

**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 CANDA INC., 5515433 MANITOBA INC., 1693926 ALBERTA
LTD DOING BUSINESS AS "THE TITLE STORE"

Applicants

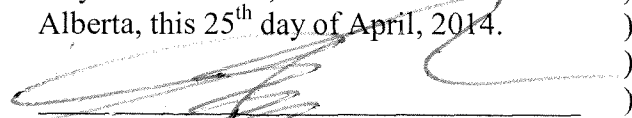
AFFIDAVIT OF DON MACLEAN

Sworn on April 25, 2014


I, Don MacLean, of the City of Edmonton, in the Province of Alberta, SWEAR AND SAY THAT:

1. I am a Senior Vice-President in the Consulting and Deals group with PricewaterhouseCoopers Inc. ("PwC").
2. PwC has been engaged by Bennett Jones LLP and McMillan LLP, counsel for 0678786 B.C. Ltd. ("067") and Trimor Annuity Focus Limited Partnership #5 ("Trimor 5") respectively, as an independent financial advisor to conduct a review of the Applicant's records relating to the funding provided by 067 and Trimor.
3. Attached hereto as **Exhibit "A"** is a true copy of PwC's draft report dated April 25, 2014.
4. I swear this affidavit in response in support of the position of 067 and Trimor LP on this application and for no other purpose.

SWORN/AFFIRMED BEFORE ME at the)
City of Edmonton, in the Province of)
Alberta, this 25th day of April, 2014.)



(Notary Public in and for the Province of)
Alberta))



Don MacLean

KENTIGERN ALOYSIUS ROWAN
NOTARY PUBLIC/COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA
MY APPOINTMENT DOES NOT EXPIRE.

Cash Store Financial Services Inc.

Review of Funds owing to Trimor and 0678786

KANTIGERN ALOYSIUS ROWAN
NOTARY PUBLIC/COMMISSIONER FOR OATHS
AND FOR THE PROVINCE OF ALBERTA
MY APPOINTMENT DOES NOT EXPIRE

This is Exhibit "A" referred to in the affidavit / statutory declaration of Ben McLeese
Sworn before me this 25 day of April
A.D. 2014
[Signature]
Commissioner for Oaths and for the Province of Alberta

Strictly Private
and Confidential
April 25, 2014

Draft – For
discussion purposes
only

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From the Contents page – click on the title of the section or sub-section

From the contents listing on any section divider – click on the title of the sub-section



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Dear Sirs,

We report on Cash Store Financial Services Inc. (“Cash Store Financial” and its subsidiary undertakings (together, the “Company”)) in accordance with our engagement letter dated April 21, 2014.

This report has been prepared in connection with the request by Trimor Annuity Focus Limited Partnership #5 (“Trimor”) and 0678786 B.C. Ltd. (“0678786”) for a review of the funds owing to Trimor and 0678786.

Our work was based entirely on information supplied by the Company’s management (“Management”) and was carried out on the basis that such information is accurate and complete. Information was not subject to checking or verification procedures.

Our work did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the Canadian Institute of Chartered Accountants (“CICA”).

Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the

Company or any financial or other information, or operating and internal controls of the Company.

This is a draft report. We have had limited access to Management and Company records due to the very short duration of our engagement (i.e. 3 days). The comments in this draft report are subject to amendment or withdrawal. Our definitive findings and recommendations will be those set out in the final report.

Save as described in the agreement or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else or for any other purpose in connection with this report, and it may not be provided to anyone else.

Please contact the undersigned if you need further help or information on the Company.

Yours very truly,
PricewaterhouseCoopers Inc.

Donald MacLean
Senior Vice President

Contents

At a glance	5
Summary report	7
1 Overview of Third Party Loan Process	8
2 Retention Payments to TPLs	9
3 Flow of Funds	10
4 Outstanding Balances Owing	11
5 Comparison of Restricted Cash vs Actual Cash Balance	13
6 Transfers to and from Third Party Lenders	14
7 Bank Accounts	16
8 Disbursements for period from January 1 to April 14, 2014	18

At a glance

① Outstanding Balances Owing to Trimor and 0678786

Summary of Lender Position
As at March 31, 2014
\$ in 000s

	Trimor Capital	0678786 B.C. Ltd.	Total
Payday Loans	2,211	-	2,211
Lines of Credit	8,461	5,608	14,069
Restricted Cash	6,316	7,768	14,085
Balance Forward	8,514	(26)	8,488
Total	25,502	13,350	38,852

Source: Management Reports, PwC Analysis

② The Company treats the Third Party Lender's ("TPLs") funds as third party funds

It is evident the Company treats these funds as belonging to a third party:

- When deployed as loans to consumers the creditor is the TPL. The Company takes a brokerage fee. When loans are collected and waiting to be redeployed, funds are segregated as Restricted Cash on the balance sheet.
- Portfolios of loans are transferred to the TPLs whenever Restricted Cash is used for operations. However, Management advised this practice was discontinued effective March 2014.
- Senior Management with whom we spoke during our review (CEO, CFO, Controller) advised these funds have always been considered third party funds.

