

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

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

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

June 6, 2014

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

APPLICANTS

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

INTRODUCTION

1. On April 14, 2014, Regional Senior Justice Morawetz granted an Initial Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (Canada), as amended (the "**CCAA**") to The Cash Store Financial Services Inc. ("**CSF**"), The Cash Store Inc., TCS Cash Store Inc., Instaloans Inc., 7252331 Canada Inc., 5515433 Manitoba Inc. and 1693926 Alberta Ltd. doing business as "The Title Store" (collectively, the "**Applicants**" or "**Cash Store**") providing protections to the Applicants under the CCAA, including a stay of proceedings until May 14, 2014 (as extended from time to time, the "**Stay**"), and appointing FTI Consulting Canada Inc. (the "**Monitor**") as CCAA monitor.
2. On April 15, 2014, the Court granted an Amended and Restated Initial Order (the "**Amended & Restated Initial Order**") which, among other things, approved an

- interim CCAA credit facility (the “**Initial DIP**”) by Coliseum Capital LP, Coliseum Capital Partners II LP and Blackwell Partners LLC (collectively “**Coliseum**”) and appointed Blue Tree Advisors Inc. as Chief Restructuring Officer of the Applicants (the “**CRO**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
3. On April 30, 2014, Regional Senior Justice Morawetz granted an order providing additional protections for third party lenders (“**TPLs**”), specifically relating to repayments of loans bearing the name of, attributable to, or assigned to 0678786 B.C. Ltd. (“**McCann**”) and Trimor Annuity Focus Limited Partnership #5 (“**Trimor**”), and requiring the Applicants to maintain a \$3 million minimum cash balance (the “**Additional TPL Protection Order**”).
 4. On May 13, 2014, Regional Senior Justice Morawetz granted an order (the “**May 13 Order**”), among other things, extending the Stay to May 16, 2014, approving a Key Employee Retention Plan and related charge, and approving the cessation of the Applicants’ brokered loan business (the “**Broker Business**”) in all jurisdictions in which it was then carried out and authorizing the CRO, in consultation with the Monitor, to conduct an orderly cessation of such business.
 5. On May 17, 2014, Regional Senior Justice Morawetz granted an order, among other things extending the Stay to June 17, 2014 and approving an Amended and Restated Term Sheet providing for a DIP Facility by the following lenders (together, the “**DIP Lenders**”): Coliseum, Alta Fundamental Advisers, LLC and certain members of the ad hoc committee (the “**Ad Hoc Committee**”) of the Applicants’ 11 1/2% senior secured notes (the “**Notes**”).
 6. The purpose of this Sixth Report is to provide the Court with information regarding the following:
 - (a) the cessation of Cash Store’s Broker Business;
 - (b) Cash Store management changes;

- (c) meetings with provincial regulators;
- (d) the ongoing M&A Process (defined below) and related amendments to the DIP Agreement;
- (e) an update on a supplier dispute involving DirectCash Payments Inc. and its affiliates (collectively, “DCPI”);
- (f) DIP Financing and interest calculations in respect of the initial DIP Financing;
- (g) the delisting of Cash Store’s common shares from the Toronto Stock Exchange and the Cease Trade Order (“CTO”) issued by the Alberta Securities Commission;
- (h) Cash Store’s UK operations;
- (i) potential preferences & transfers at undervalue;
- (j) background and additional data relevant to the motions brought by the TPLs and the cross-motion brought by the DIP Lenders, returnable June 11, 2014; and,
- (k) the proposed representative counsel motion, returnable June 11, 2014.

TERMS OF REFERENCE

7. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants’ books and records, certain financial information prepared by the Applicants and discussions with the Applicants’ management and advisers. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on

management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

CESSATION OF BROKER BUSINESS

9. Pursuant to the May 13 Order, the Court approved the cessation of the Applicants' brokered loan business in all jurisdictions in which it was currently being carried out and authorized the CRO, in consultation with the Monitor, to take all steps to conduct an orderly cessation of such business.
10. On May 14, 2014, the Applicants issued a press release announcing that it was "winding down its brokered payday loan business conducted in 33 of its branch locations located in New Brunswick, Prince Edward Island, Newfoundland, Northwest Territories and Yukon" and that, in addition, "the Company will be winding down its brokered title loan business conducted in 10 of its branch locations across Canada" and "seeking to transition its brokered loan business model in Manitoba to a direct lending payday loan business model." Attached as **Schedule "1"** is a copy of such press release dated May 14, 2014.
11. The Monitor understands that Cash Store ceased making new brokered loans after May 12, 2014¹ (including in the above-listed provinces and territories, Manitoba and Ontario (where the Applicants had previously ceased making brokered loans)). The Monitor further understands that, while brokered loans are not being made, the 33 branches referenced above and the branches in Manitoba and Ontario² remain open and are still accepting payments and providing other services to customers. Approximately 95 employees have received temporary layoff notices as a result of the cessation of the Broker Business. Cash Store

¹ The Monitor understands that three brokered loans were made after this date with a total face value of \$10,847 in the name of Trimor.

² With the exception of two Ontario branches, which have closed since the date of the Initial Order.

continues to make direct loans to customers from 269 branches (in British Columbia, Alberta, Saskatchewan and Nova Scotia).

MANAGEMENT CHANGES

12. On May 22, 2014, Cash Store announced that it made a number of executive leadership changes as part of its reorganization efforts. Attached as **Schedule “2”** is a press release issued by Cash Store in relation to such changes.
13. As reported in the press release, effective May 22, 2014, the following individuals are no longer with Cash Store:
 - (a) Gordon Reykdal – former Chief Executive Officer
 - (b) Kevin Paetz - former Chief Operating Officer and President
 - (c) Halldor Kristjansson – former Senior Executive Vice President, Banking and Credit
 - (d) Barret Reykdal - former Senior Vice President, Retail Financial Services
 - (e) Michael Thompson - former Senior Vice President, Corporate Affairs
14. The Applicants also reported in the press release that they terminated service agreements with Bill Johnson and Dean Ozanne (consultants who provided strategic and operating advice to the former CEO) and that the CRO will be working with members of the Cash Store management team to implement a revised leadership structure.
15. At this time, the Monitor understands that the Chief Financial Officer, CCRO (defined below) and current team of existing Vice Presidents are providing Cash Store management services under the direction of the CRO.

MEETINGS WITH REGULATORS

16. The CRO, with the assistance of the Monitor and the Applicants' Compliance and Regulatory Affairs Officer, Michèle McCarthy (the "**CCRO**"), has been working to establish relationships with the regulators in the jurisdictions in which Cash Store operates and to identify and attempt to address their concerns.
17. To date, the CRO, CCRO and Monitor have met with regulators from Ontario, Nova Scotia, Alberta and Saskatchewan and are working to coordinate a meeting with the regulator in British Columbia.

M&A PROCESS UPDATE AND RELATED DIP AMENDMENT

18. As previously reported, prior to the start of the CCAA Proceedings, Rothschild Inc. ("**Rothschild**") commenced a mergers and acquisitions process to seek a sale or significant investment in Cash Store (the "**M&A Process**"). In the Amended & Restated Initial Order, the Court authorized Rothschild to "continue the mergers and acquisitions process as described in the Carlstrom Affidavit, in consultation with the Monitor".
19. On or about April 29, 2014, Rothschild delivered an updated outline of the intended M&A Process, including the following timeline (subject to ongoing supervision of the Court and to Court Orders in these CCAA Proceedings):
 - (a) May 23, 2014 – parties to submit letters of interest (including transaction structure and price);
 - (b) May 29, 2014 - selection of parties advancing to Phase 2;
 - (c) May 30-July 11, 2014 – Phase II due diligence;
 - (d) June 2-13, 2014 – Management presentations;
 - (e) July 11, 2014 – Binding proposals (for entire company or select assets) due.

20. On May 23, 2014, Rothschild recommended and the CRO and DIP Lenders agreed that the deadline for letters of interest should be extended from May 23, 2014 to June 3, 2014 given, among other things, the Cash Store management changes, the need for the remaining management team to refine and update the Cash Store business plan, and bidder-originated suggestions that a revised business plan would facilitate a more meaningful indicative value being possible for the assets.
21. On May 23, 2014, the Monitor confirmed its consent to extend the deadline for letters of interest to June 3, 2014, in accordance with paragraph 11(d) of the Amended & Restated Initial Order.
22. The Amended and Restated DIP Term Sheet dated May 20, 2014 (“**DIP Agreement**”) provides certain deadlines regarding the M&A Process. Among those is an Affirmative Covenant that provides, among other things, that that the Applicants are to have obtained “an Order approving the Sale Process, in a form and substance satisfactory to the DIP Lenders (the “**Sale Process Order**”)” on or before 52 days after the Amended & Restated Order i.e. by June 6, 2014.
23. Given the extension of the date for accepting letters of interest to June 3, 2014, on May 23, 2014, the DIP Lenders and CRO agreed to the following amendment to the DIP Agreement (with all other terms of the DIP Agreement remaining in full force and effect, unamended):

Affirmative Covenant(s) be and hereby is amended to extend the date for obtaining from the Court an Order approving the Sale Process, in form and substance satisfactory to the DIP Lenders, from a date that is on or before 52 days following the issuance of the Initial Order to a date that is on or before 63 days following the issuance of the Initial Order.
24. At a case conference call on May 30, 2014, Regional Senior Justice Morawetz reserved two hours on June 16, 2014 for a possible Stay extension motion and motion for a Sale Process Order.

25. On June 3, 2014, Rothschild received a number of letters of interest. The letters of interest received are being reviewed by Rothschild and the CRO, in consultation with the Monitor, and the Monitor expects that parties selected to advance to Phase 2 will be advised on or about June 9, 2014.

DISPUTE WITH DCPI

26. On May 29, 2014, the CRO asked the Monitor to take urgent steps with respect to a situation involving an important supply relationship with DCPI, causing the Monitor to request urgent time before the Court for a possible hearing in relation to this dispute.
27. The Monitor understands that DCPI provides critical services to Cash Store including in respect of, among other things, supplying automated teller machine (“**ATM**”) terminals on Cash Store premises and related services including ATM cash loading, loading prepaid debit and credit cards and related services, and processing pre-authorized debit transfers from Cash Store customers. Cash Store also has significant relationships with DirectCash Bank (which DCPI recently announced an agreement to acquire), which processes all pre-authorized debits to customer accounts on behalf of Cash Store, among other things.
28. The Monitor further understands that an amount totalling approximately \$1.3M was withheld by DCPI (the “**DCPI Withheld Amount**”) from amounts payable in relation to an invoice delivered by it, which Cash Store disputed. Cash Store then withheld amounts otherwise payable to DCPI (the “**Cash Store Withheld Amount**”) and subsequent discussions and negotiations gave rise to a concern that DCPI may cease providing services in relation to loading the prepaid debit and credit cards if the dispute was not resolved.
29. On May 30, 2014, a case conference was conducted by Regional Senior Justice Morawetz by telephone in relation to the scheduling of a possible motion relating to this issue and the scheduling of various other motions in these CCAA Proceedings. On the case conference call, a motion was tentatively scheduled for

- June 2, 2014 to address the DCPI dispute, although the parties indicated an intention to have discussions following the case conference call.
30. Later on May 30, 2014, Monitor's counsel delivered a letter to Regional Senior Justice Morawetz, copied to the service list, providing a brief update on the status of the issues discussed during the case conference and indicating that an interim resolution had been reached in respect of the DCPI matter such that the June 2, 2014 hearing was not required. Attached as **Schedule "3"** is a copy of that letter.
31. The Monitor understands that the interim resolution reached on May 30, 2014 can be summarized as follows:
- (a) The parties to include in a reconciliation to be completed on June 2, 2014, repayment of the DCPI Withheld Amount by DCPI and payment of the Cash Store Withheld Amount by Cash Store, together with any amounts otherwise payable on that date;
 - (b) The parties to schedule a date for determination of the underlying dispute, if necessary, within three weeks (of May 30, 2014); and
 - (c) DCPI to continue to load the pre-paid debit cards in the usual course in the interim.
32. On June 3, 2014, the daily reconciliation of amounts owing from DCPI to Cash Store and from Cash Store to DCPI was completed, including the DCPI Withheld Amount and the Cash Store Withheld Amount as contemplated in the interim resolution.

DIP FINANCING AND INTEREST CALCULATION

33. As noted above, the Amended DIP was approved on May 17, 2014. The availability under the Amended DIP totals \$14.5 million with a \$2 million extension option, consisting of the initial tranche of \$8.5 million (which was provided under the Initial DIP, approved on April 15, 2014, and repaid on May 9,

2014) and an additional commitment of \$6 million with a \$2 million extension option.

34. As contemplated in the cashflow forecast attached to the Fourth Report, the Applicants have made the following draws pursuant to the Additional DIP at this time: \$3 million during the week ending May 23, 2014 and \$3 million during the week ending June 6, 2014.
35. With respect to the Initial DIP, which consisted of two draws – an initial \$5 million draw and a subsequent \$3.5 million draw - the Monitor has reviewed the fees and interest paid by the Applicants. The Monitor has engaged with the CRO and Initial DIP lenders in discussions regarding its analysis of the quantum of fees and interest paid pursuant to the Initial DIP relative to the period that the initial advances were outstanding and the impact of the amendment of the DIP Facility, if any, on that analysis, and has advised those parties that it will be reporting to the Court on this issue in its next report, presently expected to be filed in relation to the June 16, 2014 motion.

DELISTING AND CEASE TRADE

36. As previously reported, CSF's shares, which previously traded on the New York Stock Exchange and Toronto Stock Exchange, have been delisted from both exchanges: a) as reported in the April 14, 2014 affidavit of Steven Carlstrom (the "**Carlstrom Affidavit**"), CSF voluntarily delisted its stock from the New York Stock Exchange due, in part, to non-compliance with the market capitalization and shareholders' equity as well as its share price requirements; and b) as reported in the affidavit of William E. Aziz, sworn April 28, 2014, CSF announced on April 24, 2014 that its common shares would be delisted from the Toronto Stock Exchange effective May 23, 2014 for failure to meet the continued listing requirements of the TSX and, specifically, as a result of it seeking protection in these CCAA Proceedings.

37. On May 31, 2014, Cash Store Financial announced that a cease trade order was issued by the Alberta Securities Commission on May 30, 2014 due to Cash Store failing to file interim unaudited financial statements, interim management's discussion and analysis, and certification of interim filings for the period ended March 31, 2014, pursuant to section 146 of the Securities Act (Alberta). Pursuant to the terms of the cease trade order, all trading in Cash Store securities has ceased as a result. A copy of the May 31, 2014 press release is attached as **Schedule "4"**.

CASH STORE UK OPERATIONS

38. As summarized in the Carlstrom Affidavit, CSF is the parent company of three UK companies for which Cash Store's former CEO, Gordon Reykdal, was the sole director: The Cash Store Financial Limited (a holding company), The Cash Store Limited (a lender), and CSF Insurance Services Limited (a service provider) (the "**UK Entities**").
39. The three UK Entities are not Applicants in these proceedings; however, as contemplated in the Applicants' cashflow forecasts, the Applicants have provided approximately \$275,000 to the UK Entities to date. The CRO, with the assistance of the Monitor, is presently reviewing the UK Entity operations and prospects.

POTENTIAL PREFERENCES & TRANSFERS AT UNDERVALUE

40. The Monitor is in the process of conducting a review of transfers and other transactions involving the Applicants made prior to the commencement of the CCAA Proceedings in order to determine whether there are grounds to challenge any such transactions as reviewable transactions pursuant to the CCAA or provincial reviewable transaction legislation. This includes but is not limited to the transactions involving the TPLs, referenced below.

41. The Monitor will report further following the completion of its review if it determines there is a basis to bring one or more reviewable transaction applications.

TPL MOTION AND DIP LENDER CROSS-MOTION

Background Information

42. The Monitor has previously reported on the Broker Business and related TPL arrangements in its Pre-Filing Report dated April 14, 2014, Second Report dated April 27, 2014, Third Report dated May 9, 2014 and Supplement to the Third Report dated May 13, 2014. These Reports are attached hereto as **Schedule “5”**, **“6”**, **“7”** and **“8”**, respectively.
43. As previously reported, McCann and Trimor sought certain relief at the April 28, 2014 come-back hearing chiefly relating to the provisions in the Amended & Restated Order aimed to provide protections to the TPLs (the **“TPL Protections”**). The April 28, 2014 come-back hearing was adjourned to April 30, 2014 and the parties engaged in discussions and came to an understanding as to terms upon which the TPL issues would be further adjourned. That understanding was incorporated into the Additional TPL Protection Order of April 30, 2014.
44. The TPL Protections and provisions of the Additional TPL Protection Order provide (at a high level) as follows:
 - (a) a charge in favour of the TPLs (the **“TPL Charge”**) in the amount of Cash Stores’ cash-on-hand as of the effective time of the Initial Order, as security for any valid trust or other proprietary claim of a TPL to such cash-on-hand (based on the positions of the parties as of the effective time of the Initial Order);
 - (b) a declaration that the TPL’s entitlement to TPL brokered loans in existence at the effective time of the Initial Order (the **“TPL Brokered Loans”**) is to be determined based on the legal rights as

they existed immediately prior to the effective time and that post-filing treatment of receipts is not relevant to determination of the TPL's alleged entitlement to or ownership and will not prevent the TPLs from arguing that segregation would have been required by them, but for the Initial Order;

- (c) restrictions on the treatment of post-filing receipts and new TPL Brokered Loans, and requirements to keep certain minimum cash balances as follows:
 - (i) In the Amended & Restated Initial Order, the Applicants were required to keep sufficiently detailed records of all receipts and disbursements in connection with TPL Brokered Loans after the effective time of the Initial Order (the "**TPL Post-Filing Receipts**") separate and apart from receipts received in connection with company owned loans (and related reporting and access to information requirements), to use TPL Post-Filing Receipts for the sole purpose of making new brokered loans and to maintain on deposit in its general bank account an amount not less than the TPL Post-Filing Receipts less any TPL Post-Filing Receipts that are redeployed as new TPL Brokered Loans (the "**TPL Net Receipt Minimum Balance**"), among other things;
 - (ii) The Additional TPL Protection Order, provided, among other things (and at a high level), that:
 - A. all TPL Post-Filing Receipts relating to McCann Loans ("**McCann Post-Filing Receipts**") and TPL Post-Filing Receipts relating to Trimor Loans in Ontario ("**Post-Filing Trimor Ontario Receipts**") are each to be deposited in a separate segregated account and not used for new brokered

loans or any other purpose pending further order of the Court or agreement;

- B. TPL Post-Filing Receipts from Trimor loans outside of Ontario received after the date of the Additional TPL Protection Order (“**Post-Filing Trimor Non-Ontario Receipts**”) are to be treated in accordance with the TPL Net Receipt Minimum Balance requirements and may only be used for the purpose of brokering new TPL Brokered Loans in the name of Trimor provided that, with effect upon any such new TPL Brokered Loan being made, it is declared that Trimor shall be the owner of such new TPL Brokered Loan and all proceeds therefrom (“**Trimor Post-Additional TPL Protection Order Loans**”); and
- C. The Applicants are required to maintain a \$3 million minimum cash balance in addition to the Post-Filing McCann Receipts and Post-Filing Trimor Ontario Receipts (the “**Minimum Cash Balance**”).

