 2014.

A P P E A R A N C E S :

- Alan B. Merskey, for DIP Lenders
Andrew McCoomb
- Robert Staley, for 0678786 B.C. Ltd., Formerly
Gannon G. Beaulne The McCann Family Holding
Corporation
- Sharon A. Kour for FTI Consulting, the Monitor
- Karin Sachar for the Chief Restructuring
Officer of the Applicants
- Brett Harrison for Trimor Annuity Focus LP #5
- Andrew J. Hatnay, for Tim Yeoman, Class Plaintiff
James Harnum
- William Aziz for Court-Appointed CRO for Cash
Store Financial Services
- ALSO PRESENT:
Greg Watson Senior Managing Director,
FTI Consulting
- Sharon Fawcett Observer

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INDEX OF UNDERTAKINGS

Undertakings are noted by U/T and are found on the following pages: None.

INDEX OF REFUSALS

Refusals are noted by R/F and are found on the following pages: None.

INDEX OF UNDER ADVISEMENTS

Under advisements are noted by U/A and are found on the following pages: None.

*** The list of undertakings, refusals and under advisements is provided as a service to counsel and does not purport to be complete or binding upon the parties.

1 --- Upon commencing at 11:20 a.m.

2 J. MURRAY MCCANN: SWORN

3 CROSS-EXAMINATION BY MR. MERSKEY:

4 1. Q. Good morning, Mr. McCann.

5 A. Good morning.

6 2. Q. You've been sworn this morning?

7 A. I have been.

8 3. Q. Thank you. By the way, if at any
9 point you can't hear me clearly, just tell me to
10 speak up.

11 A. Just speak up all the time, if you
12 wouldn't mind.

13 4. Q. I will do my best, and if I fail to
14 do so, I expect you will remind me.

15 Could you just tell me your position with
16 the McCann company?

17 A. I guess I was the founder of the
18 McCann company. I really now don't hold a
19 position.

20 5. Q. You were present during the
21 cross-examination of Ms. Fawcett, correct?

22 A. Yes, I was.

23 6. Q. Okay. So if I refer to some things
24 in short form like McCann for the McCann company
25 or the numbered company, you'll understand that

1 I'm using the same short forms that I was using
2 to Ms. Fawcett?

3 A. Yes.

4 7. Q. And if there's any confusion, please
5 just ask me to clarify.

6 A. I will.

7 8. Q. You swore an affidavit in this
8 proceeding on April 22nd, 2014; correct?

9 A. Yes.

10 9. Q. And I'm looking at paragraph 2 of
11 your affidavit, and it says you had long-term
12 dealings with The Cash Store in various
13 capacities and you've become both the social and
14 business acquaintance of The Cash Store's CEO,
15 Mr. Reykdal?

16 A. Yes.

17 10. Q. So when did your long-term dealings
18 with The Cash Store first start?

19 A. Actually, directly with Cash Store in
20 2012.

21 11. Q. Did you have dealings at some point
22 before that that you associated with Cash Stores?

23 A. I was a debenture holder with
24 Assistive and Assistive were a third party lender
25 to Cash Store. My relationship was with

1 Assistive.

2 12. Q. And did you have any other
3 associations with Cash Stores before 2012?

4 A. No.

5 13. Q. And you indicate that you became a
6 social and business acquaintance of Mr. Reykdal?

7 A. Yes.

8 14. Q. Could you just describe those
9 interactions to me?

10 A. Gordon Reykdal and I are both members
11 of the World Presidents' Organization, and I knew
12 Mr. Reykdal not well but through meetings... and
13 up until 2012. He knew me, I knew him and we
14 were -- he was in a forum group, which is a
15 smaller group within YPO, which I had been in
16 when I was in YPO.

17 15. Q. YPO is the World Presidents'
18 Organization?

19 A. Actually, it's the Young Presidents'
20 Organization, which you'd have to get out, and we
21 call ourselves World Presidents rather than call
22 ourselves what we really are.

23 16. Q. So did your interactions with Mr.
24 Reykdal increase from 2012 on?

25 A. I would say yes.

1 17. Q. You saw him socially?

2 A. Not really. I was just trying to
3 figure out how often I saw him. I've had two
4 dinner with him and two lunches is the sum total
5 of my time with -- socially with Gordon Reykdal.

6 18. Q. But you had, I take it, various
7 business interactions with him over your
8 investments in The Cash Store?

9 A. Yes.

10 19. Q. And how often would you say you spoke
11 to him on a business basis from 2012 on?

12 A. Gosh, I'm just trying to think,
13 because there would be long periods when I
14 wouldn't be talking to him.

15 I would say -- how many times since 2012,
16 is that your question?

17 20. Q. It wasn't exactly, but if an
18 approximation of that is useful to you, a rough
19 number would be fine.

20 A. I would say then I had a dozen
21 conversations with him, but that is a rough
22 estimate.

23 21. Q. What was your business background,
24 sir?

25 A. Well, I started out as a chartered

1 accountant in public practice and then I acquired
2 an operating company, and I've acquired other
3 companies since that time. My business career
4 goes back over 50 years.

5 22. Q. Ms. Fawcett described the McCann
6 company's current activities as being an
7 investment company.

8 So I take it that you are familiar with
9 investing in other companies and various forms of
10 financing in your business experience?

11 A. In the past, yes.

12 23. Q. Who had the day-to-day interactions
13 with Cash Stores from the McCann side for the
14 administration of your investment? Was that Ms.
15 Fawcett?

16 A. It is. It was.

17 24. Q. So she had been more directly
18 familiar with the lending arrangements?

19 A. She'd be more involved?

20 25. Q. Yes.

21 A. Very much so.

22 MR. MERSKEY: I'm going to show the
23 witness Exhibit 2 from Ms. Fawcett's examination,
24 if you still have that handy, Mr. Staley.

25 MR. STALEY: It's in front of the witness.

1 MR. MERSKEY: Thank you.

2 BY MR. MERSKEY:

3 26. Q. This is an e-mail chain, sir, in
4 which you're involved and it ends with an e-mail
5 from Mr. Reykdal dated June 18th, 2012. Why
6 don't you take a minute to read through the
7 e-mail?

8 So from the e-mail, sir, I take it that
9 you had various discussions with Mr. Reykdal
10 about the form of the funding that you would be
11 advancing to Cash Stores. Is that correct?

12 A. Well, we were going to be advancing
13 obviously \$8 million, but at that point it hadn't
14 been -- the documents hadn't been drawn up or the
15 negotiations complete.

16 27. Q. So you were contemplating different
17 ways of doing it. Correct?

18 A. Yes.

19 28. Q. So one way you contemplated of doing
20 it was putting half of it in, secured under a GSA
21 first lien. Correct?

22 A. For this one transaction. This
23 wasn't going to be the ongoing transaction. Our
24 documents hadn't been drawn up yet. So this was
25 in advance of that.

1 29. Q. No, I appreciate that, sir, but I'm
2 asking about the different structures that you
3 considered before the documents were concluded in
4 terms of advancing the financing.

5 So I appreciate that that's not the final
6 form, but you had discussions, I take it, with
7 Mr. Reykdal about different ways to advance the
8 funds?

9 A. To advance this \$8 million until it
10 could be properly invested or transferred over to
11 Cash Store in their third party lending
12 documents.

13 30. Q. Right. Outside of the third party
14 lending documents, you also eventually provided
15 funding to Cash Stores in another fashion, didn't
16 you?

17 A. Yes, I did.

18 31. Q. And that was under a first lien
19 agreement, correct?

20 A. That was a first lien, yes.

21 32. Q. Do you recall the interest rate under
22 that?

23 A. I believe it was twelve-and-a-half
24 percent.

25 33. Q. Twelve-and-a-half percent, and that

1 was secured, that first lien; correct?

2 A. That's a first charge.

3 34. Q. A first charge. So that's similar --
4 although not the same tranche of funds, I
5 appreciate, that's similar to what you were
6 talking about in this e-mail with Mr. Reykdal.
7 Correct?

8 A. No, it wasn't, in that the second one
9 was what he called a carveout. There was bonds
10 that had been issued, and in issuing those bonds
11 they had allowed for a first charge to come ahead
12 of the bonds, and the second was in that tranche.
13 There was 32 million, and we allowed -- there was
14 12 million that they were going to raise, and 5
15 million of that we took.

16 35. Q. And that amount was secured?

17 A. That was sure my understanding, yes.

18 36. Q. So I'm just trying to understand the
19 different structures that you were looking at.

20 It was my impression that you were
21 prepared to take a certain rate of return from
22 the company of 12 percent if it was secured.

23 A. Yes.

24 37. Q. Correct. But then you --

25 A. If it was secured.

1 38. Q. Right. But then you wanted to take a
2 different higher rate of return of 17.5 percent
3 if it was unsecured, correct?

4 A. At this point, yes.

5 39. Q. And I take it that you wanted the
6 higher rate of return on the unsecured amounts
7 being given to Cash Stores because there was a
8 higher risk involved?

9 A. Yes.

10 40. Q. And the 17.5 percent rate of return
11 from Cash Stores is ultimately what you
12 understood you were getting under the broker
13 agreement?

14 A. No. It was -- my broker agreement
15 was to be the same as what they had with
16 Assistive. I had been -- I had a debenture with
17 Assistive and Assistive was paying me
18 fifteen-and-a-half percent, and I knew they were
19 making over and above what they were paying me.

20 So I wanted the same deal as what they
21 had, which turned out to be 59 percent.

22 41. Q. You understood Assistive to be paying
23 you 15 percent but they were getting 59 percent?

24 A. Yes. They were also subject to
25 whatever the costs against that were, the bad

1 debts and so on.

2 42. Q. And you had the same expectation for
3 yourself?

4 A. Yes.

5 MR. MERSKEY: Subject to the position I
6 expressed about the productions on Ms. Fawcett's
7 examination and possible questions arising from
8 this witness, I don't have any further questions
9 for the witness on this examination.

10 I understand that you would express the
11 same position as you did on Ms. Fawcett's
12 examination, Mr. Staley.

13 MR. STALEY: And more so because the
14 witness hasn't produced any documents on this
15 examination that you could possibly re-examine
16 him on, but there you go. We will -- we'll
17 preserve our positions.

18 MR. MERSKEY: You wish to take the
19 position that the documents produced are only
20 applicable to Ms. Fawcett's examination?

21 MR. STALEY: They were produced on her
22 examination. So if you had a question for her,
23 you could have asked her.

24 MR. MERSKEY: Shall I ask this witness
25 that question, Mr. Staley?

1 MR. STALEY: Which question?

2 BY MR. MERSKEY:

3 43. Q. Sir, have you searched your records
4 in connection with this proceeding and looked for
5 any applicable e-mails or communications?

6 A. Yes, I have.

7 44. Q. And have you produced those to your
8 counsel?

9 A. I have.

10 45. Q. And can I have production of those
11 documents?

12 MR. STALEY: They've already been produced
13 to you on Ms. Fawcett's examination.

14 MR. MERSKEY: So the applicable documents
15 from Ms. Fawcett's examination would be the
16 applicable documents for Mr. McCann's
17 examination?

18 MR. STALEY: They would, yes.

19 MR. MERSKEY: Thank you. I think we're
20 concluded here.

21 --- Cross-examination is concluded at 11:36 a.m.

22

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May 21, 2014

J. MURRAY McCANN - 14

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I HEREBY CERTIFY THE FOREGOING
to be a true and accurate
transcription of my shorthand notes
to the best of my skill and ability.

3

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5

Susanna Massa, CSR
Computer-Aided Transcription

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January 1, 1990 and are not certified without the

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TAB 4

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3 ONTARIO
4 SUPERIOR COURT OF JUSTICE
5 COMMERCIAL LIST

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

8 AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
9 OF THE CASH STORE FINANCIAL SERVICES INC., THE CASH
10 STORE INC., TCS CASH STORE INC., INSTALOANS INC.,
7252331 CANADA INC., 5515433 MANITOBA INC., 1693926
ALBERTA LTD. DOING BUSINESS AS "THE TITLE STORE"

11 -----
12 This is the Cross-Examination of
13 ERIN VERONICA ARMSTRONG, on her affidavits sworn April
14 13, 2014 and May 8, 2014 herein, taken at the offices of
Bennett Jones LLP, 1 First Canadian Place, 100 King St.
West, Suite 3400, Toronto, Ontario, on Wednesday,
May 21, 2014.
15 -----

16 A P P E A R A N C E S :

17 Alan B. Merskey, for DIP Lenders
Andrew McCoomb
18 Gannon G. Beaulne for 0678786 B.C. Ltd., Formerly
19 The McCann Family Holding
Corporation
20 Sharon A. Kour for FTI Consulting, the Monitor
21 Karin Sachar for the Chief Restructuring
22 Officer of the Applicants
23 Brett Harrison For Trimor Annuity Focus LP #5
24 Adrian Scotchmer for Tim Yeoman, Class Plaintiff

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INDEX OF UNDERTAKINGS

Undertakings are noted by U/T and are found on the following pages: None.

INDEX OF REFUSALS

Refusals are noted by R/F and are found on the following pages: 22.

INDEX OF UNDER ADVISEMENTS

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*** The list of undertakings, refusals and under advisements is provided as a service to counsel and does not purport to be complete or binding upon the parties.