③ Restricted Funds are separately disclosed on the balance sheet in accordance with US GAAP

US GAAP requires cash held for a specific purpose and not available for general use to be classified as "Restricted Cash" on the balance sheet and such funds are not required to be set aside in a separate bank account.

The Company has disclosed the advances from TPL's in excess of consumer loans written to customers as Restricted Cash as a current asset on its balance sheet.

The corresponding entry in the financial statements is denoted as Due to TPLs in acknowledgement that the restricted funds are held for the TPLs.

At a glance

④ A separate bank account was used for TPL activity prior to January 2014

We understand that the Carlstrom Affidavit states numerous times that there was no account designated for third party funds and that the cash is comingled with the Company's cash. In fact, the Company's account was merely used as a conduit for TPL funds.

A separate bank account did in fact exist and was used for deposit of funds received from TPLs and for cash retention payments paid to TPLs. Although this account was not specifically designated for third party funds, it appears to have been used primarily for that purpose.

In January 2014, the Company ceased using this account for the TPLs on the direction of the VP Finance (Financial Reporting).

⑤ The Company has disbursed significant amounts on professional fees and other costs requiring further investigation

A significant portion of the Company's cash has been disbursed for professional fees. Disbursements since January 1, 2014 identified \$4.1 million paid for professional fees and a further \$6.9 million in other disbursements requiring further investigation.

⑥ The Restricted Cash account balance at March 31, 2014, was greater than the actual cash balance as reported.

The Companies' normal and consistent practice in reconciling month end TPL loan balances and transferring Company owned loans to compensate for the use of Restricted Cash was discontinued as of the end of March.

Summary report

	Summary report	7
1	Overview of Third Party Loan Process	8
2	Retention Payments to TPLs	9
3	Flow of Funds	10
4	Outstanding Balances Owing	11
5	Comparison of Restricted Cash vs Actual Cash Balance	13
6	Transfers to and from Third Party Lenders	14
7	Bank Accounts	16
8	Disbursements for period from January 1 to April 14, 2014	18

Overview of Third Party Loan Process

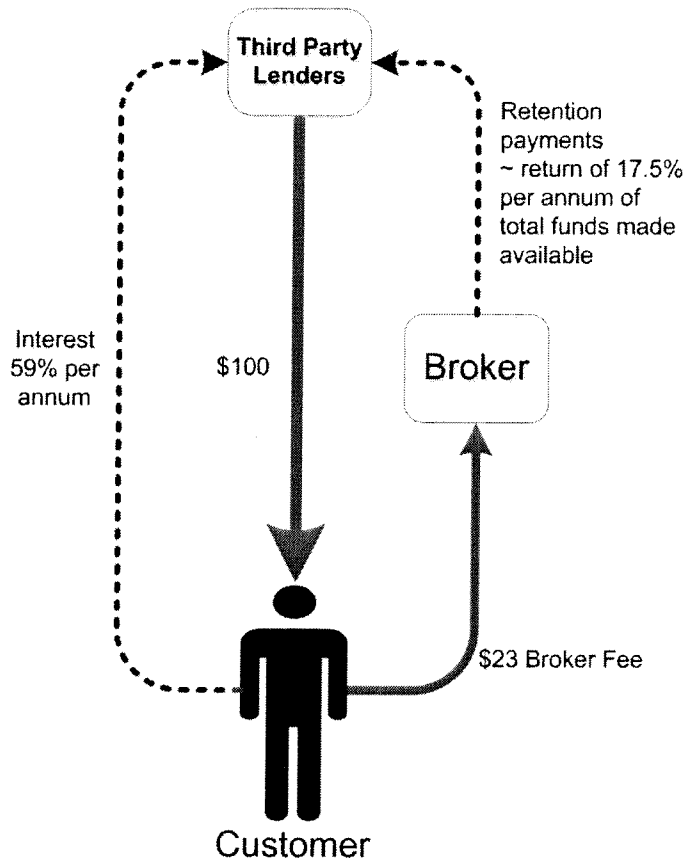
The loan relationship is between the customer and the Third Party Lender.

The Company’s role is simply acting as the broker for this relationship. It receives a broker fee for providing these services.