- 45. In the motions brought by McCann and Trimor, originally returnable May 13, 2014 but adjourned to June 11, 2014, Trimor seeks an order directing Cash Store Inc. and 1693926 Alberta Ltd. (together “**CS**”) to execute and deliver documentation to evidence that Trimor is the sole legal and beneficial owner of the Trimor Property (defined therein) and assistance from the Applicants in facilitating the transfer of the administration of Trimor-owned Loans and Advances (defined therein) to another service provider, and McCann seeks substantially the same relief in respect of the loans relating to McCann. McCann also seeks to have the costs of its legal and professional advisors paid by the Applicants and secured by the Administration Charge.
- 46. On May 20, 2014, the DIP Lenders filed a Notice of Motion for a cross-motion. The DIP Lenders seek a declaration that Cash Store is the beneficial owner of the

funds claimed by Trimor and McCann and that the loans made in the name of the TPLs and assignment of loans to the TPLs constituted preferences under section 36.1 of the CCAA, section 2 of the *Fraudulent Conveyances Act*, R.S.O. 1990, C F.29, section 4 of the *Assignments and Preferences Act*, R.S.O. 1990, c A.33 and sections 2 and 3 of the Alberta *Fraudulent Preferences Act*, R.S.A. 2000, c. F-24. The DIP Lenders seek to reverse these transactions and an order that the TPLs be prohibited from taking any steps to collect on these loans.

Focus of June 11 TPL Motions

47. In the Pre-Filing Report, the Monitor described that, according to the Applicants, the TPLs had provided approximately \$42 million of funding (the “**TPL Funds**”) over time in relation to various Brokered Loans (as defined therein) and that the original \$42 million could be accounted for as follows:
- (a) Restricted Cash (TPL Funds received by Cash Store that are not redeployed to other broker customers as referenced on Cash Store’s financial statements), estimated to be approximately \$14.7 million as at March 31, 2014; and
 - (b) Amounts on loan to customers pursuant to the Broker Agreements (defined therein) of which approximately \$8.5 million were “Historic Bad Loans”, which the Monitor understood were outstanding since at least 2012, unlikely to be recovered and all brokered with Trimor.³
48. While there is also a dispute with respect to the Restricted Cash and cash-on hand at the time of filing, the Monitor understands that the relief sought by Trimor and McCann on the June 11 motion relates specifically to TPL Brokered Loans that

³ The Monitor is advised by the Applicants that, on September 30, 2013, the Applicants put into place a policy of writing off bad loans more than 90 days past due, which resulted in identification of bad loans for capital protection purposes. When the accounting policy changed, this resulted in the identification of approximately \$8.5M of accumulated losses in excess of retention payments and portfolio returns for Trimor (including losses already identified), which were not reversed by the Applicants through a capital protection payment. The Monitor understands that, since the change to accounting policies on September 30, 2013, the Applicants have been able to identify bad loans and have provided capital protection for such loans pre-filing as described in the April 14, 2014 affidavit of Steven Carlstrom.

existed immediately prior to the commencement of the CCAA Proceedings and amounts collected by Cash Store in relation to the Brokered Loans after the commencement of the CCAA Proceedings (the TPL Post-Filing Receipts).

49. On May 13, 2014, Monitor's counsel asked the parties to confirm that this was indeed the focus of the June 11, 2014 motion and no party disagreed. Further, in its factum, Trimor confirms this understanding in paragraph 1 where it states that on the motion it "seeks to assume administration of the Trimor Loans [defined as "any loan in existence immediately prior to the effective time of the Initial Order (in accordance with paragraph 34 of the Amended and Restated Initial Order): i) for which Trimor is listed as the lender; ii) which are attributable to Trimor according to the Applicants' records; or iii) which have been assigned to Trimor"] and the Trimor Receipts [which is defined as "any amounts received by Cash Store from Customers in repayment of the Trimor Loans"]].

50. The Monitor understands that the chief areas of dispute on this motion are:
 - (a) whether the TPLs have a proprietary interest in the TPL Brokered Loans and TPL Post-Filing Receipts or if they are mere creditors of the Applicants in relation thereto;
 - (b) whether the TPLs should be entitled to collect the Brokered Loans (or retain someone else to collect them) or if this should not be permitted on the basis either that there has been a preference or that the Stay should not be lifted to permit that; and
 - (c) whether McCann's legal and professional fees incurred in or in connection with the CCAA Proceeding should be paid by the Applicants and covered by the Administration Charge.

51. The Monitor notes that the question of ownership of the TPL Brokered Loans and the specific relief sought on this motion may have broader implications on the question of compliance with regulatory restrictions and on potential class action claims arising therefrom. For instance, the Monitor notes that the TPLs request

an order that the Trimor Property or McCann Property is owned by Trimor or McCann, as the case may be, “free of any interests or claims of any creditor of the Applicants...”, which may be read more broadly than a declaration of their ownership *vis á vis* the Applicant’s interests. The Monitor understands that the proposed Representative Counsel (referenced below) may have some concerns with the breadth of this language.

52. To assist the parties and the Court in determining the above issues, the Monitor has attempted to compile and update data relevant to these issues, which is set out below.

TPL Brokered Loans

53. As at April 13, 2014 (the day before the Initial Order date), TPL Brokered Loans in the following value were recorded in the Applicants’ books and records:

- (a) \$5.7M of McCann loans, which included:

- (i) 673 loans with a total face value of \$449,000 that were written off prior to April 13, 2014 all of which had been Cash Store direct loans that had been assigned to McCann; and
- (ii) 7,855 line of credit loans in Ontario with a total face value of \$5.26M, all of which had been written in Trimor’s name and subsequently transferred to McCann.

- (b) \$16.8M of Trimor loans, which included:

- (i) \$4.4M in loans that were written off prior to April 13, 2014, which included \$2,155,464 of loans that had been Cash Store direct loans that had been assigned to Trimor;
- (ii) \$12.4M of brokered loans that had not been written off that had been written in Trimor’s name;

- (c) \$799,114 of loans in the name of other TPL lenders of which \$292,021 was written off prior to April 13, 2014.
54. According to the affidavit of William E. Aziz, sworn May 9, 2014, the brokered line of credit product was discontinued in Ontario as at February 12, 2014. Accordingly, no new TPL Brokered Loans were made in Ontario during these CCAA Proceedings.
55. New TPL Brokered Loans were made by the Applicants outside Ontario after the Initial Order date (pursuant to Amended & Restated Initial Order and Additional TPL Protections Order) until May 12, 2014 when the Applicants ceased the Broker Business, as described above. The Monitor understands that, during this time (and including the three TPL Brokered loans made thereafter as referenced above), TPL Brokered Loans totalling \$5,911,141 were made in the name of Trimor, with no new TPL Brokered Loans made in the name of McCann.
56. As at May 31, 2014, TPL Brokered Loans in the following value were recorded in the Applicants books and records:
- (a) McCann: \$4,274,924 of which \$242,614 have been written off;
- (b) Trimor: \$13,288,913 of which \$3,059,224 have been written off;
- (c) Other TPL: \$649,060 of which \$266,823 have been written off.
57. Trimor Post-Additional TPL Protection Order Loans (i.e. loans made after the date of the Additional TPL Protection Order and before the Broker Business ceased in the name of Trimor for which a declaration has been made that Trimor is the owner) total \$2,520,540. This is a subset of the value listed for Trimor in the preceding paragraph.

TPL Post-Filing Receipts

58. After the Additional TPL Protection Order was issued, segregated accounts were opened to maintain the McCann Post-Filing Receipts and Post-Filing Trimor

- Ontario Receipts. After the Broker Business ceased, the Post-Filing Trimor Non-Ontario Receipts were also deposited into the Trimor account for Post-Filing Receipts. In accordance with the Applicants' operation and IT systems, amounts received in respect of the TPL Brokered Loans are deposited into the Applicants' general operating accounts, an assessment is then made as to the total amounts received in relation to each TPL and an equivalent amount transferred into the respective segregated accounts, typically within 1 to 2 business days of receipt.
59. The Monitor previously reported the following amounts in the segregated accounts as of May 6, 2014:
- (a) McCann Post-Filing Receipts of \$699,558
 - (b) Post-Filing Trimor Ontario Receipts of \$690,380
60. The balances in the segregated accounts as of May 27, 2014 were as follows:
- (a) McCann Post-Filing Receipts of \$927,774
 - (b) Post-Filing Trimor Ontario Receipts and Post-Filing Trimor Non-Ontario Receipts of \$2,092,824.
61. The balances in the segregated accounts as of June 4, 2014 were as follows:
- (a) McCann Post-Filing Receipts of \$1,236,053
 - (b) Post-Filing Trimor Ontario Receipts and Post-Filing Trimor Non-Ontario Receipts of \$2,686,089
 - (c) Other TPL lender receipts of \$175,788.

Reviewable Transactions

62. As noted above, the cross-motion by the DIP Lenders seeks, among other things, a declaration that any designation of TPL Brokered Loans in the names of Trimor or McCann and any assignment of non-brokered loans to Trimor or McCann are

preferences pursuant to the CCAA and/or provincial legislation. The Monitor has advised the DIP Lenders that it is of the view that it is the Monitor who has standing to proceed with such a challenge using the provisions of the CCAA (absent an order equivalent to a *Bankruptcy and Insolvency Act* section 38 order authorizing the DIP Lenders to do so) and that, at this time, the Monitor is not bringing a preference or transfer at undervalue application. The Monitor continues to investigate relevant facts and evaluate the merits of such an application, together with its assessment of other transactions made prior to the Initial Order as noted above. The Monitor does not take a position on the DIP Lenders' motions pursuant to provincial reviewable transaction legislation.

McCann's Request that its Fees be Included in the Administration Charge

63. In its Fresh as Amended Notice of Motion, McCann has requested that its legal and other professional fees incurred in or in connection with this CCAA proceeding be paid by the Applicants and be included in the Administration Charge granted in the Initial Order.
64. The Monitor notes that Trimor (which has not made a similar request for relief) does not have its legal or other professionals listed in the Administration Charge, although McMillan LLP (Trimor's legal counsel) is listed in paragraph 42 of the Amended & Restated Initial Order among counsel whose reasonable fees and disbursements the Applicants "shall also be entitled to pay." The Monitor understands that this was included on the understanding that the Applicants would not fund any Trimor fees for challenges made by Trimor against the Applicants.
65. The Monitor notes simply, as it has in relation to other fee requests in this matter, that it is mindful of the limited resources available in these CCAA Proceedings and that any party requesting coverage of fees pursuant to the Administration Charge must establish that such coverage would be necessary for their effective participation in proceedings under section 11.52 of the CCAA.

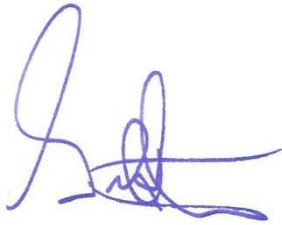
REPRESENTATIVE COUNSEL MOTION

66. Also returnable on June 11, 2014 is a motion brought by Timothy Yeoman (the “**Representative Counsel Motion**”) seeking an order i) appointing him representative of all class members as defined in class proceeding filed on August 1, 2012 in London Ontario, *Timothy Yeoman v. The Cash Store Financial Services Inc. et al.* Court File No. 7908/12 CP (the “**Class Proceeding**”); and ii) . appointing Harrison Pensa LLP as representative counsel and Koskie Minsky LLP as agent to representative counsel (the “**Proposed Representative Counsel**”).
67. The Representative Counsel Motion initially included a request that Proposed Representative Counsel’s fees and costs be paid by the Applicants and included in the Administrative Charge; however, that request has been adjourned and is not before the Court on June 11.
68. On June 3, 2014, McCann filed a responding factum opposing the Representative Counsel Motion and any request that the Applicants pay class counsel’s fees and costs or include same in the Administrative Charge. The Monitor understands that Trimor supports this position but that no other party has taken a position on the Representative Counsel Motion.
69. The Monitor does not take a position on the Representative Counsel Motion; however, if the Proposed Representative Counsel is appointed, the Monitor reserves all rights with respect to any request for fees or costs or inclusion in the Administration Charge that may be made in the future, including to oppose payment of any fees or costs incurred by the Proposed Representative Counsel after its appointment.
70. The Monitor is also particularly mindful of the importance of avoiding unnecessary or duplicated costs in this matter and, to the extent the appointment of the Proposed Representative Counsel is approved, will ask the representative counsel to work together with the Monitor to ensure that the rights of all potential claimants are appropriately protected without duplication of effort or costs.

The Monitor respectfully submits to the Court this Sixth Report.

Dated this 6th day of June, 2014.

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

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

Greg Watson
Senior Managing Director

Schedule “1” – Press Release of Cash Store dated May 14, 2014



NEWS RELEASE

May 14, 2014

Cash Store Financial to wind down brokered lending business

EDMONTON, May 14, 2014 /CNW/ - The Cash Store Financial Services Inc. (“Cash Store Financial” or the “Company”) (TSX: CSF) announced today that it will be winding down its brokered payday loan business conducted in 33 of its branch locations located in New Brunswick, Prince Edward Island, Newfoundland, Northwest Territories and Yukon. In addition, the Company will be winding down its brokered title loan business conducted in 10 of its branch locations across Canada. The Company will also be seeking to transition its brokered loan business model in Manitoba to a direct lending payday loan business model. Cash Store Financial received an order of the Ontario Superior Court of Justice (Commercial List) (“Court”) on May 13, 2014 in the Company’s proceedings under the *Companies’ Creditors Arrangement Act* (“CCAA”) approving the decision to wind down the brokered lending business.

Cash Store Financial further announced today that it has abandoned its appeal of the previously announced decision of the Court which declared the basic line of credit that the Company made available in Ontario to be a payday loan subject to the Ontario *Payday Loans Act, 2008* (“Act”) and which prohibited the Company from acting as a loan broker without a license under the Act.

Cash Store Financial is committed to completing the restructuring process quickly and efficiently. The Company remains open for business and its branches continue to operate. For further information on Cash Store Financial and the CCAA proceedings, please consult the website of FTI Consulting Canada Inc., the Court-appointed Monitor of Cash Store Financial, at <http://cfcanada.fticonsulting.com/cashstorefinancial/>.

About Cash Store Financial

Cash Store Financial operates 506 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 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 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.

For further information, please contact:

William Aziz, Chief Restructuring Officer, at baziz@bluetreadvisors.com

Forward Looking Statements:

This news release contains certain forward-looking statements about the objectives, strategies, financial conditions, results of operations and businesses of Cash Store Financial. Statements that are not historical facts are forward-looking and are subject to important risks, uncertainties and assumptions. These statements are based on our current expectations about our business, and upon various estimates and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events if known or unknown risks, trends or uncertainties affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that the circumstances described in any forward-looking statement will materialize. Significant and reasonably foreseeable factors that could cause our results to differ materially from our current expectations, include, but are not limited to, any decision of the Ontario Superior Court of Justice in the CCAA proceedings that is adverse to Cash Store Financial, the inability of Cash Store Financial to fulfill the conditions to funding under any DIP financing agreement to be entered into by Cash Store, and other factors that could affect Cash Store Financial's ability to continue its operations during the CCAA proceeding, including the factors that are discussed in the section entitled "Risk Factors" contained in our Annual Information Form for the year ended September 30, 2013 dated December 11, 2013 filed by The Cash Store Financial Services Inc. with the Canadian securities commissions (available on SEDAR at www.sedar.com), as updated in our most recent Management's Discussion and Analysis for the three months ended December 31, 2013. Unless required by law, we disclaim any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

Schedule “2” – Press Release of Cash Store dated May 22, 2014



NEWS RELEASE

May 22, 2014

Cash Store Financial Announces Executive Leadership Changes

EDMONTON, May 22, 2014, The Cash Store Financial Services Inc. (“Cash Store Financial” or the “Company”) (TSX: CSF) announced today that it has made a number of executive leadership changes as part of its reorganization efforts pursuant to the proceedings under the *Companies’ Creditors Arrangement Act* (“CCAA”). Effective immediately, the following individuals are no longer with the Company:

- Gordon Reykdal – Chief Executive Officer
- Kevin Paetz – Chief Operating Officer and President
- Halldor Kristjansson – Senior Executive Vice President, Banking and Credit
- Barret Reykdal – Senior Vice President, Retail Financial Services
- Michael Thompson – Senior Vice President, Corporate Affairs

In addition, the Company has terminated its services agreements with Bill Johnson and Dean Ozanne.

Over the course of the next week, the Chief Restructuring Officer, William Aziz, will be working with members of the Cash Store Financial management team to implement a revised leadership structure.

Further details regarding the Company’s CCAA proceedings are available on the Monitor’s website at <http://cfcanada.fticonsulting.com/cashstorefinancial/>.

About Cash Store Financial

Cash Store Financial operates 506 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 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 private-label debit cards.

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.

For further information, please contact:

William Aziz, Chief Restructuring Officer, at baziz@bluetreeadvisors.com

Forward Looking Statements:

This news release contains certain forward-looking statements about the objectives, strategies, financial conditions, results of operations and businesses of Cash Store Financial. Statements that are not historical facts are forward-looking and are subject to important risks, uncertainties and assumptions. These statements are based on our current expectations about our business, and upon various estimates and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events if known or unknown risks, trends or uncertainties affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that the circumstances described in any forward-looking statement will materialize. Significant and reasonably foreseeable factors that could cause our results to differ materially from our current expectations, include, but are not limited to, any decision of the Ontario Superior Court of Justice in the CCAA proceedings that is adverse to Cash Store Financial, the inability of Cash Store Financial to fulfill the conditions to funding under any DIP financing agreement to be entered into by Cash Store Financial, and other factors that could affect Cash Store Financial's ability to continue its operations during the CCAA proceeding, including the factors that are discussed in the section entitled "Risk Factors" contained in our Annual Information Form for the year ended September 30, 2013 dated December 11, 2013 filed by The Cash Store Financial with the Canadian securities commissions (available on SEDAR at www.sedar.com), as updated in our most recent Management's Discussion and Analysis for the three months ended December 31, 2013. Unless required by law, we disclaim any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

Schedule “3” – Letter to Regional Senior Justice Morawetz dated May 30, 2014



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Canada
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Heather L. Meredith
Partner
Direct Line: (416) 601-8342
Direct Fax: (416) 868-0673
Email: hmeredith@mccarthy.ca

May 30, 2014

Via Email

Regional Senior Justice Morawetz
Ontario Superior Court of Justice
Court House
361 University Avenue
Toronto ON M5G 1T3

Your Honour,

Re: The Cash Store Financial Services Inc.; Court File No. CV-14-10518-00CL

Further to the case conference call held this morning in this matter, we are writing to provide the Court with an update regarding the urgent supplier issue (including advising that the parties have agreed that a hearing on June 2, 2014 is not required), and to summarize the schedules for the other motions discussed.

