

**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., INTSALOANS INC., 7252331 CANADA INC.,
5515433 MANITOBA INC., 1693926 ALBERTA LTD DOING BUSINESS AS "THE TITLE
STORE"

**BRIEF OF TRANSCRIPTS OF THE RESPONDENT,
0678786 B.C. LTD. (FORMERLY THE MCCANN FAMILY HOLDING
CORPORATION)**

Dated: April 24, 2014

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Index

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STORE"

INDEX

1. Transcript of Cross-Examination of Steven Carlstrom on his Affidavit sworn April 22, 2014
 - A. Exhibit 1: Profile of The Cash Store Financial Services Inc. from Sedar
 - B. Exhibit 2: Annual Information Form for Cash Store Financial for year ended September 30, 2013
 - C. Exhibit 3: Email exchange regarding Cash Store Interest Calculation

Tab 1

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

CT/sp

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

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7252331 CANADA INC., 5515433 MANITOBA INC., 1693926 ALBERTA
LTD DOING BUSINESS AS "THE TITLE STORE"

Applicants

This is the Cross-Examination of STEVEN CARLSTROM on
his Affidavit sworn the 14th day of April, 2014, held at
the Offices of Osler Hoskin & Harcourt LLP, 100 King Street
West, 1 First Canadian Place, 45th Floor, Toronto, Ontario,
on the 22nd day of April, 2014.

APPEARANCES:

JEREMY DACKS} --- for the CRO of Cash
 KARIN SACHAR} Store Financial
 ROBERT W. STALEY --- for the McCann Family
 Holding Corporation
 ALAN MERSKEY --- for Coliseum Capital
 Management
 DAVID PREGER --- for Computershare Trust
 Company of Canada et al
 HEATHER MEREDITH --- for the Monitor
 BRENDAN O'NEILL --- for the Ad Hoc
 Noteholders Committee
 ANDREW J. HATNAY} --- for Tim Yeoman (Class
 JAMES HARNUM } Plaintiff)
 BRETT HARRISON --- for Trimor Annuity
 Focus LP #5

ALSO PRESENT:

William E. Aziz
 Greg Watson
 Murray McCann

S. Carlstrom - 4

1 STEVEN CARLSTROM, affirmed
 2 CROSS-EXAMINATION BY MR. STALEY:

3
 4 1. Q. Mr. Carlstrom, my name is Robert
 5 Staley. I act for the McCann family interests, and
 6 I am here today to ask you some questions about,
 7 among other things, an affidavit that you have sworn
 8 in the Cash Store Financial CCAA. So do you have in
 9 front of you an affidavit that you swore on April
 10 14th, 2014?
 11 A. Yes, I do.
 12 2. Q. When you swore the affidavit, it was
 13 true to the best of your knowledge and ability?
 14 A. Yes, it was.
 15 3. Q. Is there anything in the affidavit
 16 since then that you looked at that you believe you
 17 need to correct, because it's not accurate, sitting
 18 here today?
 19 A. Yes, I believe there is one item.
 20 4. Q. Okay.
 21 A. I'm just trying to find the
 22 paragraph.
 23 MR. DACKS: It had to do with a number
 24 that was brought forward from an earlier
 25 paragraph, and we'll get that for you.

S. Carlstrom - 3

INDEX OF PROCEEDINGS

PAGE NUMBER

STEVEN CARLSTROM, affirmed
 Cross-Examination by:
 Mr. Staley 4 - 74
 Mr. Merskey 74 - 75
 Re-Examination by:
 Mr. Dacks 75 - 77

INDEX OF EXHIBITS 78
 INDEX OF REFUSALS 79
 CERTIFICATION 80

S. Carlstrom - 5

Maybe you want to start. I'll find it.

BY MR. STALEY :

1
 2
 3
 4 5. Q. So there is one just numerical error
 5 in the affidavit. Apart from that, sitting here
 6 today, as best your recollection and belief, the
 7 affidavit is true?
 8 A. Correct.
 9 MR. DACKS: Yes, paragraph 56.
 10 THE DEPONENT: So in paragraph 56 the
 11 31.3 million of accrued liability includes
 12 an amount of 6.4 million due to the TPLs, I
 13 believe that should read 5.7 million. Let
 14 me just...yes, 5.7.
 15
 16 BY MR. STALEY :
 17 6. Q. Just before we go further, before we
 18 went on the record today, you affirmed to tell the
 19 truth?
 20 A. I did, yes.
 21 7. Q. Now, are you aware that earlier
 22 today affidavits were sworn on behalf of my client
 23 by Sharon Fawcett and Mr. McCann, Murray McCann?
 24 A. I am aware that...yes, I wasn't
 25 aware that Mr. McCann swore an affidavit.