1

2

INDEX OF EXHIBITS

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| 4 | Exhibit No. | Description | Page No. |
|----|-------------|--|----------|
| 5 | 1 | Letter from Cash Store to Trimor dated November 9, 2011 with questionnaire. | 18 |
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| 8 | 2 | Answers to questionnaire signed by Kurt Soost November 14, 2011 | 19 |
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| 10 | 3 | E-mail chain ending November 16, 2011 from Mr. Zvonkovic to Ms. Armstrong and Mr. Dewart. | 20 |
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| 16 | 5 | E-mail chain ending December 9, 2011 from Erin Armstrong to Colby Dewart and Michael Zvonkovic. | 27 |
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| 20 | 6 | Cash Store reconciliation statement for February 2013. | 32 |
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| 22 | 7 | E-mail dated January 10, 2012 from Mr. Pang to Ms. Armstrong. | 35 |
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| 24 | 8 | E-mail dated March 1, 2013 from Mr. Carlstrom to Ms. Armstrong. | 37 |
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INDEX OF EXHIBITS (Continued)

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|-------------|---|----------|
| 9 | E-mail chain ending November 16, 2011 from Erin Armstrong to Kurt Soost and others (CH0001380). | 43 |

1 --- Upon commencing at 2:00 p.m.

2 ERIN VERONICA ARMSTRONG: SWORN

3 CROSS-EXAMINATION BY MR. MERSKEY:

4 1. Q. Good afternoon, Ms. Armstrong.

5 A. Good afternoon.

6 2. Q. You've been sworn this afternoon?

7 A. Yes.

8 3. Q. And you are here to give evidence on
9 your affidavit, one sworn April 13th, 2014 and
10 the other sworn May 8th, 2014; correct?

11 A. Yes.

12 4. Q. I understand from the affidavits that
13 at one point in time you were the chief operating
14 officer for the party Trimor?

15 A. Yes.

16 5. Q. All right. And I recognize from the
17 style of cause that your company is called Trimor
18 Annuity Focus LP #5. I'm just going to refer to
19 it as Trimor for the purposes of this
20 examination.

21 A. Yes.

22 6. Q. Are there any other Trimor entities
23 that we need to be concerned with on the
24 examination?

25 MR. HARRISON: Not that I'm aware of.

1 BY MR. MERSKEY:

2 7. Q. You were chief operating officer for
3 Trimor from June 2012 to January 2014, I
4 understand?

5 A. That's correct, for the general
6 partner of the partnership.

7 8. Q. For the general partner, and I take
8 it the distinction you're making is that there
9 are LP entities that the general partner is
10 responsive to and manages the assets of Trimor
11 for?

12 A. Manages the business of the LP, yes.

13 9. Q. Did you have a position with Trimor
14 before June 2012?

15 A. Yes.

16 10. Q. What was that position?

17 A. Secretary.

18 11. Q. Any other positions with Trimor?

19 A. No.

20 12. Q. And you are still employed by Trimor
21 now as a part-time COO, is that correct?

22 A. No, I'm not employed with Trimor.

23 13. Q. Who are you employed with?

24 A. I work for Chippingham Financial,
25 which is not related.

1 MR. MERSKEY: I take it, Mr. Harrison,
2 there's no issue that the witness' answers bind
3 the company?

4 MR. HARRISON: No, there is no issue.

5 BY MR. MERSKEY:

6 14. Q. Do you still provide services to
7 Trimor, Ms. Armstrong?

8 A. I've been assisting with the
9 administration.

10 15. Q. Is that on a contract basis?

11 A. No.

12 16. Q. Well, I don't want to go too far
13 afield on this, but can you just summarize for me
14 how it is you come to be providing evidence in
15 the proceeding then?

16 A. I would have been the person
17 responsible for administration for the majority
18 of the period.

19 17. Q. How far back do you go with Trimor
20 then? When was your secretary position? When
21 did it start?

22 A. To inception -- I'm not sure of the
23 exact date.

24 18. Q. Just rough is fine.

25 A. Sometime in 2010, I think.

1 19. Q. And what's the business of Trimor?

2 A. There are limited partnership
3 unitholders who are individuals. There's some
4 small corporations and trusts that invest in the
5 limited partnership, and the limited partnership
6 advances loans to customers of Cash Store
7 Financial and some related entities.

8 20. Q. Does Trimor have any business other
9 than providing funds to Cash Stores or its
10 customers?

11 A. No. Just to clarify, when you say
12 Trimor, we're just referring to this partnership
13 at the moment?

14 21. Q. Yes.

15 A. Yeah.

16 22. Q. Trimor Annuity Focus LP #5.

17 A. Perfect.

18 23. Q. I take it that there are other Trimor
19 partnerships that invest in other areas?

20 A. There's other unrelated business
21 under the Trimor name but not part of this.

22 24. Q. Are those generally financing and
23 investment businesses?

24 A. Those businesses have kind of varied
25 over time.

1 25. Q. Do they include financing and
2 investment businesses?

3 MR. HARRISON: I'm struggling with
4 relevance of unrelated -- of businesses that
5 aren't involved in this particular...

6 MR. MERSKEY: Sure. I'm just trying to
7 gain an understanding of the witness' experience,
8 whether there's any beyond this Trimor
9 partnership and the Cash Store circumstance with
10 respect to investments and finance operations,
11 since we're going to be asking her questions
12 about the administration of an investment and
13 finance operation.

14 MR. HARRISON: Well, this question I'll
15 let go, but we have to be focussed. So go ahead.

16 THE DEPONENT: Sorry, can you just repeat
17 the question?

18 BY MR. MERSKEY:

19 26. Q. Yes. Well, let me back up for a
20 minute. Are you involved with the businesses of
21 the other Trimor partnerships?

22 A. I have been in the past.

23 27. Q. Okay. And those businesses, some of
24 them, do they include investment or financing
25 businesses?

1 A. There are investment-related aspects
2 of the business.

3 28. Q. What's your professional background?

4 A. I have worked for -- how far back do
5 you want me to go?

6 29. Q. Well, why don't you tell me what your
7 professional qualifications are, if you have any
8 professional qualifications?

9 A. Sure. I'm a registered investment
10 advisor.

11 30. Q. In Alberta?

12 A. Yes.

13 31. Q. Okay. So has your professional
14 experience been in that capacity?

15 A. That and other business aspects,
16 yeah.

17 32. Q. Such as administering businesses in
18 the nature of what you were administering at
19 Trimor for several years?

20 A. That's right.

21 33. Q. Can you turn to your first affidavit?
22 And I'm looking at page 11 of the record, and can
23 you look at paragraph 17? And you state there
24 that you have always believed that all funds
25 advanced by Trimor are to be held in a designated

1 broker bank account defined in paragraph 1.1(g)
2 of the broker agreement. Do you see that?

3 Can you turn to then page 18 of the
4 record, which is a broker agreement between
5 Trimor and Cash Store, correct?

6 A. Yes.

7 34. Q. Can you just assist me with one small
8 discrepancy? The broker agreement says it's made
9 as of June 5th, 2012 and the cover page says
10 dated February 1, 2012.

11 What was the operative date for Trimor of
12 the agreement?

13 MR. HARRISON: Sorry, the operative?

14 MR. MERSKEY: The operative date. Under
15 what date forward were they operating under the
16 provisions of this broker agreement?

17 MR. HARRISON: If the witness knows.

18 THE DEPONENT: I believe that it's as of
19 the front page date of the broker agreement. I
20 believe that it's as of February 2012.

21 BY MR. MERSKEY:

22 35. Q. Do you know why there's a difference?

23 A. No, I don't.

24 36. Q. So if you look on page 18, there is a
25 definition there for "designated financier bank

1 account". Do you see that? Just take a minute
2 to read that definition. You can also take a
3 minute to read the definition of "designated
4 broker bank account".

5 So do you understand here that under the
6 broker agreement, if you look at the preamble,
7 financier refers to Trimor?

8 A. Yes.

9 37. Q. And you understand that broker refers
10 to Cash Store?

11 A. Yes.

12 38. Q. And you understand that customer
13 refers to a customer of Cash Store or broker
14 customer refers to a customer of Cash Store?

15 A. Yes.

16 39. Q. Okay. So to your knowledge, did Cash
17 Store designate a broker account for receipt of
18 funds from Trimor?

19 A. There was an account that we had
20 always advanced funds to.

21 40. Q. Did you have any understanding that
22 it was solely for the receipt of your funds?

23 A. Our understanding is that it was
24 solely for the receipt of third party funds.

25 41. Q. Your funds or third party funds?

1 A. To my knowledge, third party funds.

2 42. Q. And if you look at the definition of
3 "designated financier bank account", that
4 suggests a bank account that would be set up by
5 the financier, you, Trimor; correct?

6 A. From reading that, that sounds
7 correct.

8 43. Q. Okay. And I don't see a reference to
9 any particular bank account designated by Trimor
10 in your evidence. I take it that Trimor did not
11 itself designate an individual or set up an
12 individual bank account for receipt of funds from
13 broker customers?

14 MR. HARRISON: Just to clarify, though, it
15 doesn't say, set up by the financier.

16 BY MR. MERSKEY:

17 44. Q. Did Trimor designate, whether set up
18 or otherwise, an account for deposits of cash and
19 cheques received from broker customers?

20 A. Trimor didn't designate a bank
21 account of Cash Stores.

22 45. Q. Did Trimor designate a bank account
23 of its own?

24 A. Trimor ultimately has its own bank
25 account which received funds.

1 46. Q. Would it receive those funds from
2 Cash Stores?

3 A. Yes.

4 47. Q. It didn't receive direct deposits
5 from Cash Store's customers, did it?

6 A. It would have come through Cash
7 Store.

8 48. Q. So the broker customer gives money to
9 Cash Stores and any money that Cash Stores was
10 giving to Trimor, Cash Stores sends to a Trimor
11 bank account?

12 A. I'm not sure if I know that process a
13 hundred percent. Sorry, I'm just having trouble
14 being clear on exactly...

15 49. Q. Well, let me help you. Let's step
16 back a minute. Trimor didn't receive money
17 directly from Cash Store customers, correct?

18 A. That's correct.

19 50. Q. And in some fashion Trimor did
20 receive money directly from Cash Stores, correct?

21 A. Yes.

22 51. Q. And that money was for a few
23 different purposes. Perhaps it was repayment of
24 principal?

25 A. My understanding is that the money

1 was coming from interest on loans from the
2 customers and retention payments.

3 52. Q. Who was making the retention
4 payments, Cash Stores?

5 A. Correct.

6 53. Q. And how were the amounts of the
7 retention payments calculated?

8 A. The amount of interest that was
9 collected from customers on Trimor loans, if it
10 did not meet seventeen-and-a-half percent, it was
11 topped up with retention payments from Cash
12 Store.

13 54. Q. So you would get the interest that
14 was collected from the customers on top of which
15 you would get a payment from the company that was
16 the retention payment?

17 A. If the interest from the customer
18 didn't reach seventeen-and-a-half percent or...

19 55. Q. And from time to time, I take it that
20 the interest from the customer alone did not
21 reach seventeen-and-a-half percent?

22 A. I can't really say. I don't know
23 what the breakdown of that is.

24 56. Q. Looking at your second affidavit, tab
25 3 of your record, if you look at paragraph 6,

1 there's a statement there where you indicate that
2 Michael Zvonkovic of Cash Stores told you that
3 Trimor funds were being held in trust; correct?

4 A. That's correct.

5 57. Q. And that's the e-mail at tab G of
6 your affidavit, correct?

7 A. Yes.

8 58. Q. So in that e-mail, according to the
9 face of it, Mr. Zvonkovic says, they have not use
10 -- use the cash for general operating expenses
11 and is under the trust conditions as outlined in
12 the agreement.

13 Do you know what agreement Mr. Zvonkovic
14 was referring to?

15 A. The broker agreement.

16 59. Q. The broker agreement. That is the
17 broker agreement as of November 9, 2011; correct?

18 A. That's correct.

19 60. Q. Not the broker agreement as of June
20 or February of 2012, correct?

21 A. That's correct.

22 61. Q. I take it you had a previous form of
23 broker agreement with Cash Stores?

24 A. Yes.

25 62. Q. And I take it that that previous form

1 was not identical to the current form?

2 A. That's correct.

3 63. Q. And did the previous form contain any
4 reference to a trust agreement or arrangement?

5 A. I believe so.

6 64. Q. And is it your belief that the
7 current form contains any reference to a trust
8 agreement or arrangement?

9 A. Our understanding of the current
10 agreement is that the processes were to remain
11 the same.

12 65. Q. That wasn't quite my question, Ms.
13 Armstrong. My question was, is it your
14 understanding that anywhere in the text of the
15 current agreement there is a reference or a
16 description of a trust agreement or arrangement?

17 A. I'd have to review the agreement.

18 66. Q. Sure. Let's go to it. It's back at
19 tab A.

20 MR. HARRISON: I think, just to shorten
21 this up, I think we'll agree that we have not
22 seen the word "trust" in that agreement. If we
23 come to a different understanding, we'll let you
24 know.

25 MR. MERSKEY: Thank you. That will be

1 sufficient.

2 BY MR. MERSKEY:

3 67. Q. Do you remember the context of the
4 e-mail from Mr. Zvonkovic, the discussions that
5 it arose out of?

6 A. Yes. There were some questions that
7 we had around a confirmation from their auditor.

8 68. Q. So I'm going to show you a document
9 in a minute that starts off with an inquiry from
10 Cash Stores to Trimor with respect to an audit
11 inquiry by their auditor as to Cash Store's
12 arrangements, and it's dated November 9, 2011.
13 It includes a two-page questionnaire.

14 MR. HARRISON: Thank you.

15 BY MR. MERSKEY:

16 69. Q. Is that the inquiry that you're
17 referring to?

18 A. Yes, I believe so.

19 MR. MERSKEY: I'm going to mark that as
20 Exhibit 1 on this examination.

21 EXHIBIT NO. 1: Letter from Cash Store to
22 Trimor dated November 9, 2011 with
23 questionnaire.

24 BY MR. MERSKEY:

25 70. Q. So am I right in understanding that

1 your discussion with Mr. Zvonkovic arose as a
2 result of this audit inquiry by the Cash Store
3 auditors?

4 A. I believe so, yes.

5 71. Q. And they sent you some questions to
6 answer and that sort of provoked a discussion
7 about it?

