

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

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

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

**October 10, 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

**ELEVENTH 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. The Initial Order was amended and restated on April 15, 2014 (the "**Amended and Restated Initial Order**") to, among other things, appoint 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 Stay has been extended a number of times. Pursuant to the order of Regional Senior Justice Morawetz dated September 29, 2014, the Stay currently expires on November 28, 2014.
4. The Applicants have obtained interim or “DIP” financing in these CCAA Proceedings pursuant to an Initial DIP and Amended Joint DIP Facility, as amended:
  - (a) On April 15, 2014, the Court approved an interim CCAA credit facility (the “**Initial DIP**”) by Coliseum Capital LP, Coliseum Capital Partners II LP and Blackwell Partners LLC (collectively “**Coliseum**”) pursuant to which \$8.5 million was advanced (and repaid on May 9, 2014);
  - (b) On May 17, 2014, the Court approved 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 of the Applicants’ 11 1/2% senior secured notes (the “**Ad Hoc Committee**”) providing total availability of \$14.5 million, including the original \$8.5 million advanced (and previously repaid) and an additional commitment of \$6 million (which included a \$2 million extension option);
  - (c) On August 7, 2014, the Court approved an amending agreement to the Amended Joint DIP Facility (the “**Amending Agreement**”) providing additional funding by way of a second extension option in the amount of \$5 million; and,
  - (d) On September 29, 2014, the Court approved an Amending and Waiver Agreement to the Amended Joint DIP Facility, providing for a waiver of repayment of a \$1,257,334.80 tax refund received by the Applicants and

additional funding by way of a third extension option of \$5 million to be made available to the Applicants in accordance with its terms.

5. On June 16, 2014, Regional Senior Justice Morawetz granted an order (the “**Sale Process Order**”), among other things, approving a Sale Process (attached as Schedule “A” thereto, the “**Sale Process**”).
6. The Applicants, through the CRO, have brought a motion for an order (the “**Approval and Vesting Order**”), among other things:
  - (a) Approving the sale transaction (the “**Transaction**”) contemplated by the Asset Purchase Agreement among the Applicants as vendors and National Money Mart Company as purchaser (the “**Purchaser**”), made as of October 8, 2014 (the “**Asset Purchase Agreement**”);
  - (b) Upon the filing of the Monitor’s Certificate, vesting in the Purchaser the Applicants’ right, title and interest in and to the Purchased Assets as defined in the Asset Purchase Agreement (the “**Purchased Assets**”) free and clear of any claims and encumbrances other than certain permitted encumbrances as set out in the draft order;
  - (c) Assigning to the Purchaser the rights and obligations of the Applicants under the Assigned Contracts as defined in the draft Approval and Vesting Order (the “**Assigned Contracts**”);
  - (d) Providing relief relating to anti-spam legislation and the ability to contact customers by telecommunications or electronic means;
  - (e) Approving the Transition Services Agreement (the “**Transition Services Agreement**”) among the Applicants and the Purchaser substantially in the form attached to affidavit of William E. Aziz, sworn October 8, 2014 (the “**Aziz Affidavit**”), and the transactions contemplated therein;

- (f) Granting a first-priority charge to the Purchaser over certain amounts to be paid by the Purchaser pursuant to the Asset Purchase Agreement, which amounts are subject to adjustment pursuant to the Asset Purchase Agreement, to serve as security for the payment of any such adjustment;
  - (g) Approving a process for providing notice to parties to the Assigned Contracts (the “**Assigned Contract Notice Procedure**”);
  - (h) Providing that the contents of the Confidential Appendix to this report be sealed, kept confidential and not form part of the public record until further order of this Court; and
  - (i) Approving the Tenth Report of the Monitor dated September 25, 2014 and the Monitor’s activities described therein.
7. The Monitor has filed reports on various matters relating to the CCAA Proceedings, including in relation to the Sale Process. The purpose of this Eleventh Report is to provide the Court with information regarding
- (a) The Sale Process and bids received therein leading to the selection of the Transaction; and,
  - (b) The Monitor’s comments and recommendations in respect of the requested Approval and Vesting Order.

#### **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.
10. Capitalized terms not otherwise defined herein have the meanings set out in previous reports of the Monitor filed or in the Asset Purchase Agreement.

## **SALE PROCESS**

### *Sale Process - Initial Phase*

11. 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. 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."
12. Rothschild advised that as part of this process,
  - (a) it contacted 149 parties in Canada and the United States, including 106 potential financial buyers and 43 potential strategic buyers;
  - (b) 76 of these parties were provided with public "teaser" communications;
  - (c) 56 parties requested non-disclosure agreements ("**NDA**s"); and,
  - (d) 33 parties executed NDAs and were provided access to a virtual dataroom.
13. On June 3, 2014, Rothschild received 12 non-binding letters of interest. The letters of interest received were reviewed by Rothschild and the CRO, in consultation with the Monitor and Houlihan Lokey Capital, Inc. ("**Houlihan**") on behalf of the DIP Lenders. Seven interested parties, including both potential

financial and strategic buyers, were selected to advance to the next phase of the process.