- 1 8. Q. I take it from your answer...have
2 you seen either of the affidavits that they swore
3 earlier today?
4 A. I haven't had a chance to review
5 them in detail, but I have seen them.
- 6 9. Q. Okay, so when you say, "I haven't
7 reviewed them in detail," did you read through the
8 text of either of those affidavits?
9 A. Very quickly.
- 10 10. Q. Very quickly, both of them or just
11 one of them?
12 A. Both of them. Mr. McCann's was, I
13 believe, not sworn in, the version that I saw.
- 14 11. Q. Okay. So you have been through them
15 at least once, and you have got a general sense of
16 what they say, sitting here today. That's where
17 you're at?
18 A. Yes.
- 19 12. Q. Okay. So I understand you flew in
20 from Alberta for this cross-examination?
21 A. Yes, I did.
- 22 13. Q. That's where you live, is it?
23 A. Yes.
- 24 14. Q. And if I look at the preamble to
25 your affidavit, that you live in the County of

- 1 help the witness when he answers questions.
2 MR. DACKS: I recognize that.
- 3 20. MR. STALEY: Okay, so why don't we just
4 let him answer the questions.
5 MR. DACKS: It's a cross-examination on
6 an affidavit.
- 7 21. MR. STALEY: Right, right.
8 MR. DACKS: Go ahead, Steve.
9
- 10 BY MR. STALEY :
- 11 22. Q. So sir, this is the SEDAR face page
12 for the Cash Store Financial Services Inc.?
13 A. Yes.
- 14 23. Q. And it shows a head office address
15 on 123rd Avenue in Edmonton. Do you see that?
16 A. Yes, I do.
- 17 24. Q. And that is the company's head
18 office address?
19 A. That's correct.
- 20 25. MR. STALEY: Can we mark that as the
21 first exhibit, please, Exhibit 1?
22
- 23 --- EXHIBIT NO. 1 : SEDAR face page for Cash Store
24 Financial Services Inc.
25

- 1 Strathcona. Is that somewhere near Edmonton?
2 A. It is. It's Sherwood Park, just
3 outside of Edmonton.
- 4 15. Q. Okay. Except for the company's
5 senior...or its foreign subsidiaries and the new
6 regulatory person who has been hired out of Ontario,
7 Cash Store Financial senior management group is all
8 in Edmonton. Isn't that right?
9 A. That's correct.
- 10 16. Q. I'm going to show you a face page
11 from SEDAR. Do you know what SEDAR is?
12 A. Yes, I do.
- 13 17. Q. The face page for SEDAR...this is
14 the face page for the Cash Store Financial Services
15 Inc. that's the parent public company?
16 MR. DACKS: Mr. Staley, we have an
17 affidavit here with numerous exhibits.
18 What is the purpose of introducing that
19 document?
20 18. MR. STALEY: I am asking the witness
21 questions about the document. I have asked
22 him first if he recognizes it.
23 MR. DACKS: Yes.
- 24 19. MR. STALEY: I'm not here to answer
25 questions you may want to put to try to

- 1 BY MR. STALEY :
- 2 26. Q. And sir, I'm now going to show you a
3 copy of Cash Store Financial's annual information
4 form for the year ended September 30, 2013. Do you
5 see that? Are you familiar with that form, sir?
6 A. Yes, I am.
- 7 27. Q. Did you help in the preparation of
8 that form?
9 A. Yes, I did.
- 10 28. MR. STALEY: I'll mark that as the next
11 exhibit, Exhibit 2, please.
12
- 13 --- EXHIBIT NO. 2 : Copy of Cash Store Financial's
14 annual information form for the year
15 ended September 30, 2013
16
- 17 BY MR. STALEY :
- 18 29. Q. Now, sir, I'm just going to take you
19 through some portions of the management information
20 circular. Do you have a copy in front of you?
21 A. I have a copy of the annual
22 information form.
- 23 30. Q. Sorry, yes, I want to take you
24 through that for a second. So start on page 2. I
25 want to refer you to the paragraph that speaks to