PwC view

Management recognizes the importance of the Third Party Lender relationship and the funds they provide as critical to their business model and has long-standing relationships with its TPLs.

Overview of Third Party Lender Process



Source: Discussion With Management

- Cash Store Financial and its subsidiaries (“the Company”) has agreements with a number of Third-Party Lenders (“TPLs”) who lend directly to the Company’s customers or purchase advances originated by the Company.
- Loan documents signed by the customer are a contract between the customer and the Third Party Lender.
- TPLs earn a return on the loans through an interest payment of 59% per annum on the loans collected, as set out in the Broker Agreement.
- The Company acts as the broker, charging a fee of 23% of the TPL funds advanced, paid directly by the customer and taken directly off the loan proceeds.

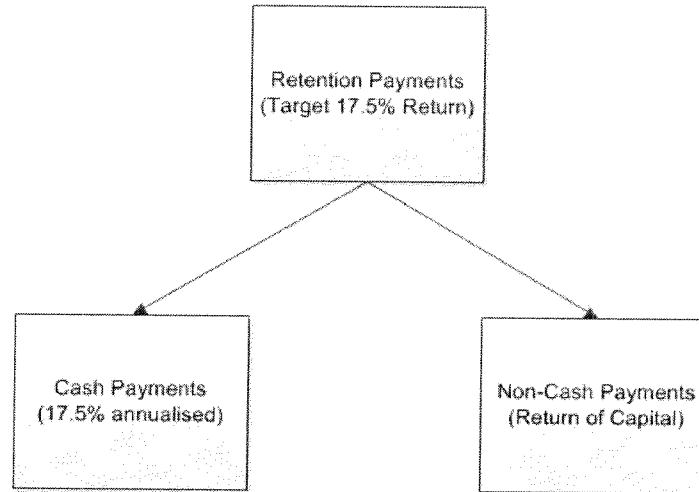
Retention Payments to TPLs

The Retention payments are a voluntary payment. They are not a requirement of the Broker Agreement.

PwC view

The Company's practice of paying a retention payment to the TPLs implies they recognize the need to compensate the TPLs for the use of their funds.

Breakdown of Retention Payments



Source: Discussion With Management

- The Broker Agreements do not require retention payments and do not guarantee repayment or a specified rate of return of funds committed by the TPLs.
- Under the broker model, the Company makes voluntary retention payments to TPLs to encourage them to continue making funds available to the Company. The retention payments are intended to compensate TPLs for some of the credit losses suffered.
- Management advised that it is the Company's practice to credit TPLs with retention payments such that when combined with portfolio returns, the return on the total funds made available by the TPLs for lending to consumers approaches a target of 17.5% per annum.
- A portion of the retention payment is paid to the TPL's in cash with the remainder credited to their account as a return of capital.

Flow of Funds

Prior to January 2014, the Company used a Flow Through Account for certain TPL transactions.

In January 2014, the Company discontinued the Flow Through Account.

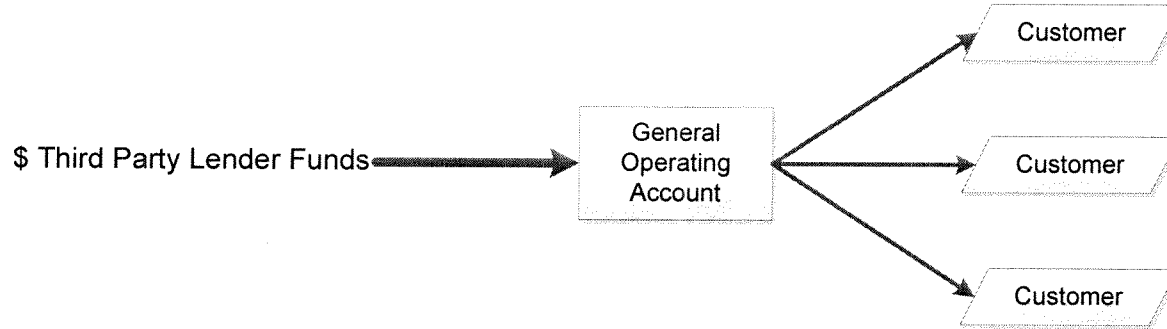
This chart summarizes the process after January 2014.

