

**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

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

Dated: June 2, 2014

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Robert W. Staley (LSUC #27115J)
Raj Sahni (LSUC #42942U)
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Lawyers for the 0678786 B.C. Ltd.

**ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS
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APPLICANTS

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A.	Exhibit 1: Affidavit of Sharon Fawcett sworn April 11, 2014
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TAB 1

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

APPLICANTS

**FRESH AS AMENDED NOTICE OF MOTION
(returnable June 11, 2014)**

0678786 B.C. Ltd. (formerly the McCann Family Holding Corporation) ("McCann") will make a motion to a judge of the Superior Court of Justice (Commercial List), on Wednesday, June 11, 2014 at 10 am or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR an Order that:

- (a) Grants a declaration that the following property (collectively, the "McCann Property"), including without limitation the McCann Loans as defined in the Order of the Honourable Regional Senior Justice Morawetz dated April 30, 2014, is owned by McCann free of any interests or claims of any creditor of the Applicants including, without limiting the generality of the foregoing, any encumbrances or charges created by the Order of the Honourable Regional Senior Justice Morawetz dated April 14, 2014:
 - (i) Any loans made in the name of any third party lender and brokered by The Cash Store Inc. and 1693926 Alberta Ltd. (collectively, "Cash Store") on behalf of their customers

- ("Customers") using funds made available by McCann for that purpose (the "McCann Funds");
- (ii) Any advances originated by Cash Store and subsequently purchased with the McCann Funds;
 - (iii) Any loans and advances originated by Cash Store and subsequently assigned to McCann as capital protection or otherwise (together with (i) and (ii) above, the "McCann Loans");
 - (iv) Any amounts received by Cash Store from its Customers in repayment of the McCann Loans (the "McCann Receipts");
 - (v) Any accounts receivable in respect of the McCann Loans (the "McCann Accounts Receivable"); and
 - (vi) The McCann Funds.
- (b) Cash Store shall forthwith execute and deliver such documentation as is necessary or desirable to evidence the fact that McCann is the sole legal and beneficial owner of the McCann Property;
 - (c) Cash Store shall forthwith transfer the McCann Funds and the McCann Receipts to McCann;
 - (d) Cash Store shall forthwith, at McCann's expense, provide such assistance to McCann as is necessary or desirable to facilitate the transfer of the administration of the McCann Loans and the McCann Accounts Receivable to another service provider;
 - (e) McCann's legal and other professional fees incurred in or in connection with this CCAA proceeding shall be paid by the Applicants and shall be covered by the Administration Charge granted in the Initial Order, as defined below;

- (f) Cash Store shall pay McCann's costs of this motion;
- (g) McCann reserves all rights to assert any arguments and claims in this proceeding or otherwise in relation to claims (whether they be trust, proprietary or otherwise) it has against the Applicants and any other persons resulting from or relating to monies it advanced to make third party loans; and
- (h) Such further and other relief as counsel may advise and this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

- (a) Cash Store provides alternative financial products and services to Customers;
- (b) Cash Store brokers loans on behalf of Customers pursuant to broker agreements with third party lenders ("TPLs"), who agree to lend to Customers or to purchase advances to the Customers originated by Cash Store;
- (c) McCann is a TPL and has made approximately \$13,350,000 available to Cash Store for the purpose of allowing Cash Store to broker advances to Customers or to purchase advances to the Customers originated by Cash Store;
- (d) On April 14, 2014, Cash Store obtained an initial order, which was amended and restated on April 15, 2014 (as amended, the "**Initial Order**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**");
- (e) The Initial Order provided, among other things, that Cash Store shall continue to carry on business and retain and use funds received from TPLs, including the McCann Funds, subject to certain conditions set out in the Initial Order;

- (f) The Initial Order specifically authorized Cash Store to use amounts received after the date of the Initial Order in connection with the repayment of the McCann Loans (the “**McCann Post-Filing Receipts**”) to make new McCann Loans;
- (g) In obtaining the Initial Order, the Applicants' materials failed to make material disclosures regarding pre-filing conduct. The Applicants' failure to satisfy their obligation to make full and frank disclosure to this Court is a factor that ought to be considered when the Court exercises discretion regarding the relief requested herein;
- (h) On April 30, 2014, this Honourable Court issued an Order with additional protections for TPLs (the “**Additional Order**”);
- (i) The Additional Order provided, among other things, that the Applicants shall not use McCann Post-Filing Receipts to broker new McCann Loans;
- (j) Cash Store is not a licensed payday lender in Ontario, and as a result, cannot broker any third party loans, make any direct loans, or take any steps to collect loans in Ontario;
- (k) The broker agreements governing the McCann Property expressly provide that McCann owns the McCann Property;
- (l) Cash Store’s affidavit evidence, past statements (both to the TPLs and in public disclosure), and conduct show that McCann owns the McCann Property;
- (m) The broker agreements and notices given under them entitle McCann to the return and transfer of the loan administration of the McCann Property;
- (n) The balance of prejudice supports an immediate return of the McCann Property to McCann and the transfer of the administration of any McCann Loans and McCann Accounts Receivable to a service provider selected by McCann;

- (o) McCann is significantly prejudiced by Cash Store's retention of McCann Property connected to Cash Store's Ontario operations. Cash Store cannot redeploy the McCann Property in new McCann Loans in Ontario. As a result, there is little to no incentive for Ontario customers to repay the existing McCann Loans;
- (p) The Applicants will suffer little, if any, prejudice from the transfer of the McCann Property. The Applicants cannot operate in Ontario;
- (q) The provisions of the CCAA, as amended, and this Honourable Court's equitable and statutory jurisdiction thereunder;
- (r) Rules 1.04, 2.03 and 37 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (s) Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) The Affidavit of Steven Carlstrom sworn April 14, 2014 and the exhibits attached thereto;
- (b) The transcript of the Cross-Examination of Steven Carlstrom on his affidavit sworn April 14, 2014;
- (c) The Affidavit of Erin Armstrong sworn April 13, 2014 and the exhibits attached thereto;
- (d) The Affidavit of Murray McCann sworn April 22, 2014 and the exhibits attached thereto;
- (e) The Affidavit of Sharon Fawcett sworn April 22, 2014 and the exhibits attached thereto;

- (f) The Affidavit of Erin Armstrong sworn May 8, 2014 and the exhibits attached thereto;
- (g) The Affidavit of Donald MacLean sworn May 15, 2014 and the Report of PricewaterhouseCoopers Inc. attached thereto; and
- (h) Such further material as counsel may advise and this Honourable Court may permit.

May 15, 2014

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Jonathan Bell (LSUC #55457P)
Grant Stapon
Kenneth Lenz

Counsel to 0678786 B.C. Ltd.

TO: SERVICE LIST

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

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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"

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

ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF MOTION
(RETURNABLE June 11, 2014)

BENNETT JONES LLP
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Lawyers for 0678786 B.C. Ltd.

TAB 2

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
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ALBERTA LTD DOING BUSINESS AS "THE TITLE STORE"

APPLICANTS

AFFIDAVIT OF MURRAY MCCANN

I, Murray McCann, of the City of Calgary, in the Province of Alberta, MAKE OATH
AND SAY:

1. I am the former president of 0678786 B.C. Ltd. (formerly the McCann Family Holding Corporation) ("The Company"), and as such have personal knowledge of the facts and matters hereinafter deposed to by me save where stated to be based on information and belief, in which case I verily believe same to be true.
2. The Company and I have had long term dealings with The Cash Store Inc. in various capacities, and as a result of those business dealings I have become both a social and business acquaintance of The Cash Store Inc's CEO Mr. Gordon Reykdal.
3. As a result of that association, The Company was offered the opportunity to participate in the Broker Agreement made between The Company and The Cash Store Inc. on or about June 19, 2012.
4. At all material times hereto, I understood that The Cash Store Inc. would act as a *broker* to lend our monies to third parties, and that The Company would either own the loans or the cash it had advanced in trust to our broker, and that our accounts would be administered on a segregated basis from The Cash Store Inc's funds and be pooled safely with other "broker only" monies.

5. In my discussions with Mr. Reykdal over time, he confirmed that The Cash Store Inc. was acting as a trustee of The Company's funds, and that they would always be administered as such, and that The Cash Store Inc. would not co-mingle The Company's money with The Cash Store's operations.
6. I instructed The Company's secretary Ms. Sharon Fawcett, to maintain regular contact with The Cash Store Inc. to ensure that the monies and loans in The Company's brokerage account were kept segregated and secure and accounted for. I am advised and verily believe she did so.
7. The funding excess / deficiency which The Company received from The Cash Store Inc. over time provided a summary of the loans which were owned by The Company. The Company's monies in excess of the loans were described as "the funding excess deficiency" which were assumed to be segregated in accordance with our agreement and instructions. The Company's cash was always described as "restricted cash" in The Cash Store public financial statements.
8. When I learned of possible issues with The Cash Store Inc. in Ontario, The Company's management had several discussions including face to face meetings with The Cash Store Inc. management requesting that our broker funds be transitioned out of Ontario and possibly into a secured Credit Agreement debenture. We were assured that over time our segregated broker funds would likely be transitioned into that debenture agreement. Participants in that debenture included Coliseum, and Mr. Reykdal's wife.
9. The agreement to transit The Company's funds into the debenture was never finalized. When it became clear that The Cash Store Inc's Ontario problems continued, I had discussions with Mr. Reykdal where he again confirmed that The Cash Store Inc. regarded the monies advanced by The Company pursuant to the Broker Agreement as distinct monies which must either be transited out of Ontario into other secured loans, advanced into the Credit Agreement as a first charge, or paid out to The Company. I was again assured by Mr. Reykdal that our monies were segregated and safe, and should be secured by way of loans.

10. On the evening of March 24, 2014, I picked up Mr. Reykdal at the Phoenix airport and we drove to the Silverleaf Club for dinner, and later to his home in the same area. During that meeting, Mr. Reykdal advised me that he had spoken to Rothchilds and the "special committee" who had requested that he speak to me to encourage me to sign an NDA. I advised Mr. Reykdal that I simply wanted The Company's money back because The Cash Store Inc. was no longer lending in Ontario, and The Company's funds were just sitting there. Mr. Reykdal again assured me that The Company's monies were safe and properly segregated, and that the only reason The Company was not being paid was because of instructions from the "special committee". He also reiterated that in his opinion and the opinion of his management, The Cash Store Inc. only had three options. The first was to give The Company full security by transferring more receivables if there was going to be any use of the restricted cash. The second option was to transfer any cash balance to the first charge secured Credit Agreement debenture since there was still approximately \$20,000,000 available in that charge, or, again and finally, to pay The Company out.
11. Mr. Reykdal subsequently advised me that the "special committee" had placed him under a "gag-order" which precluded him from discussing the use which The Cash Store Inc. was making of The Company's monies.
12. At no time prior to April 8, 2014 based on a letter from Mr. Wasserman was it ever suggested that monies belonging to The Company would be used without transferring full loan security to it. If I had been so advised I would immediately have gone to court to stop it.
13. We engaged counsel to go to court within two or three days of learning that The Cash Store Inc. (only now) formally advised that it did not regard The Company's money as trust monies, or as segregated brokerage funds. We arranged to proceed to Court in Alberta in an attempt to have the monies frozen, but the CCAA process stayed that effort.
14. Based on my long standing discussions and assurances with and from Mr. Reykdal and his advice concerning the gag-order, I verily believe that the so-called "special committee" made the decision to utilize the brokerage funds (which were repeatedly confirmed to me as being trust money) over the objections of management, and without notice to The Company, Ms. Fawcett or me.

- 15. It is only as a result of the CCAA filing that we have now learned what The Cash Store Inc. (under the apparent guidance of the "special committee") has used The Company's broker monies for.
- 16. I disagree vigorously with Mr. Carlstrom's assertion that The Company has only belatedly been seeking segregation of its funds. In fact, The Company sought and received assurances that the funds would be segregated, and it has always understood and been advised that The Company's funds were trust monies provided to The Cash Store Inc. as broker to be used only for the purpose of, and in the way stipulated in the Brokerage Agreement.
- 17. Upon learning of the actions of The Cash Store Inc. as outlined by Mr. Carlstrom, I instructed our counsel to send the letter attached hereto as Exhibit "A" to this my Affidavit.
- 18. To the extent he is not aware of them, I seek to have Mr. Carlstrom familiarize himself with the full actions and directions of management and the "special committee" with respect to the (I say improper) use of The Company's trust funds, the timing of that use, and to further familiarize himself with the advice which was provided to me by The Cash Store Inc. through Mr. Reykdal over time in preparation for his cross-examination on Affidavit.
- 19. I make this Affidavit in support of the position of The Company and for no other or improper purpose.

SWORN BEFORE ME)
 At the city of Toronto, in the Province of)
 Ontario this 20th day of April, 2014.)
 _____)
 A Notary Public in and for the City of)
 Toronto, in the Province of Ontario)
 R.W. Staley)

Murray McCann

 MURRAY MCCANN

TAB A

Bennett Jones

Bennett Jones LLP
 4300 Bankers Hall East, 815 - 2nd Street SW
 Calgary, Alberta, Canada T2P 4K7
 Tel: 403.298.3100 Fax: 403.268.7210

Grant N. Stinson, Q.C.
 Partner
 Direct Line: 403.298.3204
 e-mail: gstinson@bennettjones.com
 Our File No.: 981.5

April 16, 2014

Via Email

Mr. Marc Wasserman
 Osler, Hoskin & Harcourt LLP
 Suite 4600, 1 First Canadian Place
 100 King Street W,
 Toronto ON M5X 1B8

Dear Mr. Wasserman:

Re: Improper Use of Broker Agreement Funds by The Cash Store Inc. / Examination of Mr. Calstrom

As you know we are solicitors for 0678786 B.C. Ltd. We are writing this letter to you in your capacity as counsel to the previous Special Committee of the Board of Directors of The Cash Store Inc. and its affiliates, as well as to your office in its current capacity in the matter.

As you know from the courtesy copy of the pleadings which we have provided to you in connection with Alberta Court of Queen's Bench Action No.: 1403 - 05471, our client takes the position that the monies which it has advanced pursuant to the Brokerage Agreement made June 19, 2012, are to be used *only* for the purpose of making brokered loans for which our client would receive security, *and* which funds were not to be utilized for any purpose if our agent (directed by your client) was insolvent. As we have notified you, these funds were to be held in a segregated account with other like funds.

In the materials which you have filed in the Ontario CCAA proceedings, your clients have taken the position that our client's monies are free cash available to be spent. Indeed, and as we understand it, as at the date of filing much of our client's funds had already been spent without notice to or authorization from our client.

It is also our hearsay information that the expenditure of those funds may have been authorized as lawful by your firm, which, in turn, has recently been paid substantial fees (presumably knowingly utilizing our client's monies) in preference to our client.

Please regard this as formal notice that independent of whatever rights our client may have in the CCAA proceedings it reserves all of its rights to claim as against:

A

THIS IS EXHIBIT "A"
 referred to in the (Affidavit Declaration) of
MURRAY McCANN
 Sworn Declared) before me this 22ND
 day of April A.D. 2014

 A Commissioner for Oaths in and for
 the Province of Alberta
 A. H. W. P. J. P.

April 16, 2014
Page Two

- Past management;
- The Special Committee, and;
- Any party involved in the approval of and the use of those funds without notice to our client, including you and your firm.

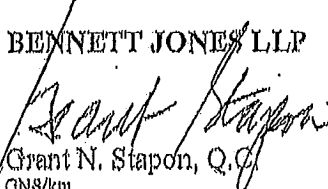
for all damages and losses associated with this matter. Please have all parties undertake appropriate notifications to their respective insurers.

There are a number of provisions of the *ex parte* CCAA Order you received with which we take objection, and a number of representations made in the Affidavit of Mr. Carlstrom that we consider inaccurate. Some of these objections relate specifically to the DIP financing, the priority of and use of our client's funds in relation to it, and we would ask that you notify the appropriate parties that we will be seeking to set aside certain provisions related to the Order in that regard.

Finally, we wish to examine Mr. Carlstrom preferably in Alberta where we are advised he resides. We propose that questioning take place on one of April 28 or 29, 2014. Please advise of your and Mr. Carlstrom's availability.

Yours truly,

BENNETT JONES LLP


Grant N. Stapon, Q.C.
GNS/km

cc: Clients
Mr. Ken Lenz

MUTUAL RELEASE

May 14, 2014

For good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by each party hereto), the undersigned director, Robert Gries, Jr., for himself, GF Power I, LLC, GF Factoring, L.P. and his heirs, executors, assigns and legal representatives (collectively, the "Director") on the one hand, and Crius Energy Administrator Inc. (the "Administrator"), Crius Energy, LLC, and their respective subsidiaries, successors, assigns and affiliates, and all of their respective officers, directors, employees, consultants, agents and insurers (collectively, the "Company"), on the other hand, hereby agree as follows:

1. the Director has agreed to not stand for re-election at the annual general meeting of the unitholders of Crius Energy Trust on May 14, 2014 and, as a result, his term as director of the Administrator will be terminated at the end of such meeting (for greater certainty, the Director shall not cease to be a director of Crius Energy, LLC);
2. the Director hereby remises, releases and forever discharges the Company from all manner of actions, causes of actions, suits, proceedings, debts, duties, monies, accounts, bonds, covenants, contracts, liens, claims, liabilities, damages, grievances, executions, judgements and demands of any kind whatsoever, both in law and in equity, or under any statute (collectively, "Claims"), which the Director now has or ever had up to the date hereof against the Company provided, however, that nothing in this Mutual Release shall operate to release (a) the Director's rights to indemnity under applicable Law, the constating documents of the Company or any indemnification agreement entered into between the Company and the Director, (b) the Director's rights to contribution or indemnification with respect to coverage under any applicable directors' and officers' insurance policy including, but not limited to, insurance provided on a "run-off" or "trailing" basis, (c) any entitlements to compensation or other amounts owing for, or by reason of, the Director having been a director of the Administrator, (d) the Company from any accrued or future obligations to make distributions or payments to GF Power I, LLC, GF Factoring, L.P. or the Director on units or other securities of the Company held by them or (e) any rights as a unitholder or security holder which arise after the date hereof;
3. the Company hereby remises, releases and forever discharges the Director from all Claims that the Company now has or ever had up to the date hereof against the Director;
4. each of the parties hereto represents that, to the best of its knowledge, it is not aware as of the date hereof of any facts that give rise to an actionable Claim by the other party against it that have not been previously disclosed to the other party;
5. the Company acknowledges that the indemnity agreement between Crius Energy Trust, the Company and the Director dated September 14, 2012 will continue to apply to any actions of the Director during his term as a director of the Administrator;
6. the Director, on the one hand, and the Company, on the other hand, will not continue or make any Claims or take any proceedings (expressly including any cross-claim, counterclaim, third party action or application) against any other person or company who might claim contribution or indemnity under the provisions of the *Negligence Act* (Ontario) or otherwise, or any other relief of a monetary, declaratory or injunctive nature against the persons or companies discharged by this Mutual Release, but solely with respect to matters covered by this Mutual Release;
7. in the event that any party hereafter makes any claim or commences or threatens to commence any Claim against any party to this Mutual Release for or by reason of any cause, matter, Claim

or action that has been released by this Mutual Release, this Mutual Release may be raised as an estoppel and complete bar to any such Claim;

8. each party agrees that it will not engage in any conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumours, allegations, negative reports or comments) that are disparaging, deleterious or damaging to the integrity, reputation or goodwill of the other party; this provision shall not preclude either the Director or the Company from making statements, of any kind, in any judicial proceedings which arise out of any matters occurring after the date hereof, including the filing of a complaint, and any filings made with any regulatory authority or reporting to the investors in GF Power I, LLC and GF Factoring, L.P.;
9. this Mutual Release shall be binding upon and enure to the benefit of each of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns (as the case may be);
10. this Mutual Release shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein and each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of Ontario with respect to any matter arising hereunder or related hereto;
11. this Mutual Release may be executed in several counterparts and by facsimile or by other electronic means, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument;
12. in the event any provision of this Mutual Release, or part thereof, shall be found to be void or invalid by a court of competent jurisdiction, such void or invalid provision, or part thereof, shall be deemed to be severed from this Mutual Release without in any way affecting the validity, enforceability or effect of any of the remaining provisions, or parts thereof, which shall be and remain in full force and effect; and
13. this Mutual Release shall be effective as of the date hereof.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Mutual Release as of the date first written above.