8 A. Yes.

9 72. Q. I'm going to show you a second
10 document which appears to be answers to that
11 questionnaire signed by Kurt Soost on November
12 14th, 2011, and Mr. Soost is the president of
13 Trimor; correct?

14 A. Correct.

15 73. Q. And I take it that these are the
16 responses of Trimor?

17 A. I believe so, yes.

18 74. Q. And I take it these were drafted in
19 consultation with you?

20 A. Yes.

21 MR. MERSKEY: I'm going to mark that
22 document Exhibit 2.

23 EXHIBIT NO. 2: Answers to questionnaire
24 signed by Kurt Soost November 14, 2011.

25 BY MR. MERSKEY:

1 75. Q. And among other things in the
2 document, you disagreed with the statement that
3 the funding from Trimor could be used to pay
4 general operating expenses. There's a statement
5 that "Funds are only to be used for loans to
6 broker customers"?

7 A. Correct.

8 76. Q. And you disagreed that the
9 broker-lender arrangements allowed transfers of
10 loans between groups of lenders. There's a
11 statement that says:

12 "There is nothing specific in the
13 agreement itself to allow this."

14 A. Correct. Sorry.

15 77. Q. And I take it, from the
16 contemporaneous e-mails, that you had a series of
17 discussions with Mr. Zvonkovic himself about how
18 to answer this questionnaire?

19 A. Correct.

20 78. Q. So I'm going to show you an e-mail
21 string ending November 16th, 2011 from Mr.
22 Zvonkovic to you. I'm going to mark that as
23 Exhibit 3.

24 EXHIBIT NO. 3: E-mail chain ending
25 November 16, 2011 from Mr. Zvonkovic to

1 Ms. Armstrong and Mr. Dewart.

2 BY MR. MERSKEY:

3 79. Q. So the first -- do you want to take a
4 minute to read the whole document?

5 A. Yes, please.

6 80. Q. Let's do that.

7 A. Okay.

8 81. Q. So starting with the first e-mail in
9 the string which is from Mr. Zvonkovic to you on
10 November 9th, which is the e-mail that's in your
11 motion record...

12 A. Yes.

13 82. Q. ...was this e-mail in response to a
14 discussion that you had with him outside of the
15 e-mail chain?

16 A. I can't recall exactly what the whole
17 chain of events were.

18 83. Q. It appears to me that he appears to
19 be responding to some discussion that you've had.
20 Is that a fair inference?

21 A. Yeah. I'm not sure whether it would
22 have been a phone discussion with me or someone
23 else. I just don't remember all the
24 circumstances. I apologize.

25 84. Q. That's okay. And then you consulted

1 your counsel with respect to the e-mail. Colby
2 Dewart, I take it, is one of the lawyers for
3 Trimor Capital?

4 A. Yeah. He was counsel for the limited
5 partnership.

6 85. Q. And just on a side note, have you --I
7 note your counsel very kindly handed me four
8 inches or more of documents about three hours
9 ago, but I didn't note in them anything with Mr.
10 Dewart's advice, and I see here that Mr. Dewart's
11 advice was being relayed to the Cash Stores
12 directly.

13 So may we have production of any e-mails
14 from Mr. Dewart on this subject as well, please?

15 R/F MR. HARRISON: No.

16 MR. MERSKEY: Privilege has been waived,
17 in my position, counsel, not by you in the
18 production but by the fact that Trimor at the
19 time was sharing this advice directly with Cash
20 Stores.

21 MR. HARRISON: We disagree.

22 MR. MERSKEY: Is there any basis for your
23 disagreement other than disagreeing?

24 MR. HARRISON: We don't agree it's waived.

25 BY MR. MERSKEY:

1 86. Q. Ms. Armstrong, you will agree with me
2 that Mr. Dewart was providing legal advice to
3 Trimor?

4 A. Yeah.

5 87. Q. You will agree with me that you knew
6 he was providing legal advice to Trimor?

7 A. Yes.

8 88. Q. You will agree with me that you chose
9 to forward that legal advice to Mr. Zvonkovic to
10 help to understand the issues?

11 A. Yes.

12 89. Q. Thank you. So if we go through the
13 chain of e-mails, it appears that Mr. Dewart's
14 advice to you is based directly on a description
15 from the broker agreement that was existing at
16 that time. Is that fair?

17 A. It appears so.

18 90. Q. And you then relay that to Mr.
19 Zvonkovic saying your counsel is telling you that
20 a different response to the audit inquiry would
21 conflict with things that you've told your LP
22 investors?

23 A. Yes.

24 91. Q. Because I take it what you've told
25 your LP investors is strictly based on the form

1 of the loan agreement at that time -- lender
2 agreement?

3 MR. HARRISON: Sorry, you're talking about
4 the broker agreement?

5 MR. MERSKEY: Yes.

6 MR. HARRISON: Okay.

7 THE DEPONENT: Sorry, is there a question?
8 I just missed the question.

9 BY MR. MERSKEY:

10 92. Q. Yes. I said, I take it that your
11 concern that there was a difference between what
12 Mr. Zvonkovic was saying and what you told the LP
13 investors was because what you told the LP
14 investors was strictly based on the form of the
15 broker agreement at that time?

16 A. I believe that would have been the
17 case.

18 93. Q. And in the last e-mail in the chain
19 at the top, it appears that Mr. Zvonkovic is
20 taking the position that that is not how the
21 company views the use of funds. Do you see that?

22 A. Sorry, where are we? Which e-mail?

23 94. Q. So if you go to the first e-mail at
24 the top of the page, he says:

25 "Please note that our interpretation of

1 the below section is that all funds must
2 be recorded in the Trust account and not
3 limiting the use of funds."

4 A. And sorry, your question was?

5 95. Q. I'm saying I take it from that, that
6 you would have been aware that Mr. Zvonkovic and
7 the company, therefore Cash Stores, had a
8 different view of how the funds could be used
9 than the interpretation that Colby Dewart was
10 setting out from the broker agreement?

11 A. No, that wasn't my understanding.
12 What I -- my understanding was just that the
13 broker agreement didn't specify.

14 96. Q. Well, Mr. Zvonkovic uses the words
15 that the below section says the funds must be
16 recorded in the trust account but not limiting
17 the use of funds.

18 MR. HARRISON: And she's given you her
19 understanding.

20 MR. MERSKEY: Mr. Harrison, it's a
21 cross-examination. I get some leeway, thank you
22 very much.

23 MR. HARRISON: You asked her a question.
24 She answered it. Is there a new question?

25 MR. MERSKEY: Yes, there was a new

1 question. It was a question designed to get at
2 the same evidence. Whether the witness
3 misunderstood it or had a different view of it, I
4 think it's entirely inappropriate to jump in that
5 quickly.

6 If we spend five minutes going around the
7 same mulberry bush, you're welcome to jump in,
8 but until then I'll thank you not to interfere in
9 the cross-examination.

10 MR. HARRISON: Then ask her a new
11 question.

12 BY MR. MERSKEY:

13 97. Q. Did you get back to Mr. Zvonkovic and
14 suggest that there was some limit on the use of
15 funds?

16 A. I believe so.

17 98. Q. And what limit did you suggest that
18 there was?

19 A. It was always our understanding that
20 the funds were not to be used for any other
21 purpose other than making loans to customers.

22 99. Q. And did you convey that in another
23 e-mail somewhere?

24 A. I'm not sure where it is, actually.

25 100. Q. Okay. Did you discuss terms of an

1 amendment over the next few months to reflect
2 your mutual understanding?

3 A. I believe so, yes.

4 101. Q. So I'm going to show you an e-mail
5 dated December 22nd, 2011 from you to Mr.
6 Zvonkovic. I'm going to mark that as Exhibit 4.

7 EXHIBIT NO. 4: E-mail chain ending
8 December 22, 2011 from Ms. Armstrong to
9 Mr. Zvonkovic and Mr. Dewart.

10 BY MR. MERSKEY:

11 102. Q. And you were discussing possible
12 amendment terms with Mr. Zvonkovic, is that fair?

13 A. Yes.

14 103. Q. And just to assist, I'm going to show
15 you another e-mail dated December 9th, 2011. I'm
16 going to mark that as Exhibit 5.

17 EXHIBIT NO. 5: E-mail chain ending
18 December 9, 2011 from Erin Armstrong to
19 Colby Dewart and Michael Zvonkovic.

20 BY MR. MERSKEY:

21 104. Q. It's from you to Colby Dewart and
22 Michael Zvonkovic, and you're discussing proposed
23 wording of an amendment, which if you take a
24 minute to read the entire document, there appears
25 to be some variation on what Mr. Dewart proposed

1 that day. Is that correct?

2 A. Yeah, it appears so.

3 105. Q. Okay. So going back to the e-mail of
4 December 22nd, there's an e-mail further down in
5 the chain dated December 15th, and Mr. Zvonkovic
6 has stated some concern with the proposed form
7 saying he's wondering administratively if it
8 makes sense to have all these requests written or
9 can it be verbal.

10 "As discussed previously we have huge dips
11 in our cash both ways so in some cases
12 Trimor could be using our cash to fund
13 loans so the provision has to be
14 balanced."

15 What did you understand Mr. Zvonkovic to
16 be saying there?

17 A. The way the loan process works, my
18 understanding is just that sometimes everything
19 might not be reconciled all at one point.

20 106. Q. And you say everything be reconciled.
21 So we're talking --

22 A. Sorry.

23 107. Q. I just need to break that down to
24 understand that answer.

25 A. Yeah, no problem. The loans and

1 interest going in and out of the account.

2 108. Q. So you mean funding coming in --
3 funds coming in from broker customers and going
4 out again to new customers?

5 A. Correct.

6 109. Q. As well as the payment of interest?

7 A. That would be right.

8 110. Q. And retention payments?

9 A. I don't think retention payments
10 would be part of that fluctuation but may be part
11 of what he's suggesting in terms of using Cash
12 Store funds.

13 If they made a retention payment to that
14 account, in our opinion, that wouldn't have been
15 Cash Store funds once they made it as a retention
16 payment to Trimor.

17 111. Q. But in any event, he's saying that
18 because of the way their cash flow works, their
19 fluctuations in terms of whether something is
20 being funded from a broker payment or a -- sorry,
21 a customer payment or Cash Store funding itself?

22 A. Sorry, can you repeat?

23 112. Q. Yes. He's saying, "we have huge dips
24 in our cash both ways". So is it fair to say
25 that he means cash in terms of cash coming in

1 from broker customers?

2 A. I don't know if I can comment on what
3 he's intending. I can just give you my
4 understanding of what he said.

5 113. Q. Sure. Why don't you do that?

6 A. I think I have.

7 114. Q. So your understanding of what he said
8 was that the reconciliation didn't work on a
9 daily basis. It needed to be smoothed over time?

10 A. I don't know if those are the words
11 that I used.

12 MR. HARRISON: I was going to say, she did
13 give you her evidence. I think it's on the
14 record.

15 --- Answers to Questions 105 to 114 read
16 back.

17 BY MR. MERSKEY:

18 115. Q. Okay. So when you say, "reconciled
19 all at one point", everything may be reconciled
20 all at one point, what's the everything that
21 you're referring to?

22 A. I thought we answered that already as
23 well.

24 116. Q. I'm just trying to get clarification.
25 I take it that everything is the loans coming in

1 and the loans going out and the other payments in
2 the account?

3 A. And the interest.

4 117. Q. As part of the reconciliation
5 process, did you review monthly statements of
6 account?

7 A. We received monthly statements from
8 Cash Store.

9 118. Q. And did you rely on those for the
10 reconciliation process?

11 A. The reconciliation process?

12 119. Q. Did you rely on those to understand
13 what was going on in terms of your funds?

14 A. Yes, among other things.

15 120. Q. So let's look at one of those just as
16 an example. I'm going to show you a copy of the
17 reconciliation statement for February 2013.

18 Am I correct that is this the Trimor
19 reconciliation statement for February 2013?

20 A. It appears so.

21 121. Q. And this would have been produced by
22 Cash Stores and sent to you as part of a monthly
23 reporting process?

24 A. Yes.

25 MR. MERSKEY: I'm going to mark that as

1 Exhibit 6.

2 EXHIBIT NO. 6: Cash Store reconciliation
3 statement for February 2013.

4 BY MR. MERSKEY:

5 122. Q. And I take it you reviewed these as
6 part of your administrative duties on a regular
7 basis?

8 A. Depending on the time period, I may
9 have been one of the people that reviewed them.

10 123. Q. Trimor was reviewing them on a
11 regular basis, whether it was you or somebody
12 else at Trimor?

13 A. Yes.

14 124. Q. So if we go through it, I just want
15 to confirm the way the information is set out.

16 At the beginning it says, Funds made
17 available, opening, 16,324,000.

18 A. Okay.

19 125. Q. And I take it that those are the
20 funds that Trimor had advanced in total to Cash
21 Stores?

22 A. I believe so.

23 126. Q. Okay. And then it says additional
24 funds advanced to Cash Stores of 1.75 million.
25 Do you see that?

1 A. Yes.

2 127. Q. I take it that that was just
3 subsequent funding advanced by Trimor to Cash
4 Stores?

5 A. I believe so.

6 128. Q. And then it lists below that a payday
7 loan portfolio, \$3,897,047?

8 A. Yes.

9 129. Q. And I take it that was part of what
10 you were receiving for your funding?

11 A. I'm sorry, I don't understand the
12 question.

13 130. Q. Well, why did you understand that
14 they were showing you payday loan portfolio
15 amounts in this reconciliation statement?

16 A. Because we had advanced payday loans
17 to customers.

18 131. Q. And that was what the funding of 16
19 million plus, for instance, was being used for,
20 among other things?

21 A. Not among other things, to our
22 understanding.

23 132. Q. It was also being used for lines of
24 credit, right?

25 A. Sorry, the loans interpretation I

1 think is broadened to include line of credit
2 under the broker agreement, to my understanding.

3 133. Q. So you're told that you're receiving
4 a payday loan portfolio in a certain amount.
5 Correct?