PwC view

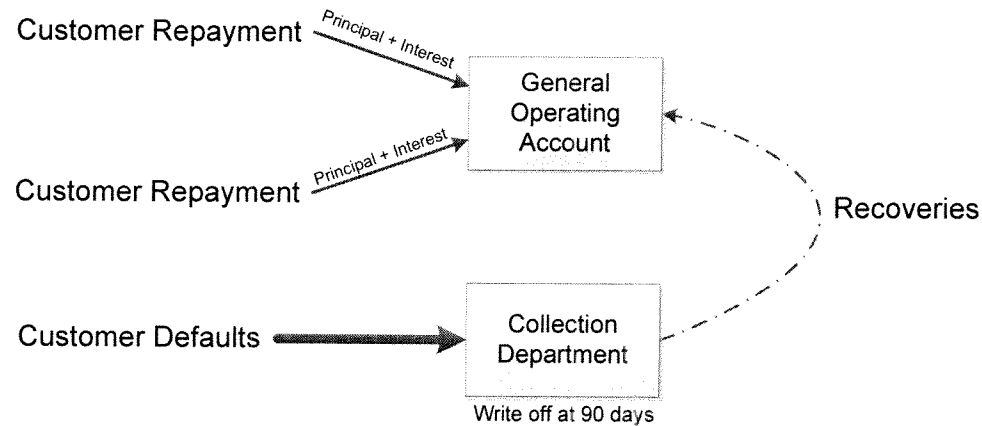
TPL funds now flow through the Company's General Operating Account as a conduit for the TPL funds.

Based on our discussions with Management, the Company considers these funds as third party funds.

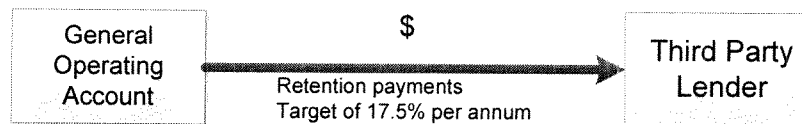
STEP ONE: Funds loaned to customers



STEP TWO: Funds collected from customers



STEP THREE: Cash Payments Made to Third Party Lenders



Source: Discussion With Management

Outstanding Balances Owing - Trimor

As at March 31, 2014, Trimor had \$10.67 million in loans deployed.

An additional \$6.32 million in excess funds (i.e. not deployed) was being held by the Company in Restricted Cash.

PwC view

Trimor's funds are primarily deployed in the form of lines of credit to customers.

Summary of Lender Position Trimor Capital

\$ in 000s	As at March 31, 2014
Total funds made available by Trimor	25,502
Payday loan portfolio	(2,211)
Lines of credit to customers	(8,461)
Sub-total	(10,672)
Balance Forward	(8,514)
Funding excess held in restricted cash	6,316

Source: Lender Statements of Account

Trimor Capital Portfolio Summary \$ in 000s

As at March 31, 2014	Payday Loans	Lines of Credit	Total
Current	1,551	4,458	6,009
1 - 30 Days	333	2,270	2,603
31 - 60 Days	214	1,870	2,084
61 - 90 Days	162	30	192
90 Days +	-	-	-
AR Discrepancy in Investigation	235	(167)	68
Adjustment for Late PADS	(284)	-	(284)
Total	2,211	8,461	10,672
Balance Forward			8,514
Total			19,186

Source: Lender Statements of Account

- The most recent lender statements the Company was able to provide at this point were as of March 31, 2014 which indicated the following:
 - Total funds made available by Trimor Capital, \$25.50 million.
 - Trimor had \$10.67 million in loans deployed. The loans were comprised of \$2.21 and \$8.46 million in Payday Loans and Lines of Credit Loans, respectively.
 - An additional \$6.32 million in excess funds recorded as held by the Company in Restricted Cash.
 - Management has advised that the variance between total funds made available, outstanding loans, and restricted cash is the principal loss (i.e. cumulative losses), since the inception date of funds advanced. This is presented on the lender statement as "Balance Forward".
 - The balance of the funds deployed at any point in time may fluctuate; however, TPLs were paid a retention payment based on the total funds made available. Management has indicated that this is intended to provide them with a return on their capital, regardless of how it is deployed.

Outstanding Balances Owing - 0678786

As at March 31, 2014, 0678786 had \$5.61 million in loans deployed.

An additional \$7.77 million in excess funds was recorded as being held by the Company in Restricted Cash.

PwC view

0678786's funds are deployed in the form of lines of credit transferred from other lenders.

Summary of Lender Position 0678786 B.C. Ltd.