***Sale Process Phase 2 and Sale Process Order***

14. As the parties entered the next phase of the mergers and acquisitions process, the CRO brought a motion for an order approving the proposed process going forward. On June 16, 2014, the CRO obtained the Sale Process Order approving the Sale Process.
15. The key terms of the Sale Process are summarized in the Seventh Report of the Monitor dated June 13, 2014, attached hereto as **Schedule “1”**.
16. The Sale Process provided a bid deadline of 5:00 p.m. on July 11, 2014 and provided that such deadline may be extended by the CRO, in consultation with Rothschild and Houlihan, and with the consent of the Monitor. The bid deadline was later extended to July 21, 2014 (the “**Bid Deadline**”), in accordance with the terms of the Sale Process. As reported in the Eighth Report of the Monitor dated July 21, 2014:
  - (a) several potential bidders participating in “Phase 2” of the Sale Process requested that the bid deadline be extended to enable them to complete further due diligence and present a more complete bid; and,
  - (b) in light of these requests and the Applicants’ view that additional time would be of assistance to them in providing responses in relation to a large volume of information requested in the relatively short due diligence period, the CRO, in consultation with Rothschild and Houlihan recommended, and the Monitor consented, to extend the bid deadline to July 21, 2014.
17. Phase 2 of the Sale Process included numerous steps including: populating the dataroom with further due diligence information and responding to requests for additional materials; conducting management meetings with potential bidders (attended by senior Cash Store management, the CRO and the Monitor);

numerous discussions between potential bidders and Rothschild and/or the CRO; discussions between potential bidders and Cash Store's Chief Compliance and Regulatory Affairs Officer, auditor and the Ontario payday lending regulator; discussions with other provincial regulators; visits by potential bidders to the Cash Store head office; and circulating a draft form of purchase agreement.

***Bids Received and Further Discussion and Assessment***

18. On the Bid Deadline, Rothschild received five bids. Rothschild and the CRO, in consultation with the Monitor and Houlihan, reviewed the bids received in accordance with the Sale Process.
19. Pursuant to the Sale Process, each potential bidder was required to, among other things, provide evidence of corporate authority and proof of the bidder's ability to financially perform the transaction, and each bid should, among other things, be in the form of a binding offer capable of acceptance and accompanied by, in the case of a purchase, among other things, an authorized and executed purchase agreement in the form of purchase agreement provided to bidders as part of the sale process, together with a mark-up, and a refundable deposit in an amount equal to 10% of the purchase price.
20. The Sale Process also provided that a bid will be considered a "Qualified Bid" only if it, among other things, is submitted on or before the Bid Deadline and complies with the requirements set out in paragraph 7 of the Sale Process including that it:
  - (a) is irrevocable until the business day after closing of the Successful Bid (as defined therein, a "**Successful Bid**");
  - (b) includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction;
  - (c) includes a detailed list of property included in the sale;



- (d) includes details of employees who will become employees of the bidder, with terms and conditions of employment;
  - (e) includes details of liabilities to be assumed;
  - (f) is not conditional on, among other things, unperformed due diligence or obtaining financing;
  - (g) fully discloses persons or entities sponsoring or participating in the bid;
  - (h) outlines anticipated regulatory and other approvals required to close and anticipated time frame and impediments for obtaining such approvals;
  - (i) identifies contracts to be acquired and identifies contracts that must be assigned or assumed as a condition to closing;
  - (j) provides a timeline to closing with critical milestones;
  - (k) contains other information reasonably requested by Rothschild, the CRO or the Monitor; and
  - (l) 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).
21. After receipt of the bids on the Bid Deadline, Rothschild and the CRO, in consultation with the Monitor and Houlihan, assessed the bids received in light of the requirements set out in the Sale Process.
22. The Sale Process provides that Rothschild and the CRO with the consent of the Monitor and in consultation with Houlihan may waive compliance with one or more of the requirements of a “Qualified Bid” set out in the Sale Process or may aggregate separate bids to create one “Qualified Bid” from one or more “Qualified Bidders”.

23. In order to assess opportunities to maximize value, Rothschild and the CRO, in consultation with the Monitor and Houlihan, engaged in an assessment of whether bids could be aggregated and whether waiving compliance with requirements of a “Qualified Bid” was appropriate and whether doing so would maximize value for stakeholders.
24. The Sale Process also provides that Rothschild and the CRO, with the consent of the Monitor and in consultation with Houlihan are to consider Qualified Bids received and may accept one Qualified Bid as 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.
25. In this case, Rothschild and the CRO, with the participation of Houlihan and the Monitor, engaged in discussions with certain of the bidders to clarify aspects of the bids and to attempt to identify a Successful Bid. Advisors for the Ad Hoc Committee and DIP Lender also participated in such discussions as well as discussions with the CRO, Rothschild, Houlihan and the Monitor.
26. As a result of the discussions referenced above, certain of the bidders submitted revised bids or advised Rothschild and the CRO of revisions to the proposed purchase price or other terms.