Supplier Issue: June 2 Hearing Not Required

Following the case conference, counsel to DirectCash Payments Inc. and affiliates (“**DCPI**”), the Chief Restructuring Officer and the Monitor discussed a possible interim resolution of the urgent issues arising from the dispute between the Applicants and DCPI. The parties have now reached a temporary resolution pending a hearing of this matter within three weeks if a more fulsome resolution cannot be reached in the interim. Accordingly, the parties do not require the Court time on Monday, June 2, 2014 at 11:30 a.m. as scheduled and we expect to be in touch with Your Honour next week with respect to the scheduling of any necessary further hearing.

June 5, 2014 Motion: Computershare Motion

At this time, the only motion scheduled for June 5, 2014 is the motion of Computershare Trust Company, N.A. in its capacity as Indenture Trustee and Computershare Trust Company of Canada in its capacity as Collateral Trustee and Indenture Trustee (“**Computershare**”). As advised this morning, Computershare and the *ad hoc* committee of the Applicants’ 11 1/2% senior secured notes (the “**Ad Hoc Committee**”) have been in discussions with a view to resolving this matter and the parties have indicated that they are hopeful that a resolution will be reached in advance of the June 5, 2014 hearing. We understand that 1 hour has been reserved for the hearing of this matter.

The material filed on this matter is as follows: Motion Record of Computershare dated May 16, 2014 and Responding Record of the Ad Hoc Committee. The Monitor expects to deliver a

report in relation to this motion and, further to the case conference this morning, understand the date for delivering that report is now June 2, 2014.

June 11 Motion: Third Party Lender Motion and Representative Counsel Motion

i) TPL Motions

The motions advanced by the third party lenders (0678786 B.C. Ltd. (formerly McCann Family Holding Corporation) and Trimor Annuity Focus Limited Partnership #5), any remaining portion of the Applicants' May 9, 2014 Notice of Motion, and the cross-motion by the DIP Lenders are scheduled to be heard June 11, 2014. A half day has been reserved for these motions.

The schedule previously set for these motions is as follows:

- May 1 - McCann and Trimor to file additional evidence
- As soon as possible prior to May 21 -Additional Productions from the Applicants on a best efforts basis
- May 21 (1 day) - Cross-examination of Trimor and McCann affiants
- May 23 (1/2 day) - Cross-examination of Bill Aziz
- Answers to undertakings/further productions arising from cross, if any
 - May 23 end of day - McCann/Trimor
 - May 27 end of day -CRO
- By May 27 - Follow-up cross-examination of Trimor/McCann affiants, if any
- Delivery of additional facts, if any
 - May 30 - McCann and Trimor
 - June 3 -Coliseum, Ad Hoc Committee, Applicants
- June 5 - Monitor's Report, if any and Monitor to deliver complete USB key
- NO FILINGS OF NEW MATERIALS WILL BE ACCEPTED AFTER JUNE 5, 2014
- June 11 -Hearing (1/2 day)

As a result of the delivery of the cross-motion of the DIP Lenders, the responding parties asked to deliver responding material on June 5 or 6, 2014. The Monitor has proposed that responding materials be delivered on June 5, 2014 with a Monitor's Report on June 6, 2014 and no filings of new material to be accepted after June 6, 2014.

The Monitor will provide the Court with a summary of the material filed and a usb key containing the filings together with its report on June 6, 2014.

ii) Representative Counsel Motion

The motion brought by Timothy Yeoman, the plaintiff in *Timothy Yeoman v. The Cash Store Financial Services Inc. et al.* Court File No. 7908/12 CP (the "Action"), seeking, among other things, an order appointing him as representative of all class members (as defined in the Action) and ordering that Harrison Pensa LLP be appointed representative counsel and Koskie Minsky LLP be appointed agent to Harrison Pensa, was scheduled for June 5, 2014 (without the fee request, which has been adjourned at this time). At the request of the parties involved, this motion was adjourned and is now scheduled for June 11, 2014 for 1 hour.

The schedule for this motion is as follows:

- Cross-examination - May 29, 2014;

- Moving Factum - May 30, 2014;
- Responding Factum - June 3, 2014;

On the case conference call this morning, Mr. Hatnay requested an opportunity to deliver a reply, if necessary, on June 5 or 6, 2014. Mr. Hatnay has agreed to deliver that reply on June 5, 2014. As discussed, the Monitor's report, if any, will be delivered on June 6, 2014.

Again, the Monitor will provide the Court with a summary of the material filed and a usb key containing the filings together with its report on June 6, 2014.

June 16, 2014 Motion

Two hours have now been reserved on June 16, 2014 for a possible stay extension motion and sale process motion by the Applicants.

If there is any further information that the Court requires at this time, please let us know. The parties continue to appreciate Your Honour's assistance with the administration of this complex matter.

Yours truly,

McCarthy Tétrault LLP

Per:



Heather L. Meredith
Partner

HLM/sty

c. (by email): Service List

Schedule “4” – Press Release of Cash Store dated May 31, 2014



NEWS RELEASE

May 31, 2014

Cash Store Financial Announces Cease Trade Order Issued by Alberta Securities Commission

EDMONTON, May 31, 2014 - The Cash Store Financial Services Inc. ("Cash Store Financial" or the "Company") announced today that a Cease Trade Order (the "Cease Trade Order") was issued on May 30, 2014 by the Alberta Securities Commission due to the Company failing to file interim unaudited financial statements, interim management's discussion and analysis, and certification of interim filings for the period ended March 31, 2014, (collectively, the "Continuous Disclosure Documents") pursuant to section 146 of the *Securities Act* (Alberta). Per the terms of the Cease Trade Order, all trading in the Company's securities has ceased.

As the Company announced on May 16, 2014, its inability to file these materials is attributable to the circumstances of the Company's ongoing court-supervised restructuring process under the *Companies' Creditors Arrangement Act* ("CCAA"). Cash Store Financial intends to file the Continuous Disclosure Documents as soon as is commercially reasonable, or as requested by the Court, and is committed to completing the restructuring process as quickly and efficiently as is possible.

The Company remains open for business with its branches operating. Further details regarding the Company's CCAA proceedings are available on the Monitor's website at <http://cfcanada.fticonsulting.com/cashstorefinancial/>.

About Cash Store Financial

Cash Store Financial operates 506 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 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.

For further information:

William Aziz
Chief Restructuring Officer
baziz@bluetreadvisors.com

Media:

Joel Shaffer
Longview Communications
416-649-8006

Forward Looking Statements:

This news release contains certain forward-looking statements about the objectives, strategies, financial conditions, results of operations and businesses of Cash Store Financial. Statements that are not historical facts are forward-looking and are subject to important risks, uncertainties and assumptions. These statements are based on our current expectations about our business, and upon various estimates and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events if known or unknown risks, trends or uncertainties affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, there is no assurance that the circumstances described in any forward-looking statement will materialize. Significant and reasonably foreseeable factors that could cause our results to differ materially from our current expectations, include, but are not limited to, any decision of the Ontario Superior Court of Justice in the CCAA proceedings that is adverse to Cash Store Financial, the inability of Cash Store Financial to fulfill the conditions to funding under any DIP financing agreement to be entered into by Cash Store Financial, and other factors that could affect Cash Store Financial's ability to continue its operations during the CCAA proceeding, including the factors that are discussed in the section entitled "Risk Factors" contained in our Annual Information Form for the year ended September 30, 2013 dated December 11, 2013 filed by The Cash Store Financial with the Canadian securities commissions (available on SEDAR at www.sedar.com), as updated in our most recent Management's Discussion and Analysis for the three months ended December 31, 2013. Unless required by law, we disclaim any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

Schedule “5” – Pre-filing Report of the Monitor dated April 14, 2014

Court File No. _____

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

**PRE-FILING REPORT TO THE COURT SUBMITTED BY
FTI CONSULTING CANADA INC., IN ITS CAPACITY AS
PROPOSED MONITOR**

April 14, 2014

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

APPLICANTS

**PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS PROPOSED MONITOR**

INTRODUCTION

1. FTI Consulting Canada Inc. ("**FTI**" or the "**Proposed Monitor**") has been informed that The Cash Store Financial Services Inc. ("**Cash Store Financial**"), The Cash Store Inc., TCS Cash Store Inc., Instaloes Inc., 7252331 Canada Inc., 5515433 Manitoba Inc. and 1693926 Alberta Ltd. doing business as "The Title Store" (collectively, "**Cash Store**" or the "**Applicants**") intend to make an application to the Court seeking certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the "**CCAA**") including a stay of proceedings until May 14, 2014 and the appointment of FTI as CCAA monitor (the "**Monitor**"). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the "**CCAA Proceedings**".

2. The Proposed Monitor has reviewed the Court materials to be filed by the Applicants on this application and has had the opportunity to conduct some limited review of certain aspects thereof but not others. The purpose of this pre-filing report of the Proposed Monitor is to provide information to this Honourable Court regarding the following:
 - (a) FTI's qualifications to act as Monitor (if appointed);
 - (b) A limited summary of certain background information about the Applicants and their businesses that is relevant to the specific topics addressed below;
 - (c) The proposed treatment of certain third party lenders and related funds;
 - (d) Funding of the CCAA Proceedings, including an overview of the 13-week cash flow forecast and proposed DIP financing; and,
 - (e) The charges proposed in the Initial Order.

TERMS OF REFERENCE

3. In preparing this report, the Proposed Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management. The Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. In addition, as this is a pre-filing report, the Proposed Monitor has summarized information provided to it by the Applicants or provided in the Applicants' Court materials which it has not audited, reviewed or otherwise attempted to verify for accuracy or completeness. Accordingly, the Proposed Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

4. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

A. FTI'S QUALIFICATION TO ACT AS MONITOR

5. Greg Watson, the individual within FTI who will have primary carriage of this matter, is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada).
6. Neither FTI nor any of its representatives has been, at any time in the two preceding years:
 - (a) A director, an officer or an employee of any Applicant;
 - (b) Related to any Applicant or to any director or officer of any Applicant; or
 - (c) The auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of any Applicants.
7. FTI (through personnel in its U.S. offices) was previously retained by Cash Store Financial in relation to its listing on the New York Stock Exchange, which was subsequently de-listed voluntarily. This brief engagement concluded prior to FTI's involvement as proposed Monitor in this matter.
8. FTI has consented to act as Monitor should this Honourable Court grant the Applicants' request to commence the CCAA Proceedings.

B. SUMMARY OF RELEVANT BACKGROUND INFORMATION

9. In this section "B", the Proposed Monitor provides a very brief summary of certain relevant background facts as they have been expressed by the Applicants in the affidavit of Steve Carlstrom, sworn April 14, 2014, and filed in support of the Applicants' motion for relief under the CCAA (the "**Carlstrom Affidavit**") or

directly to the Proposed Monitor, insofar as they provide context for the remainder of the report. The Proposed Monitor has not independently verified these facts and, more generally, has not had sufficient time since the commencement of its involvement to be in a position to conduct its review and assessment of all of the matters described in the Carlstrom Affidavit.

Business of the Applicants

10. As described in the Carlstrom Affidavit, the Applicants provide alternative financial products and services to individuals, chiefly through retail branches under the banners “Cash Store Financial”, “Instaloans” and “The Title Store”. The type of product offered (which includes but is not limited to payday loans (direct and brokered) and lines of credit), varies by jurisdiction. The Applicants have branches in all of Canada’s provinces and territories except Quebec and Nunavut.
11. The Carlstrom Affidavit describes that, since late 2009, payday loan legislation has been enacted in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia (the “**Regulated Provinces**”), but that the Applicants are presently without the necessary payday lending licenses and broker’s licenses in Ontario and therefore not offering payday loans or lines of credits in Ontario.

Third Party Lender Products

12. In New Brunswick, Newfoundland, Northwest Territories, P.E.I. and Yukon (which are not Regulated Provinces), the Proposed Monitor understands that the Applicants broker requests made by their customers for loans from third-party lenders (“**TPL**’s”). The Carlstrom Affidavit describes that the line of credit products (offered in Manitoba and, formerly, in Ontario) are also brokered products, with TPLs providing the funds for the line of credit and Cash Store arranging the line of credit between the applicable TPL and customer and earning fees on the transaction.
13. Based on the Carlstrom Affidavit, the Proposed Monitor understands that the brokered product process operates as follows (for payday loans):

- (a) Cash Store has broker agreements with five different TPLs (the “**Broker Agreements**”);
 - (b) When a customer approaches Cash Store for a payday loan, rather than lending the funds to the customer itself, Cash Store acts as a broker and arranges for the TPL to provide the loan (each, including lines of credit, a “**Brokered Loan**”), with Cash Store earning a broker fee for each transaction, which generally proceeds as follows:
 - (i) Cash Store assesses the customer’s eligibility for a payday loan or “advance” based on approval criteria established by the TPL;
 - (ii) If the customer meets the established criteria, Cash Store provides the TPL’s loan documentation to the customer to complete;
 - (iii) Once the loan document requirements are completed, Cash Store provides a cash advance to the customer (a “**Broker Customer**”) on behalf of the TPL (see discussion below regarding the source of these funds);
 - (iv) The Broker Customer pays a fee to Cash Store for brokering the transaction;
 - (v) When the advance becomes due and payable, the Broker Customer must remit payment of the principal and interest owing to the TPL through Cash Store (see discussion below regarding the treatment of these repaid funds);
14. According to the Applicants, the TPLs have provided approximately \$42 million of funding over time in relation to various Brokered Loans (the “**TPL Funds**”)¹ and, upon repayment to Cash Store by the Broker Customer, such funds are generally redeployed by Cash Store to new borrowers under new Brokered Loans. While the Broker Agreements provide different mechanisms for funding the advances to Broker Customers (such as a wire transfer to the Broker Customer

¹ 1. The Proposed Monitor understands from the Applicants that the \$42 million in TPL Funds was advanced as follows by the five TPLs:

- (a) Trimor Annuity Focus Limited Partnership #5 (“**Trimor**”) -approximately \$27 million;
- (b) McCann Family Holding Corporation (“**McCann**”) -approximately \$14.5 million; and
- (c) The remaining three TPLs (1396309 Alberta Ltd., L-Gen Management Inc. (“**L-Gen**”), and Omni Ventures Ltd.(“**Omni**”)) - the remaining \$1.5 million in roughly equal proportions.

directly or cheque from the TPL to Cash Store for redirection to the Broker Customer), the Applicants have advised that, at this stage, the advances to the Broker Customer are funded from the TPL Funds held in Cash Store accounts.

15. Pursuant to the Broker Agreements, the TPL Funds are solely intended to be used by Cash Store to make advances to customers on behalf of (or that are subsequently assigned to) the TPL. Each Broker Agreement provides as follows in section 2.10 (or 2.11 in the Omni agreement):

“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.”;

16. The Carlstrom Affidavit states that any TPL Funds received by Cash Store that are not redeployed to other Broker Customers are held in Cash Store’s bank accounts and are referred to in Cash Store’s financial statements as “**Restricted Cash**”. While the Broker Agreement provides for the concept of a “Designated Financier Bank Account” (“designated by [the TPL] from time to time where (and into which) deposits of cash and cheques received from Broker Customers, in respect of such [TPL] funded loans, are to be cleared (deposited) to from time to time”), the Carlstrom Affidavit states that no such accounts were designated and that, in fact, the Restricted Cash is commingled in Cash Store’s account with its other cash (the “**Unrestricted Cash**”).
17. The exact amount of Restricted Cash and Unrestricted Cash is not known by Cash Store until it completes a month-end reconciliation, which is usually completed on or about the tenth day of the next month. The Applicants estimate that the calculation of Restricted Cash as at March 31, 2014 would be approximately \$14.7 million.
18. The Applicants have advised that, on certain occasions, once the month-end reconciliation was completed, the recorded Restricted Cash balance (that is, the

accounting entry showing the amount Cash Store received on account of loans brokered for TPLs, net of TPL Funds re-deployed) was found to exceed the total cash in Cash Store's accounts. In other words, Cash Store was not actually holding cash equal to the Restricted Cash amount as it used some of the Restricted Cash during the month to fund its operations. In those instances, Cash Store advises that it transferred its own direct loan receivables to the relevant TPL(s) in an amount equal to the Restricted Cash shortfall plus an additional amount to meet the working capital needs for the next month (thereby reducing the accounting entry for Restricted Cash by that amount). We refer to these transfers herein as the "**Restricted Cash Adjustment**".

19. Pursuant to the Broker Agreements, if the brokered loan is not repaid in full, Cash Store may be responsible to pay the TPL the outstanding amount of the loan if the reason for the loan not being paid in full is a failure of Cash Store to perform its duties as required under the Broker Agreement.
20. The Applicants have advised that the TPLs earn interest payments from the customers on the Brokered Loans and, while not mandated by the Broker Agreement, Cash Store has historically made what they describe as "voluntary retention payments" to the TPLs to incent them to continue making funds available to Cash Store as required by the broker model (together the "**Retention Payments**"):
 - (a) The Retention Payments include monthly cash payments to the TPLs to ensure that, when combined with portfolio returns and taking into consideration loan losses, the TPLs receive a return of approximately 17.5% per year on the Total TPL Funds. This works out to a payment of approximately \$612,000 per month on the original \$42 million amount of TPL Funds;
 - (b) In addition, the Applicants refer to the following as "**Capital Protection**":

- (i) In respect of losses arising from Brokered Loans that remain unpaid after 90 days, Cash Store credits the TPLs with a retention payment as a book entry in the amount of the losses suffered by the TPLs and 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 Applicants describe that 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.
- (ii) In respect of past-due Brokered Loans in Ontario and Manitoba, Cash Store purchases such loans (including any past due direct loans that were previously transferred to the TPLs) at face value to prevent erosion of the TPL Funds. 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.