6 A. That we have a payday loan portfolio
7 in a certain amount.

8 134. Q. And lines of credits in another
9 amount, in this case \$10,027,493?

10 A. Correct.

11 135. Q. And those amounts do not equate to
12 the total amount that you've advanced to Cash
13 Stores, correct?

14 A. It doesn't appear so.

15 136. Q. And I take it that part of that
16 difference is made up by Cash Stores assigning
17 loans to you?

18 A. As well as loans that were past due
19 and accounts written off, et cetera.

20 137. Q. So one component of the -- to add
21 back up to the 16 million would have been amounts
22 written off, as you just said, but another
23 component would have been loans assigned to you,
24 according to this document, by Cash Stores.
25 Correct?

1 A. It appears so.

2 138. Q. And without those loans being
3 assigned to you or transferred or otherwise
4 given, granted to you, there would have been a
5 larger funding excess?

6 A. It appears so.

7 139. Q. And what do you understand the line
8 at the bottom of the first half of the page,
9 "Funding (Excess)" to represent?

10 A. Funds that Cash Store would have been
11 holding for Trimor not advanced to customers.

12 140. Q. I'm showing you an e-mail dated
13 January 10th, 2012 from Mr. Pang, who appears to
14 be at Cash Stores, to you. I'm going to mark
15 that as Exhibit 7. Take a minute to read the
16 e-mail, please.

17 EXHIBIT NO. 7: E-mail dated January 10,
18 2012 from Mr. Pang to Ms. Armstrong.

19 BY MR. MERSKEY:

20 141. Q. Mr. Pang appears to be responding to
21 a request from you, correct?

22 A. It appears so.

23 142. Q. And he indicates that you asked for
24 the transfer of 275,000 from Trimor 5 to Trimor
25 6.

1 Can you just explain to me what Trimor 5
2 and Trimor 6 are?

3 A. They are two Trimor limited
4 partnerships conducting the same business with
5 Cash Store.

6 143. Q. So why would you need a transfer
7 between the two?

8 A. I would have to see the whole chain
9 in order to comment with certainty, but our
10 process --

11 MR. HARRISON: Are you speculating or do
12 you know?

13 THE DEPONENT: I can't be a hundred
14 percent certain in this scenario.

15 BY MR. MERSKEY:

16 144. Q. So you don't know why you were asking
17 for Cash Stores to transfer funds for you?

18 A. I can't say with a hundred percent
19 certainty in this scenario.

20 There were scenarios that occurred where
21 an investor in one partnership would have sold
22 their units and an investor in another
23 partnership would have purchased units, and so
24 the amount that would have been made available
25 for loans in one partnership would have gone down

1 and the other partnership would have gone up.

2 145. Q. And Mr. Pang says that there would be
3 a problem in moving any AR from Trimor 5 due to
4 AR restriction.

5 Can we take it that "AR" means account
6 receivable?

7 A. That would make sense.

8 146. Q. And do you know what the restriction
9 was in moving an account receivable?

10 A. I don't.

11 147. Q. Are you aware of any restriction
12 yourself?

13 A. As I said, this is one e-mail from a
14 chain and I can't see the rest of the chain. So
15 it's hard for me to comment.

16 148. Q. Well, I understand. I've only had
17 the benefit of secondhand production from all
18 parties.

19 So I'm showing you an e-mail dated Friday,
20 March 1st, 2013 from Mr. Carlstrom to you. I'm
21 going to mark that as Exhibit 8.

22 EXHIBIT NO. 8: E-mail dated March 1, 2013
23 from Mr. Carlstrom to Ms. Armstrong.

24 BY MR. MERSKEY:

25 149. Q. And Mr. Carlstrom indicates that he

1 has 4 million of your capital allocated to Loans
2 AB.

3 Do you know what Loans AB was referring
4 to?

5 A. Loans Alberta would have been one of
6 the entities that brokered loans for Trimor.

7 150. Q. And so Mr. Carlstrom was asking you
8 in this instant to use that capital for other
9 consumer lending activities. Correct?

10 A. My understanding was that it was just
11 to be transferred to broker loans under our
12 agreement with Cash Store as opposed to our
13 agreement with Loans Alberta.

14 151. Q. He says, "consumer lending
15 activities." So taking your evidence as well, I
16 take it he was asking for permission to move the
17 loans to some other activity than just Loans AB.
18 Correct?

19 A. My understanding was that he was
20 intending to transfer the money to be used under
21 our broker agreement with Cash Store.

22 152. Q. And did you grant that permission?

23 A. I can't say without seeing my
24 response.

25 153. Q. Did this sort of request come up from

1 time to time?

2 A. I can't recall specific
3 circumstances.

4 154. Q. You don't know one way or another?

5 A. Not for sure.

6 MR. HARRISON: Just to clarify, I think
7 we've provided and I think you have, because the
8 company has provided all of the lender statements
9 that have all of the amounts that were made
10 available to both of these entities and how much
11 and at what time. So I think you have all that
12 information.

13 MR. MERSKEY: So sitting here at this
14 point in time, Mr. Harrison, you're able to
15 pinpoint it on those lender statements. Is that
16 why you're directing my attention to those
17 documents?

18 MR. HARRISON: No, because you have it.

19 MR. MERSKEY: I have it. So you're
20 inviting me to go off on a safari through those
21 documents to see if I can pinpoint it instead of
22 asking the witness the direct question? I'm not
23 sure what's the basis for your interjection.

24 MR. HARRISON: The witness has just said
25 she doesn't know. So I'm just directing you

1 there to help you.

2 MR. MERSKEY: Well, thank you for that
3 assistance.

4 MR. HARRISON: You're welcome.

5 MR. MERSKEY: I think it would be better
6 if we stuck with the witness' evidence.

7 Let's just go off the record for five
8 minutes.

9 --- Off the record at 2:56 p.m.

10 --- Upon resuming at 2:57 p.m.

11 MR. MERSKEY: Mr. Harrison, the document
12 production, there was about four or five inches
13 in height that you provided to me this morning.
14 I take it that you're content to agree that those
15 were produced either in response to the Notice of
16 Examination or as the equivalent of an answer to
17 undertaking?

18 MR. HARRISON: Yes.

19 MR. MERSKEY: Thank you. I don't have any
20 further questions for the witness.

21 MR. HARRISON: Off the record.

22 --- Off the record at 2:57 p.m.

23 --- Upon resuming at 3:04 p.m.

24 RE-EXAMINATION BY MR. HARRISON:

25 155. Q. I've just handed you a document which

1 was produced by the CRO, number CH0001380, which
2 is an e-mail from you to The Cash Store dated
3 November 16th, 2011.

4 A. Yes.

5 156. Q. And you will recall that Mr. Merskey
6 had asked you a series of questions with regard
7 to conversations that you had or e-mails that you
8 had back and forth with Mr. Zvonkovic on November
9 16, on or about November 16, 2011?

10 A. Yes.

11 157. Q. I think those are related to Exhibits
12 1, 2 and 3. Correct?

13 A. Yes.

14 158. Q. And if you will read the additional
15 e-mails that were sent in that chain that are in
16 -- which I'm going to mark as Exhibit 9?

17 A. You want me to just read all of this?

18 159. Q. If you just read the additional
19 e-mails.

20 MR. MERSKEY: Which are the new ones,
21 counsel?

22 MR. HARRISON: So if I look at Exhibit 3,
23 it appears Exhibit 3 stops with the e-mail from
24 Michael Zvonkovic that is at 3:55 on November
25 16th.

1 MR. MERSKEY: So you're asking the witness
2 -- I'm not sure about that.

3 MR. HARRISON: Oh, I am sorry. You know
4 what, it's funny because the timing is different.
5 Obviously there's a time difference from Toronto
6 and Calgary.

7 So it would appear in Exhibit 9 that is
8 the e-mail from Michael Zvonkovic which is at
9 1:55 p.m. because of the time difference.

10 MR. MERSKEY: Right. So there's two new
11 e-mails in the chain which is what you're asking
12 the witness to look at?

13 MR. HARRISON: Right.

14 MR. MERSKEY: So why don't we confine it
15 for simplicity to those first two e-mails?

16 THE DEPONENT: So starting here?

17 BY MR. HARRISON:

18 160. Q. I'm just asking you to read those
19 two.

20 A. Okay. Just the two?

21 161. Q. Right.

22 A. So Mike says Hello Erin...

23 162. Q. Sorry, you don't have to read them
24 out loud. It's okay.

25 A. Oh, okay.

1 163. Q. So I'm going to mark it as nine, but
2 do you recall this e-mail? It's your e-mail?

3 A. Yes.

4 MR. HARRISON: I'm marking it number 9.

5 EXHIBIT NO. 9: E-mail chain ending
6 November 16, 2011 from Erin Armstrong to
7 Kurt Soost and others (CH0001380).

8 BY MR. HARRISON:

9 164. Q. And in the e-mail that Michael
10 Zvonkovic sends to you which in Exhibit 9 is at
11 3:05 p.m., do you see that one?

12 A. Yes.

13 165. Q. Do you see his comment about making
14 amendments?

15 A. Yes.

16 166. Q. Do you recall what issue he is
17 relating to -- referring to?

18 A. So this is relating to the auditor
19 confirmation again that we provided already, and
20 number 1 and 4 of the confirmation, I just need
21 to read them.

22 167. Q. That's Exhibit 2.

23 A. So...

24 MR. MERSKEY: What's the clarification
25 question you're asking, Mr. Harrison?

1 MR. HARRISON: Well, I'm happy just to
2 leave it, to mark it.

3 MR. MERSKEY: Yes, you can just mark it.
4 I'm content to have it in the record, say what it
5 says. I think that makes more sense than...

6 MR. HARRISON: I was going to give her the
7 opportunity to clarify, but if --

8 THE DEPONENT: So the -- I just needed to
9 see them so that I can clarify.

10 MR. MERSKEY: I understand, but there's no
11 question and I was asking what the question was.
12 So I want to know, especially to understand
13 this--

14 MR. HARRISON: Sure. I said that there
15 was another e-mail in here which would help
16 explain. You had said you haven't seen any
17 e-mail in here which addresses the issue the
18 witness raised about the segregation of funds.

19 It's my recollection, and I'm just giving
20 the witness an opportunity, you didn't put this
21 e-mail to her, which is part of this conversation
22 which you put to her.

23 MR. MERSKEY: I completely agree that the
24 conversation was -- this e-mail chain was put to
25 her and those are additional e-mails in the

1 chain, and I'm happy to have you mark it as
2 Exhibit 9.

3 My recollection about the discussion of
4 the segregation of funds was on a separate topic,
5 which is why I'm a bit uncomfortable in you
6 putting an additional question to her.

7 MR. HARRISON: Well, I'm going to let the
8 witness answer the question about clarifying the
9 discussion that was had in the e-mail. If you
10 object, that's fine. We can deal with that
11 before His Honour, but I'm going to put the
12 question to her.

13 BY MR. HARRISON:

14 168. Q. So does this help clarify?

15 A. Yes, it does. So point 1 that he is
16 talking about, we had asked for a clarification
17 on that point because the auditor's confirmation
18 states that funds could be used for operating
19 expenses, and our understanding is that they were
20 not to be used for any other purpose.

21 Cash Store agreed and said they would make
22 the necessary amendments on the broker agreement
23 effective as the beginning of the date when the
24 broker agreements were signed to clarify the use
25 of funds that wasn't defined.

1 RE-CROSS-EXAMINATION BY MR. MERSKEY:

2 169. Q. So a couple of follow-up questions
3 then with respect to that, just on the
4 clarification point.

5 So again, we're talking about the broker
6 agreement as it was in 2012, not the broker
7 agreement that was entered into in -- we're
8 talking about the broker agreement as it was in
9 2011. Correct?

10 A. Correct.

11 170. Q. Not the broker agreement that was
12 entered into in 2012, correct?

13 A. My understanding was that some of the
14 changes to the broker agreement stemmed from this
15 point.

16 171. Q. Fine, but my question was, at this
17 point in time, we are talking about amending the
18 broker agreement in 2011; right?

19 A. Correct.

20 172. Q. Not the one that you're operating
21 under today, which was the one that was entered
22 into in 2012; correct?

23 A. That's correct.

24 173. Q. And you'll recall that in your
25 examination earlier this afternoon, we did in

1 fact go through some of the back and forth over
2 this amendment; correct?

3 A. Some of it.

4 MR. MERSKEY: Thank you.

5 --- Cross-examination is concluded at 3:11 p.m.

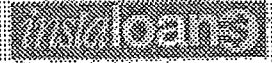
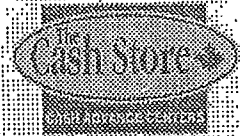
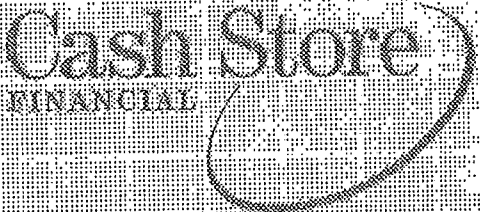
6 I HEREBY CERTIFY THE FOREGOING
7 to be a true and accurate
8 transcription of my shorthand notes
9 to the best of my skill and ability.

10 _____
11 Susanna Massa, CSR
12 Computer-Aided Transcription

13 Reproductions of this transcript are in direct violation
14 of O.R. 587/91 of Administration of Justice Act
15 January 1, 1990 and are not certified without the
16 original signature of the Court Reporter
17
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22
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24
25

TAB A

CH 0000512



The Cash Store Financial Services Inc.
17631 - 103 Avenue
Edmonton, AB Canada T5S 1N8
Phone: (780) 408-5110 Fax: (780) 408-5122
TSX: CSF NYSE: CSFS

November 9, 2011

Trimor Annuity Focus Limited Partnerships #1, #2, #3, #4, #5, and #6
Suite 601, Macleod Place II
5940 Macleod Trail SW
Calgary, AB
T2H 2G4

Dear Sir or Madam:

Our auditors, KPMG LLP, are presently engaged in the examination of our financial statements. They wish to confirm and have you acknowledge the items listed on the subsequent page with respect to our broker-lender agreement.