## **SELECTION OF THE TRANSACTION**

27. The five bids received are described in general terms, below, and in detail in the **Confidential Appendix** hereto. The Confidential Appendix contains information, including the purchase price proposed in each bid, the disclosure of which would be harmful to the integrity of the sale process. The Monitor, therefore, supports the request that the Confidential Appendix be sealed, kept confidential and not form part of the public record pending a further Order of the Court.
28. The bid submitted by the Purchaser, among other things:

- (a) Provides the highest expected purchase price of the bids received, payable in cash;
- (b) Includes certain Cash Store locations where the Purchaser has indicated it intends to continue operations (the “**Acquired Locations**” with all other Cash Store locations being the “**Non-Acquired Locations**”), including offering employment to the employees at the Acquired Locations as provided in the Asset Purchase Agreement. None of the bids received contained an offer to acquire all of the Cash Store branches. While three of the bids offered to acquire more locations, such bids had lower purchase prices and, in some cases were not-binding and/or were subject to financing or additional due diligence requirements;
- (c) Includes other Purchased Assets including the names “Cash Store” and “Instaloans”, all accounts receivable and customer lists of the Applicants other than those associated with certain excluded Cash Store locations (the “**Excluded AR Locations**”);
- (d) Is not subject to due diligence or financing conditions;
- (e) Included a significant deposit with its bid, already provided to the Monitor on the Bid Deadline;
- (f) Requires as a condition precedent receipt of “Governmental Authorizations”, including *Competition Act* approval, if required. The Monitor understands the Transaction is notifiable under the *Competition Act*;
- (g) Is with a recognized and licenced party in the payday loan industry. National Money Mart Company is one of Canada’s largest payday loan lenders and has existing relationships with payday regulators, among others, and therefore may have reduced closing risk relative to certain other bids in relation to obtaining approvals from such regulators;

- (h) Requires as a condition precedent certain steps to address continuation of services by DirectCash Management Inc. and its affiliates and related companies (collectively, “**DirectCash**”) to the Purchaser at the Acquired Locations (either through agreement(s) between DirectCash and the Purchaser or a critical supplier order compelling continued performance);<sup>1</sup> and
  - (i) Requires the assignment of certain leases and material contracts and a transition services agreement (the form of which has been agreed and will be substantially in the form attached to the Aziz Affidavit).
- 29. 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 include, 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).
- 30. The Sale Process specifically provides that Rothschild and the CRO are under no obligation to accept the highest or any other offer, and the selection of the Successful Bid is in the discretion of Rothschild and the CRO, in consultation with Houlihan, and subject to the consent of the Monitor.
- 31. The Monitor participated in a number of discussions in which Rothschild and the CRO, in consultation with Houlihan and the Monitor, considered the bids received in relation to the evaluation criteria set out in the Sale Process. Ultimately, balancing the additional costs, delay and potentially increased risk given the need to notify the Commissioner of Competition of the Transaction, with the various other evaluation criteria set out in the Sale Process with respect to the Purchaser’s bid and the other bids provided, Rothschild and the CRO, in

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<sup>1</sup> As previously reported, DirectCash 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 cards (used to make loans to customers) and related services, and processing pre-authorized debit transfers from Cash Store customers

consultation with Houlihan and the Monitor, determined that the Purchaser's bid was the best bid in terms of the value for stakeholders, proposed purchase price and level of certainty in respect of closing. For the reasons set out below, the Monitor agrees with this conclusion.

**ASSET PURCHASE AGREEMENT**

32. The Applicants, through the CRO, and with the involvement of or consultation with Rothschild, Houlihan, advisors to the Ad Hoc Committee and the Monitor, entered into negotiations to finalize the Asset Purchase Agreement. On October 8, 2014, the parties finalized and executed the Asset Purchase Agreement. A redacted copy of the Asset Purchase Agreement is attached to the Aziz Affidavit. An unredacted copy of the Asset Purchase Agreement is attached to the Confidential Appendix hereto.
33. Key terms of the Asset Purchase Agreement are summarized in the Aziz Affidavit and include the terms set out below (with capitalized terms used in this section and not otherwise defined having the meaning ascribed to them in the Asset Purchase Agreement):

Purchased Assets	<p>The Purchased Assets include:</p> <ul style="list-style-type: none"> <li>(a) the Accounts Receivable associated with the Acquired Locations and the Non-Acquired Locations other than the Excluded AR Locations;</li> <li>(b) the receivables relating to Third Party Loans (other than those relating solely to the Excluded AR Locations) and with the Parties acknowledging and agreeing that the Vendor makes no representation as to ownership with respect to such receivables and the delivery of title to such receivables is not a closing condition thereunder;</li> <li>(c) the Books &amp; Records;</li> <li>(d) the Customer Lists for the Acquired Locations and the Non-Acquired Locations other than the Excluded AR Locations;</li> <li>(e) all rights of the Vendor under Assigned Contracts;</li> <li>(f) the Goodwill;</li> <li>(g) the Governmental Authorizations, except to the</li> </ul>
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	<p>extent not transferable;</p> <p>(h) the Prepaid expenses and Deposits;</p> <p>(i) the Tangible Personal Property;</p> <p>(j) Technology, where assignment is permitted; and</p> <p>(k) all other rights, properties and assets of the Vendor used in or held by the Vendor or its Affiliates for use related to the Business conducted at the Acquired Locations.</p>
Excluded Assets	<p>The Excluded Assets are comprised of:</p> <p>(a) cash, bank balances and similar cash items of, owned or held by or for the account of Cash Store, including any cash held in respect of the Third Party Loans as of the Closing Time pursuant to an Order of the Court;</p> <p>(b) marketable shares, notes, bonds, debentures or other securities of or issued by corporations or other Persons and not relating to the Business;</p> <p>(c) non-transferrable assets;</p> <p>(d) any known or unknown Claims any Applicant may have against any Person other than a Claim for Accounts Receivable;</p> <p>(e) refunds in respect of reassessments for Taxes relating to the Business or Purchased Assets for the period prior to the Closing;</p> <p>(f) refundable Taxes;</p> <p>(g) amounts owing from any Affiliate of the Applicant or any director, officer, former director or officer, shareholder or employee of the Applicant or its Affiliates; and</p> <p>(h) insurance policies (including director and officer insurance policies) and the right to receive insurance recoveries under such policies.</p>
Deposit	<p>The purchase price for the Purchased Assets includes a deposit that is currently being held by the Monitor in accordance with the Sale Process.</p> <p>If the Closing does not occur by reason of the default of the Purchaser, the full amount of the Deposit (plus accrued interest) plus an additional amount becomes the property of the Applicants as their sole remedy. If Closing does not occur for another reason, the Deposit is returned to the Purchaser.</p>
Assumed Liabilities	<p>The Purchaser will assume certain liabilities pursuant to the Asset Purchase Agreement, including all Accounts Payable set forth on the Final Closing Statement (or the schedules attached thereto); all Accrued Liabilities set forth on the</p>