\$ in 000s	As at March 31, 2014
Total funds made available by 0678786 B.C. Ltd.	13,350
Lines of credit assigned by other lenders	(5,608)
Balance Forward	26
Funding excess held in restricted cash	7,768

Source: Lender Statements of Account

0678786 B.C. Ltd. Portfolio Summary \$ in 000s

As at March 31, 2014	Lines of Credit
Current	2,819
1 - 30 Days	1,371
31 - 60 Days	1,337
61 - 90 Days	17
90 Days +	-
AR Discrepancy in Investigation	138
Adjustment for Late PADS	(74)
Total	5,608
Balance Forward	(26)
Total	5,582

Source: Lender Statements of Account

- The most recent lender statements the Company was able to provide at this point were as of March 31, 2014 which indicated the following :
 - Total funds made available by 0678786 B.C. Ltd. were \$13.35 million.
 - 0678786 B.C. Ltd. had \$5.61 million in loans deployed. The loans were comprised entirely of Lines of Credit Loans transferred from other third party lenders (Trimor).
 - 0678786 does not originate any of their own loans. All loans are transferred to them from Trimor.
 - Based on discussion with VP Finance, Financial Reporting, this practice is based on instructions from 0678786 and is not a requirement of the Broker Agreement.
 - An additional \$7.77 million in excess funds were recorded as held by the Company in Restricted Cash.
 - Management has indicated that the variance between total funds made available, outstanding loans, and balance forward, results in the restricted cash balance.

Restricted Cash in short position

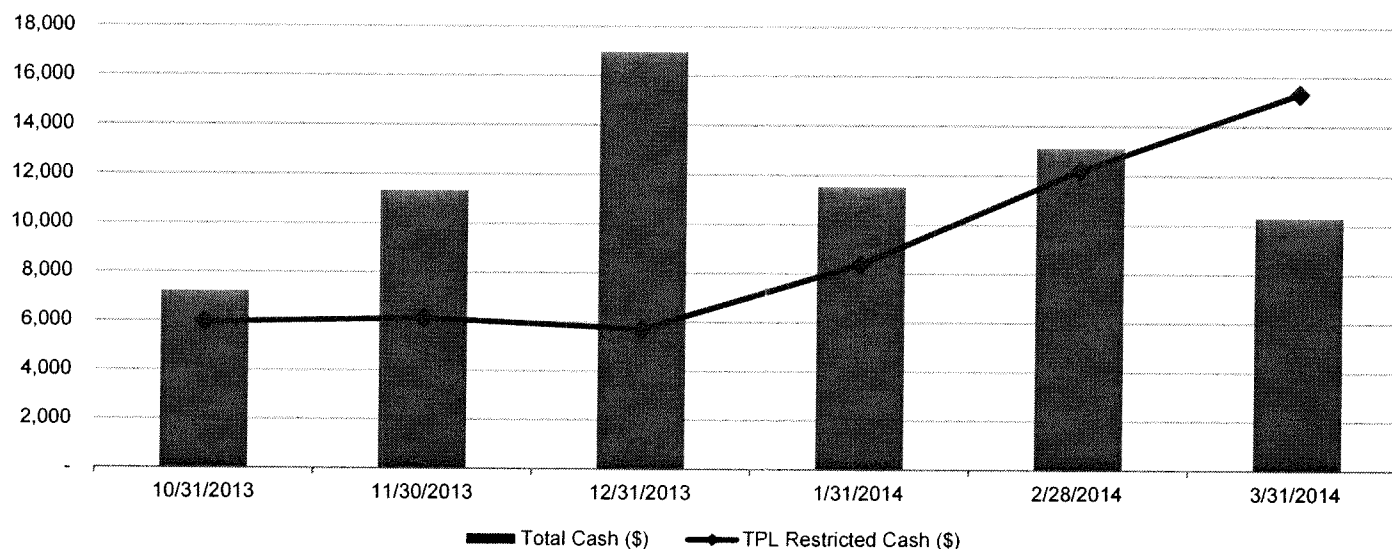
Our analysis of the Company's accounts for the last 4 months identified that the Company's unrestricted cash has been significantly declining.

As at March 31, 2014, the Company was short \$5.01 million in cash compared to the Restricted Cash balance.

PwC view

Whenever the Company uses some of the Restricted Cash balance to fund its operations, it was adjusted at month end by assignment of Company loans as part of the TPL account reconciliation process.

**Total Cash vs. Restricted Cash
September to March 2014
Consolidated**



Source: Management Reports, PwC Analysis

Fluctuations in Cash Position

- Management has advised that there can be significant fluctuations throughout any given month on the actual cash balances and restricted cash balances due to timing of loan advances.
- The business typically sees a significant increase in loan advances near the end of the week, with repayments typically occurring at the beginning of the week. The net impact of these activities is minimal as customers typically take out a new loan upon repaying existing loans.

- The Company manages its restricted cash position through transfers of loans to TPLs, as needed.
- As noted in the graph above, the gap between the Company's total cash and Restricted Cash has been continuing to narrow. At March 31, 2014, the total cash balance was in a short position.

Impact of CCAA on Restricted Cash

- The Initial Order requires the Company to maintain a TPL Net Receipt Minimum Balance, which presumably is intended to restrict the Company from using the TPL restricted cash to fund its operations during the CCAA.

