

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

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

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

June 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

**SEVENTH 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* (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, 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**" or the "**Initial DIP Lenders**") 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, 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.
 4. On May 13, 2014, Regional Senior Justice Morawetz granted an 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 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 (the "**Amended Joint 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.
 6. On June 11, 2014, motions brought by McCann and Trimor and a cross-motion of the DIP Lenders were heard but not completed. The continuation of such motions, together with a motion for appointment of representative counsel, previously scheduled for June 11, 2014 but not heard on that date, have been scheduled for June 16, 2014, together with the CRO's motion for an extension of the Stay and approval of a Sale Process Order (defined below).

7. The purpose of this Seventh Report is to provide the Court with information regarding the following:
 - (a) the ongoing M&A Process (defined below) and request for a Sale Process Order;
 - (b) DIP Financing – i) exercise of the Extension Option; and ii) interest calculations in respect of the initial DIP Financing; and
 - (c) the requested extension of the Stay to August 15, 2014.

TERMS OF REFERENCE

8. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management and advisers. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

SALE PROCESS

10. 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”.

11. Also as previously reported, the deadline for letters of interest was extended from May 23, 2014 to June 3, 2014 at which time Rothschild received a number of letters of interest. The letters of interest received were reviewed by Rothschild and the CRO, in consultation with the Monitor.
12. Several interested parties were subsequently selected to advance to the next phase of the M&A Process in which they will be granted access to further due diligence materials and will be offered the opportunity to meet with the CRO, Rothschild and Cash Store senior management and such other parties as the CRO or Rothschild may arrange.
13. As the parties enter this next phase of the M&A Process, the CRO has brought a motion for an order approving the proposed M&A process going forward (the “**Sale Process Order**”). The draft Sale Process Order attaches a proposed sale process, which is attached as Exhibit E to the Affidavit of William Aziz sworn June 12, 2014 (the “**Sale Process**”). The Sale Process was developed by the CRO in consultation with Rothschild, the Monitor, the DIP Lenders and the Ad Hoc Committee.
14. Among key terms in the Sale Process are the following:

Bid Deadline	5:00 p.m. July 11, 2014 (which may be extended by the CRO, in consultation with Rothschild and Houlihan Lokey Capital, Inc. (“ Houlihan ”), and with the consent of the Monitor)
Bids and Deposits	Bids must, among other things, provide evidence of corporate authority and proof of the bidder’s ability to financially perform the transaction and, <ul style="list-style-type: none"> • In the case of a purchase, must include, among other things, an authorized and executed purchase agreement in the form of purchase agreement to be provided to bidders as part of the sale process, together with a mark-up, and accompanied by a

	<p>refundable deposit in an amount equal to 10% of the purchase price,</p> <ul style="list-style-type: none"> • In the case of a bid that is not a purchase, must include such authorized and executed documents and deposit as the CRO and Monitor, in consultation with Rothschild and Houlihan, may accept. <p>Deposits will be applied to the purchase price to be paid in relation to the Successful Bid (defined below), if there is one approved by the Court. Deposits to bidders that do not have the Successful Bid are to be returned within 10 business days of the date upon which the Successful Bid is approved by the Court or within 10 business days of the date the Sale Process is terminated if there is no Successful Bid (subject to the next sentence). If a Successful Bidder breaches its obligations under the terms of the Sale Process, its Deposit is forfeited as liquidated damages.</p>
Qualified Bids	<p>Must be submitted by a Qualified Bidder on or before the Bid Deadline and must comply with the requirements set out in paragraph 7 of the Sale Process including that it:</p> <ul style="list-style-type: none"> • is irrevocable until the business day after closing of the Successful Bid; • includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction; • includes a detailed list of property included in the sale; • includes details of employees who will become employees of the bidder, with terms and conditions of employment; • includes details of liabilities to be assumed; • is not conditional on, among other things, unperformed due diligence or obtaining financing; • fully discloses persons or entities sponsoring or participating in the bid; • outlines anticipated regulatory and other approvals required to close and anticipated time frame and impediments for obtaining such approvals; • identifies contracts to be acquired and identifies contracts that must be assigned or assumed as a