Please complete the confirmation on pages 2 and 3 of this letter and forward both pages of the original directly to our auditors, via fax (780) 429-7379 and via mail:

KPMG LLP
Attention: Natalie Brykman, CA
10125 - 102 Street
Edmonton, AB T5J 3V8
Phone: 780.429.6538
Fax: 780.429.7379

I appreciate your cooperation in this matter.

Yours truly,

Michael Zvonkovic, CA
VP Financial Reporting

Cash Store
FINANCIAL



The Cash Store Financial Services Inc.
17631 - 103 Avenue
Edmonton, AB Canada T5S 1N8
Phone: (780) 408-5110 Fax: (780) 408-5122
TSX: CSF NYSE: CSFS

We confirm that the cash we have forwarded to The Cash Store Financial Services Inc. ("Cash Store") as part of our broker-lender agreement, is not only used for lending purposes but provides an adequate float that can be used to manage day to day loan fluctuations and is not restricted and could be used to pay general operating expenses.

() Agree

() Disagree - (please provide the details of differences.)

We acknowledge and confirm that our interest component of the loan fees in regulated provinces in Canada should be calculated as 23.3% of the average daily loans outstanding and is due and payable to us by the Cash Store. We confirm that the amount of "interest shortfall" included in the lender reconciliation at September 30, 2011 is correct.

() Agree

() Disagree - (please provide the details of differences.)

We acknowledge and confirm that interest collected from customers by Cash Store on defaulted loans that are subsequently repaid in regulated pay-day provinces belongs to Cash Store and Cash Store is not required to repay these funds to you.

() Agree

() Disagree - (please provide the details of differences.)

We confirm that as part of the broker-lender agreements between the ourselves and the Cash Store, the Cash Store reserves the right to transfer loans brokered to customers between the group of lenders available, including themselves, so long as the loans are transferred at fair value.

() Agree

() Disagree - (please provide the details of differences.)

We confirm that there is no contemplation of retention payments under the broker-lender agreement between ourselves and the Cash Store and that there is no guaranteed rate of return on your pool of funds committed under the broker-lender agreement between ourselves and the Cash Store.

() Agree

() Disagree - (please provide the details of differences.)

We confirm that the full amount of the loan approved by us shall be advanced to the customer by the Cash Store. The loan fees payable by the customer shall be advanced by us at the time the loan is initiated to the Cash Store. These loan fees are then payable by the customer to us upon maturity of the loan.

() Agree

() Disagree - (please provide the details of differences.)

Individual _____

Title _____

Signature _____

Date _____

TAB B

CH 0661397



The Cash Store Financial Services Inc.
17631 - 103 Avenue
Edmonton, AB Canada T5S 1N8
Phone: (780) 408-5110 Fax: (780) 408-5122
TSX: CSF NYSE: CSFS

We confirm that the cash we have forwarded to The Cash Store Financial Services Inc. ("Cash Store") as part of our broker-lender agreement, is not only used for lending purposes but provides an adequate float that can be used to manage day to day loan fluctuations and is not restricted and could be used to pay general operating expenses.

- Agree
- Disagree - (please provide the details of differences.)

- FUNDS ARE ONLY TO BE USED FOR LOANS TO BROKER CUSTOMERS.

We acknowledge and confirm that our interest component of the loan fees in regulated provinces in Canada should be calculated as 23.3% of the average daily loans outstanding and is due and payable to us by the Cash Store. We confirm that the amount of "interest shortfall" included in the lender reconciliation at September 30, 2011 is correct.

- Agree
- Disagree - (please provide the details of differences.)

We acknowledge and confirm that interest collected from customers by Cash Store on defaulted loans that are subsequently repaid in regulated pay-day provinces belongs to Cash Store and Cash Store is not required to repay these funds to you.

- Agree
- Disagree - (please provide the details of differences.)

We confirm that as part of the broker-lender agreements between the ourselves and the Cash Store, the Cash Store reserves the right to transfer loans brokered to customers between the group of lenders available, including themselves, so long as the loans are transferred at fair value.

- Agree
- Disagree - (please provide the details of differences.)

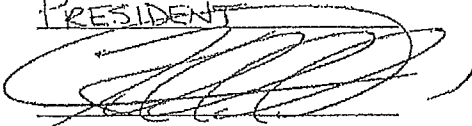
- THERE IS NOTHING SPECIFIC IN THE AGREEMENT ITSELF TO ALLOW THIS.

We confirm that there is no contemplation of retention payments under the broker-lender agreement between ourselves and the Cash Store and that there is no guaranteed rate of return on your pool of funds committed under the broker lender agreement between ourselves and the Cash Store.

- () Agree
() Disagree - (please provide the details of differences.)

We confirm that the full amount of the loan approved by us shall be advanced to the customer by the Cash Store. The loan fees payable by the customer shall be advanced by us at the time the loan is initiated to the Cash Store. These loan fees are then payable by the customer to us upon maturity of the loan

- () Agree
() Disagree - (please provide the details of differences.)

Individual KURT G. J. SUOST
Title PRESIDENT
Signature 
Date Nov. 14, 2011



The Cash Store Financial Services Inc.
17631 - 103 Avenue
Edmonton, AB Canada T5S 1N8
Phone: (780) 408-5110 Fax: (780) 408-5122
TSX: CSF NYSE: CSFS

November 9, 2011

Trimor Annuity Focus Limited Partnerships #1, #2, #3, #4, #5, and #6
Suite 601, Macleod Place II
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Calgary, AB
T2H 2G4

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Please complete the confirmation on pages 2 and 3 of this letter and forward both pages of the original directly to our auditors, via fax (780) 429-7379 and via mail:

KPMG LLP
Attention: Natalie Brykman, CA
10125 - 102 Street
Edmonton, AB T5J 3V8
Phone: 780.429.6538
Fax: 780.429.7379

I appreciate your cooperation in this matter.

Yours truly,

Michael Zvonkovic, CA
VP Financial Reporting

T A B C

CHOOO 0592

From: Michael Zvonkovic <michael.zvonkovic@csfinancial.ca>
Sent: Wednesday, November 16, 2011 3:55 PM
To: Erin Armstrong <earmstrong@trimorcapital.com>; Colby Dewart (ctd@bdplaw.com)
Cc: 'Kurt Soost' <ksoost@trimorcapital.com>; Bill Johnson <bill.johnson@csfinancial.ca>; Nancy Bland <nancy.bland@csfinancial.ca>
Subject: RE: Sentence
Attach: image001.jpg

Hi Erin and Colby,

Please note that our interpretation of the below section is that all funds must be recorded in the Trust account and not limiting the use of funds. Here is what we propose for the amendment.

Because the broker-lender agreement is silent on the use of the funds advanced by lenders, in relation to the auditor's first question on their confirmation letter, we proposed to Randy and he agreed that we add an addendum to the agreement that states;

"If any funds advanced by the lender under this agreement are to be used for any purpose other than loans to customers or the loan float, then before the funds are used for that purpose, written permission will be obtained by the broker from the lender."

Please note that CSF has never used funds for any other purpose other than loans to customers or maintaining a loan float.

Let us know ASAP,

Mike

From: Erin Armstrong [mailto:earmstrong@trimorcapital.com]
Sent: Wednesday, November 09, 2011 3:53 PM
To: 'Michael Zvonkovic'
Cc: 'Kurt Soost'
Subject: FW: Sentence

Hi Mike,

Given the seriousness around any misrepresentation made by us to investors we felt we needed to receive advice from our legal counsel around the terms of the agreements. Unfortunately he has advised us that we cannot sign off agreeing to this statement without being in conflict with what we have represented to our Limited Partners. I sincerely apologize for any inconvenience this may cause, the last thing that we want to do is make things more difficult for you. Please feel free to give us a call to discuss, we will wait to hear from you prior to submitting.

Erin

From: Colby Dewart [mailto:ctd@bdplaw.com]
Sent: Wednesday, November 09, 2011 3:11 PM
To: Erin Armstrong
Subject: RE: Sentence

Erin,

You need to check "Disagree". Funds are only to be used for loans to broker customers.

Below is an excerpt from one of the Broker Agreements:

"Broker shall account to Trimor with respect to all funds (i.e. funds paid by Trimor to Broker or funds received by Broker from Broker Customers or other third parties in relation to Loans) and Records from time to time received by Broker. All such funds and Records shall be received, and shall be segregated and kept apart by Broker, in trust for Trimor."

As such, Broker has no ability to use any funds for its general operating expenses.

Let me know if you need any further clarification on this.

Colby

From: Erin Armstrong [<mailto:earmstrong@trimorcapital.com>]
Sent: November 9, 2011 2:53 PM
To: Colby Dewart
Subject: FW: Sentence

Colby,


As per our conversation please see response suggested by Michael below. Please let me know if this is something we could do without causing any legal issues.

Thanks,
Erin

From: Michael Zvonkovic [<mailto:michael.zvonkovic@csfinancial.ca>]
Sent: Wednesday, November 09, 2011 2:13 PM
To: Erin Armstrong (earmstrong@trimorcapital.com)
Cc: ksoost@trimorcapital.com
Subject: RE: Sentence

Agree – As represented by Michael Zvonkovic they have not use the cash for general operating expenses and is under the trust conditions as outlined in the agreement.

Michael M. Zvonkovic, CA
VP Financial Reporting

 Description: CashStoreFinancial
Green with White back

17631 – 103 Ave. Edmonton, Alberta T5S 1N8

Direct: (780) 408-5121

Cell: (780) 906-8584

Fax: (780) 408-5122

E-Mail: michael.zvonkovic@csfinancial.ca

The information and any files attached to this email are confidential and intended solely for the use of The Cash Store Financial Services Inc. and the intended recipient. Any disclosing, copying, or distribution of information within this email, without the expressed permission of the

writer, is strictly prohibited.

TAB D

CH 000 1410

From: Erin Armstrong <earmstrong@trimorcapital.com>
Sent: Thursday, December 22, 2011 5:10 PM
To: 'Michael Zvonkovic' <michael.zvonkovic@csfinancial.ca>; 'Colby Dewart' <ctd@bdplaw.com>
Subject: RE: Trimor/Cash Store - Broker Agreement Amendment

Hi Mike/Colby,

I just wanted to follow up and see where we are at with this, can you please let me know when you think we can have this in place?

Thank you,
Erin

From: Michael Zvonkovic [mailto:michael.zvonkovic@csfinancial.ca]
Sent: Thursday, December 15, 2011 8:47 AM
To: Colby Dewart; Erin Armstrong
Subject: RE: Trimor/Cash Store - Broker Agreement Amendment

Hi Colby I've had a chance to look at this and just wondering administratively if it makes sense to have all these requests written or can it be verbal? As discussed previously we have huge dips in our cash both ways so in some cases Trimor could be using our cash to fund loans so the provision has to be balanced.

As for the branches transfers here's a little sentence: something to the affect that Cash Store Financial reserves the right, under our discretion, to transfer branches and their related list of customer receivable at fair value, between lenders.

From: Colby Dewart [mailto:ctd@bdplaw.com]
Sent: Friday, December 09, 2011 11:29 AM
To: Erin Armstrong; Michael Zvonkovic
Subject: Trimor/Cash Store - Broker Agreement Amendment

Erin and Michael,

Please find attached the proposed amendment agreement for the amendment to the Broker Agreement that was previously discussed. The only section you really need to look at is Section 2.2.

If you are both in agreement on the attached I will go ahead and prepare a similar document for each of the other broker agreements.

Colby

Colby Dewart

BD&P BURNET, DUCKWORTH & PALMER LLP Law Firm

Telephone 403.260.0369 Fax 403.260.0332 Web BDPLAW.COM Address Suite 2400, 525-8th Ave SW Calgary, AB T2P 1G1

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TAB E

CH 000 1400

From: Erin Armstrong <earmstrong@trimorcapital.com>
Sent: Friday, December 9, 2011 1:54 PM
To: 'Colby Dewart' <ctd@bdplaw.com>; 'Michael Zvonkovic' <michael.zvonkovic@csfinancial.ca>
Cc: 'Kurt Soost' <ksoost@trimorcapital.com>
Subject: RE: Trimor/Cash Store - Broker Agreement Amendment

Colby,

I would be more comfortable with the wording as changed below if this still works with our LP Agreement and for Cash Store Financial:

"Any funds forwarded by Trimor to the Broker, pursuant to the terms of this Agreement, may not be used by the Broker for purposes other than Loans, without (i) the Broker first providing Trimor with a written request, requesting that the Broker be able to use the funds for purposes other than the Loans, stating the reasons why the Broker is making such a request and the amount of funds that the Broker wishes to uses for purposes other than Loans and (ii) once the Broker has delivered the aforementioned written notice, the Broker obtain the prior written consent of Trimor to the written request provided by the Broker, which consent may be withheld for any reason whatsoever."

Also, can we address the clause around transfers between lenders in this same amendment?

Thanks,
Erin

From: Colby Dewart [mailto:ctd@bdplaw.com]
Sent: Friday, December 09, 2011 11:29 AM
To: Erin Armstrong; Michael Zvonkovic
Subject: Trimor/Cash Store - Broker Agreement Amendment

Erin and Michael,

Please find attached the proposed amendment agreement for the amendment to the Broker Agreement that was previously discussed. The only section you really need to look at is Section 2.2.