Witness _____
Robert Gries, Jr.

GF POWER I, LLC

Per: _____
Name: Robert Gries, Jr.
Title: Manager

GF FACTORING, L.P.

Per: _____
Name: Robert Gries, Jr.
Title: Managing Partner

CRUIS ENERGY ADMINISTRATOR INC.

Per: _____
Name:
Title:

CRUIS ENERGY, LLC

Per: _____
Name:
Title:

TAB 3

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
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ALBERTA LTD DOING BUSINESS AS "THE TITLE STORE"

APPLICANTS

AFFIDAVIT OF SHARON FAWCETT

I, Sharon Fawcett, Chartered Accountant, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the Secretary of the Plaintiff 0678786 B.C. Ltd. ("0678786"), and have a personal knowledge of the matters hereinafter deposed to save where otherwise stated to be based upon information and belief.
2. In Alberta Court of Queen's Bench Action No. 1403-05471, I swore an Affidavit on April 11, 2014 which sets out most of the details with respect to the placement of \$13,350,000 (the "Restricted Cash") by 0678786 with The Cash Store Inc. (the "Cash Store"). I attach a copy of that Affidavit without Exhibits as **Exhibit "1"**. I repeat and adopt the statements set out therein and use the terms defined in that Affidavit.

Further Details with Respect to Misrepresentation of Segregation of Cash

3. As indicated in my prior Affidavit, it was represented to me and Mr. McCann at the time the Broker Agreement was entered into, and it is a term of the Broker Agreement, that all Restricted Cash would be placed in a Designated Broker Bank Account, which would be separate and apart from Cash Store Financial's general operating account. It is my understanding from discussions with Cash Store Financial V.P. Financial Reporting at the time, Michael Zvonkovic, that such an account did exist at the time the Broker Agreement was entered into, that it was a trust account, and that the Bank required the names of the brokers who owned the money. Attached as **Exhibit "2"** is a 2012 email

exchange confirming this fact. At no time did anyone from Cash Store or Cash Store Financial advise me that Restricted Cash would be handled differently than as set out above.

4. In paragraph 9 of my prior Affidavit, I indicate that there were numerous discussions concerning the 0678786 Restricted Cash in February to March 2014. Attached to this Affidavit as **Exhibit "3"** are emails between me and Cash Store executives, including Mr. Carlstrom discussing the Restricted Cash. Attached as **Exhibit "4"** are emails between Mr. McCann and Mr. Reykdal between February 27, 2014 and April 12, 2014, with respect to the Restricted Cash. Never in these emails or the conversations surrounding them was there any mention that the Restricted Cash of Cash Store was now commingled with general funds. In fact, I was led to believe the funds were still segregated as promised.
5. As set out in the Affidavit of Mr. McCann, the decision to use the Restricted Cash of 0678786 was likely made before the CCAA. I am concerned that the Special Committee made the decision knowing that Cash Store and Cash Store Financial were in breach of the Broker Agreement and that the company had misrepresented the facts to 0678786.
6. Furthermore, I am concerned that the Special Committee took steps to ensure that the owners of the Restricted Cash were not apprised of the misrepresentations to enable Cash Stores and Cash Store Financial to spend most of the Restricted Cash. On or about March 31, 2014, the Special Committee instructed management to not speak with me or Mr. McCann. Attached as **Exhibit "5"** is an email from Mr. Reykdal confirming this fact. Although a request was made April 4, 2014 to allow PWC to inspect the records of Cash Stores pursuant to its rights under the Broker Agreement, only as of last Friday, April 18, 2014 was this finally agreed to be permitted.
7. While this was ongoing, I am concerned that much of the Restricted Cash has been spent, presumably in part on professional and other fees related to these proceedings. Had 0678786 been notified earlier, it would have immediately attended at Court to protect its position.

8. I am advised that advance notice of an application regarding the Restricted Cash was given to counsel for the Special Committee on or about April 9, 2014. Our application materials were served on Friday, April 11, 2014. The first our counsel heard about a CCAA application was on Sunday, April 13, 2014 at 10:34 p.m. when a draft Order was sent to the attention of our counsel in Calgary, for a Monday, April 14, 2014 at 9:00 a.m. Toronto application.

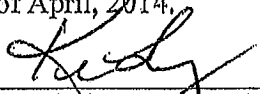
Collection and Re-Loaning Funds

9. I understand that the Initial Order in these proceedings provides that money from the collection of loans owned by 0678786 is eligible to be re-loaned by Cash Store and Cash Store Financial. This is highly prejudicial to 0678786. The loans made by Cash Store and Cash Store Financial are risky when ordinary business operations are in place. The chance of default is high.

10. The chance of loss to 0678786 is immeasurably higher in the present circumstances. If Cash Store or Cash Store Financial were to go into bankruptcy or receivership, there would be virtually no chance of collecting any of the money lent. I believe that debtors would be reluctant to pay and that the costs of collection would far exceed the revenues from these same loans. The Broker Agreement provides that the cash cannot be loaned if Cash Store is insolvent and the reason is that this fact makes the loans much more risky than they are in the ordinary course. It is highly prejudicial to 0678786 to allow its cash to continue to be loaned in these circumstances.

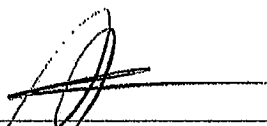
11. This Affidavit is made prior to the cross-examination of Mr. Carlstrom to comply with the Ontario Court rules. Further Affidavit evidence may be required when information is received from PWC about the state of the Restricted Cash, and the evidence of Mr. Carlstrom on the cross-examination is received.

SWORN BEFORE ME
at Calgary, Alberta, this 22nd
day of April, 2014.



A Commissioner for Oaths Notary Public
in and for the Province of Alberta

KENNETH T. LENZ
BARRISTER AND SOLICITOR

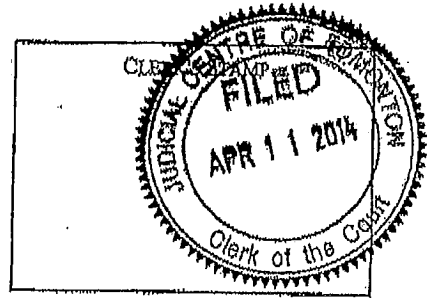


SHARON FAWCETT

TAB A

THIS IS EXHIBIT " 1 "
referred to in the Affidavit of
Sharon Fawcett
Sworn before me this 22
day of April 2014
Kenneth T. Lenz

KENNETH T. LENZ
BARRISTER AND SOLICITOR



1403-05471
1401-

COURT FILE NUMBER
 COURT
 JUDICIAL CENTRE
 PLAINTIFF
 DEFENDANTS
 DOCUMENT
 ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

1403-05471
1401-
 COURT OF QUEEN'S BENCH OF ALBERTA
 EDMONTON
 0678786 B.C. Ltd.
 THE CASH STORE INC. and THE CASH STORE FINANCIAL SERVICES INC.
AFFIDAVIT
 BENNETT JONES LLP
 Barristers and Solicitors
 4500, 855 - 2nd Street SW
 Calgary, Alberta T2P 4K7
 Attention: Ken Lenz
 Telephone No.: (403) 298-3317
 Facsimile No.: (403) 265-7219
 Client File No.: 951.5

AFFIDAVIT OF SHARON FAWCETT

Sworn on April 11, 2014

I, Sharon Fawcett, Chartered Accountant, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the Secretary of the Plaintiff 0678786 B.C. Ltd. ("0678786"), and have a personal knowledge of the matters hereinafter deposed to save where otherwise stated to be based upon information and belief.
2. The Plaintiff 0678786, formerly known as McCann Family Holding Corporation, is a British Columbia corporation extra-provincially registered in Alberta.

3. The Cash Store Financial Services Inc. ("Cash Store Financial") is an Alberta corporation that is publicly listed on the Toronto Stock Exchange. The Cash Store Inc. ("Cash Store") is an Alberta corporation and a subsidiary of Cash Store Financial. Both corporations were initially established in Edmonton, Alberta and continue to have their head-offices there. Cash Store Financial and Cash Store are in the business of acting as a broker for customers requiring short-term loans. Cash Store Financial operates in excess of 500 retail consumer loan outlets in Canada and the United Kingdom. The Cash Store owns approximately 300 (of the total Cash Store Financial 500) retail outlets in nine provinces and two territories, and employs approximately 2,300 people. Attached to this Affidavit as **Exhibit "1"** is an Investor Fact Sheet taken from Cash Store Financial's website.
4. Cash Store and Cash Store Financial appear to have the same officers and present financial statements on a consolidated basis. I am not aware of whether any separation between these corporations is maintained. 0678786 has always dealt with Cash Store Financial and its officers and all correspondence has been from this entity.
5. As a result of a court decision in Ontario in February 2014, it appears that Cash Store Financial can no longer carry on business in that jurisdiction. As Cash Store Financial had a significant number of leased premises and employees in Ontario, I understand this has created serious financial distress. A Special Committee of Directors was appointed to review "strategic alternatives". Attached as **Exhibit "2"** are copies of Press Releases dated February 19, February 20 and March 28, 2014 concerning these events. Since these events, 0678786 has been proactive in maintaining its accounts and has had regular communications and information from Cash Store Financial.
6. Pursuant to a Broker Agreement dated June 19, 2012, between 0678786 and Cash Store (the "Broker Agreement"), a copy of which is attached to this Affidavit as **Exhibit "3"**, 0678786 placed over time an aggregate of \$13,350,000 (the "Restricted Cash"), as Financier, with the Cash Store, as Broker, for the sole purpose of those funds being loaned to customers. Extensive loan selection criteria must be met or specific approval by 0678786 must be obtained, before any Restricted Cash is loaned. Furthermore, the

Restricted Cash is to be used for no other purpose, as set out in paragraph 2.10 of the Broker Agreement:

2.10 USAGE OF LOAN ADVANCES

For greater certainty, funds from time to time advanced to Broker from Financier are solely intended to be utilized for the purposes of making advances to Broker Customers on Financier's behalf as contemplated hereunder. Broker agrees that any funds not otherwise being held by the Broker as a "float" in anticipation of Loan approvals shall not, without the consent of Financier, be advanced or utilized for any other purpose.

7. In discussions with Michael Zvonkovic leading up to the execution of the Broker Agreement and throughout administering the funds on behalf of 0678786, it was expressed to be important to the Plaintiff that its funds were kept separate and apart from the general operating funds of Cash Store Financial in accordance with the Broker Agreement. The segregation of funds from general operating funds was at all times assured.
8. Cash Store represented and the Broker Agreement provides that all funds advanced are to be held in a Designated Broker Bank Account, defined in paragraph 1.1(g) of the Broker Agreement as follows: "the bank account of Broker designated by Broker for the purposes of temporarily receiving funds from Financier (if loans are made by Financier way of cash advance) before they are advanced to a Broker Customer".
9. I have administered the accounts of the Plaintiff in connection with the Broker Agreement primarily through the V.P. Finance of The Cash Store, Mr. Steve Carlstrom. In February 2014, upon learning of the difficulties of the Cash Store operation in Ontario, I requested an updated listing of the Plaintiff's loan portfolio and advised Mr. Carlstrom that given the suspension of the line of credit product in Ontario, the Plaintiff would prefer to reduce its loan portfolio balance as at February 12, 2014, and that as amounts were collected by the Cash Store, funds would be returned to the Plaintiff along with the unexpended capital balance of the Plaintiff's funds. The Cash Store would not be obligated to pay 17.5% interest on the returned funds from the date of return. It was my information and belief that this was the arrangement which had been struck by the Plaintiff's former officer, Mr. Murray McCann and the Defendant's President, Gord

- 4 -

Reykdal. I confirmed these arrangements to Mr. Carlstrom in writing on February 26, 2014, however, funds were not repaid to the Plaintiff.

10. Until March 2014, 0678786 received monthly statements indicating the cash available and the amount deployed. Attached as Exhibit "4" is a copy of the statement from February 2014. This statement shows that as of February 28, 2014, the sum of \$6,449,420 in undeployed cash remained available to 0678786. Subsequent to that statement, I was advised that a further \$831,000 had been collected on our third party loan portfolio during the period from March 1, 2014 to March 16, 2014, increasing our undeployed cash balance to \$7,280,420. Further collections would have occurred from March 17, 2014 to date, increasing our undeployed cash balance accordingly. While I have requested that information, I have not yet received it.
11. The financial statements of Cash Store further reaffirms that the money we advanced was "Restricted Cash". As of December 31, 2013, for example, the Balance Sheet of the Cash Store indicates \$6,408,009 of Restricted Cash. Attached as Exhibit "5" is a copy of the December 31, 2013 Balance Sheet and Note 4 which pertains to this item.
12. Cash Store has repeatedly, since the Funds were advanced, confirmed that they were held in accordance with the Broker Agreement in a segregated bank account, but has recently refused to confirm that they are so segregated and held.
13. Approximately 3 – 4 weeks ago, and following up on my February 26, 2014 email, I had a conversation with the Cash Store Financial Vice-President Steve Carlstrom (previously noted above in paragraph 9) in which he expressed concerns if the monies which we had requested to be repaid (and which I understood had been agreed to be repaid) there would be liquidity issues with Cash Store Financial. Nonetheless, in response to my concern about the security of undeployed cash, I was assured by Mr. Carlstrom that the money remained available and was being administered in accordance with the Broker Agreement.
14. I am also Corporate Secretary of 8028702 Canada Inc., which holds \$5,000,000 of Cash Store Financial's senior secured debt. On April 1, 2014 Cash Store Financial failed to

pay the interest on its senior secured indebtedness, which failure constitutes a default pursuant to the terms of that indenture if not cured within 30 days.

15. I believe that the Defendants are either insolvent or near insolvent, and that they intend to use the money of 0678786 for general corporate purposes, when it is not their money to use and such action would be contrary to the Credit Agreement. All of the factors listed above are indications of a seriously distressed company and I fear that unless immediate action is taken, the money of 0678786 will be converted or taken in breach in trust.
16. By letter dated April 4, 2014, 0678786 requested of counsel for the Special Committee that there be confirmation that the Restricted Cash was kept segregated, or for return of the Funds (attached as Exhibit "6"). A copy of this letter was also sent to counsel for Cash Store Financial. The Defendants have refused to confirm the segregation of the Restricted Cash, and instead responded by letter dated April 8, 2014 alleging it is not trust money (attached Exhibit "7"). That letter was responded to on April 8, 2014 (Exhibit "8").
17. The Broker Agreement further provides in paragraph 5.1 as follows:

5.1 INSPECTIONS & AUDITS

Financier shall have the right, at any time upon written demand made by Financier to Broker, to inspect, during normal business hours, all Records (wherever located). Qualified third party consultants, as determined by Financier at Financier's sole discretion, may be employed by Financier for the purpose of any such inspection. Broker shall have the right, as a condition of such inspection, to require any such consultants to execute such form of confidentiality agreement as Broker may reasonably require and in any event such consultants shall be deemed to acting as agents for and on behalf of Financier for purposes of Article 4 hereof. The cost of any such inspection shall be the sole responsibility of Financier and any such consultant so employed will be required to create reports, which are accessible only to Financier and if permitted by Financier, Broker.

18. Pursuant to paragraph 5.1, 0678786 by letters dated April 4, 2014 (Exhibit "6") and April 8, 2014 (Exhibit "7") requested that PricewaterhouseCoopers Inc. ("PWC") be appointed to inspect the books and records of the Cash Store. Although PWC prepared Cash Store Financial's tax returns, I am not aware of any conflict or other reason why they may not undertake this task. As of the date of this Affidavit, Cash Store, Cash Store Financial and

TAB B

"THIS IS EXHIBIT " 2 "

referred to in the Affidavit of

Sharon Fawcett

Sworn before me this 22

day of April 20 14

K.L.

KENNETH T. LENZ
BARRISTER AND SOLICITOR

Sharon Fawcett

From: Michael Zvonkovic <michael.zvonkovic@csfinancial.ca>
Sent: July-23-12 2:58 PM
To: Sharon Fawcett
Subject: RE: Administration Question re Broker Agreement

Hi Sharon,

In the new agreement, we've tried to combine all these accounts and not to have a designated broker bank account. Your funds specifically would be tracked separately via our accounting system.

I hope this is ok,

Mike

From: Sharon Fawcett [mailto:s.fawcett@aristoscorp.com]
Sent: Thursday, July 19, 2012 3:07 PM
To: Michael Zvonkovic
Subject: Administration Question re Broker Agreement

Hi Mike,

On the Broker Agreement funds, so you keep a separate "designated broker bank account" for each Financier such that all of the loans made using our funds are paid from and returned to that account, as well as all related interest and fees? I know that we spoke of a monthly reconciliation of our fund, but wanted to clarify if they would also be tracked through a separate account. Please advise.

Thanks

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 C

THIS IS EXHIBIT " 3 "
referred to in the Affidavit of
Sharon Foxsett
Sworn before me this 22
day of April 2019


KENNETH T. LENZ
BARRISTER AND SOLICITOR

Sharon Fawcett

From: Sharon Fawcett
Sent: February-25-14 11:36 AM
To: J. Murray McCann
Subject: FW: January 2014 Lender Statement
Attachments: The Family Lender Statement January 2014.pdf; The Family BLOC AR January 2014.xlsx

Hi Murray – here is our position at the end of January. The lender statement is the summary of January activity and end of January portfolio. It indicates that there is \$2.6 million in the float or undeployed funds as at Jan. 31st. The BLOC AR is the summary of the loans assigned by other lenders – as in the past these are all Trimor loans.

I was thinking that I should ask them to provide the summary as at the date they ceased the LOC operations in Ontario. Presumably there will have been collections and nothing yet assigned from Trimor for the month, so the float or undeployed balance should be bigger mid-month, with collections having happened since then.