S. Carlstrom - 10

1 the company's registered office. Do you see that?
2 A. I do.
3 31. Q. And it says there:
4 "...The registered office of the company is
5 located at Scotia Plaza, suite 2100, 40
6 King Street West..."
7 And then gives a head office address in Edmonton.
8 Do you see that?
9 A. I do.
10 32. Q. Is the registered office address as
11 set out there in Scotia Plaza the correct registered
12 office address of the company?
13 A. To the best of my knowledge, yes.
14 33. Q. And if I turn to paragraph 24 of
15 your affidavit, if you could turn that up, in
16 paragraph 24 of your affidavit you indicate
17 there...I think I'm six lines down. It's page 11 of
18 the affidavit, paragraph 24. Do you see that?
19 A. Yes, I do.
20 34. Q. You indicate there that the
21 registered office is located in Toronto. Is that
22 the address...when you swore the affidavit, did you
23 know where the registered office was in Toronto?
24 A. Just with respect to what we have
25 disclosed in our filings.

S. Carlstrom - 11

1 35. Q. So that is all you know about it, is
2 what is disclosed in the filings?
3 A. That's correct.
4 36. Q. Have you ever been to that office,
5 sir?
6 A. No, I have not.
7 37. Q. You'll agree with me, sir, that that
8 office address there is the office of Cassels Brock
9 & Blackwell. It's a law firm?
10 A. Yes.
11 38. Q. And it's not as though Cash Store
12 actually carries on business at that location. That
13 is just a registered office, a mailing address, as
14 it were?
15 A. Okay.
16 39. Q. Do you agree with me on that? As
17 far as you know, that's right?
18 A. Yes.
19 40. Q. And Cassels Brock has for years been
20 the outside legal counsel...or one of the outside
21 legal counsel to Cash Store in Canada. Is that
22 right?
23 A. Correct.
24 41. Q. And that's why you use their office
25 address as your registered office address for the

S. Carlstrom - 12

1 purposes of your corporate filings. Is that fair?
2 A. I believe so.
3 42. Q. Now, sir, if you turn ahead in the
4 document to the...I'm now in the annual information
5 form, turn ahead to page 11. There is a list there
6 of the company's directors and officers. It starts
7 on the top of page 11 and goes over to about the
8 middle of page 13.
9 A. Yes.
10 43. Q. And on the first page we see there
11 listed the company's directors, including Mr.
12 Reykdal, who is both a director and officer. Do you
13 see that on the first page?
14 A. Yes, I do.
15 44. Q. Then starting on the second page,
16 the second entry down, we get into the company's
17 officers?
18 A. Yes.
19 45. Q. Do you see that?
20 A. Yes.
21 46. Q. And putting aside for a second
22 Barret Reykdal, whose name appears on the second
23 page, which is page 12, as being involved with your
24 United Kingdom subsidiary, all of the officers
25 listed there, including the CEO, Mr. Reykdal, all

S. Carlstrom - 13

1 give as their place of residence Edmonton, Alberta?
2 A. Yes.
3 47. Q. And that's where they all live,
4 right?
5 A. I believe so.
6 48. Q. To your knowledge, that's true?
7 A. To my knowledge, that's true.
8 49. Q. You work with them day-to-day. Is
9 that right?
10 A. That's correct, I do.
11 50. Q. Now, I see a number of officers
12 listed here. How long have you been with the
13 company, sir?
14 A. I started with the company in late
15 August, 2012.
16 51. Q. Is there some reason why you're not
17 among the officers listed in this document?
18 A. It's my understanding that the
19 officers of the company are the senior vice-
20 presidents and above.
21 52. Q. I'm not asking you to tell me
22 something that's privileged, but is there any reason
23 why you ended up swearing this affidavit as opposed
24 to any of them?
25 MR. DACKS: I don't...we're not going

1 to answer that question.
 2
 3 BY MR. STALEY :
 4 53. Q. I take it, sir, that putting aside
 5 anyone who has been terminated by the company, I
 6 believe that speaks to...is it Mr. Barret Reykdal
 7 has been terminated? Has he been terminated?
 8 A. Not to my knowledge.
 9 54. Q. Okay. All of these other
 10 individuals, to your knowledge, who were listed as
 11 officers, were all available to swear an affidavit
 12 in connection with this proceeding?
 13 A. No, Mr. Michael Baker was
 14 terminated...
 15 55. Q. Mr. Baker, okay.
 16 A. ...in late 2013, and Mr. Dean Ozanne
 17 is no longer an officer of the company. He is
 18 working for the company on a contract basis.
 19 56. Q. And Mr. Gord Reykdal, he is still
 20 with the company?
 21 A. Yes, he is, I believe.
 22 57. Q. Still the CEO?
 23 A. Yes, he is.
 24 58. Q. Now, if you turn back in your
 25 affidavit to paragraph 23...