	<p>Final Closing Statement (or the schedules attached thereto), up to a maximum amount, collectively of \$1 million; all liabilities relating to Transferred Employees (except in respect of wages and other compensation for pre-Closing work); all liabilities for any Tax that the Purchaser is required to bear pursuant to Section 9.10; and all liabilities arising from or in connection with the performance of the Assigned Contracts (or breach thereof), including Cure Costs.</p>
<p>Purchase Price</p>	<p>The Purchase Price consists of:</p> <ul style="list-style-type: none"> <li>(a) A specified cash payment (the “<b>Base Amount</b>”); plus</li> <li>(b) The AR Purchase Amount consisting of: <ul style="list-style-type: none"> <li>o A cash payment with respect to Accounts Receivable at the Acquired Locations, calculated in accordance with a formula; plus</li> <li>o A cash payment with respect to Accounts Receivable at Non-Acquired Locations (other than Excluded AR Locations), calculated in accordance with a formula; plus</li> </ul> </li> <li>(c) A payment equal to a percentage of amounts owing with respect to Third Party Loans which are determined to be rightfully owned by any Vendor pursuant to a final order and that are delivered with the Purchase Assets at closing (the “<b>TPL Purchase Amount</b>”), subject to a cap; plus</li> <li>(d) An amount equal to Prepaid Expenses and Deposits as of the Closing Date (the “<b>PE&amp;D Purchase Amount</b>”); plus</li> <li>(e) Assumption of the Assumed Liabilities.</li> </ul>
<p>Purchase Price Adjustment and Charge</p>	<p>The Purchase Price is subject to adjustments with respect to the AR Purchase Amount, the TPL Purchase Amount and the PE&amp;D Purchase Amount and provides a mechanism to address any disputes with respect to the calculation thereof as set out in section 3.5. In addition, in the event the Applicants are not able to transfer the leases or rights of occupation to a minimum number of the Acquired Locations, certain other reductions to the Purchase Price will apply as set out in section 7.8.</p> <p>To secure payment of any purchase price adjustment owing to the Purchaser pursuant to section 3.5, the Asset Purchase Agreement requires (in section 9.2(d)(vi)) that an order be obtained granting the Purchaser a first-priority charge over the funds paid to the Monitor by the Purchaser in respect of the AR Purchase Amount, the TPL Purchase Amount and</p>

	<p>the PE&amp;D Purchase Amount in accordance with the Asset Purchase Agreement.</p> <p>Pursuant to section 3.5(a)(v), the Monitor will not disburse the AR Purchase Amount, the TPL Purchase Amount or the PE&amp;D Purchase Amount paid at Closing until the Final Closing Statement Amount is finally determined in accordance with the Asset Purchase Agreement.</p>
Employees	<p>The Asset Purchase Agreement provides that the Purchaser shall offer to employ all of the Company’s Employees who are Employees on the Closing Date at any Acquired Location, on terms and conditions substantially similar in the aggregate for each individual employee to the current terms of such employees’ current employment.</p> <p>The Purchaser shall also recognize all past service of each employee who accepts the Purchaser’s offer (a “<b>Transferred Employee</b>”). The Applicant shall terminate its employment of any Transferred Employee on or before the Closing Date, and shall pay all wages, salary, accrued vacation pay and bonuses owed to Transferred Employees on or before Closing on account of work performed prior to the Closing. Cash Store will retain all liabilities with respect to any employees who are not Transferred Employees.</p> <p>Under the Transition Services Agreement, the Purchaser agrees to provide two months base pay to certain head office employees who are employed by the Vendor on the Closing Date on the date that their services are no longer required or the term of the Transition Services Agreement expires up to a maximum of \$370,000.</p>
Closing Conditions	<p>Key conditions to Closing include:</p> <ul style="list-style-type: none"> <li>(a) Cash Store obtaining an Approval and Vesting Order and all required Governmental Authorizations including, if required, pursuant to the <i>Competition Act</i>;</li> <li>(b) Assignment of leases or other rights of occupation for a minimum number of the Acquired Locations to the Purchaser;</li> <li>(c) Assignment of Payment Protection Plan Agreement with Echelon General Insurance Company (the “<b>Echelon Agreement</b>”)<sup>2</sup> to the Purchaser;</li> <li>(d) With respect to DirectCash: <ul style="list-style-type: none"> <li>(A) the Purchaser shall have entered into one or</li> </ul> </li> </ul>

<sup>2</sup> The Monitor understands that, pursuant to the Echelon Agreement, Echelon offers a payment protection plan to Cash Store customers in exchange for a premium.