21. The Proposed Monitor has conducted its own preliminary review of the Broker Agreements and, as an initial matter, notes as follows: there do not appear to be any express trust provisions or express obligations to create a “Designated Financier Bank Account” or to otherwise hold TPL Funds separate and apart from other funds; section 2.10 (or 2.11 in the Omni Agreement), quoted above, sets out the purpose for which funds advanced from TPL are to be used; the defined term “Loan Services”, which are services to be provided by Cash Store Inc., includes collection of principal and interest on the brokered loans and “forwarding same” to the TPL, but the mechanics of this do not appear to be set out in the Broker Agreements; and there is no term in the Broker Agreements referencing the Retention Payments.

22. The Proposed Monitor understands from the Applicants that the original \$42 million amount of TPL Funds can be accounted for as follows: (i) Restricted Cash (estimated to be approximately \$14.7 as at March 31, 2014, as noted above); and (ii) amounts on loan to customers pursuant to the Broker Agreements of which approximately \$8.5 million in loans are considered “bad loans” that have been outstanding since at least 2012 and are unlikely to be recovered, although they have not yet been written off (the “**TPL Historic Bad Loans**”). The Proposed Monitor further understands that the TPL Historic Bad Loans of \$8.5 million are all Brokered Loans with Trimor.

Financial Position and Capital Structure

23. The Applicants’ financial statements as at December 31, 2013 show total assets of \$176,255,000 and total liabilities of approximately \$184,984,000.
24. According to the Carlstrom Affidavit, Cash Store is capitalized as follows (the Proposed Monitor has not reviewed the security interests or related documentation referenced herein and makes no comment on their validity, enforceability or priority): a) \$12 million advanced by Coliseum Capital Management, LLC, 8028702 Canada Inc. and 424187 Alberta Ltd. to Cash Store Financial, guaranteed by the other Applicants (except for 1693926 Alberta Ltd. doing business as “The Title Store”) pursuant to a credit agreement, secured in first priority (generally speaking) (the “**Senior Debt**”); b) \$127.5 million of Notes issued through a private placement in January, 2012, secured in second priority (generally speaking); and c) \$42 million (originally) of TPL Funds.

C. RESTRICTED CASH AND TREATMENT OF TPL FUNDS

25. The Proposed Monitor understands that at least one TPL (McCann) has alleged that the Restricted Cash is subject to a trust in favour of McCann and at least McCann and Trimor have indicated that such funds should be segregated, among other things. The Proposed Monitor further understands that this characterization is strongly disputed by the Applicants who assert that no provision of the Broker

Agreement establishes a trust relationship or imposes a trust on any funds, and all funds were commingled, among other things.

26. The Proposed Monitor has not conducted an assessment of the factual basis for each of these two positions.
27. Recognizing that it may take some period of time after the commencement of the CCAA Proceedings to resolve the claims of TPLs to a trust or proprietary interest in the Restricted Cash (by an adjudication or consensual resolution), the “operating principles” for the treatment of existing cash and post-filing receipts from Brokered Loans during the CCAA Proceedings will be relevant to both sides of the dispute. For this reason, it would be beneficial if “operating principles” were adopted (and reflected in the initial order) that took into account and balanced the respective positions and interests of the different stakeholders as well as the operational needs and limitations of the Applicants in a practical way.
28. In the view of the Proposed Monitor, appropriate “operating principles”, having regard to the alleged proprietary interest asserted, can be considered in the context of two related but distinct components:
 - (a) **Cash-on-hand:** The Proposed Monitor understands that the Restricted Cash (an accounting entry estimated to be approximately \$14.7 million as at March 31, 2014) exceeds the actual cash-on-hand (estimated to be approximately \$2.94 million at the CCAA filing date (the “**Filing Date**”)). Therefore, practically speaking, the TPLs are or may be alleging that they have a trust or proprietary interest in all of the cash in the Cash Store accounts as at the Filing Date (the “**Filing Date Cash-on-Hand**”) (which is denied by Cash Store); and
 - (b) **Receipts on Brokered Loans going forward:** The Brokered Loans are made in the name of the relevant TPL, as lender, or are assigned or deemed to be assigned to such TPL, such that the TPL

appears to have an ownership interest in the receivables relating to such Brokered Loans (at least prior to repayment, at which time the above-described dispute regarding commingled funds arises, assuming the repayments are deposited in Cash Store's general account). The Proposed Monitor understands that, of the original \$42 million amount of TPL Funds, there are presently approximately \$18.66 million of Brokered Loans outstanding for less than 90 days (not including the TPL Historic Bad Loans, the "**Existing Brokered Loans**"). If and when payments in respect of such Existing Brokered Loans are received by Cash Store, it appears that the TPLs would assert a trust or proprietary interest in those receipts (the "**Brokered Loan Receipts**").

Cash-on-Hand

29. The Proposed Monitor understands that the Applicants intend to continue to use the Filing Date Cash-on-Hand (and other cash-on-hand from time to time) to fund its operations during the CCAA Proceedings. The Proposed Monitor notes that the use of these funds is included in the proposed cash flow forecast.
30. If these funds were unavailable, the Applicants would need to obtain an amount equivalent to the Filing Date Cash-on-Hand through an interim financing source (for instance by way of an increase in the DIP Facility, described below), if that was possible, despite the Applicants' position that the Filing Date Cash-on-Hand belongs to them.
31. To balance the competing positions and interests of the parties, the Applicants have proposed (after discussions with the Proposed Monitor) to create a charge, ranking pari passu with the DIP Charge (defined below), in the amount of the Filing Date Cash-on-Hand (the "**TPL Charge**"), as a form of security for the TPLs to the extent they are able to establish entitlement to the Filing Date Cash-on-Hand in priority to any other person (for instance a valid trust or other proprietary interest) based on the circumstances as they existed at the Filing Date.

Brokered Loan Receipts

32. The Proposed Monitor understands that the Applicants intend to continue to use the Brokered Loan Receipts in the CCAA Proceedings strictly for the purpose of making advances to Broker Customers on behalf of the respective TPLs in accordance with the Broker Agreements (the “**Permitted Purpose**”). In this regard, the Proposed Monitor has been advised by the Applicants of the following:
- (a) The Applicants earn a broker fee on new Brokered Loans and therefore, if they are unable to continue to use the Brokered Loan Receipts to offer new Brokered Loans, they will not be able to earn such fees;
 - (b) If the Applicants are not able to use the Brokered Loan Receipts to offer new Brokered Loans, then Cash Store will likely suffer losses in the non-Regulated Provinces (in which Cash Store offers Brokered Loans instead of direct loans). Among other things, the Applicants advise that, based on their experience, payments on existing loans may be delayed if they are not able to offer new loan products; and
 - (c) Approximately \$11.49 million of the Existing Brokered Loans are in Ontario and the Applicants expect that, as a result of the regulatory issues in Ontario referenced above, including the fact that Cash Store cannot presently offer payday loans, lines of credit or brokered loans in Ontario, there will likely be a significant loss rate in payment of the Ontario portion of the Existing Brokered Loans. As a result, they expect that the approximately \$18.66 million of Existing Brokered Loans will only result in a much smaller Brokered Loan Receipts amount.
33. The Proposed Monitor understands that it would be impractical and/or unfeasible to physically segregate the Brokered Loan Receipts into a separate account that

could only have withdrawals made for the Permitted Purpose (i.e. a segregated account that would, at all times, have the Brokered Loan Receipts net of amounts that are re-advanced for the Permitted Purpose (the “**Net Brokered Loan Receipts**”). The Proposed Monitor understands that this is impractical and/or unfeasible as a result of the existing cash systems, including the systems for depositing funds used by third parties that accept payments on behalf of Cash Store, that do not differentiate between brokered loans and direct loans when accepting and making payments.

34. As an alternative to physical segregation, to balance the competing positions and interests of the parties, including enabling the Applicants to continue to use the Brokered Loan Receipts for the Permitted Purpose, the Applicants (after discussions with the Proposed Monitor and DIP Lender) have proposed to implement restrictions in the Initial Order and appropriate accounting mechanisms (including the need to track these amounts more frequently than simply at month-end) to ensure that the cash-on-hand in the Applicants’ account never falls below the Net Brokered Loan Receipts. The TPL must establish an interest to such funds in priority to any other person (for instance a valid trust or other proprietary interest) based on the circumstances as they existed at the Filing Date.

D. FUNDING OF CCAA PROCEEDINGS: CASHFLOW AND PROPOSED DIP

35. The Applicants, with the assistance of the Proposed Monitor, have prepared a consolidated 13-week cash flow forecast of their receipts, disbursements and financing requirements (the “**Cashflow Forecast**”). A copy of the Cashflow Forecast and a report containing the prescribed representations of the Applicants is attached to the Carlstrom Affidavit.
36. The Cashflow Forecast shows that it is estimated that for the period of the weeks ending April 18, 2014 to July 11, 2014, the Applicants will have total receipts of \$126,294,000, total operating disbursements of \$131,872,000, and total

disbursements relating to the restructuring of \$6,147,000, for a net cash outflow of \$11,724,000.

37. The Cashflow Forecast assumes that the CCAA Proceedings will not materially impact the demand for new loans or the rate of repayment on existing loans. In addition, the Applicants have advised FTI that there is uncertainty in terms of the timing of repayment of existing loans, generally, given the nature of these alternative financial products. Accordingly, the Proposed Monitor notes that there is some variability inherent in the Cashflow Forecast. However, it is anticipated that the Applicants' forecast liquidity requirements during the CCAA Proceedings will be met by funds advanced pursuant to the DIP Agreement (if approved), described below, and through use of the Filing Date Cash-on-Hand, as described above.

DIP Facility

38. The Proposed Monitor understands that the Applicants received two proposals to provide DIP Financing and has entered or will enter into an agreement (as attached to the Carlstrom Affidavit, the "**DIP Agreement**") with Coliseum Capital Partners, LP, Coliseum Capital Partners II, LP and Blackwell Partners, LLC (collectively, the "**DIP Lender**") to provide interim financing to the Applicants during these CCAA Proceedings.

TPL Funds

39. As discussed above, the Applicants have taken the position they should be entitled to continue to use the Filing Date Cash-on-Hand for operating purposes and use the Brokered Loan Collections for the Permitted Purpose during the CCAA Proceedings. Both of these assumptions are reflected in the Cashflow Forecast.
40. With respect to payments or transfers by Cash Store to the TPLs, as described above, the Proposed Monitor understands (and the Cashflow Forecast reflects) that the Applicants:

- (a) do not intend to make any Restricted Cash Adjustments to TPLs during the CCAA Proceedings;
 - (b) intend to pay a return equal to 17.5% and Capital Protection to the TPLs but only in respect of the funds available for re-advancing and not in respect of the TPL Historic Bad Loans or other funds that prove to be ‘bad loans’.
41. It is anticipated that the funds advanced by the DIP Lender, together with the use of the Filing-Date Cash-on-Hand as set out in the Cashflow Forecast, will accommodate the Applicants’ forecast liquidity requirements during the requested stay period in the proposed CCAA Proceedings.

E. COURT-ORDERED CHARGES IN DRAFT INITIAL ORDER

42. The proposed Initial Order includes the following charges, in the following priority in relation to each other and the Senior Debt:
- (i) First — the Administration Charge (in the maximum amount of \$1.5 million);
 - (ii) Second — the D&O Charge (in the maximum amount of \$1,250,000);
 - (iii) Third — the DIP Charge (in the maximum amount of \$20,500,000) and the TPL Charge (in the amount of the Pre-Filing Cash-on-Hand, which the Applicants advise equals \$2,940,474.03), to rank *pari passu* with one another;
 - (iv) Fourth — Senior Debt; and
 - (v) Fifth — the D&O Charge (in the maximum amount of \$1.25 million).
43. The Proposed Monitor notes that the amount and priority ranking of the proposed charges have been negotiated and agreed with the DIP Lender. At the request of the Applicants, the Proposed Monitor has provided some assistance in the

calculation of certain amounts in relation to the Administration Charge and the D&O Charge as set out below.

a) Administration Charge

44. The Proposed Order provides for a first-ranking charge in the maximum amount of \$1.5 million charging the assets of the Applicants to secure the fees and disbursements incurred in connection with services rendered to the Applicants both before and after the commencement of the CCAA Proceedings by the following entities: counsel to the Applicants; counsel to the Special Committee; the CCRO (as defined in the Carlstrom Affidavit); counsel to the DIP Lender; Moelis & Company, financial advisor to the DIP Lender; the Financial Advisor; Conway MacKenzie, financial advisor to the Applicants; the Monitor; and the Monitor's counsel (the "**Administration Charge**").
45. Counsel to the Applicants provided estimates to the Proposed Monitor of the fees and costs of the proposed beneficiaries of the Administration Charge for four weeks of a CCAA Proceeding. While the Proposed Monitor is unable to comment on the likely accuracy of such estimates, the quantum of the proposed Administration Charge equals the estimates provided by such beneficiaries.

b) Directors & Officers Charge

46. The proposed Initial Order provides for a charge in favour of the directors and officers of the Applicants (the "**D&O Charge**") over the property of the Applicants in the maximum amount of \$2.5 million, with the priority listed above.
47. The Proposed Monitor was asked to calculate statutory amounts relating to potential liabilities that may attach to the directors and officers for certain employee-related and tax-related obligations, based on information provided by Cash Store. These calculations were provided to the Applicants for purposes of calculating the D&O Charge. The Proposed Monitor notes that the total of these figures exceeds the proposed D&O Charge:

- (1) Outstanding payroll and bonuses estimated to be approximately \$3,700,000;
- (2) Outstanding vacation pay estimated to be approximately \$1,354,000.

The Proposed Monitor respectfully submits to the Court this Pre-Filing Report.

Dated this 14th day of April, 2014.

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



Greg Watson
Senior Managing Director

Schedule “6” – Second Report of the Monitor dated April 27, 2014

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

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

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

April 27, 2014

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

APPLICANTS

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

INTRODUCTION

1. On April 14, 2014, Regional Senior Justice Morawetz granted an Initial Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the "**CCAA**") to The Cash Store Financial Services Inc. ("**Cash Store Financial**"), The Cash Store Inc., TCS Cash Store Inc., Instaloans Inc., 7252331 Canada Inc., 5515433 Manitoba Inc. and 1693926 Alberta Ltd. doing business as "The Title Store" (collectively, the "**Applicants**") providing protections to the Applicants under the CCAA, including a stay of proceedings until May 14, 2014, and appointing FTI Consulting Canada Inc. (the "**Monitor**") as CCAA monitor.
2. On April 15, 2014, the Court granted an Amended and Restated Initial Order (the "**Amended & Restated Initial Order**") which, among other things, approved an

interim CCAA credit facility (the “**DIP**”) by Coliseum Capital LP, Coliseum Capital Partners II LP and Blackwell Partners LLC (collectively “**Coliseum**”) and appointed Blue Tree Advisors Inc. as Chief Restructuring Officer of the Applicants (the “**CRO**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.

3. The Amended & Restated Initial Order provides that the date for the come-back hearing is April 28, 2014.
4. The purpose of this Second Report of the Monitor is to provide the following information to this Honourable Court:
 - (i) An update on the Applicants’ efforts to obtain additional DIP financing;
 - (ii) A summary of the issues to be resolved at the come-back hearing (as they currently exist), the Monitor’s proposal that a hearing of the issues to be resolved be scheduled for May 5, 2014 rather than April 28, 2014, and an outline of proposed steps relevant to the adjournment; and
 - (iii) The Monitor’s initial observations with respect to certain third party lending arrangements and requests for relief by certain third party lenders (the “**TPLs**”).

TERMS OF REFERENCE

5. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants’ books and records, certain financial information prepared by the Applicants and discussions with the Applicants’ management and advisers. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on

management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

ADDITIONAL DIP FINANCING

7. As summarized in the Monitor's First Report and referenced in the endorsement of Senior Regional Justice Morawetz in this matter dated April 23, 2014, the Applicants received two competing DIP proposals prior to the Amended & Restated Initial Order from each of Coliseum and a committee of certain holders of the Applicants' 11.5% senior secured notes (the "**Ad Hoc Committee**").
8. In the Amended & Restated Initial Order, the Court approved the Coliseum DIP facility in the amount of \$8.5 million. At the time, cash projections set out in the cashflow forecast provided to the Court by the Applicants (the "**Cashflow Forecast**") estimated that the Applicants would require more than \$8.5 million in cumulative funding by week three of the proceedings. Therefore, it was contemplated that further DIP financing would be required and that the initial \$8.5 million available under the Coliseum DIP facility was of a very short-term nature only.
9. The April 28, 2014 come-back hearing date was provided for in the Amended & Restated Initial Order at the request of Coliseum in order to provide clarity regarding the maturity date of the short-term DIP, which referenced the come-back hearing date. In addition, it was anticipated that the Applicants would be back on April 28, 2014, the start of the third week of the CCAA Proceedings, to seek approval of further DIP financing to meet its projected cash needs.
10. Given the anticipated need for additional DIP financing, the Applicants, through Rothschild Inc. ("**Rothschild**"), requested proposals for additional DIP financing from each of Coliseum and the Ad Hoc Committee. At the same time, the

Applicants, with the assistance of the CRO and the Monitor, explored with Coliseum and the Ad Hoc Committee the possibility of a joint facility in which both parties would participate in the proposed additional financing.

11. The Monitor was pleased that, after a series of discussions, this process resulted in an agreement between Coliseum and the Ad Hoc Committee to offer additional interim financing to the Applicants on a joint basis. At this stage, the parties are continuing to ‘paper’ this arrangement and have agreed to seek approval of such additional DIP facility on May 5, 2014 rather than April 28, 2014, to provide time to complete this documentation and provide sufficient notice to interested parties and the Court.
12. In part due to receipt of a significant tax refund that was not anticipated within the first two weeks of the CCAA Proceedings, the Applicants are now projected to have sufficient cash to fund their operations through to May 5, 2014 without further financing. In particular, the cash-on-hand as of April 25, 2014 was approximately \$9.6 million, an approximate \$5.9 million increase over the projected cash-on-hand for that date of \$3.7 million. This increase is largely due to receipt of a \$2.7 million tax refund that was not expected in this timeframe as well as other timing differences.
13. The Monitor will report further regarding the terms of the proposed, consensual additional DIP financing in advance of the May 5, 2014 hearing.

OTHER ISSUES FOR “COME-BACK” HEARING

14. The Monitor is aware of the following issues or potential issues for the come-back hearing:
 - (a) 0678786 B.C. Ltd. (formerly the McCann Family Holding Corporation) (“**McCann**”), a TPL that did not participate in the discussions and consensual resolution of the protections provided to the TPLs in the Initial Order and the Amended & Restated

Initial Order (the “**TPL Protections**”) and did not attend at the hearings in relation to the Initial Order and Amended & Restated Initial Order, seeks relief at the come-back hearing in the form of amendments to the Amended & Restated Initial Order chiefly relating to the TPL Protections and treatment of new third party brokered loans. The relief requested by McCann is set out at paragraph 63 of its factum, which was served on Friday, April 25, 2014 at 12:21 p.m. by counsel for McCann.