1 compliance and regulatory affairs officer, and that
 2 is Ms. McCarthy?
 3 A. Correct.
 4 65. Q. And she was hired, as I recall your
 5 press release, at the end of February of this year?
 6 A. Yes.
 7 66. Q. That's a new position?
 8 A. Yes.
 9 67. Q. Now, if I could get you, sir, to
 10 turn to your affidavit, to paragraph 6 of your
 11 affidavit, do you have that, sir?
 12 A. I do.
 13 68. Q. And in paragraph 6 you summarize
 14 information that appears later in the affidavit.
 15 You there talk about some of the challenges the
 16 company is facing. Do you see that?
 17 A. Yes, I do.
 18 69. Q. Among the things that you reference,
 19 starting four lines down, is a decision of the
 20 Ontario registrar of the Ministry of Consumer
 21 Services to refuse to issue a lender's licence to
 22 the company's subsidiaries. Do you see that?
 23 A. Yes.
 24 70. Q. And then you also reference a final
 25 determination that was made on March 27th, pursuant

1 MR. DACKS: Mr. Staley, are we finished
 2 with Exhibit 2?
 3 59. MR. STALEY: We're going to come back to
 4 it later, but on another subject.
 5
 6 BY MR. STALEY :
 7 60. Q. So sir, in paragraph 23 you set out
 8 there...there is a heading there "Chief place of
 9 business". Do you see that?
 10 A. I do.
 11 61. Q. And you there, starting in paragraph
 12 23, provide statements as to...first you say that:
 13 "...Cash Store's chief place of business is
 14 the province of Ontario..."
 15 Then you make further statements to support that
 16 assertion. Do you see that?
 17 A. I do.
 18 62. Q. Okay, and the first statement that
 19 you make to support that assertion is the presence
 20 of 176 store branches in Ontario?
 21 A. That's correct.
 22 63. Q. And then employees then follow from
 23 the fact that you have got store branches, right?
 24 A. Yes.
 25 64. Q. And then you reference the chief

1 to that earlier notice, right?
 2 A. Yes.
 3 71. Q. And you indicate at the bottom of
 4 page 6...sorry, paragraph 6, that:
 5 "...Cash Store is therefore not currently
 6 permitted to sell any payday loan products
 7 or line of credit products in Ontario..."
 8 Now, if I turn ahead in your affidavit, sir, to
 9 paragraph 93, in paragraph 93 you begin a longer
 10 discussion of regulatory issues affecting the
 11 province of Ontario. Do you see that?
 12 A. I do.
 13 72. Q. And it covers a number of pages, and
 14 by my count, the discussion there goes over to
 15 paragraph 102. Do you see that?
 16 A. Yes.
 17 73. Q. And as I understand your evidence,
 18 sir, looking at your affidavit, as a result of the
 19 regulatory developments that you describe, summarize
 20 in paragraph 6 and set out in greater detail in
 21 paragraphs 93 to 102, Cash Store can no longer sell
 22 the principal revenue-generating products that it
 23 has historically sold in the province of Ontario.
 24 Is that right?
 25 A. That's correct.

1 74. Q. And as I also understand, if I look
 2 at paragraph 100 of your affidavit, you indicate
 3 about the middle of the paragraph that:
 4 "...The company is not able reapply for an
 5 Ontario licence for 12 months from the date
 6 of issuance of the final order..."
 7 Which you indicate earlier is March 27, 2014. Do
 8 you see that?
 9 A. Yes.
 10 75. Q. So at least up until March...towards
 11 the end of March of next year, the company won't be
 12 able to carry on business in Ontario in the
 13 principal lines of business it has carried on to
 14 this point in time. Is that right?
 15 A. Unless we provide evidence to the
 16 registrar that there has been a change in
 17 circumstance. We may be able to apply sooner than
 18 that.
 19 76. Q. Okay, and I don't see that anywhere
 20 in your...I see in your affidavit a statement that
 21 you're not eligible to re-apply for 12 months. I
 22 don't see anything about changed circumstances.
 23 It's not in your affidavit, sir?
 24 A. It's in paragraph 100, about two-
 25 thirds of the way down.