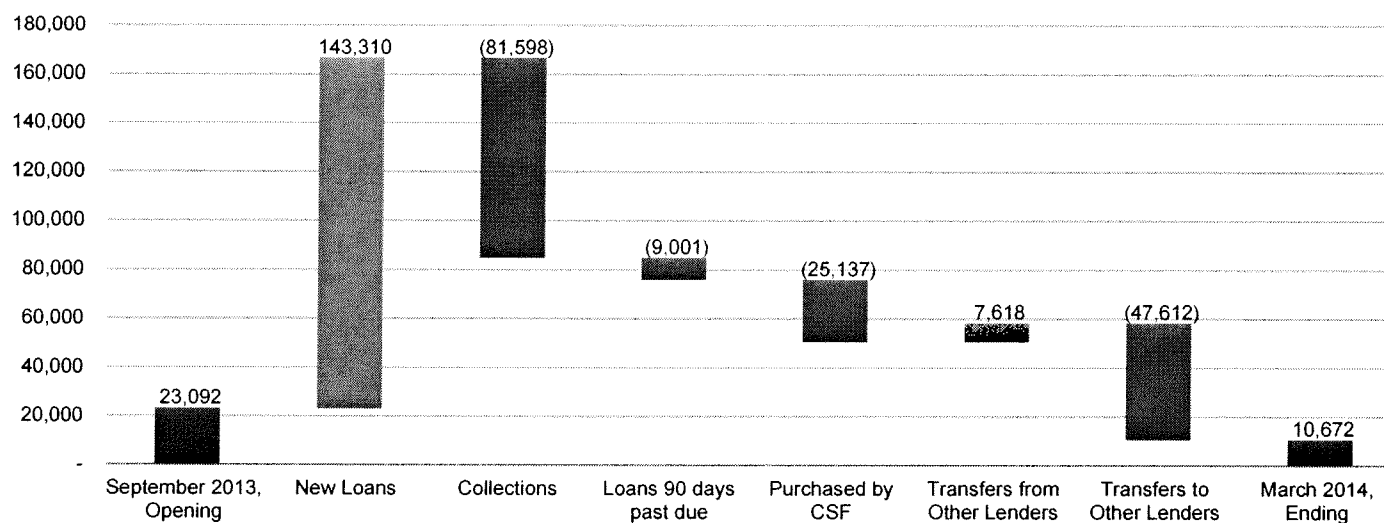
Transfers to Third Party Lenders

The Company will occasionally transfer its own direct loan receivables to the relevant TPLs to free up restricted funds to fund its operations. As of March 31, 2014, this practice was discontinued.

PwC view

The transfers to TPLs was used in the normal course of managing the loan portfolio to ensure that restricted funds aren't being used to fund the Company's operations.

Trimor Capital
Loans Outstanding
\$s in 000s



Source: Lender Statements of Account, PwC Analysis

Transfers of Cash Stores Financial Loans to TPLs

- When the Restricted Cash Balance is found to exceed the total cash in the Company's accounts during the month end reconciliation process, the Company transfers its own direct loan receivables to the relevant TPL(s).
- The transfer is calculated as an amount equal to the Restricted Cash shortfall plus any additional amount to meet the Company's working capital needs for the next month.

- The Restricted Cash is therefore reduced by this same amount. As of March 31, 2014, this practice was discontinued.
- These transfers of the Company's direct loan receivables are made at face value of the loans.
- Based on our discussion with the VP Finance – Financial Reporting, there are no separate agreements authorizing the transfer of these accounts. These transfers were being done under the authority of the provisions in the Broker Agreements with the TPLs.