- (b) Trimor Annuity Focus Limited Partnership #5 (“**Trimor**”), the TPL that participated in discussions and negotiations regarding the TPL Protections and that consented to the Initial Order and the Amended & Restated Initial Order, has also indicated an intention to seek relief relating to the TPL Protections. Trimor has not specified the relief it is seeking and it is unclear if Trimor is seeking the same relief as McCann notwithstanding its consent to the terms of the Initial Order and the Amended & Restated Initial Order. However, Trimor has indicated a concern with respect to the application of the concept of “capital protection” provided for in the Amended & Restated Initial Order at paragraph 35.
- (c) Counsel for Computershare Trust Company N.A., in its capacity as Indenture Trustee, and Computershare Trust Company of Canada, in its capacity as Collateral Trustee and Indenture Trustee (“**Computershare**”) contacted the Monitor to request inclusion in the protective provisions for payment of professional fees in paragraphs 42 and 44 of the Amended & Restated Initial Order and provided a letter to the Monitor in this regard on April 25, 2014. However, counsel for Computershare has indicated its support for an adjournment of the come-back hearing to May 5, 2014, described further below; therefore, the Monitor understands this will not be an issue before the Court on April 28, 2014.

15. As described further below, the Monitor proposed an adjournment of the come-back hearing to May 5, 2014 (or another date suitable to the Court) to, among other things, provide time for the relevant parties to meet to discuss these issues and attempt to resolve them (the Monitor has proposed to host a meeting on April 28, 2014 at the offices of McCarthy Tétrault). An adjournment would also allow time for a more organized and scheduled process to be followed in respect of these outstanding issues, including identifying the specific relief sought, providing sufficient notice to the responding parties, some of whom have indicated an interest in cross-examining on affidavits served, delivering of facta, providing sufficient time for the Monitor and CRO to review and comment, and providing sufficient notice to the Court.
16. The Monitor asked parties to contact the Monitor if they had a different view. The Monitor was contacted by counsel to McCann and Trimor, who oppose an adjournment, and by counsel to the CRO, the Applicants, Coliseum, the Ad Hoc Committee and Computershare who support an adjournment.

TPL Steps Post-Initial Order

17. Because counsel to McCann did not attend the hearings in respect of the Initial Order and the Amended & Restated Initial Order, counsel for the Monitor reached out to counsel for McCann on April 16, 2014 and had an initial telephone call with counsel for McCann on April 18, 2014. At that time, the Monitor understood that counsel for McCann was reviewing the Amended & Restated Initial Order, arranging for PWC (as adviser to McCann and Trimor) to visit the Applicants' premises to review its books and records, and arranging for a cross-examination of Steven Carlstrom on his April 14, 2014 affidavit in support of the initial CCAA application. Counsel for the Monitor suggested that it would be useful to discuss the TPL Protections in the Amended & Restated Initial Order at the same time as McCann was pursuing these other activities. However, counsel for McCann was of the view that it was difficult for McCann to take a view on the TPL Protections prior to PWC's review and the cross-examination.

18. PWC commenced its review of the Applicants' books and records on April 22, 2014. The Monitor understands that this was a cooperative process and is not aware of any issues or disputes regarding access by PWC (after such access was provided).
19. On April 22, 2014, counsel to McCann served an affidavit of Sharon Fawcett and an affidavit of Murray McCann.
20. Also on April 22, 2014, the cross-examination of Mr. Carlstrom was completed.
21. Since April 22, 2014, efforts were made, bearing in mind the very limited time remaining until the April 28 come-back hearing, to ascertain whether McCann was content with the TPL Provisions or had specific changes it wanted to propose, and if so, to engage the relevant parties (including the Applicants, Coliseum and the Ad Hoc Committee) to see if a consensual resolution could be achieved.
22. By April 24, 2014, the Monitor was concerned that there had not been sufficient identification of issues relating to the TPL Protections and discussion of those issues among the relevant parties to either resolve them or have them determined by the Court on April 28, 2014. As a result, counsel to the Monitor raised the possibility of arguing the issues relating to the TPL Protections on May 5, 2014 instead of April 28, 2014 to give the parties time to meet and attempt to come to a resolution.
23. In furtherance of that suggestion, on April 25 at 12:21 p.m. Ms Meredith wrote to counsel to McCann and Tramor as follows:

“Further to my discussions yesterday with Brett and Raj, the Monitor will be sending a note to the service list shortly advising that the Applicants do not intend to seek any relief on April 28, 2014 and intend to seek approval of additional interim financing on May 5, 2014. Given the current circumstances with respect to the third party lender issues, the Monitor is also of the view that any arguments with respect to the TPL protections (or other relief you may wish to seek) should be brought at the May 5th hearing as well. First, the Monitor believes that the parties would benefit from having time to discuss these matters directly and will be asking you, Goodmans, Norton Rose and Oslers to participate in a meeting at our offices

on April 28, 2014 to attempt to reach a resolution with respect to the capital protection concept and any other remaining issues. Second, to the extent you wish to raise issues with the Court regarding the third party protections in the Initial Order (or seek any other relief), a proper process should be followed, including that the specific relief sought should be identified to the other parties, cross-examinations completed if required, supporting material including any facta should be served and filed, responding facta should be served and filed, the Monitor should be given an opportunity to review and comment and – most importantly – the Court should be given sufficient notice to review these materials. Those steps cannot occur by Monday April 28, 2014.

We, together with FTI, will be in contact with each of you today to discuss the next steps and any concerns you may have.”

24. Also on April 25, 2014 at 12:21 p.m., counsel to McCann served a factum particularizing the relief sought by McCann at paragraph 63 of the factum.

25. On April 25 at 12:37, Ms Meredith wrote to the service list:

“As you know, the Amended & Restated Initial Order (the “Initial Order”) in this matter states that there is a come-back hearing scheduled for April 28, 2014. The Applicants previously indicated an intention to seek approval of additional interim financing and a priming charge in respect of such financing. We now understand that the Applicants will not be seeking such relief on April 28, 2014 but rather intend to seek that relief on May 5, 2014 at 8:30 a.m. before Regional Senior Justice Morawetz. Accordingly, we understand that the Applicants do not intend to seek any relief on April 28, 2014.

The Monitor asks that any other party that intends to seek relief at the come-back hearing, please advise as soon as possible and provide to the Monitor a description of the specific relief sought. Given the time, the need to provide sufficient notice to the Court, and the fact that the Applicants will not be seeking relief on April 28, 2014, the Monitor is of the view that any other relief sought in relation to the Initial Order come-back hearing should be sought on May 5, 2014 as well. Should any party have a different view, please contact us promptly today to discuss.”

26. On April 25, 2014 at 1:47 p.m., Mr. Staley wrote to the service list that his client (McCann) intends to proceed at the come-back hearing on Monday and does not consent to an adjournment to May 5th.

27. On April 25, 2014 at 2:10 p.m. Mr. Staley wrote to Ms Meredith:

To be clear, we disagree with you 100%. We do not consent to an adjournment of Monday's attendance. Our clients have come-back rights that they intend to fully exercise on Monday. You are free to make these submissions on Monday before Justice Morawetz. We are available today, and over the weekend, if parties want to engage with a view to seeking a consensual resolution of issues.

28. On April 25, 2014 at 2:25 p.m., counsel for Trimor served a draft report of PWC.
29. On April 25, 2014 at 2:59 p.m., counsel for Trimor served the affidavit of Don MacLean, which attached the PWC report.
30. On April 26, 2014, counsel for Trimor served a redacted version of the PWC report.
31. Counsel for McCann indicated to the Monitor that it is not interested in an adjournment. Counsel for Trimor indicated that it would consider an adjournment if it was satisfied there was no risk of prejudice during the adjournment. Each of counsel for the CRO, Coliseum, the Ad Hoc Committee and Computershare wrote to support an adjournment noting, among other things:
 - (a) Concern for giving proper notice to the Court;
 - (b) The need to allow the company and its stakeholders to consider and properly respond to issues raised;
 - (c) The CRO's desire to consider the matters and provide a proper response;
 - (d) The relief sought only being articulated in the factum, served mid-day on Friday, April 25, 2014;
 - (e) Delivery of the draft PWC report on the afternoon of April 25, 2014;
 - (f) The seriousness of certain allegations made in respect of the conduct of the Applicants; and

- (g) A desire to cross-examine the TPL affiants.

THIRD PARTY LENDING ARRANGEMENTS

32. The TPL lending arrangements are somewhat unusual in that they are unlike a typical credit facility. Further, based on the descriptions of the arrangements provided by the Applicants and the TPLs, respectively, when compared to the actual terms of the Broker Agreements, it appears that some aspects of the arrangements are not reflected in the written agreements. Further, certain positions taken by the TPLs are based on communications they say that they had with the Applicants or aspects not expressly reflected in the Broker Agreements. For example:

- (i) Under the terms of the Broker Agreement, the TPL is to receive a “loan participation fee” of 59% per annum of the principal of all loans repaid during the agreed term of the loan. However, it appears that what the TPLs actually received was an amount equivalent to about 17.5% per annum on the total amount of capital provided to the Applicants, whether or not such amounts once loaned were repaid by customers and/or redeployed as new loans.
- (ii) Under the terms of the Broker Agreement, the TPL is responsible for loan losses (unless such losses are a result of the failure of the Applicants to properly perform their services) and yet Cash Store, at least since Mr. Carlstrom has been with the company, says that it voluntarily provided “capital protection” as described in the Carlstrom Affidavit to protect the TPLs from loan losses.
- (iii) At least in the case of McCann, trust obligations are being asserted, whereas it does not appear that they are any express trust obligations in the Broker Agreements.

33. These differences may be contributing to disagreements among the TPLs, on the one hand, and the Applicants and their other stakeholders, on the other hand,

regarding the appropriate way to treat TPL Funds, including Restricted Cash and post-filing brokered loan receivables, in the context of a CCAA proceeding where the interests of all stakeholders must be taken into account. It does not seem to be sufficient to resort solely to the written agreements to resolve the disputes regarding the third party lending arrangements, which has further complicated matters.

TPL PROTECTIONS

34. McCann and Trimor appear to acknowledge that the proprietary entitlement to the TPL Funds that they claim can only be determined at a later date by the Court on a full evidentiary record. McCann expresses at paragraph 45 of its factum that, in the interim, it seeks relief that “will, at minimum, preserve the TPLs’ monies that have not yet been misappropriated by the Applicants to ensure that the TPLs are not further unjustly prejudiced.”
35. The TPL Protections provided in paragraphs 30-35 of the Amended & Restated Initial Order provide (at a high level) as follows:
 - (a) With respect to cash-on-hand at the effective time of the Initial Order: a charge in favour of the TPLs ranking *pari passu* with the DIP Charge in the amount of Cash Stores’ cash-on-hand as of the effective time of the Initial Order, as security for any valid trust or other proprietary claim of a TPL to such cash-on-hand (based on the positions of the parties as of the effective time of the Initial Order);
 - (b) With respect to TPL Brokered Loans in existence at the effective time of the Initial Order:
 - (i) an obligation for Cash Store to keep sufficiently detailed records of all receipts and disbursements in connection with TPL Brokered Loans after the effective time of the Initial Order (the “**TPL Post-**

- Filing Receipts**”) separate and apart from receipts received in connection with company owned loans (and related reporting and access to information requirements);
- (ii) a requirement that Cash Store use TPL Post-Filing Receipts for the sole purpose of making new brokered loans;
 - (iii) a declaration that the TPL’s entitlement to TPL Brokered Loans in existence at the effective time of the Initial Order is to be determined based on the legal rights as they existed immediately prior to the effective time and that post-filing treatment of receipts is not relevant to determination of the TPL’s alleged entitlement to or ownership and will not prevent the TPLs from arguing that segregation would have been required by them, but for the Initial Order;
 - (iv) an obligation to maintain on deposit in its general bank account an amount not less than the TPL Post-Filing Receipts less any TPL Post-Filing Receipts that are redeployed as new TPL Brokered Loans (the “**TPL Net Receipt Minimum Balance**”);
 - (v) a declaration that, to the extent the TPLs are able to make a valid proprietary claim to the TPL Brokered Loans in existence at the effective time of the Initial Order (and/or Post-Filing TPL Receipts), the TPL Net Receipt Minimum Balance and then-existing TPL Brokered Loans will be available to satisfy such claim and will not form property of Cash Store for the purposes of the other charges in the Amended & Restated Initial Order; and
 - (vi) TPLs will receive a 17.5% retention payment post-filing on TPL Brokered Loans that are repaid and available for redeployment from and after the Initial Order date and any capital protection (as described in the Carlstrom Affidavit).

36. On or about April 22, 2014, Trimor raised the question of how “capital protection” referenced in paragraph 35 is applied. The Monitor understands that at the end of each month, the Applicants intend to assess the losses to each TPL arising from brokered loans in their name that remain unpaid after 90 days and, approximately 10 days after month end, to credit the relevant TPL with a book entry payment in the amount of such losses. The Monitor understands this is consistent with the “capital protection” set out in paragraph 84(2)(a) of the Carlstrom Affidavit and therefore consistent with paragraph 35 of the Amended & Restated Initial Order, which provides as follows:

“THIS COURT ORDERS that the Applicants shall 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 and **any capital protection (as described in the Carlstrom Affidavit)**” [emphasis added]

37. Trimor has raised the concern as to what would happen if there is insufficient cash to satisfy such book entry payment and whether the book entry payment would be a priority payment or paid subsequent to other creditors. The Monitor notes as follows in that regard:

- (a) The priority of such payments appears to be disputed. The Monitor understands that Trimor alleges that its capital (either all TPL Brokered Loans in existence immediately prior to the effective time of the Initial Order or all TPL Brokered Loans that are repaid and available for redeployment from and after the Initial Order date (per paragraph 35 of the Amended & Restated Initial Order)) should be protected and it should not bear the risk of loan losses going forward. The Monitor further understands that other parties including Coliseum are of the view that such “capital protections” were, at their highest, unsecured obligations and should continue as such and therefore not receive priority protection post-filing. In the Monitor's view there is complexity to

these issues and it is important to hear submissions from both sides with respect to these arguments.

- (b) As it relates to the adjournment request, based on the Initial Order and past practice, no “capital protection” payment would be payable in any event between April 28, 2014 and May 5, 2014 and the present cashflow projections show that there will be approximately \$6.7 million in available cash in addition to projected cash requirements during that adjournment period (of which \$3 million must be held in accordance with the terms of the DIP);
- (c) The Applicants advise that loan losses vary from month to month but on average represent approximately 5% for loans outside Ontario;
- (d) On April 14, 2014, Trimor had TPL Brokered Loans with a book value of approximately \$16.8 million of which approximately \$5.5 million were in Ontario. As of April 24, 2014, the Applicants held a Net Receipt Minimum Balance in cash of \$500,000 in relation to Trimor. Between April 14, 2014 and April 24, 2014, the approximate receipts on Trimor TPL Brokered Loans were approximately \$2.4 million and the approximate aggregate amount of new TPL Brokered Loans in Trimor’s name were \$1.9 million (this is approximately \$1.7 million of receipts and \$1.3 million of new loans per week);
- (e) On April 14, 2014, McCann had TPL Brokered Loans with a book value of approximately \$5.7 million of which approximately \$5.3 million were in Ontario. As of April 24, 2014, the Applicants held a Net Receipt Minimum Balance in cash of \$146,000 in relation to McCann. Between April 14, 2014 and April 24, 2014, the approximate receipts on McCann’s TPL Brokered Loans were

approximately \$146,000 and the approximate aggregate amount of new TPL Brokered Loans in Trimor's name was \$0 (this is approximately \$102,000 of receipts per week, with no new loans). The Monitor understands that no new TPL Brokered Loans have been issued in the name of McCann since April 14, 2014. The Monitor is advised that, by McCann's request, brokered loans were not made in the name of McCann as lender but rather were made by another TPL (typically Trimor) and later transferred to McCann. Therefore, no new TPL Brokered Loans are made in McCann's name unless and until the Applicants transfer existing brokered loans to McCann, which the Monitor understands is done (based on past practice) shortly after month-end reconciliation, which typically occurs approximately 10 days after month-end. Until such time, all receipts on the McCann TPL Brokered Loans in existence at the effective time of the Initial Order will be maintained in cash protected by the Net Receipt Minimum Balance.

Potential Issues Relevant to Requests by McCann

38. The Monitor understands that McCann challenges the quantum and priority of the TPL Charge, which is *pari passu* with the DIP Charge. In that regard, the Monitor notes:
 - (a) The TPL Charge relates to the cash-on-hand immediately prior the effective date of the Initial Order. As noted above, to the extent the TPL can establish a proprietary interest in any TPL Brokered Loans and/or Post-Filing TPL Receipts, such loans and receipts do not form Property of the Applicants and the Charges set out in the Amended & Restated Initial Order do not apply to such amounts pursuant to paragraph 34 of the Amended & Restated Initial Order;

- (b) The ranking of the charges was negotiated among the parties who consented to the original Amended & Restated Initial Order, including Trimor;
 - (c) The requested relief would constitute an event of default under the DIP term sheet;
 - (d) McCann argues that there is no principled basis for other charges to rank above or *pari passu* with the TPL Charge. It appears McCann alleges its entitlement to funds in priority to the other Charges is based on its view that a constructive trust ought to be awarded to McCann and imposed on the property of the Applicants in the amount of the TPL Loans. McCann notes in its factum that in order for a Court to exercise this equitable jurisdiction, it must be satisfied that it would not be unjust in the circumstances, having regard to the interests of intervening creditors, which must be protected. As Charges are also granted based on equitable considerations, the impact upon other creditors, including secured creditors with existing security interests in the same property, may be a relevant consideration.
39. The Monitor also understands that McCann has requested that all available cash on hand be paid into a segregated account and that the Applicants be prevented from redeploying any TPL Funds as new brokered loans, as contemplated in the Broker Agreement and the Amended & Restated Initial Order. They provide a number of different reasons, including:
- (a) the TPL Funds are the property of McCann or, alternatively, held in trust by Cash Store for the benefit of McCann – The Monitor notes that this is an important issue to be determined and it appears that all parties agree that this should be determined at a later date. The TPL Protections were designed to maintain the *status quo* pending a resolution of this issue;

- (b) McCann has no obligation to advance additional money or credit – In this regard, the Monitor notes that to the extent the TPL owns the brokered loans, it appears the TPL is extending credit to broker customers and not to Cash Store. In addition, it will have to be determined whether McCann is making a “further advance of money or credit” (the terms used in section 11.01(b) of the CCAA) when it is not required to extend additional monies but rather prevented from taking back monies already advanced. In that regard, the terms of the Broker Agreements, the effect of the stay of proceedings, case law regarding subsection 11.01(b) of the CCAA and other considerations may be relevant.