I am in the office now. Have you been able to connect with Gord yet this morning?

Cheers

Sharon

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-25-14 8:46 AM
To: Sharon Fawcett
Cc: Steve Carlstrom; Nigel Mbanga
Subject: January 2014 Lender Statement

Hello Sharon, attached is the January 2014 Lender Statement as well as the details of the LOC portfolio.

Regards,

Brian Dimmick
 Finance – Staff Accountant

CASH STORE FINANCIAL
 18511 – 123 Avenue | Edmonton, AB | T5V 0C9
 T: 780.408.5110 ext: 0152 F: 780.408.5122

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 its intended recipients. Any disclosure, copying, or distribution of information without the expressed permission of the writer, is strictly prohibited.

Please consider your environmental responsibility before printing this e-mail

Sharon Fawcett

From: Sharon Fawcett
 Sent: February-26-14 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@aristosecorp.com

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Sharon Fawcett

From: Sharon Fawcett
Sent: February-26-14 11:08 AM
To: J, Murray McCann
Subject: FW: Cash Store Portfolio

Hi Murray - Quick and satisfactory response from Steve -- seems to be on track with our understanding / wishes.

Sharon

Sharon Fawcett
 T: 403.251.5517
 F: 1.888.474-8103
 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,

Sharon Fawcett

From: Steve Carlstrom <Steve.Carlstrom@csfinancial.ca>
Sent: March-04-14 5:52 PM
To: Sharon Fawcett
Cc: Craig Warnock
Subject: RE: The Family BLOC AR Feb 12, 2014.xlsx

No problem Sharon. We are monitoring the Ontario collections very closely as well. From Feb 13-28 we collected another \$2.3 million of your loans. These are approximate numbers and we will get you the final ones over the next couple of weeks once we do the final accounting for February.

Steve

From: Sharon Fawcett [mailto:s.fawcett@aristoscorp.com]
Sent: Wednesday, February 26, 2014 12:36 PM
To: Steve Carlstrom
Cc: Craig Warnock
Subject: RE: The Family BLOC AR Feb 12, 2014.xlsx

Hi Steve -- thanks for the quick response. With these collections to Feb 12th, I have our unexpended capital at Feb 12th at just under \$5 million.

	to Feb 12'14
Opening Balance LOC	10,759,390
Repayments	2,365,511
Ending Balance	8,403,879
Opening Balance - Float	2,602,699
Add LOC Repayments	2,365,511
Subtotal	4,968,210
Repaid to 809 / MFHC	
Ending Balance	4,968,210

Given the situation, it would be helpful for me if you could update me regularly on the collections, maybe even weekly as I assume you are monitoring it very closely.

Thanks

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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From: Steve Carlstrom [mailto:Steve.Carlstrom@csfinancial.ca]
Sent: February-26-14 11:46 AM
To: Sharon Fawcett
Cc: Craig Warnock
Subject: FW: The Family BLOC AR Feb 12, 2014.xlsx

Hi Sharon,

Attached is your list of loans as of February 12th. Collections from Feb 1 to Feb 12 were approximately \$2.3 million.

Steve

From: Nigel Mbanga
Sent: Wednesday, February 26, 2014 11:23 AM
To: Steve Carlstrom
Subject: The Family BLOC AR Feb 12, 2014.xlsx

Hi Steve,

I have attached the listing of the Family's ON BLOC as at February 12, 2014. As at that date they had \$8.4M in Ontario.

Thanks,

Nigel

Sharon Fawcett

From: J. Murray McGarr
Sent: March-04-14 11:32 PM
To: Sharon Fawcett
Subject: Re: The Family BLOC AR Feb 12, 2014.xlsx

*Called Steve + left
a voicemail re
report of \$7.0
million
3-6-14 PM*

Go for it
M

Sent from my iPhone

** also 3-21-14 PM*

On Mar 4, 2014, at 5:41 PM, "Sharon Fawcett" <s.fawcett@aristoscorp.com> wrote:

Murray - FYI - have not yet called Steve, but he just sent this reply to my Feb 26th e-mail. I will follow up tomorrow with a call to request a repayment of the unexpended capital. Based on a further \$2.3 repayment of the Ontario LOCs from Feb 13 to 28, we should have a LOC balance of \$6.1 million and unexpended capital of just under \$7.3 million. I was thinking that I would suggest a repayment of \$7 million to happen right away - leaves a cushion for finalizing the February numbers but stops the interest clock for them now as opposed to waiting a further 2 weeks for the final accounting for February - what do you think?

Sharon

Sharon Fawcett
T: 403.251.5517
P: 1.888.474.8105
E: s.fawcett@aristoscorp.com

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From: Steve Carlstrom [<mailto:Steve.Carlstrom@cafinancial.ca>]
Sent: March-04-14 5:52 PM
To: Sharon Fawcett
Cc: Craig Wernock
Subject: RE: The Family BLOC AR Feb 12, 2014.xlsx

No problem Sharon, We are monitoring the Ontario collections very closely as well. From Feb 13-28 we collected another \$2.3 million of your loans. These are approximate numbers and we will get you the final ones over the next couple of weeks once we do the final accounting for February.

Steve

From: Sharon Fawcett [<mailto:s.fawcett@aristoscorp.com>]
Sent: Wednesday, February 26, 2014 12:36 PM
To: Steve Carlstrom

Sharon Fawcett

From: Sharon Fawcett
Sent: March-17-14 4:43 PM
To: J. Murray McCann
Subject: FW: Repayment of Undeployed Capital

Hi Murray -- no word back from Steve -- decided not to cc you on this first e-mail -- see below. I will loop you in in future communications if I am having a problem making this happen.

Cheers

Sharon

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

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From: Sharon Fawcett
Sent: March-17-14 4:42 PM
To: Steve Carlstrom
Subject: Repayment of Undeployed Capital

Hi Steve,

I am following up on the voicemail messages I left for you today. As I mentioned in the messages, Murray and Gord had a conversation late Friday afternoon and agreed that the funds from the repayments on our Ontario line-of-credit portfolio will be repaid to us. After their conversation, Murray contacted me. He said that Gord would be contacting you to relay their discussion and that I should call you first thing this morning so that you and I could sort out the logistics of the repayments.

As at February 28th, that repaid and undeployed capital balance was approximately \$7.3 million. You were in the process of firming up the February 28th numbers, which you expected to take a couple of weeks and which I assume is now complete. We would like to arrange for that balance to be repaid as soon as possible this week. We can discuss the plan for future repayments and determine what frequency makes sense based on the remaining outstanding loan balances and how quickly the repayments are coming in.

Please give me a call as soon as possible to discuss. You can reach me at the number below until 5:30 or so tonight.

Thanks

Sharon

Sharon Fawcett

From: → Sharon Fawcett
 Sent: March-18-14 10:35 PM
 To: Steve Carlstrom
 Subject: Repayment of Undeployed Funds

Hi Steve -- I am anxious for feedback on the results of your meetings today and the status of our repayment. I will be out tomorrow morning from just after 10am until after lunch. I am hoping that you are able to give me a call before 10am to give me an update. You can reach me at 403-251-5517.

Thanks

Sharon

Sharon Fawcett, CA
 McCann Family Holding Corporation

T: 403.251.5517

F: 1.888.474.8105

E: s.fawcett@aristoscorp.com

*NOTE: The call I refer to
 in my affidavit likely occurred
 the morning of Mar 19th*

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Sharon Fawcett

From: Sharon Fawcett
Sent: March-20-14 3:24 PM
To: Steve Carlstrom
Subject: Touching Base

Hi Steve,

Just wondering if you and Craig have had an opportunity to discuss our situation and come up with any ideas/approaches. Please let me know.

Cheers

Sharon

Sharon Fawcett, CA
McCann Family Holding Corporation

T: 403.251.5517

F: 1.888.474.8105

E: s.fawcett@aristocorp.com

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Sharon Fawcett

From: Steve Carlstrom <Steve.Carlstrom@csfinancial.ca>
Sent: March-25-14 9:55 AM
To: Sharon Fawcett
Cc: Craig Warnock
Subject: Re: The Family BLOC AR Feb 12, 2014.xlsx

Hi Sharon - I was waiting for authorization from the board as to whether or not we would transfer loans to offset some of the unused funds. Although I have not yet received any authorization, I could send you a draft Feb statement and loans list before any loan transfers?

Steve

Sent from my iPad

On Mar 25, 2014, at 8:47 AM, "Sharon Fawcett" <s.fawcett@aristocorp.com> wrote:

Hi Steve -- following up on this again. Please provide the requested update on our portfolio.

Thanks

Sharon

Sharon Fawcett, CA
 McCann Family Holding Corporation

T: 403.251.5517

F: 1.888.474.8105

E: s.fawcett@aristocorp.com

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From: Sharon Fawcett
Sent: March-24-14 12:25 PM
To: 'Steve Carlstrom'
Cc: Craig Warnock
Subject: RE: The Family BLOC AR Feb 12, 2014.xlsx

Hi Steve -- Can you please send me the final February numbers, as well as the detailed loans list. I assume that the final accounting for is now complete. I would also like information on the collections for our portfolio from March 1st to date and an updated interim detailed loans list.

Thanks

Sharon

Sharon Fawcett

From: Steve Carlstrom <Steve.Carlstrom@csfinancial.ca>
Sent: March-25-14 1:13 PM
To: Sharon Fawcett
Subject: Re: The McCann Family Statement of Account

Yes I'm just awaiting the report for March and I will let you know as soon as I get it
Steve

Sent from my iPhone

On Mar 25, 2014, at 3:07 PM, "Sharon Fawcett" <s.fawcett@aristoscorp.com> wrote:

Hi Steve --thanks-- he did recall it. Will you be sending the March update this afternoon as well?
Sharon

Sharon Fawcett
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: March-25-14 1:05 PM
To: Sharon Fawcett
Subject: Fwd: The McCann Family Statement of Account

Hi Sharon here's the draft feb statement and loans list in case Nigel recalled it
Thanks
Steve
Sent from my iPhone

Begin forwarded message:

From: "Nigel Mbanga" <Nigel.Mbanga@csfinancial.ca>
To: "Sharon Fawcett (The Family)" <s.fawcett@aristoscorp.com>

Cc: "Steve Carlstrom" <Steve.Carlstrom@csfinancial.ca>, "Brian Dimmick"
<Brian.Dimmick@csfinancial.ca>
Subject: The McCann Family Statement of Account

Hello Sharon,

Please find attached, a draft version of the February 28, 2014 statement of account and the LOC listing.

Regards,

nigelmbanga, CA
ASSISTANT CONTROLLER, FINANCIAL REPORTING DIVISION

CASH STORE FINANCIAL
15511 - 123 Avenue | Edmonton, AB | T5V 0C3
T: 780.408.5110 ext: 5663 F: 780.408.5122

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Please consider your environmental responsibility before printing this e-mail

Sharon Fawcett

From: Steve Carlstrom <Steve.Carlstrom@csfinancial.ca>
Sent: March-28-14 5:45 PM
To: Sharon Fawcett
Cc: Craig Warnock
Subject: RE: The McCann Family Statement of Account

Sharon,

I haven't been able to track down our analyst that is able to provide intra-month collections information on Ontario. The latest report on this I have is from March 16th and it indicates collections of \$831,000 between March 1 and March 16 on your loans. I will try and get you the info from March 17 to present as soon as I can, otherwise we will have it by about April 10th.

I understand CSF's strategic advisors at Rothschild and Osler have been trying to reach out to Murray to ensure that they have an opportunity to present quite a large volume of information the current status and plan. This information is being presented to all of the Company's other stakeholders including the third-party lenders. Have you got something set up with them?

Steve

From: Sharon Fawcett [mailto:s.fawcett@aristoscorp.com]
Sent: Friday, March 28, 2014 3:45 PM
To: Steve Carlstrom
Subject: RE: The McCann Family Statement of Account

Hi Steve,

I am following up on the March update for the collections on our Ontario portfolio. I also am following up on the status of the requested repayment of our undeployed balance of funds.

Murray will be here on Monday and we will be meeting to discuss Cash Store. He is fully expecting the undeployed balance to be repaid as per his agreement with Gord and their discussions on several occasions. I am hoping that you are able to provide me with an update on the March collections and an update and good news on the repayment of our funds before he and I meet on Monday morning. Please advise.

Thanks

Sharon

Sharon Fawcett, CA
 McCann Family Holding Corporation

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

TAB D

THIS IS EXHIBIT " 4 "
referred to in the Affidavit of
Shaver Fawcett

Sworn before me this 22
day of April 20 14

[Signature]

KENNETH J. LEMZ
BARRISTER AND SOLICITOR

Sharon Fawcett

From: → J. Murray McCann
Sent: February-27-14 2:30 PM
To: → Gord Reykdal
Cc: Sharon Fawcett
Subject: Re: Cash Store Financial Provides Ontario Update - Cash Store Financial Engages Chief Compliance and Regulatory Affairs Officer

Great Gord, we are pulling for you. You will do it.

Cheers,

Murray

Sent from my iPad

On Feb 27, 2014, at 9:44 AM, "Gord Reykdal" <gord@csfinancial.ca> wrote:

Hi Murray

We are making some good progress in Ontario and will update you later as things progress. Thanks,
 Gord

gordreykdal

CHIEF EXECUTIVE OFFICER

CASH STORE FINANCIAL

15511 - 123 Avenue

Edmonton, AB | T5V 0C3

T: 780.408.5118 C: 780.497-1480

(Canada)

E: gord@csfinancial.ca

F: 780.443.2653

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outlets Cottonwood Financial Ltd. operates in the United States 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.

Please consider your environmental responsibility before printing this e-mail

Begin forwarded message:

From: The Cash Store Financial Services Inc. <bmail@newswire.ca>
 Date: February 27, 2014 at 6:34:50 AM MST
 To: Gord Reykdal <gord@csfinancial.ca>
 Subject: Cash Store Financial Provides Ontario Update - Cash Store Financial Engages Chief Compliance and Regulatory Affairs Officer
 Reply-To: Sandy Timmer <sandy.timmer@csfinancial.ca>

Cash Store Financial Provides Ontario Update - Cash Store Financial Engages Chief Compliance and Regulatory Affairs Officer

EDMONTON, Feb. 27, 2014 /CNW/ - The Cash Store Financial Inc. ("Cash Store Financial" or the "Company") (TSX: CSF; NYSE: CSFS) today announces that it has created the position of Chief Compliance and Regulatory Affairs Officer (the "CCRO"). The CCRO reports directly to the special committee of independent directors (the "Special Committee"), which was appointed to review and respond to regulatory developments in Ontario and to evaluate strategic alternatives.

Cash Store Financial is pleased to announce that it has engaged Michele McCarthy to act as CCRO and to fulfill the mandate described below. Ms. McCarthy is an experienced senior executive with experience in numerous roles with global financial services companies. She has previously had mandates which included Chief Legal

Officer, Chief Privacy Officer, and Chair of the Board of Directors at significant public and private corporations.

The mandate of the CCRO will include the following responsibilities:

- Ensure that the Company and its affiliates (collectively, the "Cash Store Group") are in compliance with all federal and provincial legislation, regulations and regulatory directives (the "Governing Legislation");
- Ensure that all documents used in the business of the Cash Store Group are compliant with Governing Legislation;
- Develop procedures to identify, assess and communicate internally any changes or proposed changes to Governing Legislation;
- Foster a constructive relationship between the Cash Store Group and its regulators; and
- Oversee and assist business units within the Cash Store Group in the resolution of compliance issues.

Cash Store Financial further announces that it is engaging in ongoing discussions with its Ontario regulator in an effort to address the regulator's concerns regarding the issuance of a lender loan license to the Company and its subsidiaries under the *Payday Loans Act, 2008*. Ms. McCarthy will lead these discussions in her role as CCRO while the Special Committee continues its review of strategic alternatives.

About Cash Store Financial

Cash Store Financial is the only lender and broker of short-term advances and provider of other financial services in Canada that is listed on the Toronto Stock Exchange (TSX: CSF). Cash Store Financial also trades on the New York Stock Exchange (NYSE: CSFS). Cash Store Financial operates 510 branches across Canada under the banners "Cash Store Financial" and "Instaloans". Cash Store Financial also operates 27 branches in the United Kingdom.

Cash Store Financial and Instaloans primarily act as lenders and brokers to facilitate short-term advances and provide other financial services to income-earning consumers who may not be able to obtain them from traditional banks. Cash Store Financial also provides a private-label debit card (the "Freedom" card) and a prepaid credit card (the "Freedom MasterCard") as well as other financial services, including bank accounts.

Cash Store Financial employs approximately 1,900 associates and is headquartered in Edmonton, Alberta.

Cash Store Financial is a Canadian corporation that 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 do business under the name "Cash Store" in the United States and does not own or provide any consumer lending services in the United States.

Sharon Fawcett

From: Gord Reykdal <gord@csfinancial.ca>
Sent: February-25-14 9:13 AM
To: J. Murray McCann
Cc: Sharon Fawcett
Subject: RE: Disturbing news

Hi Murray

Please feel free to call me at any time on my office or cell. Thanks, Gord

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

From: J. Murray McCann [<mailto:jm.mccann@arlstoscorp.com>]
Sent: Tuesday, February 25, 2014 8:32 AM
To: Gord Reykdal
Cc: Sharon Fawcett
Subject: Disturbing news

Good morning Gord,

Last evening I received an email from Randy advising of discussions he has had with the Ontario regulators. I would like to discuss the contents of his email with you ASAP. Is there a time this morning when I can contact you or you can contact me, for a discussion?

Regards,
Murray

Sent from my iPad

Sharon Fawcett

From: J. Murray McCann
Sent: March-09-14 10:01 AM
To: Sharon Fawcett
Cc: Susan Schalin
Subject: Gord

Hi Sharon

Gord and I have tried to connect but each time is inconvenient with the other. We have set 3:00 PM on Tuesday. He has been accompanying the PM of Iceland until tomorrow. They hear Wednesday if they get their Ontario payday license back. I will keep you posted.

Cheers

Murray

Sent from my iPhone

Sharon Fawcett

From: J. Murray McCann
Sent: March 14, 2014 3:44 PM
To: Sharon Fawcett
Subject: FW: Ontario payday loans

From: Gordon Reykdal <gord@csfinancial.ca>
Date: Friday, March 14, 2014 at 2:41 PM
To: "J. Murray McCann" <jm.mccann@arlstoscorp.com>
Cc: Sharon Fawcett <s.fawcett@arlstoscorp.com>
Subject: RE: Ontario payday loans

Hi Murray

Thanks for your email and I will follow up with a call shortly. Still working away on the licensing and we may be getting closer.

I met with Steve and Craig and we could use the funds in the other regulated Provinces for loans right away. I certainly respect your point on ensuring these funds are secured by loans and probably should have been done this was all along but with the Ontario situation it certainly has taken our eye of this very important point.

Look forward to speaking soon and I will be down there next Saturday with Carrie. All the best, Gord

From: J. Murray McCann [<mailto:jm.mccann@arlstoscorp.com>]
Sent: Friday, March 14, 2014 12:06 PM
To: Gord Reykdal
Cc: Sharon Fawcett
Subject: Ontario payday loans

Good morning Gord,

I look forward to our call today and our visit in about a week.