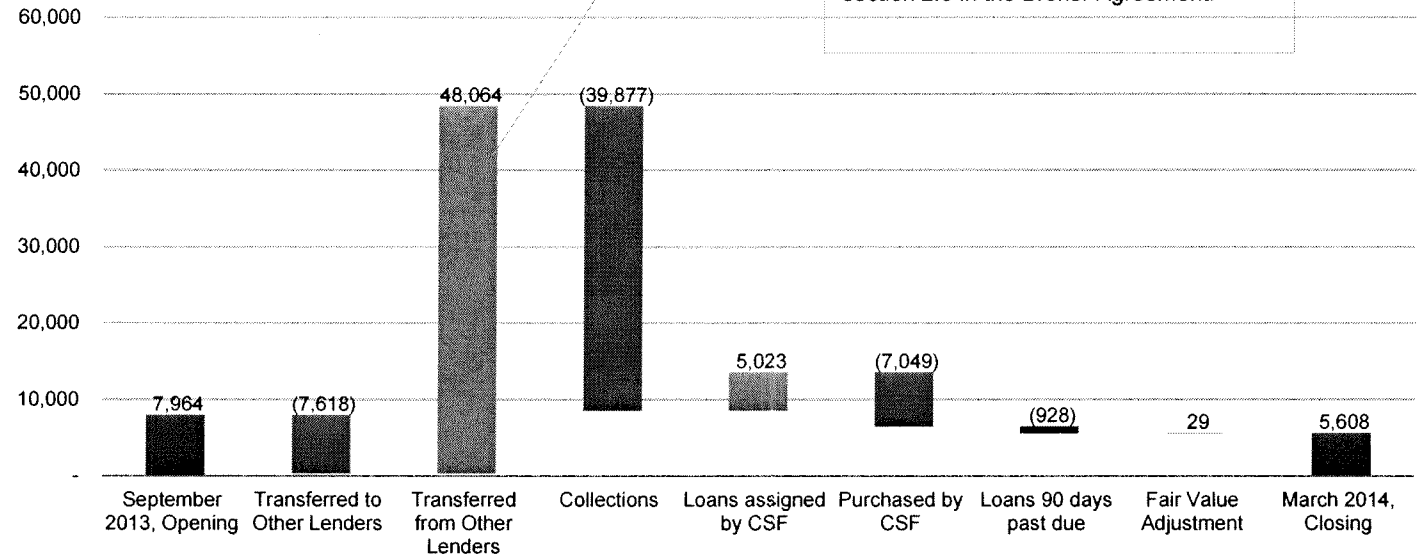
Transfers from Third Party Lenders

In certain situations, the Company may purchase a portfolio of loans from a TPL. These loans are purchased at face value.

PwC view

Purchases of loans by the Company from a TPL are purchased at face value.

**068786 B.C. Ltd.
Loans Outstanding
\$s in 000s**



068786 B.C. Ltd. does not originate any of their loans. All loans are transferred to them from other TPLs, as outlined in section 2.9 in the Broker Agreement.

Source: Lender Statements of Account, PwC Analysis

Transfers of Loans from TPLs to Cash Store Financial

- The Company may occasionally purchase a portfolio of loans from the TPL.
 - Authority to do these transfers is set out in the Broker Agreement.
- For example, Management advise that between October, 2013 and January, 2014, line of credit portfolios from branches in Manitoba and Ontario were delinquent. Due to license restrictions in these provinces, the Company was unable to collect these lines of credit on behalf of the TPL.

- Transfers were also made to the Company from TPLs on a regular basis to purchase overdue lines of credit.
- By purchasing this portfolio from the TPLs, the Company was permitted to collect these loans.
- The loan portfolio was purchased at face value from the TPL, therefore, the Company then assumed any collection risk associated with these accounts.
- The Company then records these on their financial statements as Consumer Advances Receivable at their fair value (i.e. estimated recovery). The difference is reflected in their income statement as a retention expense.

Designated Bank Accounts for TPL Funds

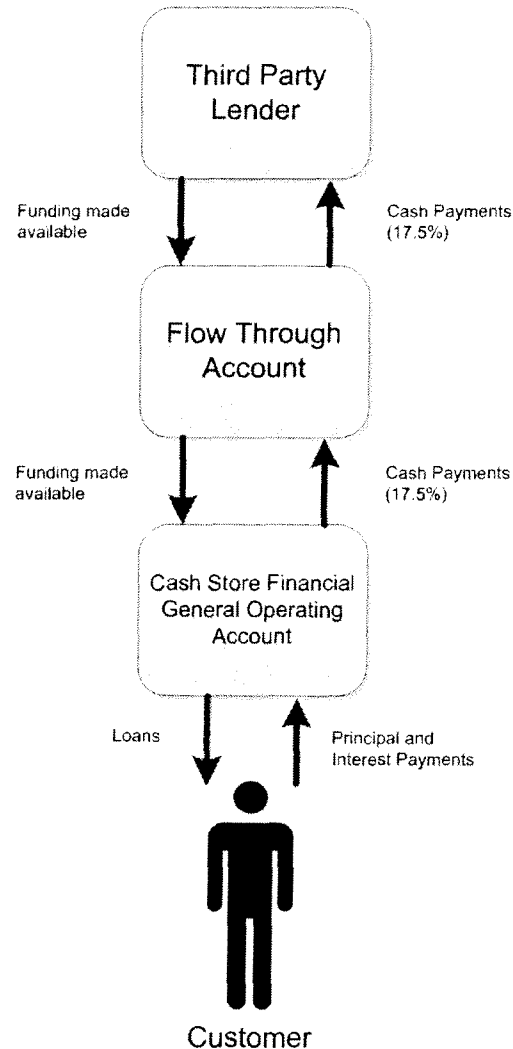
Funds received from Broker customers are comingled with the Company's general operating funds but are reconciled on a monthly basis.