- 40. The Monitor is also of the view that it would be useful to have argument regarding:
 - (a) McCann’s assertion that the TPLs did not agree to allow their funds to be loaned by an insolvent entity – The Monitor notes it will be important to consider the terms of the Broker Agreements, which appear to provide representations and deemed representations to this effect but no express funding conditions or events of default relating to insolvency, as well as the impact of the stay of proceedings;
 - (b) The proper characterization of the TPL-Cash Store relationship - Given that Cash Store is in the business of providing cash to consumers, the TPLs appear to be providing Cash Store with the product that it offers in the marketplace. Since the cash “supplied” by the TPL is loaned, repaid and then re-loaned to Cash Store’s customers, it has a unique character. To the extent that it would be appropriate to characterize the TPLs as suppliers to Cash Store, the Monitor notes that it is common for suppliers to have their contract termination rights stayed while receiving payment for the

continued supply of goods or services or use of their property post-filing. As another alternative, if the TPL's are not properly considered suppliers to the business but instead are characterized as lenders to Cash Store, the Monitor notes that it would not be typical for a lender to be able to dictate post-filing how its debtor uses funds advanced pre-filing, although it would likely be able to refuse to provide further credit not already drawn. The TPLs have also suggested there is an analogy to be drawn to a securities firm. Finally, the TPLs have also advanced proprietary and equitable trust arguments.

- (c) The assignment of company-owned loans to TPLs (notionally or in fact) as a form of "capital protection" - The Monitor notes that the practice of providing this form of capital protection raises a number of potential issues, including enforceability (and priority) of such assignments pursuant to PPSA or similar legislation, whether such transactions may be impugned as voidable transactions, and whether the TPL would nevertheless have a claim against Cash Store if the assignment is not an effective transfer of the loan receivable;
- (d) Termination rights, Defaults and Impact of Stay of Proceedings - the use and reuse by Cash Store of the TPL Funds is contemplated by the Broker Agreement for as long as the agreement is in force. Discretion is given to Cash Store to make brokered loans as it sees fit, provided pre-agreed loan criteria are met and aggregate loan limits are not exceeded. There do not appear to be any events of default in the agreement or any express rights to reclaim the TPL funds, only a right to reduce the aggregate loan limit on 120 days' notice.

41. The Monitor has not had an opportunity to explore and consider the factual background underlying these issues. The Court may benefit from submissions in relation to some or all of these issues in considering whether to grant the relief sought by the TPLs.

CONCLUSION

42. As McCann has acknowledged, a judicial determination will be required in order to determine whether the TPLs, including McCann, have a proprietary, trust or other priority claim to the Restricted Cash and/ or whether they are entitled to terminate their arrangements with Cash Store. In the interim, with the TPL protections in place under the oversight of the Monitor and CRO, and in light of the anticipated cash on hand significantly exceeding the projected loan losses (and indeed the projected value of all new TPL Brokered Loans for the week) for the proposed adjournment period – and in light of the complexity of the issues to be argued - the Monitor recommends that the come-back hearing in respect of the relief sought by the TPLs be adjourned to May 5, 2014 (or another date suitable to the Court). If the adjournment is granted, the Monitor will renew its request that the parties meet in person as soon as possible to discuss a possible resolution of these issues and, if such a resolution cannot be reached, then the Monitor will assist the parties in developing a timetable for resolution of these matters.

The Monitor respectfully submits to the Court this Second Report.

Dated this 27th day of April, 2014.

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

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

Greg Watson
Senior Managing Director

Schedule “7” – Third Report of the Monitor dated May 9, 2014

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

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

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

May 9, 2014

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

APPLICANTS

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

INTRODUCTION

1. On April 14, 2014, Regional Senior Justice Morawetz granted an Initial Order (the "**Initial Order**") pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36, as amended (the "**CCAA**") to The Cash Store Financial Services Inc., The Cash Store Inc., TCS Cash Store Inc., Instalozans Inc., 7252331 Canada Inc., 5515433 Manitoba Inc. and 1693926 Alberta Ltd. doing business as "The Title Store" (collectively, the "**Applicants**" or "**Cash Store**") providing protections to the Applicants under the CCAA, including a stay of proceedings (the "**Stay**") until May 14, 2014, and appointing FTI Consulting Canada Inc. (the "**Monitor**") as CCAA monitor.

2. On April 15, 2014, the Court granted an Amended and Restated Initial Order (the “**Amended & Restated Initial Order**”) which, among other things, approved an interim CCAA credit facility (the “**Initial DIP**”) by Coliseum Capital LP, Coliseum Capital Partners II LP and Blackwell Partners LLC (collectively “**Coliseum**”) and appointed Blue Tree Advisors Inc. as Chief Restructuring Officer of the Applicants (the “**CRO**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
3. The purpose of this Third Report of the Monitor is to provide the Court with information regarding the following:
 - (i) Background relevant to the issues to be addressed at the hearing scheduled for May 13, 2014 in these CCAA Proceedings;
 - (ii) The activities of the Monitor in these CCAA Proceedings, to the extent not described in connection with the other more specific topics addressed in this report;
 - (iii) The Applicants’ intended cessation of their brokered loan business (the “**Broker Business**”) and the status of matters relating to the third party lenders (“**TPLs**”) involved in the Broker Business;
 - (iv) The Applicants’ projected need for additional debtor in possession financing (the “**Additional DIP**”) and the status of proposals relating thereto;
 - (v) The Applicants’ request to implement a key employee retention plan (“**KERP**”) and a court-ordered charge in respect thereof;
 - (vi) The motion of Computershare Trust N.A., in its capacity as Indenture Trustee, and Computershare Trust Company of Canada (“**CS Canada**”) in its capacity as Collateral Trustee and Indenture Trustee (together, “**Computershare**”); and
 - (vii) The Applicants’ request for an extension of the Stay.

TERMS OF REFERENCE

4. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management and advisers. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

BACKGROUND

Business and Product Offerings

6. The Applicants provide alternative financial products and services to individuals including payday loans in applicable jurisdictions, chiefly through retail branches in different provinces and territories across Canada under the banners "Cash Store Financial", "Instaloans" and "The Title Store".
7. The type of product offered by the Applicants has historically varied by jurisdiction. The variation in product offering appears to have been driven by differences in the regulatory framework in different provinces and territories.
8. In particular, the Monitor understands that the existence of payday loan legislation in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia (the "**Regulated Provinces**") but not the other provinces and territories of Canada (where the criminal rate of interest in the *Criminal Code* (Canada) applies) has been a main driver leading to the following differences in product offerings:

- (a) **Direct Loans:** In British Columbia, Alberta, Saskatchewan and Nova Scotia (each of which is a Regulated Province), the Monitor understands that the Applicants' primary product offering is the payday loan (a short-term, non-collateralized loan, typically in the range of \$100 to \$1,500). The Monitor understands that the Applicants loan funds directly to the customer, with the rate fee and default interest, if any, payable to the Applicants at the applicable rate under the relevant payday loan legislation, which varies from province to province.
- (b) **Brokered Loans:** In New Brunswick, Newfoundland, Northwest Territories, P.E.I. and Yukon (which are not Regulated Provinces), the Monitor understands that the Applicants have employed their Broker Business model, pursuant to which the Applicants broker requests made by their customers for loans to TPLs (the "**TPL Brokered Loans**"). This business model and the associated agreements and other arrangements between the Applicants and the TPLs have been the subject of discussion and motions in these CCAA Proceedings. The agreements and other arrangements with TPLs are summarized in the affidavit of Steven Carlstrom sworn April 14, 2014 (the "**Carlstrom Affidavit**") and referenced in both the pre-filing report of the proposed monitor dated April 14, 2014 (the "**Pre-Filing Report**") and the second report of the Monitor dated April 27, 2014 (the "**Second Report**").
- (c) **Brokered Lines of Credit (prior to regulatory restrictions):** According to the Carlstrom Affidavit, on October 1, 2012 in Manitoba and February 1, 2013 in Ontario, Cash Store stopped offering payday loans and instead launched unsecured, medium-term revolving credit line products. The Monitor understands that the lines of credit were all brokered products, employing the

Broker Business model. As a result of the regulatory issues described in the Carlstrom Affidavit and referenced below, Cash Store ceased to offer its line of credit products in Ontario as of February 12, 2014 and it appears that, in Manitoba, Cash Store will be required to cease offering the current form of brokered lines of credit if proposed legislation is implemented (which is presently anticipated to occur later this year or in 2015).

Issues Leading to CCAA Filing

9. The reasons leading to the CCAA application by Cash Store are outlined in the Carlstrom Affidavit. Among other things, the Carlstrom Affidavit describes that, in Ontario, the Applicants are presently without the necessary payday lending licenses and broker's licenses. Therefore, they are not in a position to offer payday loans or lines of credit in Ontario. The Monitor has been advised that the Applicants are not eligible to re-apply for a license for 12 months after the final notice was delivered from the Ontario Registrar on March 27, 2014 and, if Cash Store chooses to re-apply for a license after 12 months, it will be required to provide new or additional evidence for the Ontario Registrar to consider or demonstrate that material circumstances have changed. The Monitor understands that it remains Cash Store's intention to take steps to attempt to obtain a payday lending license in Ontario and is in discussions with the regulator.
10. The Carlstrom Affidavit also outlines that the Applicants have faced regulatory issues in Manitoba (including that new legislation is being introduced), a Royal Canadian Mounted Police ("RCMP") investigation into alleged violations of the interest provisions of the Criminal Code in Newfoundland, and issues and investigations in other jurisdictions, and that the Applicants face significant litigation claims, including various class actions.

M&A Process

11. Prior to the start of the CCAA Proceedings, the Monitor understands that Rothschild Inc. ("**Rothschild**") was retained by the special committee of the

- Applicants' board of directors to act as its independent financial advisor, and commenced a mergers and acquisitions process to seek a sale or significant investment in Cash Store (the “**M&A Process**”). The Monitor understands that a number of parties executed non-disclosure agreements and have been conducting due diligence in a dataroom established by Rothschild.
12. During the CCAA Proceedings, the M&A Process has continued. Among other things, Rothschild recently provided to interested parties an updated outline of the intended sale process, which includes the following timeline (subject to the ongoing supervision of the Court and to the Court orders in these proceedings):
- (a) May 23, 2014 – parties to submit letters of interest (including transaction structure and price);
 - (b) May 29, 2014 - selection of parties advancing to Phase 2;
 - (c) May 30-July 11, 2014 – Phase II due diligence;
 - (d) June 2-13, 2014 – Management presentations;
 - (e) July 11, 2014 – Binding proposals (for entire company or select assets) due.

ACTIVITIES OF THE MONITOR

Notice

13. In accordance with paragraph 59 of the Amended & Restated Initial Order, the Monitor published a notice in the *Edmonton Journal* on April 21, 2014, in the *Calgary Sun* on April 17, 2014, and in the *Globe and Mail* on April 22, 2014, containing the prescribed information.
14. In addition, the Monitor made the Initial Order and Amended & Restated Initial Order publicly available by posting them on the website the Monitor has made

available for these CCAA Proceedings at <http://cfcanada.fticonsulting.com/cashstorefinancial/> (the “**Monitor’s Website**”).

15. On April 17, 2014, the Monitor sent a notice to parties who, based on the Applicants’ books and records, were known creditors with claims against the Applicants of more than \$1,000. The Monitor also prepared a list showing the names and addresses of those creditors and the estimated amounts of those claims and made that list publicly available by posting it on the Monitor’s Website on April 17, 2014.
16. In addition, the Monitor has established a hotline and email address (the “**Hotline**”) at which interested parties may contact the Monitor with questions or concerns.

Monitoring Receipts and Disbursements

17. The Monitor has supervised the Applicants’ systems to monitor the receipts and disbursements of the Applicants. In particular, the Monitor generally supervises the receipts, disbursements and cash balances each weekday. The Monitor also assists with the weekly budget-to-actual analysis that is provided to the DIP lenders.
18. The Monitor has been monitoring, in particular, the available cash relative to the TPL Net Receipt Minimum Balance and Minimum Cash Balance (each as defined below). The TPL Net Receipt Minimum Balance as at May 6, 2014 was \$1,151,620.78.
19. On May 5, 2014, the Applicants opened two new accounts in relation to:
 - (a) McCann Post-Filing Receipts (defined below): As at May 8, 2014, the amount in this account was \$699,558.00, which includes all relevant receipts up to May 6, 2014; and

- (b) Post-Filing Trimor Ontario Receipts (defined below): As at May 8, 2014, the amount in this account was \$690,380.00, which includes all relevant receipts up to May 6, 2014.

Other Activities

- 20. In addition, the Monitor's activities since the Initial Order have included the following:
 - (a) Attending on the premises of the Applicants on a daily basis each weekday;
 - (b) Coordinating with PWC, agent for Trimor Annuity Focus Limited Partnership #5 ("**Trimor**") and 0678786 B.C. Ltd. (formerly McCann Family Holding Corporation) ("**McCann**"), and assisting the Applicants with responding to requests from PWC;
 - (c) Hosting a meeting between counsel for the CRO, McCann, Trimor, Coliseum and the *ad hoc* committee (the "**Ad Hoc Committee**") of holders of the Applicants' 11 1/2% senior secured notes (the "**Notes**") and numerous discussions and negotiations regarding TPL issues;
 - (d) Assisting the CRO on behalf of the Applicants in negotiations regarding additional DIP financing;
 - (e) Assisting the CRO on behalf of the Applicants in discussions with various regulators;
 - (f) Monitoring the receipts and disbursements of the Applicants in relation to the cashflow forecast and assisting with the weekly budget-to-actual analysis that is provided to the DIP lenders;

- (g) Assisting the Applicants in dealing with inquiries from creditors and other stakeholders, including employees, vendors, suppliers and others;
- (h) Assisting the Applicants in negotiations with suppliers;
- (i) Monitoring the Hotline on a daily basis and responding to inquiries;
- (j) Assisting the Applicants, the CRO and their advisors in relation to the M&A Process; and
- (k) The other steps and activities set out in herein and in the First Report and Second Report.

BROKER BUSINESS AND TPL ISSUES

TPL Protections - Background

- 21. The Amended & Restated Initial Order authorizes and directs Cash Store to continue to carry on business and use the Property in a manner consistent with the preservation of the business, “including the making of brokered loans pursuant to past practices as modified by paragraphs 30 to 35”. In that regard, the Amended & Restated Initial Order also expressly permitted the Applicants to continue to use amounts received by the Applicants in connection with the TPL Brokered Loans after the effective time of the Initial Order (the “**TPL Post-Filing Receipts**”) for the sole purpose of brokering new TPL Brokered Loans.
- 22. The Amended & Restated Initial Order also contains various provisions aimed to provide protections to the TPLs (the “**TPL Protections**”). Among other things, the TPL Protections include:
 - (a) a charge (the “**TPL Charge**”) ranking *pari passu* with the DIP Charge in the amount of the Applicants’ cash-on-hand as of the

effective time of the Initial Order as security for any valid trust or other proprietary claim of a TPL to such cash-on-hand;

- (b) an obligation to maintain on deposit in the Applicants' general bank account an amount not less than difference between the TPL Post-Filing Receipts and any TPL Post-Filing Receipts that are redeployed as new TPL Brokered Loans (the "**TPL Net Receipt Minimum Balance**"); and
 - (c) a requirement that the Applicants ensure the TPLs receive a return of approximately 17.5% (or such lesser amount as may be agreed) with respect to TPL Brokered Loans that are repaid and available for redeployment from and after the Initial Order date and any capital protection (as described in the Carlstrom Affidavit).
23. As noted in the Second Report, McCann sought relief at the come-back hearing scheduled for April 28, 2014 chiefly relating to the TPL Protections and treatment of new TPL Brokered Loans. Trimor also raised concerns with, among other things, the application of the concept of "capital protection" provided for in paragraph 35 of the Amended & Restated Initial Order.
24. Various steps occurred in relation to the TPL issues between the issuance of the Amended & Restated Initial Order and the scheduled come-back hearing of April 28, 2014, including that counsel for McCann cross-examined Steven Carlstrom in respect of the Carlstrom Affidavit on April 22, 2014 and served two affidavits on that same date.
25. The April 28, 2014 come-back hearing was adjourned to April 30, 2014. The parties engaged in discussions on April 29 and April 30 and came to an understanding as to terms upon which the TPL issues would be further adjourned. That understanding was incorporated into an order dated April 30, 2014 (the "**Additional TPL Protection Order**").

26. Among other things, the Additional TPL Protection Order provides as follows:

- (a) **McCann Loans:** Receipts from loans brokered by the Applicants that are received after the date of the Initial Order, which loans have McCann listed as lender or which are attributable to or have been assigned to McCann (“**McCann Post-Filing Receipts**”) are to be deposited in a segregated account and not used for new brokered loans or any other purpose pending further order of the Court or agreement. The Charges (as defined in the Initial Order) do not apply to such funds without a further Court order;
- (b) **Trimor Loans in Ontario:** Receipts from loans brokered by the Applicants in connection with its Ontario operations that are received after the date of the Initial Order, which loans have Trimor listed as lender or which are attributable to or have been assigned to Trimor (“**Post-Filing Trimor Ontario Receipts**”) are to be deposited in a segregated account and not used for new brokered loans or any other purpose pending further order of the Court or agreement. The Charges (as defined in the Initial Order) do not apply to such funds without a further Court order;
- (c) **Trimor Loans Outside Ontario:** Receipts from loans brokered by the Applicants in connection with its operations outside of Ontario that are received after the date of the Additional TPL Protection Order, which loans have Trimor listed as lender or which are attributable to or have been assigned to Trimor (“**Post-Filing Trimor Non-Ontario Receipts**”) shall be treated in accordance with the TPL Net Receipt Minimum Balance requirements and may only be used (i) for the purpose of brokering new TPL Brokered Loans in the name of Trimor provided that, with effect upon any such new TPL Brokered Loan being made, it is declared that Trimor shall be the owner of such new TPL Brokered Loan

and all proceeds therefrom and such TPL Brokered Loan and all proceeds therefrom shall not form part of the Property and shall not be subject to the Charges; or (ii) on any other basis as may be agreed in writing between Trimor, the DIP Lender, the Applicants and the Monitor.

(d) **Minimum Cash Balance:** The Applicants are required to maintain a \$3 million minimum cash balance in addition to the Post-Filing McCann Receipts and Post-Filing Trimor Ontario Receipts (the “**Minimum Cash Balance**”).