	<p>more agreements with DirectCash that allows the Purchaser to continue to operate the Business, as it was conducted prior to Closing, at each of the Acquired Locations; or</p> <p>(B) (i) a critical supplier order be obtained that requires DirectCash to perform under its contracts with the Applicants at each of the Acquired Locations through to January 31, 2015; and (ii) a Transition Services Agreement be entered into between the Applicants and Purchaser whereby the Purchaser shall have the benefit of the Applicants' agreements with DirectCash to allow the Purchaser to continue to operate the Business at each of the Acquired Locations as it was conducted prior to Closing;</p> <p>(e) The Purchaser and Applicant shall have entered into a Transition Services Agreement pursuant to which Cash Store will assist with the management of the point-of-sale system and record keeping related to all Accounts Receivable.</p> <p>(f) No Material Adverse Effect has occurred. The Material Adverse Effect definition contained in the Asset Purchase Agreement means any change arising after the date of the agreement that is materially adverse to the financial condition or results of operations of the business in respect of the Purchased Assets as a whole. Material Adverse Event excludes a decline in the number or value of loans made by any Vendor and an increase in the Accounts Receivable that are more than 90 days past due, provided that a Material Adverse Effect shall occur if, during the first four months after the date of the Asset Purchase Agreement, there is a decrease by more than a certain percentage in the value or amount of the Accounts Receivable related to the Acquired Locations that are not more than 30 days past due and provided further that for each month thereafter, an additional decrease may occur without causing a Material Adverse Effect. The definition of Material Adverse Effect excludes matters that have already occurred in respect of the Applicants' payday loan lender's or broker's licence in Ontario or Manitoba.</p>
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Competition Act Approval	The Asset Purchase Agreement provides for steps and timeframes relating to Competition Act approval, including that the parties shall use commercially reasonable efforts to, without delay, obtain Competition Act Approval. Closing may be delayed by 28 days if the Purchaser is in good faith discussions with the Commissioner to obtain Competition Act Approval, if required.
Assignment of Contracts	The Asset Purchase Agreement provides for the assignment of Assigned Contracts (as defined in a schedule to the Asset Purchase Agreement), subject to the payment of Cure Costs by the Purchaser and notwithstanding any restrictive provisions contained in the Assigned Contracts. The Monitor understands that the Assigned Contracts include leases and other occupation rights for the Acquired Locations and the Echelon Agreement.
Closing Date	<p>The Closing Date of the Transaction is two business days from the date on which all conditions to the sale have been satisfied or waived or, if there is a Timing Commitment in place to provide the Commissioner of Competition additional time to review the Transaction, then the Closing Date is two days after the expiry of such Timing Commitment.</p> <p>The CRO anticipates the Closing Date will be in late 2014 or early 2015 based on the information available, if Government Authorizations (including Competition Act Approval) are obtained in the ordinary course.</p>
Conduct Prior to Closing	Among other things, the Asset Purchase Agreement provides that the Applicants shall conduct business in the ordinary course prior to Closing but that nothing shall prevent them from closing any Non-Acquired Locations provided that the Applicants shall use commercially reasonable efforts to maintain the Accounts Receivable associated with such locations (other than in respect of Excluded AR Locations) and to transfer to another location, subject to certain conditions.

## MONITOR'S COMMENTS AND RECOMMENDATIONS

### *Assignment of Contracts*

34. As noted above, the Asset Purchase Agreement provides for the assignment of the Assigned Contracts, consisting of leases or other rights of occupation at the Acquired Locations and the Echelon Agreement, subject to the payment of Cure

Costs. Cure Costs is defined in the Asset Purchase Agreement to mean (a) all amounts that must be paid and all obligations that otherwise must be satisfied in connection with the assignment of the Assigned Contracts (including the Real Property Leases for the Acquired Locations) to the Purchaser; and (b) all rent and other past due amounts owed by the Applicants with respect to the occupancy of any Acquired Locations that are not subject to valid, enforceable and fully executed Real Property Leases.