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Colby

Colby Dewart

BD&P BURNET, DUCKWORTH & PALMER LLP Law Firm

Telephone 403.260.0369 Fax 403.260.0332 Web BDPLAW.COM Address Suite 2400, 525-8th Ave SW Calgary, AB T2P 1G1

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TAB F



www.cashstore.ca

LENDER STATEMENT OF ACCOUNT

February 2013

Trimor Annuity Focus Limited Partnership #5

Account Reconciliation

| | MONTH | YTD |
|--------------------------------------|---------------------|---------------------|
| Funds made available, opening | \$ (16,324,000) | \$ (16,324,000) |
| Funds transferred to The Title Store | 100,000 | 100,000 |
| Additional funds advanced to CSF | (1,750,000) | (1,750,000) |
| Payday Loan Portfolio | 3,897,047 | 3,897,047 |
| Loans Assigned by CSF at fair value | 2,790,665 | 2,790,665 |
| Lines of Credit | 10,027,493 | 10,027,493 |
| Balance Forward | 1,042,379 | 1,110,749 |
| Interest Collected | (142,282) | (216,211) |
| Accounts Written Off | 104,385 | 114,890 |
| Credit for Fraudulent Loans | - | (4,947) |
| Cash payments made | 238,058 | 476,117 |
| Broker Retention Contribution | (288,310) | (526,368) |
| Funding (Excess) / Deficiency | <u>\$ (304,565)</u> | <u>\$ (304,565)</u> |

*Includes participation fees of \$179,753.49 on assigned loans

Portfolio Summary

| | Payday Loans | Assigned Loans | Lines of Credit | Total |
|------------------------------------|---------------------|---------------------|----------------------|----------------------|
| Prior Month Closing Balance | \$ 4,044,759 | \$ 3,588,779 | - | \$ 7,633,538 |
| New Loans | 2,719,162 | - | 10,027,493 | 12,746,655 |
| Loans Received From another Lender | - | - | - | - |
| Collections | (2,762,489) | (798,114) | - | (3,560,603) |
| Accounts Written Off | (104,385) | - | - | (104,385) |
| Current month closing balance | <u>\$ 3,897,047</u> | <u>\$ 2,790,665</u> | <u>\$ 10,027,493</u> | <u>\$ 16,715,205</u> |

Page 1 of 2



The Cash Store Financial Services Inc.
 18811 - 123 Avenue Edmonton, AB Canada T5W 0C3
 Phone: 780.408.5110 Fax: 780.408.6183
 TRUSTEE: NVBECSIFE
 www.cashstore.ca



1. Payday Loans

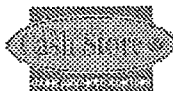
| Province | Current | 1-30 Days Overdue | 31-60 Days Overdue | 61-90 Days Overdue | 90 Days + Overdue | Total |
|---------------------------------|---------------------|-------------------|--------------------|--------------------|---------------------|---------------------|
| Unregulated Provinces | \$ 1,462,239 | \$ 338,713 | \$ 163,363 | \$ 163,627 | \$ 1,769,107 | \$ 3,897,048 |
| AR Discrepancy In Investigation | | | | | | |
| Total | \$ 1,462,239 | \$ 338,713 | \$ 163,363 | \$ 163,627 | \$ 1,769,107 | \$ 3,897,048 |

2. Assigned Loans

| Province | Current | 1-30 Days Overdue | 31-60 Days Overdue | 61-90 Days Overdue | 90 Days + Overdue | Total |
|------------------------------------|-------------|-------------------|--------------------|--------------------------------|---------------------|---------------------|
| Ontario | \$- | \$ 285,194 | \$ 457,189 | \$ 1,013,565 | \$ 5,139,917 | \$ 6,895,865 |
| AR Discrepancy Under Investigation | | | | | | \$ 256,685 |
| Total | \$ - | \$ 285,194 | \$ 457,189 | \$ 1,013,565 | \$ 5,139,917 | \$ 7,152,551 |
| | | | | Allowance on Doubtful Accounts | | \$ (4,361,885) |
| | | | | Total | | \$ 2,790,665 |

3. Lines of Credit

| Province | Current | 1-30 Days | 31-60 Days | 61-90 Days | 90 Days + Overdue | Total |
|--------------|---------------------|-------------------|-------------|-------------|-------------------|----------------------|
| Ontario | \$ 9,831,614 | \$ 195,879 | \$ - | \$ - | \$ - | \$ 10,027,493 |
| Total | \$ 9,831,614 | \$ 195,879 | \$ - | \$ - | \$ - | \$ 10,027,493 |



The Cash Store Financial Services Inc.
 15511 - 123 Avenue Edmonton, AB Canada T5V 0C3
 Phone: 780.408.5110 Fax: 780.408.5122
 TSX:CSF NYSE:CSFS
www.csfinancial.ca



TAB G

CH0001698

From: Ivan Pang <Ivan.Pang@csfinancial.ca>
Sent: Tuesday, January 10, 2012 12:18 PM
To: 'earmstrong@trimorcapital.com' (earmstrong@trimorcapital.com)
Cc: Dorothy Chan <Dorothy.Chan@csfinancial.ca>; Michael Zvonkovic <michael.zvonkovic@csfinancial.ca>
Subject: Transfer to Trimor 6
Attach: image001.png


Hi Erin,

For December, you have requested us to transfer \$275K from Trimor 5 to Trimor 6. However, we are unable to move any AR out from Trimor 5 due to AR restriction. If we transfer the \$275K out, we may have a receivable from this LP. Can we suggest the transfer coming out from Trimor 2 for \$137K and \$138K from Trimor 3?

Thank you,

Ivan Pang

Staff Accountant, Financial Reporting

 Description: C:\Documents and Settings\All Users\Documents\My Pictures\Sample Pictures\CSF.bmp

Phone: (780) 408-5152
Fax: (780) 408-5122
E-mail: Ivan.Pang@csfinancial.ca

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TAB H

CH0000185

From: Steve Carlstrom <Steve.Carlstrom@csfinancial.ca>
Sent: Friday, March 1, 2013 1:34 PM
To: Erin Armstrong (earmstrong@trimorcapital.com)
Cc: Ivan Pang <Ivan.Pang@csfinancial.ca>
Subject: Loans AB Capital

Hi Erin,

As you may know we are in the process of winding up Loans AB through the collection of outstanding accounts and have not made any loans since September 30, 2012. We currently have \$4 million of your capital allocated to Loans AB. I am requesting your permission to re-allocate/transfer \$2 million of this capital that is not currently being utilized back to the Cash Store for use in our consumer lending activities. We anticipate re-allocating the remaining capital over the coming months as the remaining loans are collected or written off.

Let me know if ok to proceed

Thanks!

Steve

stevecarlstrom, CA
VICE PRESIDENT FINANCIAL REPORTING

CASH STORE FINANCIAL
15511 - 123 Avenue | Edmonton, AB | T5V 0C3
F: 780.408.5121 C: 780.566.2787

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CH0000185

TAB I

From: Erin Armstrong <earmstrong@trimorcapital.com>
Sent: Wednesday, November 16, 2011 5:27 PM
To: 'Michael Zvonkovic' <michael.zvonkovic@csfinancial.ca>
Cc: 'Kurt Soost' <ksoost@trimorcapital.com>; 'Bill Johnson' <bill.johnson@csfinancial.ca>; 'Nancy Bland' <nancy.bland@csfinancial.ca>; 'Colby Dewart' <ctd@bdplaw.com>
Subject: RE: Sentence
Attach: image001.jpg

Hi Mike,

I have sent the signed confirmation off to Linda Nelson based on the amendments to be made as per our conversation this afternoon with Colby at BD&P. Thank you for your time spent working through this with us. We can sympathize with the pressure that you are under and appreciate your understanding of our position.

Thanks,
Erin

From: Michael Zvonkovic [mailto:michael.zvonkovic@csfinancial.ca]
Sent: Wednesday, November 16, 2011 3:05 PM
To: Erin Armstrong
Cc: 'Kurt Soost'; Bill Johnson; Nancy Bland; Colby Dewart (ctd@bdplaw.com)
Subject: RE: Sentence

Hello Erin,

As discussed we will make the necessary amendments to the broker agreements to reflect #1 (as noted below) and #4 on the confirmation to the satisfactory of Trimor. We can make these effective at the beginning of when the original broker agreements were signed.

Thanks,

Mike

From: Michael Zvonkovic
Sent: Wednesday, November 16, 2011 1:55 PM
To: 'Erin Armstrong'; Colby Dewart (ctd@bdplaw.com)
Cc: 'Kurt Soost'; Bill Johnson; Nancy Bland
Subject: RE: Sentence
Importance: High

Hi Erin and Colby,

Please note that our interpretation of the below section is that all funds must be recorded in the Trust account and not limiting the use of funds. Here is what we propose for the amendment.

Because the broker-lender agreement is silent on the use of the funds advanced by lenders, in relation to the auditor's first question on their confirmation letter, we proposed to Randy and he agreed that we add an addendum to the agreement that states;

"If any funds advanced by the lender under this agreement are to be used for any purpose other than loans to customers or the loan float, then before the funds are used for that purpose, written permission will be obtained by the broker from the lender."

Please note that CSF has never used funds for any other purpose other than loans to customers or maintaining a loan float.

Let us know ASAP,

Mike

From: Erin Armstrong [<mailto:earmstrong@trimorcapital.com>]
Sent: Wednesday, November 09, 2011 3:53 PM
To: 'Michael Zvonkovic'
Cc: 'Kurt Soost'
Subject: FW: Sentence

Hi Mike,

Given the seriousness around any misrepresentation made by us to investors we felt we needed to receive advice from our legal counsel around the terms of the agreements. Unfortunately he has advised us that we cannot sign off agreeing to this statement without being in conflict with what we have represented to our Limited Partners. I sincerely apologize for any inconvenience this may cause, the last thing that we want to do is make things more difficult for you. Please feel free to give us a call to discuss, we will wait to hear from you prior to submitting.

Erin

From: Colby Dewart [<mailto:ctd@bdplaw.com>]
Sent: Wednesday, November 09, 2011 3:11 PM
To: Erin Armstrong
Subject: RE: Sentence

Erin,

You need to check "Disagree". Funds are only to be used for loans to broker customers.

Below is an excerpt from one of the Broker Agreements:

"Broker shall account to Trimor with respect to all funds (i.e. funds paid by Trimor to Broker or funds received by Broker from Broker Customers or other third parties in relation to Loans) and Records from time to time received by Broker. All such funds and Records shall be received, and shall be segregated and kept apart by Broker, in trust for Trimor."

As such, Broker has no ability to use any funds for its general operating expenses.

Let me know if you need any further clarification on this.

Colby

From: Erin Armstrong [<mailto:earmstrong@trimorcapital.com>]
Sent: November 9, 2011 2:53 PM
To: Colby Dewart
Subject: FW: Sentence

Colby,

As per our conversation please see response suggested by Michael below. Please let me know if this is something we


could do without causing any legal issues.

Thanks,
Erin

From: Michael Zvonkovic [<mailto:michael.zvonkovic@csfinancial.ca>]
Sent: Wednesday, November 09, 2011 2:13 PM
To: Erin Armstrong (earmstrong@trimorcapital.com)
Cc: ksoost@trimorcapital.com
Subject: RE: Sentence

Agree -- As represented by Michael Zvonkovic they have not use the cash for general operating expenses and is under the trust conditions as outlined in the agreement.

Michael M. Zvonkovic, CA
VP Financial Reporting

 Description: CashStoreFinancial
Green with White back

17631 – 103 Ave. Edmonton, Alberta T6S 1N8

Direct: (780) 408-5121

Cell: (780) 906-8584

Fax: (780) 408-5122

E-Mail: michael.zvonkovic@csfinancial.ca

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TAB 5

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

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.,
1693926 ALBERTA LTD. DOING BUSINESS AS "THE TITLE
STORE"

Applicants

This is the Cross-Examination of JENNIFER
PEDE, via videoconference, on the Affidavit of Don
MacLean sworn May 15th, 2014, taken at the offices of
Bennett Jones LLP, Suite 3400, 100 King Street West,
Toronto, Ontario, on the 27th day of May, 2014.

A P P E A R A N C E S:

| | |
|---------------------|---|
| ALAN B. MERSKEY} | -- for DIP Lenders |
| ANDREW MCCOOMB } | |
| BRETT HARRISON | -- for Trimor Annuity Focus Limited Partnership #5 |
| GANNON G. BEAULNE | -- for 0678786 B.C. Ltd. |
| HEATHER L. MEREDITH | -- for FTI Consulting Canada Inc. |
| MARC S. WASSERMAN | -- for Blue Tree Advisors |

ALSO PRESENT:

| | |
|-----------|-----------|
| BILL AZIZ | Observing |
|-----------|-----------|

I N D E X O F P R O C E E D I N G S

| DESCRIPTION | PAGE NO. |
|---|----------|
| JENNIFER PEDE, AFFIRMED | 3 |
| CROSS-EXAMINATION BY MR. MERSKEY: | 3 |
| RE-EXAMINATION BY MR. HARRISON: | 29 |

I N D E X O F U N D E R A D V I S E M E N T S

| REFERENCE NO. | PAGE NO. |
|----------------------------------|----------|
| --- UNDER ADVISEMENT NO. 1 | 4 |
| --- UNDER ADVISEMENT NO. 2 | 4 |

1 UPON COMMENCING AT 2:05 P.M.

2 JENNIFER PEDE, AFFIRMED

3 CROSS-EXAMINATION BY MR. MERSKEY:

4 1. Q. Good afternoon, Ms. Pede, can you hear
5 me okay?

6 A. Yes.

7 2. Q. You are here being examined as a
8 representative of PricewaterhouseCoopers in
9 substitution of Don MacLean with respect to a report
10 dated May 14th, 2014, correct?

11 A. Yes, that's correct.

12 3. Q. And I take it that you were involved in
13 the preparation and drafting of this report?

14 A. Yes. My role was supervising the -- I
15 was involved in the field work and supervising the
16 team.

17 4. Q. And were you involved in the drafting?