27. On May 5, 2014, Trimor delivered a Notice of Motion for a motion returnable May 13, 2014 seeking, among other things, an order directing Cash Store to execute and deliver documentation to evidence that Trimor is the sole legal and beneficial owner of the Trimor Property (defined therein, which includes loans made in the name of Trimor and brokered by the Applicants) and assistance from the Applicants in facilitating the transfer of the administration of Trimor-owned Loans and Advances (defined therein) to another service provider.
28. On May 7, 2014, McCann delivered a Notice of Motion seeking similar relief.

Proposed Cessation of the Broker Business

29. As described in the affidavit of William E. Aziz, sworn May 9, 2014 (the “**Aziz Affidavit**”), in light of the ongoing disputes between the Applicants and their two largest TPLs, including the requests from Trimor and McCann that no further TPL Brokered Loans be made using receipts from the TPL Brokered Loans in their names, and in light of regulatory issues in Ontario and Manitoba, class actions and other investigations, the CRO in consultation with the Monitor, the Chief Regulatory and Compliance Officer, Cash Store management, and legal and financial advisors, conducted a review of the Broker Business.
30. As part of the review, the CRO and the Monitor considered the following, among other things:

- (a) Cash Store has stopped offering the broker loan line of credit in Ontario pursuant to the regulatory restrictions described above. In addition, the Applicants have indicated that the current model will likely not be compliant with anticipated legislation in Manitoba by the end of 2014. Once these closures are effected, the remaining Broker Business will be very small, consisting only of operations conducted in New Brunswick (14 stores), Newfoundland (13 stores), P.E.I. (3 stores), Northwest Territories (2 stores) and Yukon (1 store) (the “**Remaining Provinces**”). The net operating contribution of the branches in the Remaining Provinces is, collectively, approximately \$110,000 per month before allocation of head office costs;
- (b) The Amended & Restated Initial Order requires that the Applicants ensure that the TPLs receive a return of approximately 17.5% (or such lesser amount as may be agreed) with respect to TPL Brokered Loans that are repaid and available for redeployment from and after the Initial Order date and any capital protection (as described in the Carlstrom Affidavit). The Applicants advise that certain of their secured creditors have indicated they do not support continued voluntary retention payments. In addition, there is a dispute regarding the implementation of the “capital protection” and therefore, until that is resolved, it is unclear who bears the economic risk of any losses on TPL Brokered Loans going forward, leading Trimor and McCann on the one hand and Coliseum and the Ad Hoc Committee on the other hand to express concerns regarding ongoing brokered lending;
- (c) Both Trimor and McCann have taken the position that the TPL Post-Filing Receipts should not be redeployed by Cash Store to make new TPL Brokered Loans. While the Additional TPL Protection Order permits Cash Store to continue to deploy the Post-Filing Trimor Non-Ontario Receipts (subject to conditions set out therein) in the short term, Trimor

has brought a motion, returnable May 13, 2014, for the return of all Trimor Funds. Trimor is the provider of the substantial majority of TPL funds in the provinces and territories where the Broker Business is still conducted (outside of Ontario and Manitoba). If the Applicants did not have access to those funds (or funds from another TPL), the Applicants would be unable to conduct brokered lending in those provinces;

- (d) Cash Store is expending a great deal of management and advisor time and incurring significant cost in negotiations and litigation regarding its ability to continue to make TPL Brokered Loans over the objection of Trimor and others;
 - (e) The extent to which the Broker Business, as conducted by the Applicants prior to the commencement of these proceedings, complies with the criminal interest rate provisions of the *Criminal Code* (Canada) has been the subject of significant litigation and regulatory investigation prior to the filing. There has been no judicial determination in the outstanding litigation regarding the Applicants' compliance or non-compliance with the *Criminal Code* (Canada). In light of the nature of the allegations made regarding the Broker Business, each of the CRO and the Monitor sought legal guidance regarding this issue. As set out in the Aziz Affidavit, there is a material risk that the Broker Business is not legally defensible under the criminal interest provisions of the *Criminal Code*.
31. After considering the nature of the Broker Business relative to the legislation, the CRO and the Monitor then considered the appropriateness and desirability of continuing the Broker Business in a Court-supervised proceeding taking into account, among other things, the seriousness of the allegations, the level of certainty or uncertainty regarding compliance with the legislation, the relative importance of continuing the Broker Business operations financially, the positions of key stakeholders and the other issues noted above.

32. Taking into account all of the foregoing considerations, the CRO, with the support of the Monitor, has determined that it is appropriate to cease the Broker Business in all jurisdictions at this time.
33. The CRO contacted counsel to Coliseum and the Ad Hoc Committee to advise of the decision to cease the Broker Business in all jurisdictions. The Monitor understands that, on May 7, 2014, counsel to Coliseum and the Ad Hoc Committee advised the Applicants that they do not oppose this decision.
34. The CRO and the Monitor discussed the cessation of the Broker Business with the CEO of Cash Store on May 8, 2014 at which time the CRO instructed the CEO to prepare plans for an immediate cessation of the Broker Business in all jurisdictions in which the Broker Business is currently carried on by Cash Store.
35. The Amended & Restated Initial Order states in paragraph 4 that the Applicants:
- “shall continue to carry on business and use the Property, the Filing Date Cash (as defined below) and the TPL Funds (as defined in the Carlstrom Affidavit) in a manner consistent with the preservation of the business, **including the making of brokered loans pursuant to past practices as modified by paragraphs 30 to 35** (the “Business”), and Property.”
- [emphasis added]
36. Accordingly, the Applicants are seeking an order that, notwithstanding any provision contained in the Amended & Restated Initial Order, the cessation of the Broker Business in all jurisdictions in which it is currently carried out is approved and the CRO, in consultation with the Monitor, is authorized to take all steps to conduct an orderly cessation of such business.

Cessation of Broker Business: Operating Plan

37. To effect the cessation of the Broker Business, the Monitor understands that the Applicants propose, for the time-being, to:

- (a) take immediate steps to begin to implement an orderly cessation of the Broker Business and cease offering any new TPL Brokered Loans in Manitoba and the Remaining Provinces;
 - (b) keep store locations open in the short term to assist with the repayment/collection process (this will not be a change in Ontario (and Cash Store will not make active efforts to collect a TPL Brokered Loan in Ontario until after it matures); in Manitoba and the Remaining Provinces; Cash Store proposes to take reasonable steps to collect all TPL Brokered Loans as they come due as well as past due TPL Brokered Loans);
 - (c) make arrangements to maintain all payments on the TPL Brokered Loans in one or more segregated accounts pending the determination of entitlement thereto; and
 - (d) identify and take steps to rationalize costs no longer required as a result of the suspension.
38. There are at least two possibilities for collecting TPL Brokered Loans currently outstanding: 1) Cash Store continues to collect on such loans in the usual course (this is the option that the Monitor understands is preferred by Coliseum and the Ad Hoc Committee); or 2) Cash Store transfers the existing TPL Brokered Loans to a service provider identified by the relevant TPL for administration and collection (this is the option requested by Trimor and McCann in their existing motions).
39. To the extent there is a dispute regarding these options, the following considerations appear relevant to selecting between those two alternatives and may require further evidence and argument:

- (a) The TPL's legal entitlement (at this time) to require a transfer of existing TPL Brokered Loans to another service provider pursuant to the relevant broker agreement;
- (b) The need to preserve amounts to which there will be a dispute regarding entitlement, including claims and potential claims (by Coliseum, Ad Hoc Committee, Trimor, McCann, class action plaintiffs, the Applicants or others).¹ This would likely require holding payments received on account of TPL Brokered Loans (to which there is a dispute regarding entitlement) in one or more segregated accounts such that they are not available to the Applicants or the TPLs for their general use, pending determination regarding entitlement. It is unclear if the option proposed by Trimor and McCann (administration and collection by another service provider) would provide for this segregation;
- (c) The relative prejudice to the parties. Relevant considerations may include:
 - (i) The anticipated collection costs and anticipated default rates using a new provider as compared to the collection costs and anticipated default rates when the same loans are collected by the Applicants. Based on the Applicants' experience in Ontario, when it ceased offering new TPL Brokered Loans, it will likely experience an increased default rate. Evidence as to whether the proposed alternate provider is able to offer new loans (notwithstanding a

¹ Trimor and McCann are seeking relief including documentation to evidence that they are the sole legal and beneficial owner of the Trimor Funds or McCann Funds, respectively. In addition, as at May 6, 2014, \$1,260,516 in new TPL Brokered Loans were made in Trimor's name after the Additional TPL Protection Order (i.e. between May 1 and May 6, 2014) such that, in accordance with the Additional TPL Protection Order, it has been declared that Trimor is the owner of such new loans and proceeds therefrom. It is unclear if there is a dispute regarding these funds that would require maintaining receipts in relation to these TPL Brokered Loans.

segregation of funds collected as described above) and collect payments, and the impact of those aspects on the repayment rate, may be a relevant factor;

- (ii) Particularly to the extent the alternate service provider proposed by Trimor or McCann is a competitor of Cash Store, providing the TPL Brokered Loans to that provider may be akin to delivering a customer list. A customer list (if it is determined to belong to the Applicants) may be a valuable asset in the ongoing M&A Process such that this method of collection may cause prejudice to the Applicants and other stakeholders in the M&A Process.

Next Steps: Relief Sought

- 40. For the reasons set out above, the Monitor is supportive of the Applicants' request for an order i) approving the Applicants' cessation of the Broker Business and authorizing the CRO, in consultation with the Monitor, to take all steps to cease the Broker Business; and ii) ordering and directing that receipts from TPL Brokered Loans (to which there is a dispute regarding entitlement) be held in one or more segregated accounts until further order of the Court. The Monitor is of the view that further evidence and argument on the points outlined above would be helpful to the extent there is a dispute regarding the methodology for collecting the outstanding TPL Brokered Loans going forward. Absent that, the Monitor supports continued collection of TPL Brokered Loans as proposed by the Applicants.

DIP FINANCING PROPOSAL

DIP - Background

- 41. As previously reported, the Applicants received two competing DIP proposals prior to the Amended & Restated Initial Order from each of Coliseum and the Ad

- Hoc Committee. In the Amended & Restated Initial Order, the Court approved the Initial DIP facility in the amount of \$8.5 million.
42. The Initial DIP was expected to be of a very short-term nature only since, at the time, cash projections set out in the cashflow forecast provided to the Court by the Applicants estimated that the Applicants would require more than \$8.5 million in cumulative funding by week three of the proceedings.
 43. Given the anticipated need for additional DIP financing, the Applicants, through Rothschild, requested proposals for additional DIP financing from each of Coliseum and the Ad Hoc Committee by noon on April 24, 2014. At the same time, the Applicants, with the assistance of the CRO and the Monitor, explored with Coliseum and the Ad Hoc Committee the possibility of a joint facility in which both parties would participate in the proposed additional financing.
 44. On April 24, 2014, after a series of discussions, this process resulted in an agreement in principle between Coliseum and the Ad Hoc Committee to offer additional interim financing to the Applicants on a joint basis, and the parties began ‘papering’ this arrangement (the proposed “**Joint DIP**”).
 45. In part due to receipts not anticipated within the first two weeks of the CCAA Proceedings, the Applicants anticipated having sufficient cash to fund their operations through to May 5, 2014 without further financing (rather than requiring further financing by April 28, 2014). Accordingly, while the Initial DIP technically matured on April 28, 2014, the parties agreed to seek approval of additional DIP financing on May 5, 2014 and not April 28, 2014 to provide sufficient time to conclude the new DIP financing documentation.
 46. On May 1, 2014, Cash Store received an additional tax refund in the amount of approximately \$5.9 million (together with a \$2.6 million tax refund received earlier, the “**Tax Refunds**”). Cash Store wrote to Coliseum to advise of the receipt of this amount.

47. Late on May 1, 2014, Coliseum informed Cash Store that, among other things, it was in default of its obligations under the Initial DIP facility and that, to the extent that Cash Store failed to make a mandatory repayment of the Tax Refunds, Coliseum intended to attend Court to seek the relief available to it.
48. On May 2, 2014, Cash Store, after consultation with the Monitor, made arrangements to repay the \$5.9 million tax refund amount to Coliseum (as a partial repayment of the Initial DIP) and to keep segregated, while discussions between them continued, the \$2.6 million tax refund amount in accordance with the Initial DIP term sheet and the Amended & Restated Initial Order.
49. On May 1, 2014, Cash Store also received approximately \$2.6 million of Pre-Authorized Debit (“PAD”) and other receipts that were being held by DC Bank.
50. On May 2, 2014, the Monitor reported to the service list on these developments, including that Cash Store was not yet in a position to seek approval of additional DIP financing on May 5, 2014, that discussions were ongoing regarding the terms for additional DIP facilities, among other things, and that it was unclear whether a Court attendance would be necessary on May 5, 2014. Attached as **Schedule “A”** is a copy of the May 2, 2014 email from Monitor’s counsel to the Service List.
51. Later on May 2, 2014, the Monitor advised the service list that the Applicants did not intend to seek approval of additional DIP financing on Monday, May 5, 2014 and that the hearing on that date would not be required. The Monitor also indicated it expected to provide a report in relation to the May 13, 2014 hearing unless further developments warranted an earlier report. Attached as **Schedule “B”** is a copy of the subsequent May 2, 2014 email from Monitor’s counsel to the Service List.

Additional DIP Financing

52. The Applicants and the CRO, in consultation with the Monitor, have been negotiating terms for the provision of additional financing under the Joint DIP with counsel to Coliseum and the Ad Hoc Committee.
53. On May 8, 2014, the Applicants received an unsolicited competing DIP proposal from DirectCash Payments Inc. (“**DCPI**”) (the proposed “**DCPI DIP**”). The Monitor understands that DCPI provides prepaid debit and credit card services to Cash Store and has been advised by the Applicants that DCPI is related to DC Bank, which offers bank accounts to Cash Store’s customers and receives and processes the repayment of loans from certain of Cash Store’s customers.
54. Given the timing of the delivery of the DCPI DIP proposal, the Monitor understands that the Applicants have proceeded to serve motion materials seeking other relief while continuing to review the two DIP proposals. The Monitor understands that the Applicants intend to serve subsequent materials seeking approval of additional DIP facilities after completing this review and any discussions with the applicable parties. At this time, it is not clear when those materials will be served or whether the Applicants will be seeking approval of a DIP facility on May 13, 2014 together with the other relief sought.
55. According to the projected cash flow forecast, attached as **Schedule “C”**, the Applicants are not anticipated to require additional financing until at least May 16, 2014.
56. The Monitor understands that as at May 9, 2014, the amount remaining under the Initial DIP for outstanding principal and interest was approximately \$2,628,546.02 and that the Applicants have or will be paying that amount on May 9, 2014. As noted above, the Initial DIP matured on April 28, 2014.
57. While the Monitor will provide further comment when the Applicants seek approval of a DIP facility, at this stage, the Monitor has reviewed the current proposed amended Joint DIP and the proposed DCPI DIP and notes that both of

these proposals offer to provide sufficient funding (subject, in one case, to exercising an extension option) to allow the Applicants to meet their projected cash needs through the requested extension of the Stay period.

KEY EMPLOYEE RETENTION PLAN

58. The Applicants are seeking authorization to implement a Key Employee Retention Plan (the “**KERP**”) for employees who are considered by the Applicants to be critical to the successful completion of the CCAA Proceedings (the “**KERP Participants**”).
59. The terms and details of the KERP are still being finalized; however, the Applicants have indicated to the Monitor that: i) the KERP Participants will be Cash Store employees in Finance, Human Resources and Marketing, among other areas; ii) the KERP will be structured such that the KERP Participants would receive a set amount payable upon completion of a plan of arrangement, 30 days after the sale of Cash Store’s business, or in respect of an assignment in bankruptcy or appointment of a receiver by Cash Store; and iii) the maximum amount payable under the KERP would be \$400,000 (the “**Maximum Amount**”).
60. At this time, the Applicants are seeking approval of a KERP, to be established, in the Maximum Amount, and authorization for the CRO to implement and finalize the terms of the KERP, in consultation with the Monitor.
61. The Monitor agrees that there are certain employees who appear to be critical to the completion of the CCAA Proceedings to whom it would be appropriate to provide incentives. As part of the consultation process required in the draft Order, the Monitor expects to be provided with the names of the KERP Participants and the values of the proposed payments for each KERP Participant prior to finalization and implementation of the KERP. The Monitor will review the terms and range of the proposed amounts relative to comparable CCAA cases

and the KERP Participants' respective salaries and consider whether the KERP Participants appear to be necessary parties to these CCAA Proceedings.

62. The Applicants are requesting a Court-ordered charge to secure payment of the KERP obligations in an amount not to exceed the Maximum Amount (the "**KERP Charge**"). They propose that the KERP Charge would have priority over all other security interests, charges and liens other than the Administration Charge, the Director's Charge to a maximum of \$1,250,000, the existing DIP Charge and the TPL Charge (all as defined in the Initial Order).

INDENTURE TRUSTEE

63. On May 2, 2014, Computershare served a Notice of Motion seeking, among other things, an order varying and/or amending paragraphs 42 and 44 of the Amended & Restated Initial Order to require payment of the reasonable fees and disbursements of legal counsel and, if necessary, the financial advisor retained by Computershare in relation to the CCAA Proceedings, and include legal counsel and, if necessary, the financial advisor retained by Computershare as beneficiaries of the Administration Charge.
64. The Monitor understands that Computershare is the indenture trustee pursuant to the indenture dated January 31, 2012 providing for the issuance of the Notes and that CS Canada is collateral trustee pursuant to the Collateral Trust and Intercreditor Agreement dated January 31, 2012.
65. Given the relationships among their clients, the Monitor encouraged discussions to take place between counsel to Computershare and counsel to the Ad Hoc Committee. As at the time of writing this report, the Monitor understands that discussions are ongoing and that, to the extent a resolution cannot be reached, the hearing of this matter will not proceed on May 13, 2014 but rather the Monitor will assist the parties in scheduling an appropriate date for such hearing.