35. The Monitor understands that assignment of the Assigned Contracts will assist the Purchaser in providing continuity of service as it carries on the business post-closing at the Acquired Locations and in respect of customers at the Non-Acquired Locations (other than the Excluded AR Locations) in relation to whom the Purchaser is acquiring assets (including certain customer lists). In addition, the Asset Purchase Agreement states that the Purchaser will be under no obligation to proceed to Closing if fewer than the minimum threshold of the Acquired Locations are transferred to the Purchaser.
36. The Monitor approves of the proposed assignments of the Assigned Contracts and believes that the Purchaser will be able to perform the obligations under the Assigned Contracts such that it is appropriate to assign the rights and obligations thereunder to the Purchaser.
37. Section 11.3 of the CCAA requires that an application for assignment of agreements be on notice to every party to an agreement to be assigned and the monitor. In this case, the CRO and Applicants propose the Assigned Contracts Notice Procedure to provide the requisite notice while also allowing time for the Applicants and Purchaser to attempt to reach a consensual agreement with contractual counterparties and sufficient time for any objecting counterparty to deliver responding materials. In particular, the proposed order provides that:
  - (a) notice of the order providing for assignment of the Assigned Contracts be provided to every party to an Assigned Contract (with whom no agreement has been reached for a consensual assignment);

- (b) contractual counterparties receiving such notice have 14 calendar days from service of such notice to serve their responding motion record setting out their objection to the assignment of the Assigned Contract in question; and
  - (c) the assignment of the Section 11.3 Assigned Contracts (consisting of the Assigned Contracts for which no consensual resolution is reached and no objection is filed, is then effective upon delivery of the Monitor's Certificate on closing.
38. The Monitor is of the view that such a procedure is sensible and will fairly provide notice to the parties to any agreement to be assigned prior to such assignment.

*Sale Approval*

39. The Monitor has considered the Sale Process leading to the proposed Transaction, and the consideration to be received for the Purchased Assets in light of, among other things, the requirements of section 36 of the CCAA.
40. The Monitor was involved in the Sale Process, including attending meetings with provincial regulators, participating in Phase 1 after commencement of the CCAA Proceedings, being consulted in the development of the Sale Process itself, and participating in Phase 2 of the Sale Process, discussions leading to selection of the Successful Bid and negotiation of the Transaction. The Monitor recommended the Sale Process and it was approved by the Court. The Monitor is satisfied that the Sale Process was then managed in accordance with its terms and in a fair and reasonable manner, including that the Monitor is satisfied that the Applicants, acting through the CRO, and Rothschild discharged their responsibilities under the Sale Process in good faith and with due diligence.
41. With respect to participation by and impact on creditors:

- (a) the DIP Lenders and Ad Hoc Committee participated in the development of the Sale Process and the Sale Process itself and support the proposed Transaction;
  - (b) the Monitor understands that since ownership of the Third Party Loans and receipts thereon is presently in dispute with the third party lenders, the Asset Purchase Agreement specifically provides that the Applicants make no representation or warranty regarding ownership of such amounts and that delivery of title to Third Party Loan accounts receivable is not a closing condition and the proposed Vesting Order provides for only the right, title and interest of the Applicants to be vested in the Purchaser. As cash is an Excluded Asset under the Asset Purchase Agreement, amounts held by the Applicants that are subject to the dispute with the third party lenders, are also not affected by the Transaction; and
  - (c) Monitor's counsel is completing its security review of the security held by the first lien lenders and the Ad Hoc Committee in respect of the Applicants' assets and will advise the Court of the results prior to a motion in respect of the distribution of proceeds from the Sale Transaction.
42. While the Transaction requires *Competition Act* approval and certain other conditions precedent to closing, which represent increased closing risk and has associated costs and timing implications, the Monitor is satisfied that the risk to closing of the Transaction is likely comparable to or less than the risk to closing associated with the other bids received when considered as a whole, including factors such as the following: the Asset Purchase Agreement provides for a process and cooperation by the parties in relation to obtaining *Competition Act* clearance; other bids received have various conditions to closing, including due diligence and/or financing requirements and/or the need for regulatory licenses and approvals (which the Monitor understands is expected to be less of an issue in the Transaction given the Purchaser's current presence in the industry and

existing licenses); and, the Purchaser is an established entity in the industry, has not included any due diligence or financing conditions and has provided a deposit.

43. The Purchase Price for the Purchased Assets was the highest price offered after surveying the market pursuant to the Sale Process (and pursuant to the process prior to the CCAA Proceedings) and, therefore, is fair and reasonable taking into account the market value of the Purchased Assets. In the view of the Monitor, the proposed Transaction would be more beneficial to the creditors of Cash Store than a sale or disposition under bankruptcy. In drawing these conclusions, the Monitor notes that, among other things,

- (a) the Transaction provides for continued operations at the Acquired Locations, which represent a significant portion of the Applicants' operations. In addition to the benefits such continued operations provide to employees, suppliers, customers and other stakeholders, the Purchase Price appears to take into consideration this going-concern element of the sale beyond amounts that would likely be received in a liquidation scenario;
- (b) the Monitor understands that the collectability of short-term loans would be expected to decline if the business is not operating as a going concern (such that new loans can be offered to customers at the time of repayment) and, therefore, the value of the accounts receivable assets of Cash Store, the most significant current assets on the Cash Store balance sheet, would be expected to decline in a liquidation scenario; and,
- (c) the Base Amount of the Purchase Price exceeds the amounts presently outstanding under the DIP Facility and amounts available to be drawn under the third extension option plus the \$12 million advanced by the

parties described as the “Senior Lenders” in the affidavit of Steven Carlstrom, sworn April 14, 2014.<sup>3</sup>