18 A. Yes, I had some involvement in the
19 drafting of the report.

20 MR. MERSKEY: Let me just pause there.
21 Madam Reporter, are you picking up the answers all
22 right?

23 THE REPORTER: I am, yes.

24 BY MR. MERSKEY:

25 5. Q. Ms. Pede, if for any reason you can't

1 hear me or don't understand the question you can just
2 ask me to repeat myself, given the connection.

3 A. Okay.

4 MR. MERSKEY: The report refers to an
5 engagement letter of April 21, 2014. Can you provide
6 me with a copy of the engagement letter, Counsel?

7 MR. HARRISON: I'll take it under
8 advisement.

9 --- UNDER ADVISEMENT NO. 1

10 MR. MERSKEY: And will you provide me with a
11 copy of the working file in connection with the
12 report, please?

13 MR. HARRISON: I'll take that under
14 advisement as well.

15 --- UNDER ADVISEMENT NO. 2

16 MR. MERSKEY: And can you tell me when
17 you're going to determine your position on the
18 advisement?

19 MR. HARRISON: After I've considered it.

20 MR. MERSKEY: Given the schedule for the
21 litigation I'm just asking if there's a date by which
22 I can expect an answer, Counsel?

23 MR. HARRISON: I don't know until I've
24 considered it, so I will let you know as soon as
25 possible.

1 MR. MERSKEY: All right. And when I refer
2 to the working file you will understand me to mean I'm
3 also referring to all communications with counsel in
4 connection with the preparation of the report as well?

5 MR. HARRISON: I understand that.

6 MR. MERSKEY: Thank you.

7 BY MR. MERSKEY:

8 6. Q. Ms. Pede, could you start by turning to
9 pate 7 of the report, please? And you'll see on page
10 7 at paragraph 5 that there is a reference to a
11 separate bank account being used for deposit of funds
12 received from TPLs and for cash retention payments
13 paid to TPLs; do you see that reference there?

14 A. Yes, I see the reference.

15 7. Q. The statement there does not indicate
16 whether or not that account was also, in your
17 understanding, used for receipt of funds from
18 customers. Are you able to say from your review
19 whether the account was used for the receipt of funds
20 from Cash Store customers?

21 A. Yes. There -- I'll refer you to --
22 this is intended to be a summary. I will refer you to
23 later in the report -- just give me one moment --
24 where that's addressed.

25 8. Q. I think there's a further discussion of

1 the account on page 27 of the report, if that assists
2 you, Ms. Pede.

3 A. Can you repeat the question, please?

4 9. Q. Yes. My question was: were you able to
5 determine from your investigation whether what is
6 referred to as a separate bank account, being the CIBC
7 account, was used for receipt of funds from Cash Store
8 customers?

9 A. We did not do a detailed audit of all
10 of the transactions going through this account; what
11 we did note from our observations and review of the
12 bank statements that were provided to us for the
13 period from October 2013 through to January 2014 -- we
14 noted that there were certain transactions in smaller
15 dollar values going through that account which, when
16 we discussed that with management they indicated that
17 those transactions represented customer pre-authorized
18 deposit collections which would be in relation to both
19 brokered and direct loans. We did not substantiate
20 that by tracing those to source documents to
21 understand which lender those would have related to.

22 10. Q. Thank you. Just staying with the
23 statement on page 7 of the report that although this
24 account was not specifically designated for third
25 party funds, based on your review of the bank

1 statements for the period October 2013 to March 2014,
2 it appears to have been used for that purpose. And am
3 I correct in understanding from your report, Ms. Pede,
4 that in fact the account was used for at most one to
5 two months for that purpose, at least as far as you
6 can determine from your investigation?

7 A. No, I don't believe that to be correct.

8 11. Q. Okay. Can you go to page 27 of your
9 report then to assist me with that? So if we look at
10 the second-last bullet from the bottom of the page it
11 indicates that prior to January of 2014 this account
12 was used to facilitate cash receipts from and payments
13 to the TPLs. And the last bullet says, "Mr. Carlstrom
14 advised this process was discontinued in December
15 2013." So my understanding from your report is that
16 the last period of time in which this bank account was
17 used in the fashion you've described was December
18 2013. Is my understanding accurate?

19 A. I think it's important to characterize
20 that we did not look at the transactions through this
21 account prior to October 2013 so I cannot comment on
22 what was going through that prior to that.

23 12. Q. No, I appreciate ---

24 A. What we were ---

25 13. Q. Ms. Pede, let me just interrupt you

1 there. No, she can finish the question -- but it
2 relates to clarifying my prior question anyway, Mr.
3 Harrison -- and that is I appreciate that your
4 investigation doesn't go back before October 2013 but
5 what I'm asking is from the statements that you've
6 reviewed you have only seen this account being used in
7 that fashion for one to two months; is that fair?

8 MR. HARRISON: Please feel free to complete
9 your answer.

10 THE DEPONENT: So we reviewed the
11 statements, the bank statements, from October to
12 January 2014. We discussed the nature of the
13 transactions going through this account with
14 management at that time. The discussions we had with
15 management at that time is they advised that it was
16 used to facilitate the cash receipts from the TPLs as
17 well as payments to the TPLs. They had made some
18 changes -- Mr. Carlstrom indicated to us that they had
19 made some changes to their banking arrangements after
20 this December 2013 period and as noted before these
21 pre-authorized deposits had been set up to go to that
22 account so they were essentially running the course, I
23 guess, of those that were in place. But after
24 December 2013 anything -- well, I believe it was
25 actually in November, they set them up to be directed

1 to a separate account, a different account.

2 14. Q. Right. So I'm correct in understanding
3 that from your review and what you've seen you're only
4 aware of what was going through there in October and
5 November of 2013?

6 A. October, November, December and January
7 were the months that we looked at.

8 15. Q. Right. There was nothing going through
9 there in January, right?

10 A. I would have to go back and check to be
11 sure but there may have been minimal transactions
12 going through at that time. I believe we state on
13 page 28 of our report that there was still a balance
14 in that account of about \$5,000.00 as at March 31st.
15 But ---

16 16. Q. Let me put it to you this way, Ms.
17 Pede, the account wasn't being used for general
18 collection of TPL funds in January, correct?

19 A. Can you clarify what you mean by TPL
20 funds?

21 17. Q. Yes. You have indicated that your
22 understanding of this account is it was used -- while
23 not identified in that fashion it was used for the
24 collection of third party lender receipts. Is that
25 your understanding of what it was used for or was it

1 used for some wider purpose?

2 A. No, our understanding is that it was
3 used to deposit advances from TPLs as well as make
4 those cash payments that are issued to the TPLs on a
5 monthly basis from that account.

6 18. Q. Those are the 17.5 percent payments?

7 A. Correct.

8 19. Q. And so I was just attempting to confirm
9 that the usage which you've just described, you're
10 aware of it being used for that purpose on a regular
11 basis in November 2013, correct?

12 A. As far as the information we were
13 provided by management, yes.

14 20. Q. And that's all you've got to work with,
15 right, the information that was provided by
16 management?

17 A. With respect to the detailed bank
18 transactions, yes, we were provided with statements by
19 management and then they provided explanations to us
20 as to how that account was used.

21 21. Q. Okay. So to the best of your
22 knowledge, based on the information you were provided,
23 that account was used for that purpose in November
24 2013, correct?

25 A. Yes.

1 22. Q. Do you know if it was used generally
2 for that purpose in December 2013? That's the month
3 in which Mr. Carlstrom said to you that it was
4 discontinued.

5 A. I would have to go back and look at the
6 exact transactions because what Mr. Carlstrom had
7 indicated to us is they were -- around the time frame
8 of about December 2013 they were in the process of
9 changing the structure of their bank accounts so there
10 would have been changes being made during that time
11 frame. But there would have been some transitioning
12 period there. I would ---

13 23. Q. But you're not able to say anything
14 further at this point in time, based on your report?

15 A. No, I would have to go back and look at
16 the actual bank statements.

17 24. Q. Ms. Pede, could you look at page 10 of
18 your report, please? And on this page there is a flow
19 chart depicting an overview of the third party lender
20 process, it's depicted. So am I correct in
21 understanding that on the left-hand side you are
22 showing funds, being interest of 59 percent per year,
23 flowing from the Cash Store customer to the third
24 party lender?

25 A. Yes.

1 25. Q. And then on the right-hand side am I
2 correct that the dotted line from the broker, which is
3 Cash Store, to the TPL represents the flow of funds
4 from Cash Stores making 17.5 percent payments to the
5 third party lenders?

6 A. Yes, that's correct. I should clarify,
7 just back to your point on the interest; this is not
8 necessarily intended to represent the flow of cash.
9 This is just provided to explain the nature of the
10 relationship between the broker and third party
11 lender.

12 26. Q. Thank you. So conceptually the
13 customer is paying 59 percent in interest which
14 somehow arrives at the third party lender, correct?

15 A. Yes, that's correct.

16 27. Q. And then conceptually the company or
17 Cash Stores is separately paying an amount that
18 amounts to a 17.5 percent return to the third party
19 lenders, correct?

20 A. Based on what management told us, yes,
21 that is how it operated.

22 28. Q. Right. And your understanding of the
23 reason that they did that, that's set out on page 11,
24 correct? You say that's because the company
25 recognized the need to compensate the TPLs for the use

1 of their funds?

2 A. Yes. Our discussions with management
3 indicated that these 17 and a half percent payments
4 were made to the TPLs to encourage them to continue to
5 lend their funds through the brokerage business.

6 29. Q. And that's why you call it compensation
7 to the TPLs in your report?

8 A. It's compensation in the form that it
9 is cash changing hands, yes, but it's important to
10 note, I guess, that it's not specified in the broker
11 agreement, that specific payment. So we -- this
12 comment is based on our discussions with management
13 and how they advised us that they were dealing with
14 the practice.

15 30. Q. Understood. Can you turn to page 12 of
16 your report, please? And I understand that set out
17 here is a step description of how funds are flowed
18 through these lending arrangements. And just to let
19 you know where we're going with this, Ms. Pede, I
20 would like to break that down into some smaller steps
21 with you to see if my understanding of that is
22 correct. So as I understand this correctly -- if I
23 understand it correctly, this all starts -- there was
24 an initial contribution of funds by the TPL, correct?

25 A. Yes. Now, that may have been made in

1 more than one transaction or tranche.

2 31. Q. Fair enough. But at some point the TPL
3 hands funds over to Cash Stores, correct?

4 A. Yes.

5 32. Q. And Cash Stores flows that money out to
6 individual customers?

7 A. Yes, in its capacity as the broker.

8 33. Q. Well, let's have the court decide the
9 capacity and you can tell me whether you know whether
10 it was flowed out to customers, okay, Ms. Pede?

11 MR. HARRISON: I think she's giving you her
12 understanding.

13 THE DEPONENT: Well, based on our
14 discussions with management that was our understanding
15 of how they were operating the business.

16 BY MR. MERSKEY:

17 34. Q. All right. So Cash Stores flowed the
18 money out to individual customers in some capacity,
19 fair?

20 A. Yes.

21 35. Q. And the customers then signed loan
22 documents naming, for instance, Trimor as the lender,
23 correct?

24 A. Yes, that is correct and there are
25 examples of those attached in the appendix to our

1 report.

2 36. Q. I take it you didn't see customers
3 signing any documents naming McCann as the lender, did
4 you?

5 A. No, we did not, but our work in looking
6 at the source loan documents was limited to just one
7 sample, one of which is attached in our report, but
8 they did include McCann loans.

9 37. Q. Are you aware from your discussions
10 with management that customers did not sign any
11 documents naming McCann as the lender?

12 A. That was what management advised us,
13 yes.

14 38. Q. Okay. So funds flow out to the
15 customers, then turning to the return part of the
16 cycle, some customers default, perhaps, correct?

17 A. That's correct.

18 39. Q. And the customers that don't default
19 return the borrowed funds to Cash Stores along with
20 interest payments, correct?

21 A. Yes.

22 40. Q. In one period of time Cash Stores used
23 what you called a flow-through account, you've seen a
24 month or two of that, to receive those funds, correct?

25 A. We saw in some cases, yes, that those

1 transactions would have been deposited to a flow-
2 through account, but it's important to note we didn't
3 do an audit of all of the transactions to have any
4 sense as to whether that represents all of those fund
5 repayments.

6 41. Q. So you're not able to say how regular
7 or irregular that practice was, based on the limited
8 documentation you had for review?

9 A. Well, based on our discussions with
10 management the practice was that there would be a pre-
11 authorized payment agreement set up with the customer
12 and that would deposit the funds in to a bank account
13 which was controlled by the broker. But those -- we
14 didn't go through all of those transactions to know
15 whether all of the transactions were going through one
16 account or whether there were multiple accounts that
17 these collections were going through.

18 42. Q. I take it you weren't aware, either
19 from what you saw or your discussions with management,
20 that any of the funds were being segregated by
21 individual TPL?

22 A. Can you clarify, are you referring to a
23 bank account?

24 43. Q. Correct. The funds were not being held
25 in a separate bank account, for instance, for Trimor?

1 A. Based on our discussions the bank
2 account that was being used for flow of funds was the
3 CIBC account referred to in our report. They did not
4 advise whether or not there was any -- a separate
5 account for Trimor versus McCann but that that was
6 used for TPL payments and the advances.

7 44. Q. So you don't have any additional
8 information on that point?

9 A. No.

10 45. Q. Okay. Leaving aside that flow-through
11 account then, otherwise, as far as you know, Cash
12 Stores flowed the funds received from customers into a
13 general operating account, correct?

14 A. Based on our discussions with
15 management, after January 2014 they were directed to a
16 general operating account.

17 46. Q. And in that general operating account
18 TPL funds would be comingled with general Cash Store
19 funds, correct?

20 A. We didn't look at the details of what
21 was in that account, but based on Mr. Carlstrom's
22 representations to us that account had other functions
23 that it was used for, for general operating which is
24 why we have characterized it as a general operating
25 account in our report.