The TPL's position will then be adjusted accordingly, through transfer of third party loans and an adjustment to the Restricted Cash. As of March 31, 2014, this practice was discontinued.

PwC view

The Company's monthly reconciliation processes and subsequent adjustments to the TPLs positions indicate they consider these third party funds.

Flow Through Account



Source: Management Discussion

- The Broker agreements provide for funds to be held in a designated account (“Designated Financier Bank Account”) for the purposes of depositing funds received from Broker Customers in respect of TPL funded loans.
- Notwithstanding this, the Company has advised that the advances to the Broker Customers are funded from the TPL Funds held in the Company's general operating accounts. These accounts are simply used as a conduit for the TPL funds.
- The Carlstrom Affidavit states that no such accounts were designated and that, in fact, the Restricted Cash is comingled in the Company's account with its other cash.

CIBC Account – Lender Account (“Flow Through Account”)

- Our discussions with Management identified an additional bank account.
- Prior to January 2014, this account was used to facilitate the cash receipts from, and payments made to the TPLs. Although this account was not specifically designated for third party funds, it appears to have been used primarily for that purpose.
- The VP Finance (Financial Reporting) advised this process was discontinued in December 2013.
- We reviewed the bank statements for the Flow Through Account for the period October, 2013 to March, 2014. Prior to January 2014, we noted the account was actively being used. After January 2014, we noted minimal activity occurring in the account.
- The Flow Through Account had a balance of approximately \$5,000 as at March 31, 2014.

Accounting for Restricted Cash under GAAP

The Company has separately disclosed its restricted cash balances in its financial statements in accordance with US GAAP.

PwC view

In recording an offsetting entry of "Due to TPLs", the Company appears to acknowledge these are third party funds.

Restricted Funds – GAAP

- According to US GAAP, restricted cash is defined as monies earmarked for a specific purpose and is not available for general use.
- Restricted cash is disclosed separately on the financial statements, even if the funds are not set aside in special bank accounts.
- In accordance with Rule 5-02, caption 1 of Regulation S-X, Restricted Cash should be segregated from cash and cash equivalents on the balance sheet.
- The Company appropriately discloses TPL funds on the financial statements as Restricted Cash, even though the funds may be considered to be comingled.

Disbursements for period from January 1, 2014 to April 14, 2014

The Company appears to have been using restricted cash balances to fund its operations. PwC scanned the disbursements from the Company's general operating account from January 1, 2014 to the CCAA filing date to identify significant disbursement out of the ordinary course.

PwC view

A significant portion of the Company's Cash was used to pay professional fees.

**Significant Disbursements
January 1 to April 14, 2014**

Vendor	Amount (\$)
Professional Fees	
Osler Hoskin Harcourt LLP	843,252
Cassels Brock & Blackwell LLP	615,313
KPMG LLP	568,155
Conway Mackenzie New York - LLC	538,204
Rothschild Inc.	323,387
Norton Rose Fulbright Canada LLP	287,171
FTI Consulting Canada Inc.	222,951
Rmrf Barristers Solicitors	189,997
Ontario Court Of Justice	187,515
Paul, Weiss Rifkind, Wharton & Garrison LLP	139,648
McCarthy Tetrault LLP, In Trust	100,000
Osler Hoskin Harcourt LLP, In Trust	100,000
Sub-Total	4,115,593
Other Significant Disbursements	
AMEX Bank of Canada	1,259,918
The Great-West Life Assurance Company	1,002,136
Direct Cash ATM Processing Partnership	925,000
Echelon General Insurance Company	802,845
Foster Park Basket Ins. Ltd.	796,832
Quinco Financial Inc.	637,732
Onx Enterprise Solutions Ltd.	504,116
Frontier Networks Inc.	430,668
London Life Group Retirement Services	296,359
424187 Alberta Ltd.	284,999
Sub-Total	6,940,605

Source: Company Reports

Disbursements

- We scanned the disbursements from all bank accounts for the period from January 1, 2014 to April 14, 2014 for the following companies:
 - Cash Store Financial Inc.
 - Instaloz Inc.
 - TCS Cash Store Inc.
 - Title Store
- Total disbursements for the period were \$25.88 million. See table for a summary of significant, non-typical transactions and expenditures noted, primarily comprised of professional fees.
- Disbursements also included a number of significant payments that appeared to be in the normal course; however, may require further analysis to determine the nature of these expenditures.



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