You mentioned that you were meeting with Steve and Craig this morning to discuss our loan to back stop Ontario payday loan customers and the requirements for funds in regulated provinces. We have attempted to redeploy the funds in Ontario since they are no longer being used to backstop payday loans there but so far with no success. Those funds are no longer secured by the payday creditors and the funds from those accounts collected were to be credited to us. It appears that those funds were credited to the account of Cash Store in contravention of our mutual understanding and agreement.

Because the funds we have loaned are from a foundation it is even more important that we not place those funds at risk. As you know we went to considerable effort and legal cost to get the opinion and comfort that we required to assure that funds loaned to Cash Store were an ok

Sharon Fawcett

From: J. Murray McCann
Sent: March-14-14 12:06 PM
To: Gordon Reykdal
Cc: Sharon Fawcett
Subject: Ontario payday loans

Good morning Gord,

I look forward to our call today and our visit in about a week.

You mentioned that you were meeting with Steve and Craig this morning to discuss our loan to back stop Ontario payday loan customers and the requirements for funds in regulated provinces. We have attempted to redeploy the funds in Ontario since they are no longer being used to backstop payday loans there but so far with no success. Those funds are no longer secured by the payday creditors and the funds from those accounts collected were to be credited to us, it appears that those funds were credited to the account of Cash Store in contravention of our mutual understanding and agreement.

Because the funds we have loaned are from a foundation it is even more important that we not place those funds at risk. As you know we went to considerable effort and legal cost to get the opinion and comfort that we required to assure that funds loaned to Cash Store were an ok investment because they were secured by loans and the promise of Cash Store for proper accounting of those loans. Now that the loans that supported our loans were collected we must ask for repayment. Should Cash Store require further loans as backup to payday loans in regulated provinces and secure those loans with payday loans, as in the past, we will be happy to make funds available. We are happy with the return received from Cash Store and look forward to continuing our relationship for a very long time.

Please be assured that the interest Cash Store is paying us is going to very worthwhile causes that rely on our funding. We can never let them down. That is the main reason that we make sure that any agreements we enter into on their behalf is never at risk. On the other hand we will always live up to our side of the agreement.

I look forward to our call later today.

Cheers,
 Murray

*3-14-14 - Spoke w/ JMM
 around 6 PM - he had discussed
 w/ Gord and have agreed that the
 capital will be repaid.
 SF to call Steve Mon AM to
 arrange - Gord will have
 spoken to him by then*

Sharon Fawcett

From: J. Murray McCann
Sent: March-24-14 9:15 AM
To: Sharon Fawcett
Subject: Rent Cash

Good morning Sharon,

Spoke to GORDON last evening. Is flying down to meet me this evening and again tomorrow morning. He understands that we must be paid. I think it is time we get Grant Stapon involved. I will talk to you later this morning Cheers Murray

Sent from my iPhone

Sharon Fawcett

From: J. Murray McCann
Sent: April-12-14 2:32 PM
To: ⇒ Gordon Reykdal
Subject: FW: Personal and Important

Importance: High

Good afternoon Gord,

I have attempted to contact you on numerous occasions and have left messages on your cell, office phone and with Sandy. Attempting to keep a creditor and friend in the dark by ceasing all communication is neither the way to treat a friend nor a creditor. As mentioned to you, on more than one occasion, the funds Rent Cash is improperly holding are used to support a large school, orphanage and girls residence in Zambia. Without those funds teachers, caregivers, food suppliers etc cannot be paid and our school of 400 students will have to close. I told you this before and you assured me that Rent Cash was looking after our money diligently and there was no need to worry.

Please Gord do what you know is right and release our funds so that they can continue to be used for the good purposes they have been used for. You know that the money is not Rent Cash's and have stated that on many occasions and even as late as 2 weeks ago when we visited at your club and your home in Scottsdale. You, as president, promised and assured that all was well and our funds were being held by Rent Cash for our benefit.


Please contact me.

Sincerely,
Murray

T A B L E

THIS IS EXHIBIT " 5 "
referred to in the Affidavit of
Sharon Fawcett

Sworn before me this 22
day of April, 2014


KENNETH T. LENZ
BARRISTER AND SOLICITOR

From: Gord Reykdal [<mailto:gord@csfinancial.ca>]
Sent: Monday, March 31, 2014 11:00 PM
To: jm.mccann@arlstoscorp.com
Cc: Douton, Bernard; Augustine, Neil; Gene Davis; Craig Warnock; Marc Wasserman
Subject: Re: Murray called again....

Hi Murray

Given the appointment of the special committee and the strategic review process being undertaken by it, I have been instructed to direct all questions and correspondence regarding the Company's current financial situation through to the advisors of the Special Committee for you to be in contact with them directly. I have copied Neil Augustine on the email as the main contact person. Best Regards, Gord

gordreykdal
 CHIEF EXECUTIVE OFFICER

CASH STORE FINANCIAL

15511 - 123 Avenue
 Edmonton, AB | T5V 0C3
 T: 780.408.5118 C: 780.497-1480
 (Canada)
 E: gord@csfinancial.ca
 F: 780.443.2653

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On Mar 31, 2014, at 5:29 PM, "Sandy Timmer" <sandy.timmer@csfinancial.ca> wrote:

TAB 4

Court File No.

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

AFFIDAVIT OF STEVEN CARLSTROM

(Sworn April 14, 2014)

I, Steven Carlstrom, of the County of Strathoona, in the Province of Alberta, the Vice President, Financial Reporting of the Applicant, The Cash Store Financial Services Inc. ("Cash Store Financial"), MAKE OATH AND SAY:

Introduction

1. This Affidavit is made in support of an Application by Cash Store Financial and its affiliated companies The Cash Store Inc., TCS - Cash Store Inc., Instaloans Inc., 7252331 Canada Inc., 5515433 Manitoba Inc., and 1693926 Alberta Ltd. doing business as "The Title Store" (collectively "Cash Store" or the "Applicants") for an Initial Order and related relief under the *Companies' Creditors Arrangement Act*, R.S.C, 1985, c. C-36, as amended (the "CCAA").

2. I joined Cash Store Financial on August 27, 2012 as Vice President, Financial Reporting. In my role I report directly to the Chief Financial Officer and I am responsible for all of Cash Store Financial's external financial reporting obligations. My duties also include oversight of payroll, corporate accounting, and accounting for Cash Store Financial's off balance sheet arrangements with third-party lenders ("TPLs"), as described below. As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I believe them to be true. In preparing this affidavit I have also consulted with other members of Cash Store Financial's senior management team (the "Senior Management"), and the Special Committee (as defined below) and reviewed certain information provided by financial advisors to the Special Committee as well as Cash Store's public disclosure documents filed on SEDAR.

3. Cash Store is a leading provider of alternative financial products and services, serving individuals for whom traditional banking may be inconvenient or unavailable. Cash Store owns and operates Canada's largest network of retail branches in the alternative financial products and services industry, with 509 branches across Canada operating under the banners "Cash Store Financial", "Instaloans" and "The Title Store." Cash Store also owns and operates 27 branches in the United Kingdom (the "UK") under the banner "Cash Store Financial". Cash Store Financial is listed on the Toronto Stock Exchange (TSX:CSF). Cash Store Financial was traded on the New York Stock Exchange until it voluntarily delisted on February 28, 2014 (NYSE: CSFS).

4. Cash Store 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. Cash Store uses 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. Cash Store also offers a wide range of financial products and services including bank accounts, prepaid MasterCard, private label credit and debit cards, cheque cashing, money transfers, payment insurance and prepaid phone cards. Cash Store has arrangements with a variety of companies to provide these products.

5. Cash Store employs approximately 1,840 hourly and salaried employees in Canada and the UK who rely on the continued existence of Cash Store for their livelihoods. Other stakeholder groups (discussed in greater detail below) include Cash Store Financial's senior secured lenders under its credit agreement, holders of Cash Store Financial's 11.5% senior secured notes, TPLs, other creditors, customers, shareholders, landlords, and contingent creditors such as class action plaintiffs. Cash Store's corporate headquarters and Senior Management are located in Edmonton, Alberta.

6. Cash Store is facing immediate and multiple challenges to its continued operations, including regulatory issues that affect its core business strategy, multiple class actions requiring defence across Canada and in the U.S., cash flow issues, and the resulting deterioration of its liquidity position. Significantly, on February 13, 2014, the Ontario Registrar of the Ministry of Consumer Services ("Ontario Registrar") issued a proposal to refuse to issue a lender's license to Cash Store Financial's subsidiaries, The Cash Store Inc. and Instaloans Inc., under the *Payday Loans Act, 2008*, S.O. 2008, Ch. 9 ("Payday Loans Act"). On March 27, 2014, the Ontario Registrar issued a final notice of its decision not to grant a license under the Payday Loans Act. Further, a recent decision of the Ontario Superior Court of Justice determined that Cash Store could not sell its line of credit products in Ontario. Cash Store is therefore not currently permitted to sell any payday loan products or line of credit products in Ontario.

7. Over the course of the past several months, Cash Store engaged in significant efforts to pursue a restructuring outside of a formal insolvency proceeding. These efforts include changes to the composition of Cash Store Financial's Board of Directors, the creation of a Special Committee of the Board of Directors to examine and pursue strategic alternatives, hiring of legal and financial restructuring advisors, lengthy negotiations with the Ontario Registrar with respect to the Applicants' licenses to act as a lender under the Payday Loans Act, the commencement of a mergers and acquisition process to seek a sale or significant investment in Cash Store and negotiations with the Applicants' stakeholders. Each of these efforts is described in more detail below.

8. Cash Store's liquidity position continues to significantly deteriorate and the current situation is dire. There is too much uncertainty and too many legal and business impediments to continue the strategic alternatives process outside of an insolvency proceeding. Senior Management and the Special Committee have expressed concerns regarding Cash Store's ability to sustain adequate liquidity to fulfill current business objectives and maintain going concern operations without commencing a CCAA process. Cash Store is unable to meet its liabilities as they become due and is therefore insolvent.

9. Subject to certain conditions including the granting of the proposed Initial Order, the DIP Lenders (defined below) have agreed to provide the Applicants with an interim financing facility (the "DIP Facility") of up to approximately \$20.5 million. The DIP Facility is intended to provide the Applicants with adequate liquidity to satisfy their working capital requirements and to seek to complete a restructuring as part of this CCAA proceeding. Cash Store is facing the stark reality that it is unable to continue going concern operations to preserve enterprise value without the DIP Facility.

10. Based on my own knowledge of Cash Store's business and my discussions with Senior Management and the financial advisors to the Special Committee, it is my belief that Cash Store can be a viable business after undergoing a restructuring under the CCAA. In order to continue going concern operations during Cash Store's transition to a new business model or a potential sale, the Applicants require a stay of proceedings and related relief under the CCAA. The Applicants are seeking CCAA protection to enable Cash Store to continue to operate as a going concern and be provided with the breathing space to restructure its affairs. Cash Store intends to continue its stakeholder discussions with the assistance of the proposed Monitor should the Initial Order be granted. A stay will enable the Applicants to evaluate restructuring options concurrently with a potential sale of all or a portion of the Cash Store business, with the ultimate goal of developing a plan of arrangement or compromise to restructure the business in a manner designed to maximize value to the extent possible for its stakeholders.

Corporate Structure of the Applicants

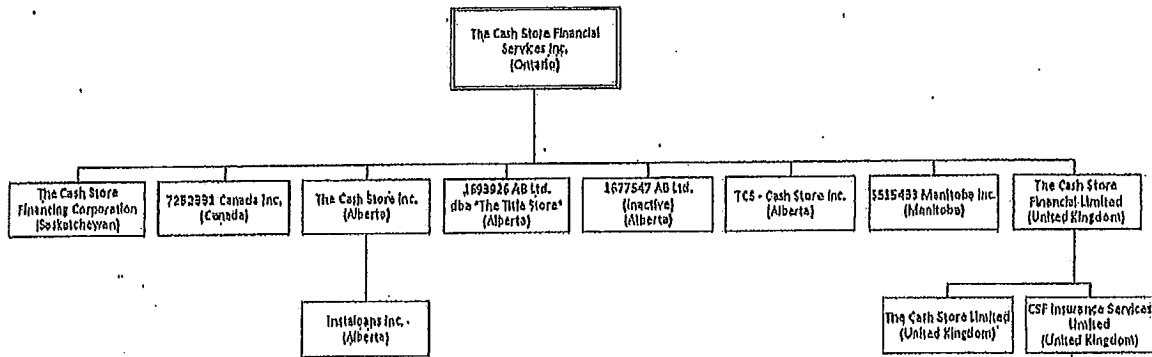
11. Cash Store Financial is a publicly-held Ontario corporation. The other Applicants are all privately-held corporations that are direct or indirect subsidiaries of Cash Store Financial. Cash Store Financial is the only broker of short-term advances and provider of other financial services in Canada publicly traded on the Toronto Stock Exchange (TSX:CSF). Cash Store Financial was traded on the New York Stock Exchange until it voluntarily delisted on February 28, 2014 (NYSE:CSFS).

12. As of December 31, 2013, Cash Store Financial had issued and outstanding share capital of 17,571,813 common shares. Cash Store Financial is authorized to issue unlimited common shares with no par value. As at December 11, 2013, Cash Store Financial's directors

- 6 -

and senior executive officers together beneficially owned 3,915,700 (22.2%) of the outstanding common shares. Of that, 3,640,300 (20.7%) of the outstanding common shares are beneficially owned by Gordon Reykdal, a Director and the Chief Executive Officer of Cash Store Financial. Coliseum Capital Management, LLC ("Coliseum") owns 19.27% of the common shares of Cash Store Financial.

13. The chart set out below shows the organizational structure of the Applicants and related companies. Cash Store Financial directly or indirectly owns 100% of the issued and outstanding shares of each of the Applicants. Included in parentheses within the corporate organization chart is the respective jurisdiction of incorporation of each entity.



(a) **Description of Entities**

14. Cash Store Financial is the holding company for Cash Store. Eugene Davis is Chairman of the Board, and the Board of Directors includes Cash Store Financial's CEO Gordon Reykdal, Edward McClelland, Timothy Bernlohr, Thomas Fairfield, and Donald Campion. Mr. Reykdal founded Cash Store in 2001 and has been on the Board of Directors since that time. Mr. McClelland joined the Board of Directors in 2005 and was appointed the Chief Executive Officer of Cash Store Australia in January 2008. Mr. Davis joined the Board of Directors on June 26, 2013, and Mr. Bernlohr, Mr. Fairfield, and Mr. Campion all joined the Board of Directors on

- 7 -

August 13, 2014, Mr. Davis is also the Chairman of the Special Committee and Mr. Bernlohr, Mr. Fairfield, and Mr. Campion are also members of the Special Committee (discussed below),

15. The Cash Store Inc. and Instalozans Inc. both act as lenders and/or brokers. These two companies are the main active subsidiaries of Cash Store Financial, operating in all of the provinces and territories where Cash Store has a presence.

16. The following are the remaining Canadian subsidiaries:

- (a) **1693926 Alberta Ltd.** runs The Title Store, which offers loans where the customer provides a motor vehicle title as collateral. This company is unable to meet its liabilities as they come due.
- (b) **The Cash Store Financing Corporation** was incorporated in Saskatchewan to act as a lender for Cash Store's "Elite" Line of Credit, however, this subsidiary was never used, is inactive, and is not an Applicant in these proceedings.
- (c) **7252331 Canada Inc.** was incorporated to act as a direct lender for payday loans in British Columbia and act as the lender for Cash Store's "Elite" Line of Credit, which Cash Store recently ceased offering. While 7252331 Canada Inc. is not active, it holds some defaulted payday loans receivable that are held at a zero value as well as the Elite Line of Credit receivables.
- (d) **1677547 Alberta Ltd.** was created to maintain the "Apply Pronto" internet lender banner, however Cash Store never launched the internet lending business and this entity is only used to maintain a website that aggregates customer leads and directs them to Cash Store's physical branches. It is not an Applicant in these proceedings.

- (e) TCS – Cash Store Inc. acts as the lessee for all of the leased corporate stores.
- (f) 5515433 Manitoba Inc. holds real property in Manitoba and is the landlord for two Manitoba corporate stores.

17. Gordon Reykdal is the sole director of the three UK companies: The Cash Store Financial Limited (a holding company), The Cash Store Limited (the lender), and CSF Insurance Services Limited (a service provider). The UK companies are not currently Applicants in these proceedings, however, Cash Store may seek to include them in these proceedings should circumstances warrant.

(b) Investments in Foreign Operations

18. Cash Store Financial also has investments in the following foreign operations:
- 18.3% of the outstanding common shares of The Cash Store Australia Holdings Inc. (“AUC”), which operated payday loan branches in Australia under the name “The Cash Store Pty”, Gordon Reykdal and Edward McClelland are directors of AUC. 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, The Cash Store Pty appointed a voluntary administrator pursuant to Section 436A of the *Australian Corporations Act* 2001. The Administrator has taken control of the operations and assets of The Cash Store Pty and an application to have the cease trade orders revoked has 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 but is not granting new loans at this time.

(c) **Banking and Cash Management System**

19. Cash Store Financial's active subsidiaries have their own bank accounts with CIBC and each branch's account has its own bank account identifiers. The bank accounts do not segregate the cash belonging to each subsidiary into Unrestricted and Restricted Cash (discussed below). Unrestricted and Restricted Cash are comingled. There is a central cash management system in place, including all bank reconciliations, all accounts payable and payroll (with the exception of the UK corporations, which processes their own accounts payable and payroll).

20. In order to maintain minimum bank balances and prevent overdrafts (which are not permitted by CIBC), cash is transferred between legal entities and bank accounts as necessary on a daily basis.

21. In addition to its accounts with CIBC, Cash Store has certain bank accounts with RBC and BMO which accept deposits from branches in certain locations where a CIBC branch is not available. As needed, cash is swept from the RBC and BMO accounts to CIBC operating accounts. As funding is required for the UK operations, Cash Store will purchase British Pounds Sterling and transfer funds from CIBC to the UK companies' bank accounts with Barclays.

22. The chart set out below summarizes the movement of funds:

Outgoing Cash Flows - Consumer Lending	
Prepaid Debit/ Credit Card	If a customer elects to receive his/her loan on a prepaid card product, the card is loaded by a third-party service provider, Direct Cash Payments Inc. The cash for the total card loads is settled to Cash Store's operating accounts by Direct Cash Payments Inc. daily, one day in arrears via a pre-authorized debit. The reconciliation process is done centrally.

