

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

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

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

May 13, 2014

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

APPLICANTS

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

INTRODUCTION

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

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

TERMS OF REFERENCE

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

ONTARIO COLLECTIONS

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

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

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

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

Dated this 13th day of May, 2014.

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

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

Greg Watson
Senior Managing Director

SCHEDULE "A" – Collection Rate Table

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

Tramor #5	Aging of Line of Credit Advances										Aging Percentage						
	1-30 Days Past Due		31-60 Days Past Due		61-90 Days Past Due		91+ Days Past Due		Total		Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due		
	Current	Due	Past Due	Past Due	Past Due	Past Due	Past Due	Past Due	Total	Total							
28-Feb-14	4,470,214.39	3,013,724.55	27,863.28	2,332.40	311.26	7,514,445.88			7,514,445.88		59.5%	40.1%	0.4%	0.0%	0.0%		
31-Mar-14	2,476,474.04	1,616,492.21	1,820,788.92	30,101.97	-	5,943,857.14			5,943,857.14		41.7%	27.2%	30.6%	0.5%	0.0%		
30-Apr-14	1,488,847.74	1,101,432.54	798,770.20	1,572,796.45	30,462.03	4,992,308.96			4,992,308.96		29.8%	22.1%	16.0%	31.5%	0.6%		
McCann	Current	Due	Past Due	Past Due	Past Due	Total	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due
28-Feb-14	4,660,428.73	2,098,923.49	10,854.87	2,115.69	-	6,772,322.78	68.8%	31.0%	0.2%	0.0%	0.0%	6,772,322.78	68.8%	31.0%	0.2%	0.0%	0.0%
31-Mar-14	2,818,529.64	1,371,475.45	1,336,595.21	16,671.11	564.73	5,543,836.14	50.8%	24.7%	24.1%	0.3%	0.0%	5,543,836.14	50.8%	24.7%	24.1%	0.3%	0.0%
30-Apr-14	1,932,170.08	879,587.32	738,213.90	1,116,093.41	15,935.99	4,682,000.70	41.3%	18.8%	15.8%	23.8%	0.3%	4,682,000.70	41.3%	18.8%	15.8%	23.8%	0.3%

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

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