	<p>condition to closing;</p> <ul style="list-style-type: none"> • provides a timeline to closing with critical milestones; • contains other information reasonably requested by Rothschild, the CRO or the Monitor; and • includes an acknowledgement and representation in the form set out (that the bidder has relied on its own independent review and did not rely on any statements or representations except as expressly stated in the purchase and sale agreement). <p>Compliance with one or more of these requirements may be waived by Rothschild and the CRO with the consent of the Monitor and in consultation with Houlihan.</p>
Successful Bid	Rothschild and the CRO, with the consent of the Monitor and in consultation with Houlihan will consider Qualified Bids received and may accept one Qualified Bid (the “ Successful Bid ”) or continue negotiations with a number of Qualified Bidders (the “ Selected Bidders ”) with a view to finalizing an agreement with one of them to become the Successful Bid.
Evaluation Criteria for Successful Bid	<p>The evaluation criteria for the Successful Bid may include (but are not limited to) the criteria set out in paragraph 10 of the Sale Process, which includes, among other things, the purchase price and net value, terms of the transaction documents, planned treatment of stakeholders and employees, timing and other factors affecting the speed, certainty and value of the transaction (including regulatory approvals and other conditions required to close the transaction).</p> <p>Rothschild and the CRO are under no obligation to accept the highest or any other offer, and the selection of the Selected Bids and Successful Bid is in the discretion of Rothschild and the CRO, in consultation with Houlihan, and subject to the consent of the Monitor.</p>
Credit Bid	Pursuant to paragraph 17 of the Sale Process, in the event a Successful Bid is not obtained, nothing in the Sale Process prejudices the rights of secured creditors of the Applicants to credit bid for any assets of the Applicants subject to any such secured creditors’ security interests.
Approval Motion	The CRO will apply for an order approving the Successful Bid and authorizing the Applicants to enter other necessary agreements and undertake other necessary or appropriate

	<p>actions to give effect to the Successful Bid, or for an order approving such alternative process as the CRO, in consultation with Rothschild and Houlihan, and the consent of the Monitor, deem appropriate in the circumstances.</p> <p>It is expected that a Successful Bid will either proceed by way of Court approval of the sale or by way of plan of compromise or arrangement (in which case an order would be sought authorizing the CRO to file a plan of arrangement and call a meeting of creditors).</p> <p>The Approval Motion is to be held on a date to be scheduled by the Court upon application by the CRO.</p>
Amendments to Sale Process	There will be no amendments to the Sale Process without the consent of the CRO, the Monitor and Houlihan, or in the absence of such consent, Court approval.

15. The Amended Joint DIP Facility provides certain parameters for completion of the M&A Process. This includes that a Sale Process Order is to be obtained by June 17, 2014. Assuming that the Sale Process Order is obtained at the hearing requesting such an order on June 16, 2014, the timeline for other parameters in the Amended Joint DIP Facility includes the following:

No later than August 15, 2014 (60 days after Sale Process Order)	Sale Approval Order (to the extent proceeding by way of a sale) or order authorizing the Applicants to file a plan of arrangement and call a meeting of creditors (the “ Plan Filing and Meeting Order ”) (if proceeding by way of a plan of arrangement).
No later than September 14, 2014 (30 days following the Plan Filing and Meeting Order)	Sanction Order obtained (to the extent proceeding by way of a plan of arrangement)
No later than October 14, 2014 (60 days after the Sale Approval Order and 30 days after the Sanction Order)	Closing of a sale transaction (to the extent proceeding by way of a sale) or implementation of a plan (to the extent proceeding by way of a plan of arrangement).

16. The Monitor is of the view that the Sale Process Order will provide transparency in the Sale Process and will assist in providing for an orderly and efficient Sale Process, with the goal of maximizing value for Cash Store's stakeholders.
17. The Monitor is mindful of the fact that the Sale Process has been developed in consultation with the DIP Lenders and the Ad Hoc Committee, who are supportive of this process and the timelines set out therein.
18. The Monitor is of the view that the Sale Process and timeline set out in the Sale Process Order are reasonable in all of the circumstances. The Monitor therefore supports the CRO's motion for approval of the Sale Process Order.

DIP FINANCING AND INTEREST CALCULATION

Amended Joint DIP Facility – Exercise of Extension Option

19. As noted above, the Amended Joint DIP Facility was approved on May 17, 2014. The availability under the Amended Joint DIP Facility 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 (the “**Extension Option**”).
20. As contemplated in the cashflow forecast attached to the Fourth Report, the Applicants have made the following draws pursuant to the Amended Joint DIP Facility at this time: \$3 million during the week ending May 23, 2014 and \$3 million during the week ending June 6, 2014.
21. Pursuant to the Amended Joint DIP Facility, the Applicants may request, and the DIP Lenders “may provide” the Extension Option (an additional aggregate commitment of \$2 million, which shall mature together with the other commitments provided under the Amended Joint DIP Facility on the terms set forth therein). No DIP Lender is obligated to participate in the Extension Option and, to the extent a DIP Lender elects not to participate, its right to provide

commitments under the Extension Option may be exercised by other DIP Lenders on the terms set out in the Amended Joint DIP Facility.