EFT	If a customer elects to receive his/her loan via EFT, Cash Store's internal system aggregates the EFTs and they are processed centrally twice per day.
Cheque	If a customer elects to receive his/her loan via Cheque, each branch is equipped with blank cheque stock and prints the cheque itself.
Incoming Cash Flows - Consumer Lending	
POS Payments	Customers may elect to repay obligations through POS terminals at each branch. Funds are collected by a third-party payment processor, Direct Cash Payments Inc. on Cash Store's behalf. The funds are remitted via EFT to Cash Store on a daily basis one day in arrears.
Pre-Authorized debits	Pre-authorized debits to customer accounts are processed by a third-party, DC Bank, on behalf of Cash Store, PAD collections are settled to Cash Store 5 business days after the effective date of the PAD.
Cash/Cheques	Cash and cheques may be received by the branches or the centralized collections centre. Each branch performs its own physical daily deposits of cash and cheques.
Other Payment Methods	Customers are also able to pay via other electronic means, such as bill payment functionality with their financial institution. These payments are processed centrally.
Outgoing Cash Flows - Corporate (Accounts Payable)	
Wire transfer	All wire transfers are processed centrally by treasury through CIBC or Barclays.
EFT	All EFT's are processed centrally through CIBC or Barclays.
Cheque	All accounts payable cheques are processed centrally either via the Canadian or UK head office.

(d) Chief Place of Business

23. Cash Store's chief place of business is the Province of Ontario. There are 176 Cash Store branches located in Ontario, which is the largest number of Cash Store branches in any province or territory where Cash Store operates. Currently, Cash Store has approximately 470 employees in Ontario, more people than Cash Store employs in any other province or territory. Cash Store's Chief Compliance and Regulatory Affairs Officer is located in Toronto

because Cash Store is facing its most significant regulatory challenges in Ontario (discussed in more detail below).

24. The Ontario operations of Cash Store accounted for \$57.6 million in revenue for FY 2013, roughly 30% of Cash Store's total revenue, more revenue than any other province or territory. Furthermore, Cash Store Financial is listed on the TSX and files all of its public disclosure documents in Ontario. Cash Store Financial is a corporation incorporated under the Ontario *Business Corporations Act*, R.S.O. 1990, c. B16 and its registered office is located in Toronto. The impact of court and regulatory decisions (discussed below) has significantly curtailed Cash Store's Ontario revenues. Addressing the Ontario regulatory issues will be one of the key aspects of Cash Store's proposed CCAA proceeding.

The Business of Cash Store Financial

(a) Canadian and UK Payday Lending Industries

25. The Canadian payday lending market is \$2.5 billion in loan volume annually, and consists of 1.8 – 2.5 million consumers. It has been a stable market with regard to market size and risk profile and remained stable through recent macroeconomic fluctuations. Neither demand for Cash Store services nor loss rates were negatively affected through the 2008/2009 recession.

26. The Canadian market is not growing and is largely saturated by a number of providers. Significant new entrants to the Canadian market have been on-line rather than branch based. The payday lending market in Canada is dominated by two main providers, Cash Store and Money Mart, each of which had approximately 35.0% market share before the recent suspension of Cash Store's brokering activities in Ontario. The rest of the market is made up of

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various smaller providers of loans. Two U.S. providers have or are currently withdrawing from the market. Advance America (the largest U.S. payday lender) withdrew in 2012 and currently Cash Max is converting 29 branches in Ontario from payday lending to Cash Converters.

27. The UK payday lending market is still developing. The estimated market is £2 to £2.2 billion in 2011/12, up from an estimated £900 MM in 2008/09. This corresponds to between 7.4 million and 8.2 million new loans issued.

(b) Cash Store Customers

28. It is estimated that forty-seven percent of Canadians live from paycheck to paycheck. Of this forty-seven percent segment, approximately twenty percent (seven to ten percent of Canadians) experience cash flow problems and use payday loans. Cash Store customers rely on the services Cash Store provides, as they often are unable to access traditional bank products from other financial institutions.

29. Cash Store's branches made or arranged over 1.3 million individual advances in FY 2013. Cash Store's customer satisfaction rating is high, at 88% in Canada and 93% in the UK.

(c) Products and Services

30. Cash Store 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 chart set out below summarizes the products offered by Cash Store:

Consumer Loans & Line of Credit	
Payday	- Bridge loans to help customers span temporary cash shortfalls or meet emergency or unexpected expenses

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	<ul style="list-style-type: none"> - Short-term non-collateralized loans - Typically range from \$100 to \$1,500.
Signature	<ul style="list-style-type: none"> - Short-term loan against a government source of income (Child Tax, Disability, Pension, Employment Insurance)
Title	<ul style="list-style-type: none"> - Secured against vehicle, up to 12 months in duration - Can be refinanced or paid out
Lines of Credit	<ul style="list-style-type: none"> - Up to \$5,000 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 FY 2012
Injury Claims	<ul style="list-style-type: none"> - Immediate cash for personal injury claims awaiting payout - Provided by Rhino Legal Finance Inc., a third-party provider who contracts with Cash Store Financial to provide this service
Diversified Financial Products	
Bank Accounts: Standard & Premium	<ul style="list-style-type: none"> - Provided by DC Bank, a schedule 1 bank that has a contract with Cash Store Financial to provide this service - Gives customers access to a variety of services - CDIC insured
Cheque 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 - Preloaded with funds for daily transactional needs and access to cash at ATMs
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, a third party provider who contracts with Cash Store Financial to provide this service - 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
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(i) **Payday Loans – Direct Lending: Alberta, British Columbia, Nova Scotia, Saskatchewan, UK**

31. In January 2012, Cash Store Financial 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 TPLs. The Notes are discussed in more detail below. With the acquisition of the loan portfolio, Cash Store began funding payday loans directly in Alberta, British Columbia, Nova Scotia, and Saskatchewan. Cash Store also funded payday loans directly in Ontario and Manitoba until the product offering in those provinces was switched to brokered lines of credit. These six provinces all enacted payday loan legislation (discussed below).

32. Cash Store typically arranges for advances to customers that range from \$100 to \$1,500. In order to receive an advance, a customer is generally required to provide proof of income, copies of recent bank statements, and identification. The customer must then either write a cheque or execute a pre-authorized debit agreement for the amount of the advance plus loan fees. Where customers pay by cheque, Cash Store defers depositing the cheque until the due date of the loan, which is the customer's next payday (normally between 14 days and 31 days, but no later than 62 days as prescribed by regulations).

(ii) **Payday Loans – Brokering: New Brunswick, Newfoundland, Northwest Territories, Prince Edward Island, Yukon**

33. For loans that Cash Store brokers on behalf of customers, the application process and documentation requirements are similar to those for direct lending. After an application is

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completed and other relevant information is obtained from a customer, Cash Store brokers the customer's loan request to TPLs. Based on approval criteria established by the TPLs, the customer's eligibility for an advance is assessed. If the customer is approved, Cash Store provides the TPL's loan documentation to the customer. Upon fulfillment of the loan documentation requirements, Cash Store 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 Cash Store, which is then retained in Cash Store's operating bank account until redeployed to new borrowers. Cash Store earns fees on these transactions. If there is difficulty with the collection process, the customer's account may be turned over to an independent collection agency.

(iii) **Line of Credit Products – Brokering: Manitoba, Ontario**

34. On October 1, 2012 in Manitoba and February 1, 2013 in Ontario, Cash Store launched new line of credit products and stopped offering payday loans in those provinces. The lines of credit are unsecured, medium term revolving credit lines, with regular minimum payments tailored to customers' needs and profiles. The line of credit products are all brokered products, except a small number of Cash Store's "Elite" lines of credit, which Cash Store ceased offering in March 2014. Similar to what is described above for brokered payday loans, TPLs provide the funds for the line of credit, Cash Store arranges the line of credit, and Cash Store earns fees on these transactions. The proceeds from the brokered line of credit products are handled in the same way as the proceeds from the brokered payday loans. Cash Store ceased to offer its line of credit products in Ontario as of February 12, 2014 (discussed below).

(d) Branch Locations

35. Cash Store owns and operates Canada's largest network of retail branches in the alternative financial products and services industry, with 509 branches across Canada operating under the banners "Cash Store Financial", "Instaloans" and "The Title Store." Cash Store has a market share of approximately one third of all payday loan branches in Canada.

36. On April 14, 2010, Cash Store opened its first branch in the UK and has since expanded its operations to include 27 branches in the UK under the banner "Cash Store Financial".

37. The typical format for a branch is a small, strategically located storefront in a strip mall. Substantially all of Cash Store's branches are in facilities leased from third party landlords, as is Cash Store's corporate headquarters. Many of Cash Store's branch leases are with large retail landlords who lease several locations to Cash Store. The leases for branches are generally for terms of 5 years with some granting Cash Store options to renew beyond such a term.

38. Cash Store's corporate headquarters are located in Edmonton, Alberta, and Cash Store Financial's registered office is located in Toronto, Ontario. Cash Store has branches in all of Canada's provinces and territories except Quebec and Nunavut. The following chart sets out Cash Store's current branch locations by geographical region:

Location	Number of Cash Store Locations
<i>Ontario</i>	176
<i>Alberta</i>	120
<i>British Columbia</i>	97
<i>Saskatchewan</i>	33
<i>United Kingdom</i>	27

Location	Number of Cash Store Locations
<i>Manitoba</i>	25
<i>Nova Scotia</i>	25
<i>New Brunswick</i>	14
<i>Newfoundland & Labrador</i>	13
<i>P.E.I.</i>	3
<i>Northwest Territories</i>	2
<i>Yukon Territory</i>	1
Total	536

(e) **Employees**

39. Cash Store employs approximately 1,700 hourly and salaried active employees in Canada and approximately 140 employees in the UK, who rely on the continued existence of Cash Store for their livelihoods. 170 of Cash Store's active employees are located at the headquarters in Edmonton.

40. A typical branch is staffed by 3 to 4 employees, including both full and part-time associates and a branch manager. Branch managers are compensated through base salary and company-paid benefits, while associates are paid hourly wages. In addition, some of these individuals are eligible to receive profitability bonuses. Cash Store has also established a group RRSP for employees with over one year of service.

41. In addition to the above, Cash Store has a stock option plan for certain employees, officers and directors. In November 2013, Cash Store introduced a share unit plan for senior executives, vice presidents, and/or members of the management team to reduce its reliance on stock options and to incentivize management through payment of compensation related to

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appreciation of Cash Store Financial shares and performance goals. No share units have yet been issued. Cash Store also introduced a director deferred share unit plan to link a portion of annual director compensation to the future value of Cash Store Financial shares. Cash Store has issued 219,073 units under the director deferred share unit plan.

42. There are no registered pension plans for Cash Store management or other employees.

(f) Community Work

43. Cash Store is committed to social responsibility and to supporting the communities in which it does business. Its fundraising efforts for various charitable organizations make a difference in the lives of Canadians. In the past, Cash Store has partnered with the Canadian Diabetes Foundation to raise money for diabetes research and to build national understanding about the disease. In FY 2013, Cash Store hosted 15 Freedom Runs and sponsored 5 runs for diabetes, helping to contribute over \$1 million to this cause.

The Financial Position of Cash Store

44. As a publicly traded company listed on the TSX, Cash Store Financial's consolidated financial statements are filed on SEDAR. A copy of Cash Store Financial's audited consolidated financial statements for the fiscal year ended September 30, 2013 is attached as Exhibit "A". A copy of Cash Store Financial's interim consolidated financial statements for the three months ended December 31, 2013 is attached as Exhibit "B". Certain information contained in the December 31, 2013 consolidated financial statements is summarized below. All amounts in this affidavit are in Canadian Dollars.

(a) Assets

45. As at December 31, 2013, Cash Store had total assets of \$176,255,000.

(i) Current Assets

46. Cash Store's current assets (as at December 31, 2013) represented \$78,364,000 of its total assets and consisted of:

- (1) Unrestricted Cash - \$10,553,000;
- (2) Restricted Cash - \$6,408,000;
- (3) Consumer advances receivable, net - \$34,804,000;
- (4) Other receivables, net - \$8,332,000;
- (5) Prepaid expenses and other assets - \$2,584,000; and
- (6) Income taxes receivable - \$15,683,000.

47. The majority of Cash Store's current assets consisted of consumer advances receivable and income taxes receivable. With respect to consumer advances receivable, the above number incorporates appropriate aging of the receivables.

48. "Restricted Cash" (discussed below) can only be used for consumer lending. As at December 31, 2013, \$6,408,000 of Restricted Cash included \$706,000 of funds held by a financial institution as security related to banking arrangements and \$5,702,000 transferred from TPLs in excess of consumer loans written to customers and cumulative losses. As of February 28, 2014, the total amount of Restricted Cash had climbed to \$12,961,000.

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49. The amounts transferred from TPLs to Cash Store Financial are reflected in the Restricted Cash amounts and certain off-balance sheet accounts receivable. A corresponding liability is recognized to the TPLs in accrued liabilities equal to Restricted Cash.

(ii) **Non-Current Assets**

50. Cash Store's non-current assets (as at December 31, 2013) represented \$97,891,000 of its total assets and consisted of:

- (1) Deposits and other assets - \$2,792,000;
- (2) Deferred financing costs - \$5,836,000;
- (3) Property and equipment, net of accumulated depreciation - \$16,735,000;
- (4) Intangible assets, net of accumulated amortization - \$32,843,000; and
- (5) Goodwill - \$39,685,000.

51. The majority of Cash Store's non-current assets are made up of property and equipment, intangible assets, and goodwill.

(b) **Liabilities**

52. As at December 31, 2013, Cash Store's total liabilities were approximately \$184,984,000. These liabilities consisted of current liabilities of approximately \$35,979,000, and non-current liabilities of approximately \$149,005,000.

(i) **Current Liabilities**

53. Current liabilities as at December 31, 2013 included the following:

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- (1) Accounts payable - \$2,242,000;
- (2) Accrued liabilities - \$31,263,000;
- (3) Current portion of deferred revenue - \$1,000,000;
- (4) Current portion of deferred lease inducements - \$355,000; and
- (5) Current portion of obligations under capital leases and other obligations - \$1,119,000.

(ii) **Non-Current Liabilities**

54. Cash Store's non-current liabilities (as at December 31, 2013) included:

- (1) Deferred revenue - \$ 2,668,000;
- (2) Deferred lease inducements - \$596,000;
- (3) Obligations under capital leases and other obligations - \$3,386,000;
- (4) Long-term debt - \$139,496,000; and
- (5) Deferred income taxes - \$2,859,000.

55. The \$139.5 million owing in respect of long-term debt is made up of the \$12.0 million advanced by the Senior Lenders under the Credit Agreement (discussed below) and \$127.5 million owing to the Senior Secured Noteholders (also discussed below). The Notes are recorded at a discount to the face value (\$132.5 million) and accreted to the par value over the five year term using the effective interest rate method.

56. The \$31.3 million of accrued liability includes an amount of \$6.4 million "due to TPLs" in respect of the reported Restricted Cash amount.

(c) Revenue

57. Cash Store has experienced a sharp drop in financial results over the past two years, despite the fact that net revenues have remained steady. Net revenue decreased from \$189.9 million in FY 2011 to \$187.4 million in FY 2012 and increased to \$190.8 million in FY 2013. Net revenue decreased from \$49.5 million for the three months ended December 31, 2012 to \$45.2 million for the three months ended December 31, 2013. Earnings before interest taxes depreciation and amortization (EBITDA) decreased from positive \$27.4 million in FY 2011 to negative \$31.7 million in FY 2012 and increased to negative \$1.0 million in FY 2013. EBITDA for the three months ended December 31, 2013 was \$1.0 million as compared to \$6.5 million for the three months ended December 31, 2012.

(d) Stakeholder Amounts

58. The chart below sets out the relationship of certain stakeholders to Cash Store:

Stakeholder	Maturity Date	Amount	Rate of Return
Senior Secured Lenders ("Senior Lenders")	November 29, 2016	\$12 million	12.5%
Senior Secured Notes ("Noteholders")	January 31, 2017	\$132.5 million Subordinated to Senior Lenders	11.5%
Third Party Lenders ("TPLs")		\$42.0 million Consisting of the TPL Funds originally advanced, including funds deployed in brokered loans, Restricted Cash, and cumulative losses	Effectively 17.5%

(i) Senior Lenders

59. On November 29, 2013, Cash Store Financial entered into a credit agreement (the "Credit Agreement") with Coliseum, 8028702 Canada Inc. and 424187 Alberta Ltd. (collectively, the "Senior Lenders"), pursuant to which the Senior Lenders have to date provided \$12.0 million of secured loans. The loans are guaranteed by Cash Store Financial, The Cash Store Inc., TCS - Cash Store Inc., Instaloes Inc., 7252331 Canada Inc., 5515433 Manitoba Inc., The Cash Store Limited, The Cash Store Financial Limited, and CSF Insurance Services Limited (collectively, the "Guarantors"). A copy of the Credit Agreement (without schedules) is attached as Exhibit "C". A copy of the press release dated December 5, 2013 announcing that Cash Store Financial had entered into the Credit Agreement is attached as Exhibit "D".

60. 424187 Alberta Ltd., which loaned \$2.0 million of the \$12.0 million drawn, is a company controlled by Cash Store Financial's CEO and a director, Gordon Reykdal. Coliseum, which loaned \$5.0 million of the \$12.0 million drawn, owns 19.27% of the common shares of Cash Store Financial and is also a Noteholder. 8028702 Canada Inc., which loaned the remaining \$5.0 million of the \$12.0 million drawn, is a company controlled by the same person who controls McCann Family Holding Corporation, one of Cash Store Financial's principal TPLs. The loans under the Credit Agreement were used to fund operations and growth in key business areas.

61. Pursuant to the Credit Agreement, 424187 Alberta Ltd. (the "Agent") acts as agent for the Senior Lenders. The loans made under the Credit Agreement bear interest at 12.5% per annum, payable monthly in arrears, on the 29th day of each month. If a default occurs under the Credit Agreement, the interest rate is increased by 2% after the occurrence and during the continuance of such default.

62. The Credit Agreement provides that an additional \$20.5 million may be advanced for a total maximum loan amount of \$32.5 million. The Senior Lenders have a right of first refusal in respect of any additional advances. If the Senior Lenders do not exercise their right of first refusal, Cash Store Financial is free to obtain loan advances from other lenders who agree to become party to the Credit Agreement. The loans outstanding at any time are subject to the requirement that the maximum amount outstanding cannot exceed 75% of the Unrestricted Cash of Cash Store Financial plus 75% of the net consumer advances receivable of Cash Store Financial not more than 90 days in arrears (the "Borrowing Base"). If the total amount outstanding under the loan at any time exceeds the Borrowing Base, Cash Store Financial must repay to the Senior Lenders, on a pro rata basis, an amount which will result in the loans not being in excess of the Borrowing Base. Such payment must be made within 20 days of the month-end in which the Borrowing Base was exceeded.

63. Loans made under the Credit Facility mature on November 29, 2016 or on such earlier date as the principal amount of all loans owing from time to time plus accrued and unpaid interest and all other amounts due under the Credit Agreement may become payable under the Credit Agreement. Cash Store Financial may repay the loans at any time subject to payment of specified prepayment fees.¹

64. Cash Store Financial agreed to designate the loans made under the Credit Agreement as priority lien debt and obtain the benefit of the security granted by Cash Store Financial pursuant to the Collateral Trust and Intercreditor Agreement ("Collateral Trust

¹ The prepayment fees are as follows: (a) If the prepayment is on or before November 29, 2014, the greater of (A) the interest that would accrue if the prepaid amount were to remain outstanding until November 29, 2014 and (B) 4% of the prepaid amount; (b) If the prepayment is after November 29, 2014 but on or prior to November 29, 2015, 3% of the prepaid amount; and (c) If the prepayment is after November 29, 2015, no fee.