STAY EXTENSION

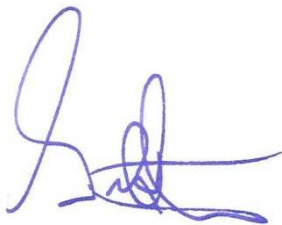
66. The Applicants have requested an extension of the Stay to June 17, 2014. To the extent the Applicants do not seek approval of a DIP Facility on the return of this motion, the Monitor understands that a shorter extension of the Stay may be sought.
67. The Cashflow attached hereto demonstrates that:
- (a) subject to approval of the requested order ceasing the Broker Business, the Applicants are projected to have sufficient liquidity to continue operations without further financing until at least May 16, 2014; and
 - (b) subject to approval of additional DIP financing of at least the amount provided in either the proposed amended Joint DIP or the proposed DCPI DIP (subject, in one case, to exercising an extension option) (the “**Required DIP Amount**”, which is assumed in the attached forecast), the Applicants are projected to have sufficient liquidity to continue operations during the proposed extension of the Stay period to June 17, 2014.
68. The Applicants, under the supervision and direction of the CRO, appear to be working with due diligence and in good faith to address numerous issues in these CCAA Proceedings and take steps to achieve an expeditious restructuring or recapitalization of their business.
69. The proposed extension of the Stay to June 17, 2014 would extend the Stay after the date by which letters of interest are requested in the M&A Process, the date for inviting parties to advance to Phase 2 of that process, and the scheduled completion of management presentations. As a result, it is likely that the parties will have greater visibility regarding the next steps in the M&A Process at that time. Accordingly, subject to approval of additional DIP financing of at least the

Required DIP Amount, the Monitor recommends that this Court grant the Stay extension to June 17, 2014 as requested by the Applicants.

70. To the extent approval is not granted for additional DIP financing, the Monitor supports a shorter extension of the Stay (provided the Cashflow reflects sufficient funds to the requested Stay extension date) to enable the Applicants to continue negotiations in relation to and seek approval of further DIP financing. To the extent approval is granted for additional DIP financing in an amount less than the Required DIP Amount, the Monitor reserves the right to provide further comment.
71. The Monitor respectfully submits to the Court this Third Report.

Dated this 9th day of May, 2014.

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



Greg Watson
Senior Managing Director

SCHEDULE "A" – Email to Service List dated May 2, 2014

From: Yeoh, Swee-Teen

Sent: Friday, May 02, 2014 1:36 PM

To: mwasserman@osler.com; jdacks@osler.com; priesterer@osler.com; ksachar@osler.com; nycprojectoilers@rothschild.com; nycprojectoilers@rothschild.com; wberman@casselsbrock.com; rjacobs@casselsbrock.com; rchadwick@goodmans.ca; boneill@goodmans.ca; orestes.pasparakis@nortonrosefulbright.com; Alan.Merskey@nortonrosefulbright.com; virginie.gauthier@nortonrosefulbright.com; alexander.schmitt@nortonrosefulbright.com; stapong@bennettjones.com; lenzk@bennettjones.com; StaleyR@bennettjones.com; adam.maerov@mcmillan.ca; brett.harrison@mcmillan.ca; patricia.wakelin@computershare.com; Shelley.Bloomberg@computershare.com; mohanie.shivprasad@computershare.com; tina.vitale@computershare.com; john.wahl@computershare.com; TMoss@perkinscoie.com; RSarubbi@perkinscoie.com; jkruger@blg.com; PMcCarthy@blg.com; jforeman@harrisonpensa.com; ahatnay@kmlaw.ca; dbieganeck@dcllp.com; Ehoaken@counsel-toronto.com; hawkesr@jssbarristers.ca; mweinczok@dickinsonwright.com; Dpreger@dickinsonwright.com; charles.wright@siskinds.com; serge.kalloghlian@siskinds.com; alex.dimson@siskinds.com; gmeisenheimer@harrisonpensa.com; jharnum@kmlaw.ca; ascotchmer@kmlaw.ca; sahnir@bennettjones.com; bellj@bennettjones.com; muskytoe@hotmail.com; vmnelson7@hotmail.com; bruce.hull@hotmail.com; pb@hbmlaw.com; mm@hbmlaw.com; baziz@bluetreadvisors.com

Cc: 'greg.watson@fticonsulting.com'; 'jeffrey.rosenberg@fticonsulting.com'; Gage, James D.; Meredith, Heather L.

Subject: In the Matter of Cash Store Financial Services Inc.; Court File No. CV-14-10518-00CL

Importance: High

On behalf of the Monitor, we wish to provide the following update in respect of some current developments as well as the hearing proposed for May 5, 2014 with respect to additional DIP facilities:

- Yesterday, Cash Store received a tax refund in the amount of approximately \$5.9 million. This tax refund is in addition to a tax refund of approximately \$2.6 million received last week. Cash Store has written to the DIP Lenders to advise them of these receipts.
- Late last night, the DIP Lenders informed Cash Store that, among other things, it is currently in default of its obligations under the DIP facility and that, to the extent that Cash Store fails to make a mandatory repayment today of the tax refund amounts, the DIP Lenders intend to attend Court to seek the relief that is available to them.
- Cash Store, after consultation with the Monitor, has made arrangements to repay the \$5.9 million tax refund amount and to keep segregated, while discussions with the DIP Lenders continue, the \$2.6 million tax refund amount in accordance with the DIP term sheet and the Amended & Restated Initial Order.
- Yesterday, Cash Store also received approximately \$2.6 million of PAD and other receipts that were being held by DC Bank.
- At this time the Monitor understands that Cash Store is not yet in a position to seek approval of additional DIP financing on May 5, 2014. Discussions between Cash Store and the DIP Lenders regarding the terms for additional DIP facilities, among other things, are taking place today.

- Cash Store and the Monitor are currently considering Cash Store's cash flow requirements through to May 13, 2014 after the tax refund arrangements referenced above and the receipt of these other funds from DC Bank, in the context of the Court order requirements.
- Pending the outcome of discussions with the DIP Lenders, it is unclear at this time whether a Court attendance will be necessary on May 5, 2014.

Cash Store or the Monitor will provide a further update to the service list.

Heather L. Meredith



Swee-Teen Yeoh

Legal Assistant | Adjointe juridique
Bankruptcy & Restructuring | Faillite et restructuration
Jamey Gage, Kevin McElcheran, Heather Meredith, Barbara Boake, James Farley and Kelly Peters
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MT Services Limited Partnership

Administrative services provider for McCarthy Tétrault LLP
Suite 5300
TD Bank Tower
Toronto ON M5K 1E6

Please, think of the environment before printing this message.



SCHEDULE "B" – Second Email to Service List dated May 2, 2014

From: Meredith, Heather L.

Sent: Friday, May 02, 2014 10:54 PM

To: Yeoh, Swee-Teen; mwasserman@osler.com; jdacks@osler.com; priesterer@osler.com; ksachar@osler.com; nycprojectoilers@rothschild.com; nycprojectoilers@rothschild.com; wberman@casselsbrock.com; rjacobs@casselsbrock.com; rchadwick@goodmans.ca; boneill@goodmans.ca; orestes.pasparakis@nortonrosefulbright.com; Alan.Merskey@nortonrosefulbright.com; virginie.gauthier@nortonrosefulbright.com; alexander.schmitt@nortonrosefulbright.com; stapong@bennettjones.com; lenzk@bennettjones.com; StaleyR@bennettjones.com; adam.maerov@mcmillan.ca; brett.harrison@mcmillan.ca; patricia.wakelin@computershare.com; Shelley.Bloomberg@computershare.com; mohanie.shivprasad@computershare.com; tina.vitale@computershare.com; john.wahl@computershare.com; TMoss@perkinscoie.com; RSarubbi@perkinscoie.com; jkruger@blg.com; PMcCarthy@blg.com; jforeman@harrisonpensa.com; ahatnay@kmlaw.ca; dbieganek@dcllp.com; Ehoaken@counsel-toronto.com; hawkesr@jssbarristers.ca; mweinczok@dickinsonwright.com; Dpreger@dickinsonwright.com; charles.wright@siskinds.com; serge.kalloghlian@siskinds.com; alex.dimson@siskinds.com; gmeisenheimer@harrisonpensa.com; jharnum@kmlaw.ca; ascotchmer@kmlaw.ca; sahnir@bennettjones.com; bellj@bennettjones.com; muskytoe@hotmail.com; vmnelson7@hotmail.com; bruce.hull@hotmail.com; pb@hbmlaw.com; mm@hbmlaw.com; baziz@bluetreadvisors.com

Cc: 'greg.watson@fticonsulting.com'; 'jeffrey.rosenberg@fticonsulting.com'; Gage, James D.

Subject: Re: In the Matter of Cash Store Financial Services Inc.; Court File No. CV-14-10518-00CL

Further to the report earlier today, set out below, the Monitor understands that the Applicants do not intend to seek approval of additional DIP financing on Monday, May 5th and that the hearing on that date will not be required.

The Monitor intends to provide a report in relation to the May 13, 2014 hearing and expects to provide further comments regarding these matters and the Applicants' cashflow at that time (unless further developments warrant an earlier report).

Sincerely,



Heather Meredith

Partner | Associée

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Please, think of the environment before printing this message.



SCHEDULE "C" – Projected Cashflow Forecast

The Cash Store Financial Services, Inc.

Weekly Cash Forecast

(CAD 000's)

Week Ended	5/9/2014	5/16/2014	5/23/2014	5/30/2014	6/6/2014	6/13/2014	6/20/2014	Total
Cash Receipts	\$ 8,067	\$ 7,546	\$ 10,904	\$ 10,723	\$ 5,104	\$ 6,339	\$ 9,409	\$ 58,090
Operating Disbursements:								
Loan Disbursements	8,090	7,123	8,547	5,698	5,980	6,478	6,727	48,644
Operating Expenses	2,304	1,907	3,367	3,521	2,533	1,278	2,183	17,092
Total Operating Disbursements	10,394	9,030	11,914	9,219	8,513	7,756	8,910	65,736
Operating Cash Flow	\$ (2,327)	\$ (1,484)	\$ (1,010)	\$ 1,504	\$ (3,409)	\$ (1,418)	\$ 499	\$ (7,647)
Non-Operating Disbursements:								
Post Petition Non Operating Expenses	1,106	630	553	553	133	434	133	3,542
Credit Facility Interest	-	-	-	125	-	-	-	125
DIP Interest and Related Fees	47	-	-	-	-	-	-	47
Capex	-	-	-	-	-	-	-	-
Total Non-Operating Disbursements	1,153	630	553	678	133	434	133	3,714
BoP Cash	\$ 14,252	\$ 8,190	\$ 6,076	\$ 6,012	\$ 6,838	\$ 7,796	\$ 7,944	\$ 14,252
Total Cash Flow	(3,481)	(2,114)	(1,563)	826	(3,542)	(1,852)	366	(11,361)
EoP Cash Before New Borrowing	\$ 10,771	\$ 6,076	\$ 4,512	\$ 6,838	\$ 3,296	\$ 5,944	\$ 8,310	\$ 2,891
BoP DIP Loan	\$ 2,581	\$ 0	\$ 0	\$ 1,500	\$ 1,500	\$ 6,000	\$ 8,000	\$ 2,581
DIP Draw	-	-	1,500	-	4,500	2,000	-	8,000
DIP Paydown	(2,581)	-	-	-	-	-	-	(2,581)
EoP DIP Loan	\$ 0	\$ 0	\$ 1,500	\$ 1,500	\$ 6,000	\$ 8,000	\$ 8,000	\$ 8,000
EoP Cash After New Borrowing	\$ 8,190	\$ 6,076	\$ 6,012	\$ 6,838	\$ 7,796	\$ 7,944	\$ 8,310	\$ 8,310
Less: Non-Ontario Restricted Cash	706	106	(614)	(1,333)	(1,380)	(1,441)	(1,534)	(1,534)
Less: Ontario Restricted Cash	(1,256)	(1,357)	(1,478)	(1,600)	(1,661)	(1,742)	(1,863)	(1,863)
Less: Cash Minimum	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Less: Tax Refund	-	-	-	-	-	-	-	-
EoP Cash After Restricted Cash	\$ 4,640	\$ 1,825	\$ 920	\$ 905	\$ 1,756	\$ 1,761	\$ 1,913	\$ 1,913

Notes:

[1] The purpose of this cash flow forecast is to determine the liquidity requirements of the Applicants during the forecast period.

[2] Receipts from operations are forecast based on existing Consumer Loan Receivables and Accounts Receivable, forecast lending volumes and other revenues, and customer payment terms.

[3] Forecast disbursements from operations are forecast based on existing Accounts Payable, forecast loan volumes and operating expenses, and payment terms.

[4] Post-petition non operating expenses include professional fees associated with the Applicants restructuring and payments made to Third Party Lenders.

Forecast professional fee disbursements are based on advisor level estimates of fees that may be incurred during the forecast period.

Third Party Lender payments include interest associated with the funds advanced by the Third Party Lenders.

[5] Credit Facility Interest includes interest associated with the \$12 million in secured loans provided by the Senior Lenders.

[6] DIP Interest and Related Fees includes interest and transaction fees associated with the DIP financing.

[7] DIP Proceeds include anticipated draws from the DIP facility.

Schedule “8” – Supplement to the Third Report of the Monitor dated May 13, 2014

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

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

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

May 13, 2014

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

APPLICANTS

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

INTRODUCTION

1. On April 14, 2014, Regional Senior Justice Morawetz granted an Initial Order pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36, as amended (the "CCAA") to The Cash Store Financial Services Inc., The Cash Store Inc., TCS Cash Store Inc., Instaloans Inc., 7252331 Canada Inc., 5515433 Manitoba Inc. and 1693926 Alberta Ltd. doing business as "The Title Store" (collectively, the "**Applicants**" or "**Cash Store**") providing protections to the Applicants under the CCAA, including a stay of proceedings until May 14, 2014, and appointing FTI Consulting Canada Inc. (the "**Monitor**") as CCAA monitor.

2. On April 15, 2014, the Court granted an Amended and Restated Initial Order. The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
3. On May 9, 2014, the Monitor provided its Third Report to the Court addressing, among other things, the Applicants’ intended cessation of their brokered loan business (the “**Broker Business**”) and the status of matters relating to the third party lenders (“**TPLs**”) involved in the Broker Business.
4. In the Third Report, the Monitor identified that there appeared to be at least two possibilities for collecting loans made in the name of TPLs (“**TPL Brokered Loans**”) currently outstanding (i. Cash Store continues to collect on such loans in the usual course; or ii. Cash Store transfers the existing TPL Brokered Loans to a service provider identified by the relevant TPL for administration and collection) and indicated that additional evidence or argument may be required in relation to a number of points. As part of that discussion, the Monitor indicated that based on the Applicants’ experience in Ontario, it will likely experience an increased default rate and certain further evidence may be relevant.
5. Subsequent to delivering the Third Report, counsel for Trimor Annuity Focus Limited Partnership #5 (“**Trimor**”) and 0678786 B.C. Ltd. (formerly McCann Family Holding Corporation) (“**McCann**”) requested additional information regarding the collection history experienced by the Applicants in Ontario after they ceased offering new loans in that Province.
6. In the short time available, the Monitor made inquiries of management of the Applicants in that regard and the purpose of this Supplement to the Third Report is to provide some additional information regarding the collection experience in Ontario.

TERMS OF REFERENCE

7. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management and advisers. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

ONTARIO COLLECTIONS

9. According to the affidavit of William E. Aziz, sworn May 9, 2014 in support of the Applicants' May 13, 2014 motion (the "**Aziz Affidavit**"), the brokered line of credit product was discontinued in Ontario as at February 12, 2014.
10. The Aziz Affidavit also sets out that the Ontario regulator has taken the position that Cash Store may not actively take steps to request, require or suggest that customers pay amounts owing under the brokered line of credit products until the maturity date of the line of credit. As a result, the Monitor understands that since February 12, 2014, Cash Store has not been offering new loans to customers in Ontario and, in addition, has not been taking active steps to collect on the brokered loan receivables until after the one year maturity date.
11. The Monitor requested data from Cash Store management regarding the collection history in Ontario prior to and following the discontinuance of the Broker Business in Ontario.
12. The Monitor received the table, attached as **Schedule "A"**, setting out the aging of accounts receivable related to both Trimor and McCann in Ontario between

February 28, 2014 and April 30, 2014. This table shows, among other things, that of the accounts receivable that existed February 28, 2014, approximately 34% (in the case of Trimor) and 31% (in the case of McCann) had been re-paid by April 30, 2014.

13. The attached table shows that a significant percentage of accounts receivable remains 'current' (or between 1-30 days past due) and the Monitor was advised by Cash Store management that it anticipates continuing to receive payments in relation to the outstanding loans such that the collection percentage is anticipated to increase.
14. With respect to the time period prior to February, 2014, the Monitor was advised by Cash Store management that it was unable to provide comparable figures for Ontario collections at this time because the figures available did not reflect actual collections due to the "purchasing mechanism" described in the affidavit of Steven Carlstrom, sworn April 14, 2014 (the "**Carlstrom Affidavit**"), in which Cash Store effected retention payments by purchasing past due brokered loans at face value, among other things. The Monitor was advised that it would take longer than the time available to produce accurate figures for comparison.
15. The Monitor notes that it has previously been advised by Cash Store management that the average loss experience in all jurisdictions prior to the Ontario issues described above was approximately 5%. At this time, the Monitor has not been able to verify this figure. The Monitor has been advised by Cash Store management, however, that this figure was calculated based on the collection rate for loans that were past due and for which Cash Store had completed its collection efforts and then sent to a collection agency that then completed further collection efforts (which generally occurred after the loan was more than 90 days due).

16. The Monitor respectfully submits to the Court this Supplement to its Third Report.

Dated this 13th day of May, 2014.

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

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

Greg Watson
Senior Managing Director

SCHEDULE "A" – Collection Rate Table

Delinquency Analysis of TPL Lines of Credit in Ontario
 Feb 28, 2014, March 31, 2014 and April 30, 2014

Tramor #5	Aging Percentage											
	Aging of Line of Credit Advances						Aging Percentage					
	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	
28-Feb-14	4,470,214.39	3,013,724.55	27,863.28	2,332.40	311.26	7,514,445.88	59.5%	40.1%	0.4%	0.0%	0.0%	
31-Mar-14	2,476,474.04	1,616,492.21	1,820,788.92	30,101.97	-	5,943,857.14	41.7%	27.2%	30.6%	0.5%	0.0%	
30-Apr-14	1,488,847.74	1,101,432.54	798,770.20	1,572,796.45	30,462.03	4,992,308.96	29.8%	22.1%	16.0%	31.5%	0.6%	

McCann	Aging Percentage											
	Aging of Line of Credit Advances						Aging Percentage					
	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	
28-Feb-14	4,660,428.73	2,098,923.49	10,854.87	2,115.69	-	6,772,322.78	68.8%	31.0%	0.2%	0.0%	0.0%	
31-Mar-14	2,818,529.64	1,371,475.45	1,336,595.21	16,671.11	564.73	5,543,836.14	50.8%	24.7%	24.1%	0.3%	0.0%	
30-Apr-14	1,932,170.08	879,587.32	738,213.90	1,116,093.41	15,935.99	4,682,000.70	41.3%	18.8%	15.8%	23.8%	0.3%	

Total Change in A/R As a % of
 February 28 to April 30
 February 28, 2014 A/R

Tramor #5	2,522,136.92	33.6%
McCann	2,090,322.08	30.9%