22. Attached hereto as **Schedule “1”** is a cashflow forecast for the period of the week ending June 6 to the week ending August 29, 2014 (the “**Cashflow**”). The Cashflow reflects that the Applicants are expected to exercise the Extension Option and assumes that a draw of \$2 million is funded during the week ended June 20, 2014. The Monitor understands that the CRO has or will shortly exercise the Extension Option and the Monitor has asked counsel to the DIP Lenders to provide confirmation (in advance of the June 16, 2014 hearing) that the DIP Lenders intend to provide the additional commitment of \$2 million pursuant to that request. If the Extension Option is not exercised or funded, as requested, the Cashflow indicates that the Applicants will not have sufficient funds for operations during the week ended August 1, 2014.

Initial DIP – Interest Calculations

23. As previously reported, the Monitor has reviewed the fees and interest paid by the Applicants with respect to the Initial DIP, which consisted of two draws – an initial \$5 million draw and a subsequent \$3.5 million draw – and has engaged in discussions with the CRO and the Initial DIP Lenders in relation thereto. At this stage, while there remains some disagreement as to whether the fees and interest paid with respect to the Initial DIP exceeded 59.9%, the Initial DIP Lenders have agreed to provide a resolution to propose to the Court notwithstanding such disagreement. At this stage, the CRO, Initial DIP Lenders and Monitor are in discussions regarding the form of that resolution. The Monitor expects to report again in relation thereto.

STAY EXTENSION

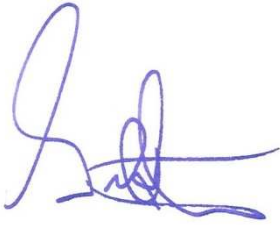
24. The Applicants have requested an extension of the Stay to August 15, 2014.

25. Provided that the Extension Option is exercised and funded, the Cashflow attached hereto demonstrates that the Applicants are projected to have sufficient liquidity to continue operations without further financing until at least during the week ended August 15, 2014.
26. 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, including taking steps to conduct the M&A Process described above, the steps described herein and in the Sixth Report of the Monitor dated June 6, 2014, and the steps set out in the Affidavit of William E. Aziz dated June 12, 2014.
27. The proposed extension of the Stay to August 15, 2014 would extend the Stay beyond the deadline for bids in the Sale Process of July 11, 2014 and to the date prescribed in the Amended Joint DIP Facility for obtaining a Sale Approval Order (to the extent proceeding by way of a sale) or Plan Filing and Meeting Order (to the extent proceeding by way of a plan of arrangement). The Monitor believes that this timing is appropriate and sensible, provided that sufficient cashflow (in the form of the Extension Option funding) is available.
28. Accordingly, the Monitor recommends that this Court grant the Stay extension to August 15, 2014 as requested by the Applicants on the expectation that the Extension Option will be exercised and funded. If the Extension Option is not exercised and funded as anticipated, the Monitor will report to the Court promptly to seek further direction.

The Monitor respectfully submits to the Court this Seventh Report.

Dated this 13th 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" – Cashflow Forecast
(for the period of the week ending June 6 to the week ending August 29, 2014)