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Agreement") entered into in connection with the Notes. A copy of the Collateral Trust Agreement is attached as Exhibit "E".

65. In addition to certain covenants relating to the repayment of the loans and the authority of Cash Store Financial to enter into the Credit Agreement, Cash Store Financial has covenanted in favour of the Senior Lenders:

- (a) to comply with the covenants granted to the 11.5% Noteholders;
- (b) not to designate any additional debt under the Collateral Trust Agreement; and
- (c) to meet certain Adjusted EBITDA targets on a quarterly basis over the term of the Credit Agreement.

66. Upon the occurrence and during the continuance of a default, the Senior Lenders have a right to accelerate the obligations under the Credit Agreement, the right to instruct the Agent to begin the process to realize on the security under the Collateral Trust Agreement and the right, but not the obligation, to appoint a financial advisor to review the affairs of Cash Store Financial and to appoint a director to the Board.

67. Cash Store Financial was in compliance with the financial covenants of the Credit Agreement as at December 31, 2013 and therefore, the amounts drawn were classified as long-term debt on Cash Store Financial's balance sheet. However, Cash Store Financial breached a number of covenants in the Credit Agreement at the end of March 2014, which breaches are either defaults under the Credit Agreement or will give rise to defaults under the Credit Agreement with the passage of time. Senior Lenders may rely on the defaults to exercise their remedies under the Credit Agreement, including demanding immediate repayment of the amounts drawn and exercising their rights under the security if Cash Store cannot reach an

agreement with the Senior Lenders to amend or waive the covenant breaches. Cash Store does not have the ability to immediately repay the amounts owing to the Senior Lenders.

68. On March 31, 2014, Cash Store requested a Waiver from the Senior Lenders of the following: (i) the failure to pay interest when due on March 29, 2014; (ii) the failure to achieve the \$10 million minimum Adjusted EBITDA for the first 6 months of fiscal 2014; (iii) exceeding the Borrowing Base and not being able to make the required repayment within 20 days of same; and (iv) Cash Store's inability to represent that it is duly qualified to carry on business in all jurisdictions in which it carries on business unless such failure to so qualify would not constitute a material adverse effect under the Credit Agreement. To date, no response has been received.

(ii) **Noteholders**

69. On January 31, 2012, Cash Store Financial issued, through a private placement in Canada and the U.S., \$132.5 million of 11.5% Senior Secured Notes. A copy of the Note Indenture is attached as Exhibit "F".

70. The Notes mature on January 31, 2017 and bear interest on the aggregate principal amount from the date of issue at 11.5% per annum payable on a semi-annual basis in equal installments on January 31 and July 31 of each year, commencing in July of 2012. The Notes were issued at a price of 94.608% resulting in an effective interest rate of 13.4%. Cash Store Financial used the majority of the proceeds of the Notes to acquire a portfolio of consumer loans and certain intangible assets, and to settle pre-existing relationships with certain TPLs.²

² On January 31, 2012, Cash Store Financial acquired a portfolio of short-term advances from TPLs for total consideration of \$116,334,000. At the date of acquisition, the gross contractual principal and accrued interest of the acquired short-term advances was \$319,906,000.

71. The Notes are guaranteed, jointly and severally, by the same entities that are Guarantors under the Credit Agreement. Pursuant to the Collateral Trust Agreement, the Notes are secured on a second-priority basis by liens on all of Cash Store Financial's and its restricted subsidiaries' existing and future property, subject to specified permitted liens and exceptions. The Credit Agreement is secured by a first-priority lien on this collateral.

72. The Notes are redeemable at the option of Cash Store Financial, in whole or in part, at any time on or after July 31, 2014 at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest:

For the Period Below	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%

73. Prior to July 31, 2014, Cash Store Financial is entitled at its option, in certain circumstances, on one or more occasions to redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 111.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest.

74. If a change in control of Cash Store Financial occurs, the Noteholders will have the right to require Cash Store Financial to purchase all or a portion of the Notes, at a purchase price in cash equal to 101% of the principal amount of the Notes offered for repurchase plus accrued interest to the date of purchase.

75. Upon the commencement of the CCAA proceeding, Cash Store will no longer be in compliance with the covenants in the Note Indenture and the \$139.5 million owing in respect of long-term debt will become immediately due and payable. Cash Store does not have the ability to repay the Notes at this time.

(iii) **Third Party Lenders**

76. Cash Store has entered into written business agreements with a number of TPLs who are prepared to lend to Cash Store's customers or to purchase advances originated by Cash Store (the "Broker Agreements"). Pursuant to the Broker Agreements, the TPLs make loans to Cash Store's customers and Cash Store provides services to the TPLs related to the collection of documents and information from Cash Store's customers, as well as loan repayment services. Cash Store collects fees for brokering these transactions. Copies of the Broker Agreements for Trimor Annuity Focus Limited Partnership #5 ("Trimor"), McCann Family Holding Corporation ("McCann"), 1396309 Alberta Ltd., Omni Ventures Ltd., and L-Gen Management Inc. are attached as Exhibits "G", "H", "I", "J", and "K".

77. The Broker Agreements also provide that the TPLs are responsible for losses suffered due to uncollectible advances, provided Cash Store has fulfilled the duties required under the terms of the Broker Agreements. If Cash Store does not properly perform its duties and the TPLs make a claim under the Broker Agreements, Cash Store may be liable to the TPLs for losses they have incurred. However, pursuant to section 7.1 of the Broker Agreements, if any loss is as a result of any act or omission of Cash Store in reliance on any bona fide interpretation of Applicable Law or upon the advice of legal counsel, no liability shall attach to Cash Store.

(A) *Restricted Cash*

78. Cash Store has received approximately \$42.0 million from the TPLs (the "TPL Funds"). The total TPL Funds are comprised of the Restricted Cash (defined below) plus the outstanding balance of the brokered loans and cumulative losses. The Broker Agreements stipulate that the TPL Funds are to be utilized by Cash Store for making advances to broker customers on the TPLs' behalf. The TPL Funds are deployed by Cash Store to broker customers, subsequently received by Cash Store as repayment for such broker loans (subject to loan losses), and then redeployed, repeating the process. In FY 2013, Cash Store deployed the TPL Funds multiple times for total short term advances of \$241.4 million, representing 30.9% of Cash Store's total loan volume of \$781.8 million.

79. Any TPL Funds received by Cash Store as repayment for any brokered loan that are not currently deployed to Cash Store customers are deposited in Cash Store's bank accounts and are referred to in Cash Store's financial statements as "Restricted Cash". While the Broker Agreements permit the TPLs to require Cash Store to hold the TPL Funds in accounts designated for that purpose, no TPL has designated any account as a Designated Financier Bank Account or a Designated Broker Bank Account. The Restricted Cash is comingled with all of Cash Store's other cash (the "Unrestricted Cash"), and the aggregate of Cash Store's Restricted and Unrestricted Cash is the total cash reported on Cash Store's balance sheet. Cash Store keeps detailed records of the amounts loaned to and repaid by the broker loan customers and the direct loan customers. The funds received from broker loan customers representing principal and interest of the broker loan are included in the Restricted Cash, and funds received from the direct loan customers are included in Unrestricted Cash (along with any broker and other ancillary fees). Since all of these funds are comingled in multiple accounts, it is not possible to know which dollar represents Restricted Cash and which dollar represents Unrestricted Cash.

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Furthermore, the exact amount of Restricted and Unrestricted Cash is not calculated by Cash Store until it completes its month-end reconciliation. The month-end reconciliation is usually completed on or about the tenth day after month-end.

(B) Assigning Receivables to TPLs to Free Up Restricted Cash

80. Once the month-end reconciliation is complete, Cash Store compares the amount of total cash in its accounts and the amount of Restricted Cash that should be held on account of TPL Funds. On several occasions, Cash Stores has completed its month-end reconciliation and has found that the amount of Restricted Cash exceeds its total cash (meaning that Cash Store has used the Restricted Cash to fund its intra-month working capital needs). On these occasions, Cash Store has assigned its own direct loan receivables to the TPLs in an amount equal to the difference between Cash Store's total cash and the amount of Restricted Cash recorded on account of the TPLs plus an additional amount to permit Cash Store to meet its anticipated working capital needs for the next month with Unrestricted Cash. These assignments are permitted under the terms of the Credit Agreement and the Note Indenture provided that they are made in the ordinary course of business. These assignments are also permitted under the Broker Agreements and the assignments are disclosed to the TPLs as part of the monthly account statements and reconciliations provided to the TPLs.

81. For example, if at month-end total cash is \$15 million and Restricted Cash is \$18 million, then Unrestricted Cash is negative \$3 million. To address this issue, Cash Store would assign \$3 million of direct loan receivables to the TPLs to ensure there is sufficient Restricted Cash, plus an additional \$5 million dollars of direct loan receivables to meet its anticipated minimum working capital needs for the next month, resulting in \$10 million of Restricted Cash and \$5 million of Unrestricted Cash. Cash Store could then make \$10 million of brokered loans

using Restricted Cash and use the \$5 million of Unrestricted Cash to fund operating expenses and make direct loans. Total cash never changes when implementing these assignments.

82. The assignment of receivables essentially results in a greater portion of the TPL Funds being deployed to Cash Store's customers. For every dollar of receivables assigned to the TPLs, there is a dollar for dollar increase in the amount of Unrestricted Cash. During FY 2013 and FY 2012, as part of the normal course of operations, Cash Store assigned \$14.3 and \$17.6 million (respectively) of net consumer advances receivable to TPLs in exchange for cash.

(C) Amount of Restricted Cash

83. As of February 28, 2014, there was \$12.2 million in Restricted Cash available for consumer lending and Unrestricted Cash of \$0.2 million. Since Cash Store has been receiving repayments of loans in Ontario but not re-lending, the amount of Restricted Cash has increased dramatically. Final accounting is not yet available as at March 31, 2014 however, it is estimated that the amount of Restricted Cash has increased to approximately \$14.9 million and exceeded the total amount of cash in Cash Store's bank accounts. In light of the circumstances facing Cash Store, the decision of whether to make assignments to address this issue was deferred.

(D) Voluntary Retention Payments

84. Cash Store has historically made voluntary retention payments to TPLs in order to lessen the impact of loan losses. Since I have been at my role at the company the TPL Funds have been managed in the following manner:

- (1) **Monthly Lender Distributions:** Cash Store pays TPLs cash payments so that, when combined with portfolio returns (interest collected, net of losses), the TPLs receive approximately 17.5% return per year on the total TPL Funds.

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(2) **Capital Protection:** (a) Expensing Mechanism – Cash Store provides protection to the TPLs in respect of losses arising from brokered loans that remain unpaid after 90 days. The protection consists of crediting the TPLs with a retention payment as a book entry in the amount of the losses suffered by the TPLs. Cash Store in turn records these retention payments as an expense on its balance sheet. No cash is paid to the TPLs by the Cash Store in respect of these retention payments. The effect of these book entry retention payments is that (i) the TPL Funds are not eroded by losses; (ii) the Restricted Cash balance is increased by the amount of the retention payment; and (iii) the Unrestricted Cash balance is decreased by the amount of the retention payment.

(b) Purchasing Mechanism – In Ontario and Manitoba, Cash Store also effects retention payments by purchasing past due brokered loans (including any past due direct loans that were previously transferred to the TPLs) at face value to prevent any erosion of the TPL Funds. These purchases are an additional mechanism (and an alternative to the expensing mechanism described above) to prevent the TPLs from incurring any of the losses inherent in the past due brokered loans. Cash Store incurs losses equal to the difference between the purchase price and the fair value of the purchased brokered loans and recognizes the losses as retention payments. Cash Store's purchase of past due brokered loans also has the benefit of allowing Cash Store to collect the past due amounts without engaging a third-party agency for collection and without itself being licensed as a collections agency.

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85. The Broker Agreements between Cash Store and the TPLs do not contemplate retention payments. The Broker Agreements also do not guarantee repayment or a specified rate of return on the TPL Funds. However, if the TPLs were to no longer participate in the brokering of advances to Cash Store's customers, Cash Store would lose the anticipated future revenue related to the brokering of advances. Under the broker model, Cash Store makes voluntary retention payments to the TPLs to encourage them to continue making funds available to Cash Store. The Board of Directors regularly approves a resolution authorizing Cash Store to pay up to a certain amount of retention payments per quarter to TPLs. Retention payments are recorded in the period in which a commitment is made to a lender.

86. In March 2014, given Cash Store's liquidity issues and ongoing stakeholder discussions, Cash Store did not make any voluntary retention payments to TPLs, including the monthly lender distribution of approximately 17.5% per year.

Urgent Need for Relief

87. Cash Store is facing multiple challenges to its continued operations, including regulatory issues that affect its core business strategy, multiple class actions requiring defence across Canada and in the U.S., and immediate and dire liquidity challenges.

(a) **Regulatory Issues**

88. With respect to the completeness and accuracy of the information in the regulatory and litigation sections of my affidavit, I have specifically relied on information provided to me by Michael Thompson, Senior Vice President & Corporate Affairs, and Jerry Roczkowsky, Vice President of Compliance, of Cash Store Financial.

89. Regulations affecting Cash Store's primary product offerings of payday loans and lines of credit significantly affect Cash Store's ability to successfully operate and execute its business strategy.

90. In May 2007, the federal government enacted a bill clarifying that the providers of certain payday loans were not governed by the criminal interest rate provisions of the *Criminal Code*, R.S.C., 1985, c. C-46 (the "Criminal Code"), granting lenders (other than most federally-regulated financial institutions) an exemption from the criminal interest rate provisions of the Criminal Code if their loans fell within certain dollar amount and time frame maximums. In order for payday loan companies to rely on the exemption, provincial governments are required to enact legislation that includes a licensing regime for payday lenders, measures to protect consumers and maximum allowable limits on the total cost of borrowing.

91. Since late 2009, the Canadian payday loan market has been in transition from an unregulated market to varying states of regulation. The provinces that have enacted specific payday loans legislation pursuant to the federal exemption are British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Nova Scotia. 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.

92. While regulatory issues have affected the industry as a whole, they have had a more severe impact on Cash Store due to its particular business model. Cash Store's strategic objective was to achieve a single platform universally deployed across jurisdictions with its line of credit product suite. The operational impacts of multiple regulatory environments have been numerous, creating significant additional costs. Senior Management has been required to devote

significant resources to these matters and has retained a Chief Compliance and Regulatory Affairs Officer (the "CCRO") and legal counsel to address these issues (discussed below).

(i) **Ontario Regulatory Issues**

(A) *Regulatory Litigation*

93. On February 1, 2013, Cash Store launched its suite of line of credit products in Ontario and ceased offering payday loans in that province. With respect to the new line of credit offerings, on April 29, 2013, Cash Store filed an application in the Ontario Superior Court of Justice (the "Ontario Court") seeking a declaration that its basic line of credit was not subject to the Payday Loans Act.

94. On February 4, 2013, the Ontario Registrar issued a proposal to revoke the payday lending licenses of the Cash Store Inc. and Instalozans Inc. Cash Store filed an Appeal with the License Appeal Tribunal on February 19, 2013. However, as Cash Store allowed its payday licenses to expire in Ontario effective July 4, 2013 (since Cash Store was of the view that it could offer lines of credit without such a license), this appeal was withdrawn effective August 15, 2013.

95. Previous to the February 4, 2013 proposal of the Registrar for payday loans, Cash Store submitted an application for judicial review in the Ontario Court, seeking a declaration that certain provisions of the regulations made under the Ontario Payday Loans Act are void and unenforceable. This application was heard on October 2, 2013. On November 5, 2013, the Ontario Court dismissed the application. Cash Store has not appealed this decision.

96. On June 7, 2013, the Director designated under the Ontario Ministry of Consumer and Business Services Act filed an application in the Ontario Court seeking a declaration that Cash Store's basic line of credit is subject to the Payday Loans Act and that Cash Store must

obtain a broker license to offer this product. This application was heard on November 29, 2013 and the decision was rendered on February 12, 2014. The Ontario Court concluded that the basic line of credit is subject to the Payday Loans Act and ordered that Cash Store Financial's subsidiaries, The Cash Store Inc. and Instalozans Inc., are prohibited from acting as a loan broker in respect of its basic line of credit product without a broker's license under the Payday Loans Act. On March 14, 2014, Cash Store commenced an appeal of this decision.

97. On February 12, 2014, Cash Store ceased offering all line of credit products offered to its customers in Ontario branches. A copy of the press release reporting the outcome of the application and the decision to stop offering line of credit products in Ontario is attached as Exhibit "L".

(B) Additional Regulations

98. Additionally, on December 17, 2013, Ontario Regulation 351/13 was filed by the Government of Ontario. Regulation 351/13, made under the Payday Loans Act, prescribes certain categories of credit such that the Payday Loans Act applies to line of credit products offered through the Cash Store's retail banners. Regulation 351/13 required Cash Store to obtain licenses pursuant to the Payday Loans Act in order to continue providing access to certain line of credit products in the Ontario market after February 15, 2014. These regulations are now in force. To comply with the new requirements of the Payday Loans Act, Cash Store applied for the requisite licenses through its operating subsidiaries. A copy of the press release dated December 20, 2013 regarding the announcement of the regulations is attached as Exhibit "M".

(C) Ontario Regulator Refuses to Grant License to Cash Store

99. In response to Cash Store's license application, on February 13, 2014, the Ontario Registrar issued a proposal to refuse to issue a lender's license to Cash Store Financial's

subsidiaries, The Cash Store Inc, and Instalozans Inc., under the Payday Loans Act. A copy of the press release dated February 13, 2014 regarding the proposal to refuse a lender's license is attached as Exhibit "N". The Payday Loans Act provides that applicants are entitled to a hearing before the License Appeal Tribunal in respect of a proposal by the Ontario Registrar to refuse to issue a license.

100. The Cash Store Inc, and Instalozans Inc, allowed the time for appealing this decision to lapse while it was in negotiations with the Ontario Registrar. These negotiations failed to produce a favourable result and on March 27, 2014, the Ontario Registrar issued a final notice of its decision not to grant a license under the Payday Loans Act. Cash Store will not be eligible to re-apply for a license for 12 months from the date of issuance of the final order. If Cash Store chooses to re-apply for a license after such time, Cash Store will be required to provide new or additional evidence for the Ontario Registrar to consider or demonstrate that material circumstances have changed. Cash Store is not currently permitted to sell any payday loan products in Ontario. A copy of the press release dated March 28, 2014 regarding the final order refusing to grant a license is attached as Exhibit "O".