44. The Monitor is advised that the Purchaser is not related to the Applicants within the meaning of the CCAA and that all creditors with registered personal property security interests against the Applicant have been served with notice of this motion.
45. The Monitor is also advised by the CRO that, based on having funds in hand at Closing, the Applicants can and will make the payments that would have been required under sections 6(5)(a) and 6(6)(a) of the CCAA at the appropriate time.<sup>4</sup>
46. The Monitor is of the view that the Applicants has acted in good faith to maximize value for its stakeholders, has fulfilled the Court-approved Sale Process and that the Transaction is the best alternative available in the circumstances taking into account such factors as the aggregate value to stakeholders, the timeframe within which the Transaction could close, and the probability of closing.
47. Accordingly, the Monitor recommends approval of the Sale Transaction by this Court.
48. In addition to executing the Asset Purchase Agreement, the Applicants will enter into a Transition Services Agreement with the Purchaser to facilitate the uninterrupted transfer and continued operation of the purchased business. The intent of the Transition Services Agreement is to enable the Purchaser to receive

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<sup>3</sup> The Carlstrom Affidavit states that the Senior Lenders consist of: “424187 Alberta Ltd., which loaned \$2.0 million of the \$12.0 million drawn, [and] is a company controlled by Cash Store Financial’s CEO and a director, Gordon Reykdal”; “Coliseum, which loaned \$5.0 million of the \$12.0 million drawn, owns 19.27% of the common shares of Cash Store Financial and is also a Noteholder”; and “8028702 Canada Inc., which loaned the remaining \$5.0 million of the \$12.0 million drawn, [and] is a company controlled by the same person who controls McCann Family Holding Corporation, one of Cash Store Financial’s principal TPLs.” At this time, the Monitor has not reviewed and does not comment on the validity or priority of the security in respect of these advances.

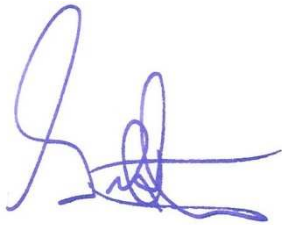
<sup>4</sup> Section 36(7) refers to 6(4)(a) and 6(5)(a) of the CCAA; however as section 6(4) does not have a subsection “a”, the Monitor considered the amounts referenced in 6(5)(a) and 6(6)(a), which it believes to be the intended correct references. With respect to section 6(6)(a), Cash Store does not have a defined benefit pension plan.

certain services from the Applicants on an interim basis after closing in order to (i) permit the Purchaser to continue the uninterrupted operation of the purchased business, and (ii) assist in an orderly transfer of the purchased business from the Applicants to the Purchaser. The Transition Services Agreement provides for payment from the Purchaser to the Applicant in relation to such transition services.

49. The Monitor respectfully submits to the Court this Eleventh Report.

Dated this 10<sup>th</sup> day of October, 2014.

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



Greg Watson  
Senior Managing Director



## Schedule “1” – Seventh Report of the Monitor

# **SCHEDULE “1”**

**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. (“ <b>Houlihan</b> ”), 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"> <li>• 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</li> </ul>

	<p>refundable deposit in an amount equal to 10% of the purchase price,</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <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"> <li>• is irrevocable until the business day after closing of the Successful Bid;</li> <li>• includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction;</li> <li>• includes a detailed list of property included in the sale;</li> <li>• includes details of employees who will become employees of the bidder, with terms and conditions of employment;</li> <li>• includes details of liabilities to be assumed;</li> <li>• is not conditional on, among other things, unperformed due diligence or obtaining financing;</li> <li>• fully discloses persons or entities sponsoring or participating in the bid;</li> <li>• outlines anticipated regulatory and other approvals required to close and anticipated time frame and impediments for obtaining such approvals;</li> <li>• identifies contracts to be acquired and identifies contracts that must be assigned or assumed as a</li> </ul>

	<p>condition to closing;</p> <ul style="list-style-type: none"> <li>• provides a timeline to closing with critical milestones;</li> <li>• contains other information reasonably requested by Rothschild, the CRO or the Monitor; and</li> <li>• 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).</li> </ul> <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	<p>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 “<b>Successful Bid</b>”) or continue negotiations with a number of Qualified Bidders (the “<b>Selected Bidders</b>”) with a view to finalizing an agreement with one of them to become the Successful Bid.</p>
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	<p>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.</p>
Approval Motion	<p>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>



	<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 “ <b>Plan Filing and Meeting Order</b> ”) (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**

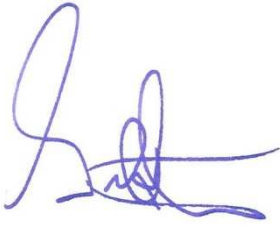
24. The Applicants have requested an extension of the Stay to August 15, 2014.