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

Week Ended	6/6/2014	6/13/2014	6/20/2014	6/27/2014	7/4/2014	7/11/2014	7/18/2014	7/25/2014	8/1/2014	8/8/2014	8/15/2014	8/22/2014	8/29/2014	Total
RECEIPTS:														
Loan Repayments - Direct Portfolio	\$ 8,414	\$ 6,824	\$ 6,824	\$ 10,433	\$ 12,106	\$ 4,985	\$ 4,985	\$ 4,985	\$ 8,545	\$ 6,492	\$ 6,817	\$ 8,764	\$ 10,387	\$ 100,562
Loan Repayments - Broker Portfolio	626	74	74	153	50	84	100	84	100	54	80	108	119	1,623
Loan Fees - Broker Portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income Receipts	302	242	242	826	159	286	286	286	571	356	475	712	831	5,572
Non-Operating Receipts	(159)	-	-	-	-	-	-	-	-	-	-	-	-	(159)
TOTAL RECEIPTS	9,183	7,140	7,140	11,411	12,315	5,304	5,337	5,354	9,217	6,903	7,371	9,585	11,338	107,598
OPERATING DISBURSEMENTS:														
Loan Disbursements - Direct Portfolio	9,936	5,861	5,861	6,252	10,429	4,172	3,874	3,874	7,450	5,028	6,803	7,986	9,761	87,287
Loan Disbursements - Broker Portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll and Benefits	2,185	132	1,850	238	1,798	-	1,467	-	1,467	305	1,527	-	1,985	12,955
Operating Expenses	240	482	675	532	264	264	352	440	440	398	298	596	696	5,679
Rent	169	715	-	705	-	616	-	-	616	-	596	-	596	4,014
Transfer to UK	-	-	-	725	-	-	-	-	-	-	-	-	-	725
Utility Deposits	16	350	-	334	-	-	-	-	-	-	-	-	-	700
Critical Vendors	-	250	-	250	-	-	-	-	-	-	-	-	-	500
TOTAL OPERATING DISBURSEMENTS	12,545	7,791	8,386	9,036	12,492	5,052	5,693	4,314	9,973	5,731	9,225	8,583	13,039	111,859
OPERATING CASH FLOW	\$ (3,362)	\$ (651)	\$ (1,246)	\$ 2,375	\$ (177)	\$ 252	\$ (356)	\$ 1,040	\$ (756)	\$ 1,171	\$ (1,854)	\$ 1,003	\$ (1,701)	\$ (4,261)
NON-OPERATING DISBURSEMENTS:														
Professional Fees - Restructuring	277	533	533	788	321	161	321	642	161	321	321	321	642	5,340
Branch Closure Costs	-	-	140	140	-	120	-	-	120	-	-	-	70	590
Employee Related Restructuring Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income Pass-Through	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit Facility Interest	-	-	-	125	-	-	-	-	125	-	-	-	125	375
DIP Interest and Related Fees	-	-	-	100	-	-	-	-	-	-	-	-	-	100
Third Party Lender Payment	-	-	-	50	-	-	-	-	-	-	-	-	-	50
Capex	-	-	-	25	5	5	5	5	5	6	6	6	6	75
TOTAL NON-OPERATING DISBURSEMENTS	277	533	673	1,228	326	286	326	647	411	327	327	327	843	6,530
BoP Cash	\$ 12,166	\$ 11,527	\$ 10,344	\$ 10,425	\$ 11,572	\$ 11,069	\$ 11,036	\$ 10,354	\$ 10,747	\$ 9,581	\$ 10,424	\$ 8,243	\$ 8,919	\$ 12,166
Total Cash Flow	(3,639)	(1,183)	(1,919)	1,147	(503)	(33)	(682)	393	(1,166)	844	(2,181)	675	(2,544)	(10,791)
EoP Cash Before New Borrowing	\$ 8,527	\$ 10,344	\$ 8,425	\$ 11,572	\$ 11,069	\$ 11,036	\$ 10,354	\$ 10,747	\$ 9,581	\$ 10,424	\$ 8,243	\$ 8,919	\$ 6,375	\$ 1,375
BoP DIP Loan	\$ 3,000	\$ 6,000	\$ 6,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 3,000
DIP Draw	3,000	-	2,000	-	-	-	-	-	-	-	-	-	-	5,000
DIP Paydown	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP DIP Loan	\$ 6,000	\$ 6,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
BoP Senior Credit Facility	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Draw	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paydown	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP Senior Credit Facility	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
EoP Cash After New Borrowing	\$ 11,527	\$ 10,344	\$ 10,425	\$ 11,572	\$ 11,069	\$ 11,036	\$ 10,354	\$ 10,747	\$ 9,581	\$ 10,424	\$ 8,243	\$ 8,919	\$ 6,375	\$ 6,375
Less: Non-Ontario Restricted Cash	(2,231)	(2,266)	(2,282)	(2,367)	(2,407)	(2,433)	(2,486)	(2,553)	(2,632)	(2,686)	(2,766)	(2,874)	(2,994)	(2,994)
Less: Ontario Restricted Cash	(2,493)	(2,532)	(2,590)	(2,658)	(2,668)	(2,675)	(2,689)	(2,706)	(2,727)	(2,727)	(2,727)	(2,727)	(2,727)	(2,727)
Less: Cash Minimum	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Less: Tax Refund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP Cash After Restricted Cash	\$ 3,803	\$ 2,546	\$ 2,553	\$ 3,547	\$ 2,994	\$ 2,927	\$ 2,179	\$ 2,488	\$ 1,221	\$ 2,011	\$ (250)	\$ 317	\$ (2,346)	\$ (2,346)