101. All of Cash Store's 172 Ontario branches that operated under the Instalozans and the Cash Store banners have remained open and Cash Store incurred significant operating expenses while it pursued discussions with the Ontario Registrar regarding obtaining a license under the Payday Loans Act. Cash Store intends to keep the majority of its branches open while considering its strategic options. Since Cash Store is unable to make new loans in Ontario, its ability to collect outstanding customer accounts receivable has also been significantly impaired. On April 8, 2014, Cash Store reduced its Ontario staffing to a skeletal staff by commencing a

temporary layoff of approximately 250 Ontario employees, Cash Store is considering closing certain branches in Ontario.

102. As discussed above, the Ontario operations of Cash Store accounted for \$57.6 million in revenue for FY 2013, roughly 30% of Cash Store's total revenue. Closure of the Ontario operations will entail significant severance costs for approximately 470 employees.

(ii) **Federal-Provincial Consumer Measures Committee**

103. A federal-provincial Consumer Measures Committee is working collaboratively on a national response to high-cost credit loans. New regulations may affect the title loans and lines of credit offered by Cash Store.

(iii) **Manitoba Regulatory Issues**

104. On October 15, 2013, the Manitoba Consumer Protection Office ("CPO") concluded an investigation of Cash Store. The CPO determined that Cash Store was in violation of Manitoba's maximum legal cost of \$17 per \$100 on payday loans, which could result in substantial demands for refunds to customers.

105. The CPO issued a refund demand to Cash Store to reimburse 61 identified borrowers for certain fees charged, required or accepted in relation to payday loans in Manitoba during the period of time that it held a valid payday lender licence in the province. The additional fees were charged in relation to cash cards associated with payday loans. More such refund demands may be made.

106. On April 9, 2014, the Manitoba CPO informed Cash Store that it had identified various breaches of *The Consumer Protection Act*, C.C.S.M. c. C200 related to certain disclosure documents issued in respect of broker agreements and advances made to consumers in respect of

lines of credit that had been issued to consumers. The CPO has directed Cash Store to refund roughly \$37,000 in brokerage fees paid by consumers in relation to advances made to them by TPLs under 32 lines of credit by April 30, 2014. The CPO also expressed its concern at the number of allegedly non-compliant agreements and the possibility that there are more line of credit agreements that may be in breach of the legislation. The CPO recommended that Cash Store conduct a review of its files to determine whether any other consumers may be owed refunds due to breaches of the legislation.

107. The Government of Manitoba has recently promulgated new legislation that expands the powers of the CPO. Additionally, the government has introduced legislation to regulate high cost credit products. If passed, Cash Store may not be able to profitably make available the line of credit product suite in the Province of Manitoba.

(iv) British Columbia Regulatory Issues

108. On March 23, 2012, Cash Store was issued a compliance order (the "Order") and administrative penalty from Consumer Protection BC. The Order directs Cash Store to refund to all borrowers with loan agreements negotiated with Cash Store or its subsidiaries between November 1, 2009 and the date of the Order, the amount of any issuance fee charged, required or accepted for or in relation to the issuance of a cash card.

109. The Order also directed Cash Store to pay an administrative penalty of \$25,000 in addition to costs. On November 30, 2012, Consumer Protection BC issued a supplementary compliance order directing that unclaimed refund amounts, to a maximum of \$1.1 million be deposited into a consumer protection fund. On December 14, 2012, Cash Store filed a Petition for Judicial Review in the British Columbia Supreme Court seeking an order quashing or setting aside the Order and Supplemental Order, and seeking declarations that it had not contravened

sections 112.04(1)(f) of the *Business Practices and Consumer Protection Act*, [SBC 2004] Ch. 2, or sections 17 and 19 of the Payday Loan Regulation, B.C. Reg. 57/2009. The Petition was heard by the Court on June 26, 27, and 28, 2013 and dismissed in a decision released on January 30, 2014. As at December 31, 2013, the total amount of the supplemental order of \$1.1 million was paid by Cash Store and will soon be disbursed to consumers.

(v) **Newfoundland Investigation**

110. There is no provincial regulation of payday loans in Newfoundland. However, the Royal Newfoundland Constabulary and Royal Canadian Mounted Police recently concluded an investigation of Cash Store with regard to alleged violations of the interest provisions in the Criminal Code. While the results of the investigation are not yet known, they have been forwarded to public prosecutors.

(vi) **Nova Scotia**

111. Payday Loan legislation in Nova Scotia requires that licensees offer to deliver to borrower their loan proceeds in cash. Cash Store has attempted to satisfy this requirement by offering to distribute funds to consumers by way of Electronic Fund Transfers. The Province has not been fully satisfied with this approach. If Cash Store cannot resolve related matters, it is possible that an inability to satisfy this regulatory requirement may serve as the basis for a proposal to suspend or revoke the Companies' operating licenses. Any such suspension or revocation would have significant impact on Cash Store's revenues.

(vii) **New Brunswick**

112. In New Brunswick, Cash Store's operating subsidiaries are registered as brokers. This registration is in good standing. In early April, Cash Store received notification that TPLs for which the subsidiaries' broker loans are not properly registered in the province. If registration

is not quickly secured for these TPLs, Cash Store may not be able to broker loans for those TPLs in that province, with the resulting impact on revenue. Since it received this notification, Cash Store has received confirmation that one of the two TPLs who operate in New Brunswick is properly licensed and the other TPL is beginning to take steps to seek a license. Cash Store operates 14 branches in the Province of New Brunswick.

113. In March 2014, the Government of New Brunswick tabled legislation (Bill 55) to regulate the payday loan industry in that province. This legislation, if promulgated, will require the implementation of a licensing regime, various restrictions on business practices by licensed payday lenders and caps on the maximum allowable amount that lenders may charge. It is not known at this time whether or not the legislation will be promulgated and, if rate caps are to be implemented, what they will be and what the impact of such caps will be for licensed lenders. If the legislation is promulgated, Cash Store would have to apply for and be granted a license in order to participate in any lending.

(b) Significant Litigation

114. Cash Store's difficult financial position is further threatened by multiple significant litigation matters that Cash Store is defending across Canada and in the United States. As a result of additional legal activity related to the regulatory claims (discussed above) and securities and other class action claims (discussed below), as well as reserves taken for existing litigation and claims, legal expenses have increased significantly from \$2.2 million in FY 2012 to \$3.8 million in FY 2013. The three months ending December 31, 2013 saw legal expenses of \$1.0 million.

(i) **Outstanding Settlement Liability – BC Class Proceeding**

115. On February 28, 2010, the Supreme Court of British Columbia approved the settlement of two related class actions filed against Cash Store. Under the terms of the court approved settlement, Cash Store is to pay to the eligible class members who were advanced funds under a loan agreement, and who repaid the payday loan plus brokerage fees and interest in full, or who met certain other eligibility criteria, a maximum estimated amount including legal expenses of \$18.8 million, consisting of \$9.4 million in cash and \$9.4 million in credit vouchers. The credit vouchers can be used to pay existing outstanding brokerage fees and interest, to pay a portion of brokerage fees and interest which may arise in the future through new loans advanced, or can be redeemed for cash from January 1, 2014 to June 30, 2014. The credit vouchers are not transferable and have no expiry date. After approved legal expenses of \$6.4 million were paid in March 2010, the balance of the settlement amount remaining to be disbursed was \$12.4 million, consisting of \$6.2 million of cash and \$6.2 million of vouchers.

116. By September 30, 2010, Cash Store had received approximately 6,300 individual claims with total valid claims being in excess of the settlement fund. As the valid claims exceed the balance of the remaining settlement fund, under the terms of the settlement agreement, the entire settlement fund of \$12.4 million was mailed to claimants in November 2012 in the form of cash and vouchers on a pro-rata basis. To date, \$5.3 million of the cash portion of the settlement has been redeemed by claimants while \$0.8 million is being held in trust by the administrator for future redemptions or to be handled in accordance with unclaimed property laws. To date, approximately \$4.3 million of the \$6.1 million of vouchers have been redeemed for services or cash. The total remaining liability related to the settlement is approximately \$1.8 million.

(ii) **Ongoing Class Proceedings**

117. There are multiple proposed class proceedings filed against Cash Store. Due to the uncertainty surrounding the litigation process, Cash Store is unable to reasonably estimate the range of loss, if any, in connection with these class actions.

118. Cash Store believes that it has conducted business in accordance with applicable laws and is defending each claim. However, the resolution of any current or future legal proceeding could cause Cash Store to have to refund fees and/or interest collected, refund the principal amount of advances, pay damages or other monetary penalties and/or modify or terminate operations in particular jurisdictions. Cash Store may also be subject to adverse publicity. Defense of any legal proceedings, even if successful, requires substantial time and attention of senior officers and other management personnel that would otherwise be spent on other aspects of the business and requires the expenditure of significant amounts for legal fees and other related costs. Settlements of lawsuits may also result in significant payments and modifications to operations. Any of these events could have a material adverse effect on business prospects, results of operations and the financial condition of Cash Store.

119. Cash Store is currently defending the following class action lawsuits which allege breaches of various provincial Payday Loan Regulations, Consumer Protection Acts, and/or the criminal interest provisions of the Criminal Code:

- **British Columbia, September 11, 2012:** Roberta Stewart on behalf of class members who, on or after November 1, 2009 received a loan from the Applicants in British Columbia.

- **Alberta, January 19, 2010:** Shaynee Tschritter and Lynn Armstrong are the representative plaintiffs in this certified class action alleging that Cash Store is in breach of s. 347 of the Criminal Code.
- **Alberta, September 18, 2012:** Kostas Efthimiou on behalf of all persons who, on or after March 1, 2010, received a payday loan from the Applicants.
- **Saskatchewan, October 9, 2012:** John Ironbow on behalf of all persons who, on or after January 1, 2012, received a payday loan from the Applicants.
- **Manitoba, April 23, 2010:** Scott Meeking on behalf of all persons in Manitoba and others outside the province who obtained a payday loan from the Applicants. A previous settlement approved by the Ontario Court presumptively resolved claims with respect to loans borrowed by Mr. Meeking, and other Manitoba residents, on or before December 2, 2008. The Manitoba Court of Appeal held that the Ontario settlement was unenforceable in part as notice to the Manitoba residents was inadequate. The class action was certified. Leave to appeal to the Supreme Court of Canada has been granted to both parties and the appeal is tentatively scheduled for November 13, 2014.
- **Manitoba, November 1, 2012:** Sheri Rehill on behalf of all persons who, on or after October 18, 2010, borrowed a payday loan from the Applicants in Manitoba.
- **Ontario, August 1, 2012:** Timothy Yeoman on behalf of class members who entered into payday loan transactions with the Applicants in Ontario between September 1, 2011 and the date of judgment. This class action also makes allegations that Cash Store operated an unlawful business model as it did not provide borrowers with the option to

take their payday loan in an immediate liquid form and thereby misrepresented the total cost of borrowing.

120. The above actions generally seek any or all of the following remedies; restitution or damages for allegedly unlawful charges paid by the class members, repayment of unlawful charges paid by the plaintiff and class members, damages for conspiracy, interest on all amounts found to be owing and legal costs.

121. Additionally, Cash Store was facing investor class actions in Alberta, Ontario, and Quebec alleging that Cash Store made misrepresentations during the period from November 24, 2010 to May 24, 2013 regarding its internal controls over financial reporting and the value of the loan portfolio acquired from TPLs, losses on its internal consumer loan portfolio, and its liability associated with the settlement of the British Columbia Class Action (discussed above). The Quebec and Alberta proceedings were stayed pending the outcome of the Ontario claim. A similar securities class action alleging violations of the Securities Exchange Act of 1934, 15 U.S.C. § 78a, is also being defended by Cash Store in the United States.

122. On March 31, 2014, Cash Store Financial announced that it entered into an agreement in principle to settle all four of the proposed securities class actions. A copy of the press release regarding the settlement is attached as Exhibit "P". The agreement in principle covers all claims related to investments in Cash Store Financial's common shares and Notes acquired or disposed of during the expanded period of November 24, 2010 through February 14, 2014, other than certain rights and claims of Noteholders under the Note Indenture dated January 31, 2012.

123. The proposed settlement provides for a payment in the amount of approximately \$9.45 million (all-inclusive) by Cash Store to be fully funded by Cash Store Financial's insurers.

The proposed settlement is subject to the fulfillment of customary conditions including, among other things, the parties entering into a definitive settlement agreement, court approvals, approval of parties other than Cash Store Financial, and the fulfillment of conditions relating to the number of opt-outs from the proposed settlement.

(iii) **Claim by Former Third Party Lender, Assistive Financial Corp.**

124. On September 18, 2013, an action in the Court of Queen's Bench of Alberta was commenced against Cash Store, certain of its officers and affiliates, including The Cash Store Inc., certain of its associated companies, including The Cash Store Australia Holdings Inc. and RTF Financial Holdings Inc., and other corporate defendants, seeking repayment of certain funds advanced to Cash Store, its affiliates and the associated companies by Assistive Financial Corp. ("Assistive"), a former related party TPL. An application for interim relief, including the appointment of an inspector, was brought by the Plaintiffs and was heard by the Court of Queen's Bench of Alberta on December 12, 2013 and a decision has not yet been rendered. The action by Assistive also seeks damages equivalent to \$110,000,000 together with interest thereon at the rate of 17.5% per year. Assistive filed for bankruptcy on February 3, 2014 and this action has been stayed while the Trustee reviews and considers this litigation.

(c) **Audit and Special Investigation Fees**

125. Audit and special investigation expenses also jumped significantly in FY 2013 to \$4.0 million from \$0.9 million in FY 2012. Audit expenses included \$1.6 million related to restatements of previously issued financial statements.

126. A special investigation by Cash Store Financial's audit committee resulted in a \$2.0 million expense. The audit committee was made aware of written communications that contained questions about the acquisition of the consumer loan portfolio from TPLs in late

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January 2012 (the "TPL Transaction") and included allegations regarding the existence of undisclosed related party transactions in connection with the TPL Transaction. In response to this allegation, legal counsel to a previous special committee of independent directors of Cash Store Financial (the "Special Investigation Committee") retained an independent accounting firm to conduct a special investigation. The investigation followed a review conducted by Cash Store Financial's internal auditor under the direction of the audit committee of the Board, and the restatement by Cash Store Financial in December 2012 of its unaudited interim quarterly financial statements and Management's Discussion and Analysis for periods ended March 31, 2012 and June 30, 2012.

127. The investigation covered the period from December 1, 2010 to January 15, 2013 and was carried out over four months. It involved interviews of current and former officers, directors, employees and advisors of Cash Store and a review of relevant documents and agreements as well as electronically stored information obtained from Cash Store computers and those of employees, former employees and directors most likely to have information relevant to the investigation.

128. The Special Investigation Committee has reported its findings on the allegations to the Board of Directors and, consistent with the recommendation made to the Board of Directors by the Special Investigation Committee, the Board of Directors has determined that no further corrections or restatements of previously reported financial statements and other public disclosures are required in relation to the TPL Transaction.

(d) Voluntary Delisting from the NYSE

129. On April 2, 2013, Cash Store Financial received notice from the NYSE that it was not in compliance with the US\$50 million market capitalization and stockholders' equity

standard for continued listing of its common shares on the NYSE. On February 24, 2014, Cash Store Financial received an additional notice from the NYSE that it had fallen below the NYSE's continued listing criteria requiring listed companies to maintain an average closing price of its listed common shares of not less than US\$1.00 over a consecutive 30 trading-day period.

130. On February 28, 2014, Cash Store Financial voluntarily delisted its stock from the NYSE due, in part, to non-compliance with the NYSE's market capitalization and shareholders' equity, as well as its share price requirements. A copy of the press release regarding the delisting dated February 28, 2014 is attached as Exhibit "Q".

(c) TPL Requests for Return of Restricted Cash

131. As discussed above, Unrestricted Cash and Restricted Cash are comingled in Cash Store's accounts to form its total cash, which is then used to fund operations. The amount of Restricted Cash on Cash Store's balance sheet is expected to exceed the amount of total cash in Cash Store's bank accounts. In light of the circumstances facing Cash Store, the decision of whether to make assignments to address this issue was deferred.

132. Two TPLs have requested returns of TPL Funds. McCann has made a redemption request as of February 26, 2014 to return all of McCann's TPL Funds. As of February 28, 2014, the McCann portion of Restricted Cash was \$6,449,000 and by March 31, 2014 had increased to approximately \$7,674,000. On January 23, 2014, Trimor initially made a redemption request of \$4.0 million, and subsequently made a redemption request for the balance of its funds in the amount of \$23 million on April 4, 2014. The Broker Agreements require 120 days' notice of reduced lending limits. As such, the McCann notice takes effect on or about June 26, 2014 and the initial Trimor request takes effect on or about May 23, 2014. The McCann and Trimor requests are attached as Exhibits "R", "S" and "T".

133. Cash Store does not have sufficient liquidity to fulfill these requests, as the amount of total cash as of March 31, 2014 was approximately \$12.6 million. Senior Management has had discussions with McCann and Trimor concerning the redemption requests. On March 20, 2014, Trimor signed a non-disclosure agreement ("NDA") and on March 26, 2014, Trimor attended meetings with Cash Store and the advisors to the Special Committee to discuss the liquidity issues faced by Cash Store. Trimor has been provided with a significant amount of non-public, confidential information under the NDA. The advisors to the Special Committee have also been attempting to negotiate an NDA with McCann. However, McCann did not sign an NDA, and therefore could not attend the March 26, 2014 meeting and could not receive any of the confidential information given to Trimor. As of the date of this affidavit, the redemption requests remain outstanding.

134. On April 4, 2014, counsel for McCann wrote to counsel for the Special Committee, requesting that any funds held by Cash Store on behalf of McCann be returned, or else held in a segregated account. McCann's counsel asserted that the funds are held in trust for McCann and that there is a fiduciary relationship between McCann and Cash Store. McCann's counsel stated that McCann would seek personal remedies against anyone responsible for any dissipation of the alleged trust funds. A copy of the April 4, 2014 McCann letter is attached as Exhibit "U".

135. Counsel for the Special Committee replied on April 8, 2014, and clarified that there is no provision in the McCann Broker Agreement that establishes a trust relationship or imposes a trust on any funds. Furthermore, Cash Store's public disclosure does not describe its relationship with TPLs as constituting a trust relationship. Additionally, counsel for the Special Committee noted that McCann is aware that all funds collected from Cash Store's customers,

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including funds collected in respect of loans brokered for McCann, are comingled. A copy of counsel for the Special Committee's April 8, 2014 letter is attached as Exhibit "V".

136. McCann's counsel's response of April 8, 2014 is attached as Exhibit "W". In it, he reiterates his request that money advanced by McCann be placed in a segregated account.

137. On April 4, 2014, Trimor made a redemption request for the balance of its funds in the amount of \$23 million. Trimor also requested an immediate and complete accounting of loans brokered on Trimor's behalf, including all funds flowing in and out of Trimor's Designated Broker Bank Account and Designated Financier Bank Account. Trimor stated that it did not consent to any comingling of funds and required that any Trimor funds be held and accounted for separately. A copy Trimor's April 4, 2014 letter is attached as Exhibit "X".