1 47. Q. You've characterized it as a general
2 operating account because it received various
3 different kinds of receipts, correct, at least
4 according to what management has told you?

5 A. Right. But, you know, they would have
6 a number of accounts for a number of different
7 purposes of which we didn't discuss with them
8 specifically.

9 48. Q. And I take it -- and I suppose this is
10 obvious to you from the accounting perspective, but
11 the account balance would go up as these different
12 kinds of receipts flowed in?

13 A. Are you talking about the receipts
14 directly from the customers, the pre-authorized
15 deposits?

16 49. Q. Not just the pre-authorized deposits
17 but any receipts. The company's general receipts are
18 coming into that account and these pre-authorized
19 deposits, right?

20 A. Yes.

21 50. Q. And so the account is going to go up as
22 any or all of these receipts come in, correct?

23 A. Yes.

24 51. Q. And I take it then, equally, in the
25 gravitational pull of the accounting world the account

1 is going to go down as these funds are flowed out for
2 various purposes, right?

3 A. Correct.

4 52. Q. And of those various purposes you're
5 aware, for instance, that Cash Stores would pay over
6 customer interest to the TPLs from this operating
7 account?

8 A. Sorry, for clarification, are you
9 talking actual payment of cash?

10 53. Q. Yes. I'm talking about the receipts
11 which represented interest that had been received from
12 customers.

13 A. Those would have been deposited into
14 this account but, for clarity, those were not directly
15 given to the third party lender at that point in time.
16 They would have been reflected as the collection of
17 interest on the lender's -- the monthly lender's
18 statement.

19 54. Q. So would there have been a monthly
20 payment to the TPL then, representing that interest
21 payment from that account?

22 A. The way management described it to us
23 is they hold the funds to which the TPL has provided
24 but in their role as the broker they are continuously
25 relending those funds. So that does not mean that

1 they are necessarily making a direct payment of that
2 specific interest in cash to the TPL on a monthly
3 basis. But it is reflected in the lender's statement
4 as funds that would be available to relend.

5 55. Q. So it's either, in your understanding,
6 funds that might be paid out to the TPL or else it's
7 an accounting notation of funds -- of an obligation to
8 the TPLs in that respect?

9 A. I wouldn't call it an obligation. I
10 would refer you to a lender -- if you look at a
11 monthly lender's statement the interest earned then --
12 -

13 56. Q. If I can stop you, actually, there? I
14 want to ask you about the chart on page 12, because
15 what I'm really talking about here is step 3 in your
16 chart. You see where it says "Cash payments made to
17 third party lenders"?

18 A. Yes.

19 57. Q. And there's a general operating
20 account. And it says "Return of capital payments,
21 target of 17.5 percent per annum."

22 MR. HARRISON: So just if the witness can
23 finish answering the question as she saw fit? So if
24 you want to finish answering that question please feel
25 free to.

1 THE DEPONENT: Sure. For clarity, I -- the
2 interest payment coming from the customer is reflected
3 as an entry in the -- I'll say the lender's -- it
4 effectively increases the amount available to loan
5 again, net of any accounts written off, which would
6 happen in the normal course. As to the 17 and a half
7 percent that you refer to on the chart, that is not
8 necessarily a payment of interest. I -- as I refer
9 you back to -- so that represents on page 11 of our
10 report these voluntary monthly cash payments of 17 and
11 a half ---

12 BY MR. MERSKEY:

13 58. Q. So those are the payments from the
14 company to TPLs coming out of that general account?

15 A. After January 2014 we were told they
16 were coming out of that general account, prior to that
17 we were told the practice was it came out of that
18 flow-through account.

19 59. Q. The payments by the company there, the
20 17.5 percent?

21 A. That's correct.

22 60. Q. Well, I take it that after January
23 2014, at least, or from January 2014 on the company
24 was also using this general operating account to make
25 new customer loans?

1 A. We didn't look at that specifically but
2 -- that would be a question for the company.

3 61. Q. Are you aware as to whether the
4 customer loans were coming from any other place?

5 A. Are you talking about new loans
6 advanced?

7 62. Q. Correct, to new customers in January
8 2014 and forward?

9 A. TPL loans or company loans?

10 63. Q. Let's take it step by step. Funds
11 would then flow out again to customers of Cash Stores,
12 right?

13 MR. HARRISON: So just to clarify, when you
14 say customers of Cash Stores are you talking about the
15 brokerage business or the direct lending, just to be
16 clear?

17 MR. MERSKEY: No, to be very clear I'm
18 talking about retail customers, it doesn't matter for
19 the purposes of this question, Mr. Harrison, whether
20 they're broker or direct lending. At some point there
21 is somebody who walks into a Cash Store premises in
22 any province, regardless of the form of the loan, and
23 gets money. So that's where my question starts.

24 BY MR. MERSKEY:

25 64. Q. So I take it, to return to the

1 question, Ms. Pede, that the funds to be advanced to
2 the individuals that walk into the retail stores come
3 from these accounts?

4 A. They come from general -- after January
5 2014 they came from one of -- I can't confirm how many
6 accounts they had at that point but they would have
7 come from a general operating account after January
8 2014.

9 65. Q. And then a receivable -- if this was in
10 the brokerage side I take it a receivable was created
11 in the name of the TPL for that particular customer
12 loan if it was being attributed to a TPL; is that
13 right?

14 A. Can you clarify what you mean by
15 receivable?

16 66. Q. Well, later on in your report you
17 review the accounts receivable for Trimor, among
18 others, so I'm assuming from that you're looking at
19 brokered loans carried on the books of the company,
20 including from after January 2014, and that an
21 accounting entry has been made at least on behalf of
22 Trimor with respect to a customer loan. That's what I
23 mean by a receivable.

24 A. Okay. I think we need to clarify the
25 definition of receivable because when you say recorded

1 on the books it's important to distinguish the fact
2 that the company did not reflect the third party
3 lender loans on the books of -- on the financial
4 statements. So if we refer to page 29 of my report --

5 -

6 67. Q. I've read it, Ms. Pede. Actually by
7 account receivable I was intending something more
8 basic than that. Somewhere you in your investigation
9 could denote amounts that you thought were owed to a
10 TPL, right?

11 A. Yeah, there would be loan portfolios
12 that exist that are attributed to the TPL loans
13 granted to the customers.

14 68. Q. Right. And some of those TPL loans
15 granted to the customers come into existence after
16 January -- from January 2014 and on, right?

17 A. Correct.

18 69. Q. So all I was asking you before is that
19 in some fashion or another funds are flowed out of
20 these general operating accounts and the TPL is given
21 a receivable, however you want to define it, with
22 respect to that individual loan, correct?

23 A. That loan agreement is between the
24 customer and the third party lender so, yes, but the
25 broker is I guess in possession of those funds at that

1 point in time and in their role as the broker is
2 providing that to the customer.

3 70. Q. From its general operating account?

4 A. As far as management advised us.

5 71. Q. And then if we just track this through
6 to the end the cycle starts over again with the funds
7 being received back from customers into this general
8 operating account again; is that right?

9 A. As far as I'm aware, yes.

10 72. Q. And then it's sort of recycled, if I
11 can use that word, through the system in a perpetual
12 circle?

13 A. Well, yeah, the -- as management
14 explained to us the nature of these loans are very
15 short term in nature as in that they are collected and
16 re-loaned on a very short -- I think the word Gord
17 Reykdal used was 'velocity', short.

18 73. Q. High velocity loans?

19 A. Yes.

20 MR. MERSKEY: Okay. If you'll just give me
21 three minutes off the record, Counsel?

22 --- OFF THE RECORD ---

23 --- UPON RESUMING ---

24 MR. MERSKEY: I have just been provided with
25 a copy of a letter from PwC dated May 26, 2014 to Mr.

1 Carlstrom of Cash Stores together with a preceding
2 email from Mr. Carlstrom of Cash Stores dated May 21
3 to PwC seeking corrections in the PwC report. I've
4 been provided with this information shortly before the
5 end of the cross-examination by not counsel who
6 retained PwC but counsel for the CRO, Mr. Wasserman.
7 There are a number of corrections requested and I have
8 to say, Mr. Harrison, this only reiterates my request
9 for the full working file. And I find it somewhat
10 discomfiting at best to be provided with a document
11 from the company witness with whom PwC spoke seeking
12 clarifications of the report only at the end of my
13 examination and not from PwC itself. I'm going to
14 reserve my rights to examine on this and other issues
15 once I see your working file or if I have to bring a
16 motion to compel production of the working file. But
17 in the meantime I would note an issue which we spent
18 10 to 15 minutes going over as to what the use of the
19 bank account called by PwC a flow-through account was
20 has been taken issue with by Mr. Carlstrom in his
21 email and he specifically states that he did not
22 believe then and does not believe now that the bank
23 account identified by PwC in the section was a
24 separate bank account used primarily for TPL purposes.
25 BY MR. MERSKEY:

1 74. Q. I have one question for you, Ms. Pede,
2 in that regard.

3 A. Yes.

4 75. Q. Did you consider the statement made by
5 Mr. Carlstrom that the bank account identified in the
6 report was not a separate bank account used primarily
7 for TPL purposes? You received his email and you
8 considered that point?

9 A. Yes, I received his email and ---

10 76. Q. And you considered that point?

11 A. We considered it and our response is in
12 the letter which -- that we sent dated May 26th, which
13 I think you have in front of you.

14 77. Q. And you chose not to include it in your
15 report, correct?

16 MR. HARRISON: Just to clarify, if you look
17 at the dates the report was issued quite some time
18 before that.

19 THE DEPONENT: Yes.

20 BY MR. MERSKEY:

21 78. Q. You chose not to issue an update to
22 your report correcting it, correct?

23 A. We didn't -- as I mentioned before we
24 looked at the ---

25 79. Q. Ms. Pede, my question was: you chose

1 not to issue an update to the report correcting it,
2 right?

3 MR. HARRISON: Feel free to answer the
4 question in the manner you choose.

5 MR. MERSKEY: No, no, if you want to ask the
6 witness a question re-examine her. I asked the
7 witness a specific question and the fact is that I'm
8 entitled to direct the witness to provide me with an
9 answer to my specific question which it's quite clear
10 she was in the middle of not providing.

11 MR. HARRISON: You don't have to browbeat
12 the witness, she's allowed to answer the question as
13 she sees fit.

14 MR. MERSKEY: I would be impressed if I
15 could browbeat a witness in your presence, Mr.
16 Harrison, however I'm simply asking the witness to
17 answer the question that I put to her, which was quite
18 straightforward.

19 BY MR. MERSKEY:

20 80. Q. And I think yes or no, Ms. Pede, you
21 chose not to issue a correction to the report,
22 correct?

23 A. To answer your question our report was
24 dated May 14th, we received comments from Mr.
25 Carlstrom which you have in front of you. We reviewed

1 his comments and we didn't -- we did not issue a
2 revised report as a result. We responded to his
3 comments directly by way of letter.

4 81. Q. Thank you. Those are all my questions
5 for you.

6 MR. MERSKEY: Do you wish to re-examine, Mr.
7 Harrison?

8 MR. HARRISON: I do.

9 RE-EXAMINATION BY MR. HARRISON:

10 82. Q. You'll recall that counsel went through
11 -- I think it was the report at page 7 and 27 with
12 regard to the flow-through account?

13 A. Yes.

14 83. Q. And he asked you a series of questions
15 with regard to timing of when that account was used
16 for third party funds; do you recall that?

17 A. Yes.

18 84. Q. And he put to you that you only saw
19 bank statements from October, November, December and
20 onward; do you recall that?

21 A. Yes.

22 85. Q. Sorry, you have to ---

23 A. Oh, yes, sorry.

24 86. Q. Did you have any discussions with
25 management about the time period in which that account

1 was used?

2 A. I would say we had general discussions
3 -- we had meetings with management on the very first
4 day of our engagement. It may be important to note
5 that Mr. Carlstrom was not in attendance at that
6 meeting. And in those discussions it was mentioned
7 that there was a separate bank account and TPL
8 transactions had gone through this account. And
9 following that discussion there was a take-away for
10 those in attendance at that meeting, the controller
11 and such, to provide information to us on the nature
12 of that account. So we did discuss generally with
13 them the existence of this account. And the
14 impression that we got from them would have been that
15 this had been in existence for some time. What we
16 were highlighting in our report was the change, which
17 there was a change in practice from the December to
18 January time frame.

19 87. Q. Thank you. And at the end of your
20 examination counsel put to you that you did not update
21 the report after you received Mr. Carlstrom's email;
22 do you remember that?

23 A. Yes.

24 88. Q. And why did you not update your report?

25 A. I don't have his email in front of me

1 but to my recollection his comments around the nature
2 of the bank account talked about transactions in
3 September. That was outside of the period that we
4 were referencing in our report. It did not warrant
5 updating our report for the fact that we saw what we
6 saw in the time period that we were looking at. The
7 information that Mr. Carlstrom provided did not
8 contradict that information. And it might be
9 important to highlight that our report was intended
10 for our ...

11 89. Q. Did Mr. Carlstrom's letter change any
12 of your comments in the report?

13 A. No, we responded to Mr. Carlstrom's
14 comments by way of letter but as noted in the report
15 it did not change any comments in our report. In some
16 cases what he was referring to may have been rationale
17 for certain things, but we were reporting on the facts
18 of the information that had been presented to us at
19 that time.

20 90. Q. Thank you.

--- WHEREUPON THE EXAMINATION WAS ADJOURNED AT 2:51 P.M.

May 27th, 2014

J. PEDE - 32

I hereby certify that this is the
Cross-Examination of JENNIFER PEDE,
taken before me to the best of my
skill and ability on the 27th day of
May, 2014.

Tracy Wingrove - Court Reporter

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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 OR COMPROMISE OR ARRANGEMENT OF CASH STORE FINANCIAL SERVICES INC. et al

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