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 13<sup>th</sup> 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
<b>RECEIPTS:</b>														
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)
<b>TOTAL RECEIPTS</b>	<b>9,183</b>	<b>7,140</b>	<b>7,140</b>	<b>11,411</b>	<b>12,315</b>	<b>5,304</b>	<b>5,337</b>	<b>5,354</b>	<b>9,217</b>	<b>6,903</b>	<b>7,371</b>	<b>9,585</b>	<b>11,338</b>	<b>107,598</b>
<b>OPERATING DISBURSEMENTS:</b>														
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
<b>TOTAL OPERATING DISBURSEMENTS</b>	<b>12,545</b>	<b>7,791</b>	<b>8,386</b>	<b>9,036</b>	<b>12,492</b>	<b>5,052</b>	<b>5,693</b>	<b>4,314</b>	<b>9,973</b>	<b>5,731</b>	<b>9,225</b>	<b>8,583</b>	<b>13,039</b>	<b>111,859</b>
<b>OPERATING CASH FLOW</b>	<b>\$ (3,362)</b>	<b>\$ (651)</b>	<b>\$ (1,246)</b>	<b>\$ 2,375</b>	<b>\$ (177)</b>	<b>\$ 252</b>	<b>\$ (356)</b>	<b>\$ 1,040</b>	<b>\$ (756)</b>	<b>\$ 1,171</b>	<b>\$ (1,854)</b>	<b>\$ 1,003</b>	<b>\$ (1,701)</b>	<b>\$ (4,261)</b>
<b>NON-OPERATING DISBURSEMENTS:</b>														
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
<b>TOTAL NON-OPERATING DISBURSEMENTS</b>	<b>277</b>	<b>533</b>	<b>673</b>	<b>1,228</b>	<b>326</b>	<b>286</b>	<b>326</b>	<b>647</b>	<b>411</b>	<b>327</b>	<b>327</b>	<b>327</b>	<b>843</b>	<b>6,530</b>
<b>BoP Cash</b>	<b>\$ 12,166</b>	<b>\$ 11,527</b>	<b>\$ 10,344</b>	<b>\$ 10,425</b>	<b>\$ 11,572</b>	<b>\$ 11,069</b>	<b>\$ 11,036</b>	<b>\$ 10,354</b>	<b>\$ 10,747</b>	<b>\$ 9,581</b>	<b>\$ 10,424</b>	<b>\$ 8,243</b>	<b>\$ 8,919</b>	<b>\$ 12,166</b>
<b>Total Cash Flow</b>	<b>(3,639)</b>	<b>(1,183)</b>	<b>(1,919)</b>	<b>1,147</b>	<b>(503)</b>	<b>(33)</b>	<b>(682)</b>	<b>393</b>	<b>(1,166)</b>	<b>844</b>	<b>(2,181)</b>	<b>675</b>	<b>(2,544)</b>	<b>(10,791)</b>
<b>EoP Cash Before New Borrowing</b>	<b>\$ 8,527</b>	<b>\$ 10,344</b>	<b>\$ 8,425</b>	<b>\$ 11,572</b>	<b>\$ 11,069</b>	<b>\$ 11,036</b>	<b>\$ 10,354</b>	<b>\$ 10,747</b>	<b>\$ 9,581</b>	<b>\$ 10,424</b>	<b>\$ 8,243</b>	<b>\$ 8,919</b>	<b>\$ 6,375</b>	<b>\$ 1,375</b>
<b>BoP DIP Loan</b>	<b>\$ 3,000</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 3,000</b>
<b>DIP Draw</b>	<b>3,000</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000</b>
<b>DIP Paydown</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EoP DIP Loan</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>
<b>BoP Senior Credit Facility</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>
<b>Draw</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Paydown</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EoP Senior Credit Facility</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>
<b>EoP Cash After New Borrowing</b>	<b>\$ 11,527</b>	<b>\$ 10,344</b>	<b>\$ 10,425</b>	<b>\$ 11,572</b>	<b>\$ 11,069</b>	<b>\$ 11,036</b>	<b>\$ 10,354</b>	<b>\$ 10,747</b>	<b>\$ 9,581</b>	<b>\$ 10,424</b>	<b>\$ 8,243</b>	<b>\$ 8,919</b>	<b>\$ 6,375</b>	<b>\$ 6,375</b>
<b>Less: Non-Ontario Restricted Cash</b>	<b>(2,231)</b>	<b>(2,266)</b>	<b>(2,282)</b>	<b>(2,367)</b>	<b>(2,407)</b>	<b>(2,433)</b>	<b>(2,486)</b>	<b>(2,553)</b>	<b>(2,632)</b>	<b>(2,686)</b>	<b>(2,766)</b>	<b>(2,874)</b>	<b>(2,994)</b>	<b>(2,994)</b>
<b>Less: Ontario Restricted Cash</b>	<b>(2,493)</b>	<b>(2,532)</b>	<b>(2,590)</b>	<b>(2,658)</b>	<b>(2,668)</b>	<b>(2,675)</b>	<b>(2,689)</b>	<b>(2,706)</b>	<b>(2,727)</b>	<b>(2,727)</b>	<b>(2,727)</b>	<b>(2,727)</b>	<b>(2,727)</b>	<b>(2,727)</b>
<b>Less: Cash Minimum</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>
<b>Less: Tax Refund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EoP Cash After Restricted Cash</b>	<b>\$ 3,803</b>	<b>\$ 2,546</b>	<b>\$ 2,553</b>	<b>\$ 3,547</b>	<b>\$ 2,994</b>	<b>\$ 2,927</b>	<b>\$ 2,179</b>	<b>\$ 2,488</b>	<b>\$ 1,221</b>	<b>\$ 2,011</b>	<b>\$ (250)</b>	<b>\$ 317</b>	<b>\$ (2,346)</b>	<b>\$ (2,346)</b>