138. On April 9, 2014, counsel for the Special Committee wrote to Trimor and noted that Trimor was aware that all TPL funds are comingled. Furthermore, he confirmed that while Cash Store has an account it uses to receive funds from TPLs with respect to their initial advance and will transfer funds to this account to make distributions to the TPLs from time to time, there has never been a Trimor Designated Broker Bank Account or Designated Financier Bank Account. A copy of the April 9, 2014 letter is attached as Exhibit "Y".

139. A copy of an email from counsel for Trimor dated April 12, 2014 with respect to a potential CCAA filing is attached as Exhibit "Z".

(f) McCann Files an Injunction

140. The attempts to negotiate an NDA with McCann continued through the first ten days of April. On the evening of April 10, 2014, the advisors to the Special Committee sent a further revised NDA to McCann which would allow PricewaterhouseCoopers ("PwC") to inspect

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Cash Store's documents and records, McCann did not provide a substantive response regarding the NDA. Instead, on April 11, 2014, McCann served Cash Store with an application for an injunction seeking:

- (a) An interim and final injunction directing Cash Store to permit PwC to attend at Cash Store's offices to review its books and records in accordance with the Broker Agreement;
- (b) An injunction prohibiting Cash Store from (i) comingling, using, converting or otherwise appropriating the funds advanced by McCann pursuant to the Broker Agreement; (ii) directing that the funds be held in a segregated trust account; and (iii) such further and other relief which will preserve the rights of McCann pending the conclusion of the litigation;
- (c) An Order directing the Cash Store to account for all funds advanced pursuant to the Broker Agreement; and
- (d) A declaration that all funds advanced or subsequently recovered by collection of loans belong to McCann or are held in trust for McCann.

141. McCann also served a statement of claim seeking

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- (a) A direction that PwC or a suitable alternative accounting firm be granted full and immediate access to the books and records of Cash Store;
- (b) The injunction described above;
- (c) A declaration or judgment against any parties who have knowingly received the Restricted Cash and an Order for accounting or tracing; and
- (d) An Order directing that the Plaintiff's funds be returned by June 19, 2014 or earlier.

142. The Statement of Claim, application for an injunction, and affidavit of Sharon Fawcett are attached as Exhibits "AA", "BB", and "CC".

Restructuring Efforts to Date

(a) **Special Committee**

143. In light of the difficulties faced by Cash Store, on February 19, 2014, the Board of Directors constituted a special committee of independent directors (the "Special Committee") to:

- (i) Review and respond to the regulatory developments in Ontario preventing Cash Store from selling payday loan products in Ontario; and
- (ii) Carefully evaluate the strategic alternatives available to Cash Store with a view to maximizing value for all of its stakeholders.

144. The Special Committee engaged Osler, Hoskin & Harcourt LLP as its independent legal advisor and Rothschild Inc. ("Rothschild") as its independent financial advisor to assist it in its strategic alternatives review process. A copy of the two press releases dated

February 19 and February 20, 2014 are attached as Exhibits "DD" and "EE". Additionally, Cash Store has engaged Conway MacKenzie Inc. ("Conway") as a financial advisor to assist the Special Committee in evaluating Cash Store's liquidity position as part of the strategic alternatives review process. The engagement letters for Rothschild and Conway are attached as Exhibits "FF" and "GG".

145. Rothschild has informed me that the Special Committee has explored the possibility of a sale, restructuring, refinancing and liquidation,

(1) **Mergers and Acquisitions Process**

146. During the week of March 3, 2014, Rothschild initiated a mergers and acquisitions process to seek a sale or significant investment in Cash Store. Rothschild contacted numerous parties, including financial buyers and strategic buyers based in both Canada and the U.S. Strategic buyers represent companies in the consumer finance and alternative financial services sectors and financial buyers were selected based on past experience in the financial services sector, investments in turnaround situations and their ability and willingness to deploy capital quickly.

147. Many of the parties contacted have been provided with public teasers and several have requested NDAs. As of March 26, 2014, a number of parties had executed NDAs and started their due diligence of Cash Store. A data room has been set up and parties who have executed NDAs have been granted access. Rothschild will be providing parties who have executed NDAs with Cash Store's business plan and a letter requesting proposals by mid-May.

(b) Appointment of Compliance and Regulatory Affairs Officer

148. On February 27, 2014, Cash Store Financial announced that it had engaged Michèle McCarthy to fill the newly created position of CCRO. A copy of the related press release dated February 27, 2014 is attached as Exhibit "HH".

149. Ms. McCarthy is an experienced senior executive with experience in numerous roles with global financial services companies. She has previously had mandates which included Chief Legal Officer, Chief Privacy Officer, and Chair of the Board of Directors at significant public and private corporations.

150. As CCRO, Ms. McCarthy reports directly to the Special Committee. The mandate of the CCRO includes the following responsibilities:

- Ensure that Cash Store is in compliance with all federal and provincial legislation, regulations and regulatory directives (the "Governing Legislation");
- Ensure that all documents used in the business of Cash Store are compliant with Governing Legislation;
- Develop procedures to identify, assess and communicate internally any changes or proposed changes to Governing Legislation;
- Foster a constructive relationship between Cash Store and its regulators; and
- Oversee and assist business units within Cash Store in the resolution of compliance issues.

151. In her role as CCRO, Ms. McCarthy is leading discussions with Cash Store's Ontario regulator in an effort to address the regulator's concerns regarding the issuance of a lender loan license to Cash Store Financial and its subsidiaries under the Payday Loans Act.

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Relief Sought

152. In preparing this section of the affidavit, I have also consulted with and relied on discussions with Tom Fairfield, Cash Store's financial advisor, and the legal and financial advisors to the Special Committee.

153. Cash Store has made efforts to pursue a restructuring outside of a formal insolvency proceeding. Cash Store's liquidity position continues to significantly deteriorate and the current situation is dire. As noted above, there is too much uncertainty and too many legal and business impediments to continue the process outside of an insolvency proceeding. Senior Management and the Special Committee have expressed concerns regarding Cash Store's ability to sustain adequate liquidity to fulfill current business objectives and maintain going concern operations without commencing a CCAA process. Cash Store is unable to meet its liabilities as they become due and is therefore insolvent.

(a) **Stay of Proceedings**

154. Cash Store urgently requires a stay of proceedings and other protections provided by the CCAA so that it is provided with the breathing space to restructure its affairs and attempt to maximize enterprise value. In particular, the Applicants require a stay of proceedings to prevent the TPLs from attempting to withdraw the TPL Funds pursuant to the terms of the Broker Agreements, the Noteholders from making demands under the Senior Secured Notes and the Senior Lenders from making demands under the Credit Agreement. Such demands would likely result in the cessation of going concern operations for the Applicants absent a stay of proceedings. The Applicants are requesting an initial stay of proceedings until May 14.

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155. If the court grants the proposed Initial Order, the Applicants intend to immediately continue the dialogue with its significant stakeholders in an effort to reach agreement on a consensual restructuring plan.

(b) Interim Financing

156. Cash Store's liquidity has declined from \$13.1 million of reported total cash at the end of February to \$12.6 million at the end of March. As of close of business on April 11, 2014 the total cash in Cash Store's bank accounts was approximately \$2.9 million. These cash balances include Restricted Cash. The liquidity shortfall is driven primarily by the cessation of lending in Ontario as well as elevated corporate costs associated with ongoing litigation. Because of the nature of the Company's business as a lender of cash, the Company needs to maintain a minimum cash balance of \$5 to \$10 million to manage ordinary day to day fluctuations in its lending activities.

157. Because of its current liquidity challenges, and as demonstrated in the cash flow forecast (discussed below), Cash Store requires interim financing on an urgent basis to continue going concern operations and to implement the reorganization of its business as part of this CCAA proceeding. Subject to certain terms and conditions, Coliseum Capital Partners, LP, Coliseum Capital Partners II, LP and Blackwell Partners, LLC have agreed to act as DIP lenders (the "DIP Lenders") and provide an interim financing facility (the "DIP Facility") of approximately \$20.5 million to Cash Store Financial. The term sheet is attached to this affidavit as Exhibit "II".

158. The funds available under the DIP Facility will be used to meet Cash Store's immediate funding requirements during the CCAA proceedings in accordance with the cash flow projections, as well as for the payment of professional fees and other costs and expenses in

connection with the CCAA proceedings. The DIP Facility is guaranteed, jointly and severally, by the same entities that are Guarantors under the Credit Agreement and the Notes and by 1693926 Alberta Ltd. doing business as "The Title Store".

159. Cash Store has agreed to pay the DIP Lenders:

- (a) For the first \$12.5 million borrowed, interest of 12.5% per year, all of which is to be capitalised (not paid in cash) and added to the outstanding principal balance of the loan to become due and payable on the maturity date of the DIP Facility;
- (b) For amounts loaned in excess of \$12.5 million, interest of 10.5% per year and payable monthly in arrears in cash on the first business day of each month and on the maturity date, plus 7% per year provided that all such accrued and unpaid interest will be capitalised (not paid in cash) and added to the outstanding principal balance of the loan to become due and payable on the maturity date; and
- (c) Agency fees of \$30,000 per month while the DIP Facility is in place, DIP Financing fees of 3.5% of \$12.5 million plus 5% of \$8 million, and certain exit fees that are payable in specific circumstances.

160. It is a condition precedent to the availability of the DIP Facility that the Initial Order be in form and substance satisfactory to the DIP Lenders, including in respect of the granting of the DIP Lenders' Charge (as defined below). The DIP Facility is also provided on the condition that there be no Events of Default or Material Adverse Changes (as defined in the term sheet). The maturity date of the DIP Facility is the earlier of (i) 180 days from the granting of the Initial Order, (ii) the date an Approved Transaction is consummated, (iii) the date a demand for payment is made following an Event of Default, or (iv) the date on which the stay of proceedings

pursuant to the Initial Order expires without being extended or on which the CCAA proceedings are terminated.

161. The DIP Facility is proposed to be secured by a Court-ordered security interest, lien and charge (the "DIP Lenders' Charge") on all of the present and future assets, property and undertaking of Cash Store, including any cash on hand at the day of the filing (the "Property") that will secure all post-filing advances. The DIP Lenders' Charge is to have priority over all other security interests, charges and liens other than the Administration Charge (as defined below) and up to an amount of \$1.5 million. The DIP Lenders' Charge will not secure any obligation that exists before the Initial Order is made and will be *part passu* with the TPL Protections.

162. The DIP Facility includes affirmative covenants providing that the DIP Lenders will engage a Chief Restructuring Officer ("CRO") within 10 days from the issuance of the Initial Order. The DIP Facility permits a certain amount in critical vendor payments, which have been incorporated into the Cash Flows.

163. An alternative interim financing proposal (the "Alternative DIP Facility") was also conditional on a CCAA filing and required a priority DIP charge. The Special Committee, in consultation with its advisors, determined that the DIP Facility had more favourable terms than the Alternative DIP Facility and was in the best interests of Cash Store and its stakeholders.

164. The DIP Facility is critical to the successful restructuring of Cash Store, as it will provide Cash Store with the necessary liquidity to operate as a going concern during these proceedings and, absent an injection of cash at this time, Cash Store will be forced to shut down its operations, with a significant loss of employment and disruption to those who rely on its services.

(c) Monitor

165. FTI Consulting Canada Inc. ("FTI") has consented to act as the Monitor of the Applicants under the CCAA. A copy of the Monitor's consent is attached as Exhibit "JJ".

(d) Administration Charge

166. In connection with its appointment, it is proposed that the Monitor, along with its counsel, counsel and the financial advisor to the Special Committee, counsel to the Applicants and counsel and the financial advisor to the DIP Lenders will be granted a Court-ordered charge on all of the present and future assets, property and undertaking of the Applicants (the "Property") as security for their respective fees and disbursements relating to services rendered in respect of the Applicants up to a maximum amount of \$1.5 million (the "Administration Charge"). The Administration Charge is proposed to have first priority over all other charges.

(e) Directors' and Officers' Protection

167. A successful restructuring of Cash Store will only be possible with the continued participation of Cash Store Financial's board of directors (the "Directors"), management and employees. These personnel are essential to the viability of Cash Store's continuing business.

168. I am advised by Marc Wasserman of Osler, Hoskin & Harcourt LLP, counsel for the Special Committee, and believe that, in certain circumstances, directors can be held liable for certain obligations of a company owing to employees. Cash Store estimates, with the assistance of its financial advisor, that these obligations may include unpaid accrued wages which could amount to as much as approximately \$3.7 million, unpaid accrued vacation pay which could amount to as much as \$1.4 million for a total potential director liability of approximately \$5.1 million.

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169. The amount of insurance remaining under the Director and Officer primary and excess insurance policies is approximately \$28 million. As discussed above, Cash Store and its Directors and Officers are subject to significant litigation and it is not certain that there will be sufficient Director and Officer insurance to cover the defence costs and any potential findings of liability on the part of the Cash Store Directors or Officers. Furthermore, Cash Store has not yet been able to finalize a renewal of the Director and Officer insurance, which is due to expire in July 2014. Cash Store has recently purchased one year run-off insurance under the terms of its primary and excess policies, which will commence on the expiry of those policies.

170. The Directors and Officers have indicated that, in light of the uncertainty surrounding available Directors' and Officers' insurance, their continued service and involvement in this restructuring is conditional upon the granting of an Order under the CCAA which grants a charge in favour of the Directors and Officers of Cash Store in the amount of \$2.5 million on the Property of Cash Store (the "Directors' Charge"), the priority of which is still under discussion. The Directors' Charge would act as security for indemnification obligations for the Directors' potential liabilities as set out above.

171. The Directors' Charge is necessary so that Cash Store may benefit from its Directors' and Officers' experience with the business and the alternative financial products industry, and guide Cash Store's restructuring efforts.

172. The members of the Special Committee have indicated that, in light of the uncertainty surrounding available Directors' and Officers' insurance, it is their intention to resign after a Chief Restructuring Officer ("CRO") is appointed by the court and a proper transition can be implemented. To that end, the DIP term sheet provides that a CRO be engaged within 10 days. The members of the Special Committee have indicated that they are only willing to assist

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In transferring the Special Committee's restructuring duties to the proposed CRO on the condition that they receive protections akin to that of a CRO from and after the date of the Initial Order. Thus, the Special Committee members' continued service and involvement in this restructuring is conditional upon the granting of an Order under the CCAA which provides that no member of the Special Committee will have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, from and after the date of the Initial Order except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of such member of the Special Committee.

(f) TPL Protections

(i) Existing Cash-on-hand

173. Given the position of certain TPLs with respect to the Cash Store's cash-on-hand, it is proposed in the draft Initial Order that the TPLs be granted a Court-ordered charge on Cash Store's Property in the maximum amount of cash-on-hand at the time of filing (the "TPL Charge"). As stated in the DIP term sheet, the sole purpose of the TPL Charge is to ensure that any claims by the TPLs to Cash Store's cash-on-hand are preserved pending a determination by this court. Further, as stated in the DIP term sheet, the TPL Charge is intended to preserve the claims of the TPLs as they existed immediately prior to the effective time of the Initial Order. However, the term sheet states that the TPL Charge shall not grant the TPLs any new, additional, or greater rights than they would have had absent these protections.

174. The draft Initial Order proposes that the TPL Charge will rank *pari passu* with the DIP Lenders' Charge and will only be enforceable by the TPLs as directed by the Court. Given these protections, it is proposed in the draft Initial Order that Cash Store will be permitted to use all of the cash-on-hand for general operating purposes.

(ii) **Post-Filing Brokered Loan Repayments and Post-Filing Brokered Loans**

175. On the date of filing there will be approximately \$18.7 million of brokered loans (less than 90 days past due), roughly \$11.5 million, or 62%, of which are Ontario loans. The TPLs will likely encounter difficulty collecting outstanding Ontario loans, as the Ontario Cash Store branches are currently unable to broker new loans for customers. Cash Store is not able to predict with any certainty the amount of Ontario loans that will be repaid.

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176. As customers repay the TPL brokered loans, Cash Store intends to use this liquidity for the sole purpose of brokering new loans (and not for funding operations or other costs). Cash Store will keep sufficiently detailed records of all post-filing repayments of TPL loans, including principal and interest ("TPL Repayments") and any and all re-advances made by Cash Store such that, as at any time post-filing, the company can determine (i) the amount of all TPL Repayments, (ii) any and all re-advances, and (iii) any still outstanding TPL brokered loans. Cash Store will work with the Monitor to accelerate the existing reconciliation process in order to allow Cash Store to identify on a daily basis the TPL brokered loans and any amounts received in respect of same following the Initial Order (as opposed to the month-end reconciliation process now followed).

177. On a go-forward basis, Cash Store will continue its practice of depositing repayments of TPL brokered loans into Cash Store's general bank account. Cash Store is not in a position to physically segregate the TPL Repayments given the manner in which such repayments are made and limitations with Cash Store's cash management process, including Cash Store's cash management software and that belonging to third parties, DC Bank and Direct Cash Payments Inc.

178. Cash Store has had discussions with the proposed Monitor and has agreed to maintain a minimum cash balance in an amount equal to the TPL Repayment received after the Initial Order and not yet redeployed as new brokered loans.

179. Cash Store will continue to ensure that TPLs receive a return of approximately 17.5% per year (or such lesser amount as may be agreed to) with respect to TPL brokered loans that are repaid and available for redeployment from and after the Initial Order date. Based on this approach, the return will be made on any TPL brokered loan existing as of the date of the Initial

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Order that is subsequently repaid and available for redeployment. The return will be calculated so that the 17.5% payment is paid from the Initial Order date on such amounts. These arrangements are also intended to ensure that Cash Store will not make payments on loans in existence on the date of filing that are subsequently defaulted upon.

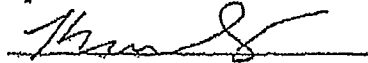
(g) Cash Flow Forecast

180. Cash Store, with the assistance of its financial advisor Conway, has prepared 13-week cash flow projections as required by the CCAA. FTI has reviewed these cash flow projections. A copy of the cash flow projections is attached as Exhibit "KK". The cash flow projections demonstrate that Cash Store can continue going concern operations during the proposed stay period should the proposed DIP Facility be approved.


181. Cash Store anticipates that the Monitor will provide oversight and assistance and will report to the Court in respect of Cash Store's actual results relative to cash flow forecast during this proceeding. Existing accounting procedures will provide the Monitor with the ability to track the flow of funds among the various Applicants.

182. I am confident that granting the Initial CCAA Order sought by the Applicants is in the best interests of the Applicants and all interested parties. Without the DIP Facility, Cash Store faces a cessation of going concern operations, the liquidation of its assets and the loss of its employees' jobs. Cash Store requires an immediate and realistic dialogue with its stakeholders under the protection of the CCAA with the goal of maximizing the ongoing value of the business and continuing employment for its employees. The granting of the requested stay of proceedings will maintain the "status quo" and permit an orderly restructuring and analysis of the Applicants' affairs, with minimal short-term disruptions to Cash Store's business.

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario, on
April 14, 2014.



Commissioner for Taking Affidavits
Karim Sachar



Steven Carlstrom

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

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