1 affidavit?
 2 A. Correct.
 3 82. Q. And it has both attempted to
 4 persuade the Ontario government to allow it to do
 5 what you want, and been unsuccessful to this point.
 6 Is that fair?
 7 A. Yes.
 8 83. Q. And it has also been involved in
 9 litigation with the government that it has lost,
 10 right?
 11 A. Yes.
 12 84. Q. And so, sitting here today, barring
 13 some extraordinary change of circumstances, you're
 14 out of the business in Ontario for 12 months. You
 15 say it might happen sooner, but we don't know?
 16 A. Correct.
 17 85. Q. Now, if you could turn back to
 18 paragraph 24 of your affidavit, you indicate
 19 there...and I just...I pause to note that this is
 20 under the section of the affidavit "Chief place of
 21 business", which starts at paragraph 23.
 22 A. Yes.
 23 86. Q. Paragraph 24 you indicate that:
 24 "...For fiscal year 2013 the Ontario
 25 operations accounted for 57.6 million in

1 77. Q. It says there:
 2 "...If Cash Store chooses to re-apply for a
 3 licence after such time..."
 4 After 12 months?
 5 A. Oh, I apologize, I apologize. It is
 6 my understanding that it is possible to re-apply.
 7 I'm not an expert in the regulatory side of the
 8 business, but if circumstances have changed, it's my
 9 understanding that the Cash Store may be permitted
 10 to re-apply sooner than that.
 11 78. Q. But as it sits right now, reading
 12 your affidavit...
 13 A. Yes.
 14 79. Q. ...it's your understanding that the
 15 company has tried very hard over a number of years
 16 to get licences or permission to do what it wants in
 17 this province. Is that fair?
 18 A. I can't speak to a number of years
 19 ago.
 20 80. Q. Okay, but certainly since the time
 21 you have been with the company, the company has
 22 faced regulatory challenges in Ontario. Is that
 23 fair?
 24 A. Yes.
 25 81. Q. And those are set out in your

1 revenue, which was roughly 30 percent of
 2 Cash Store's total revenue, more than any
 3 other province..."
 4 Do you see that?
 5 A. Yes, I do.
 6 87. Q. It is fair to say, sir, that as a
 7 result of the regulatory developments that we were
 8 just talking about, the company's revenue
 9 attributable to Ontario for the current fiscal year
 10 will be significantly below historic levels. Is
 11 that fair?
 12 A. Correct, yes.
 13 88. Q. Reduced to close to nothing or
 14 very...or to very minimal levels. Is that fair?
 15 A. Yes, up until February 12th.
 16 89. Q. Right, and after February 12th,
 17 you're essentially not able to carry on business
 18 selling the key products you sold historically?
 19 A. Correct. It would just be limited
 20 to ancillary products.
 21 90. Q. Like...and what would those be?
 22 A. Money transfers, cheque cashing,
 23 sales of prepaid phone cards and things like that.
 24 91. Q. But not the money makers?
 25 A. Not our primary product offering.

1 92. Q. Not your big money makers. Where
2 you make most of your revenue, it doesn't come from
3 the ancillary products you just mentioned?

4 A. It comes from consumer lending, yes.

5 93. Q. And in fact, if I read on in
6 paragraph 24, the last sentence, you indicate there
7 that:

8 "...The impact of the court and regulatory
9 decisions has significantly curtailed Cash
10 Store's Ontario revenues..."

11 Is that fair?

12 A. That's correct, yes.

13 94. Q. So I want to go now back and have
14 you turn with me and look with me for a second again
15 at the annual information form.

16 A. Sure.

17 95. Q. And I now want to have you look with
18 me at page 3.

19 A. Okay.

20 96. Q. And I want to, for the moment, focus
21 on...there is a table in the top half of the page
22 that lists various jurisdictions. Do you see that?

23 A. I do.

24 97. Q. And a timeline for different types
25 of businesses?

1 line of credit products at that time. I think that
2 was something that the company had included in its
3 own strategic plan. So essentially the lines of
4 credit were designed to offer additional benefits
5 over and above what a payday loan could provide to a
6 customer.

7 So for the company primarily...the company
8 would benefit from a longer term relationship with
9 the customer because the line of credit was longer
10 term in nature.

11 The consumer would benefit from the
12 ability to, after demonstrating good payment
13 history, graduate into reduced cost line of credit
14 products.

15 101. Q. And this was also done in an effort
16 to devise a regime that would allow Cash Store to
17 make money but also to comply with the applicable
18 regulatory regime in the province, right?

19 A. That's correct.

20 102. Q. And you'll agree with me that
21 ultimately the issue of whether it complied went to
22 court, and there was a determination made that the
23 brokered lines of credit did not comply. Is that
24 fair?

25 A. Yes.

1 A. That's correct.

2 98. Q. And as you can see there...I want to
3 start with Ontario:

4 "...Over time the nature of the business
5 has changed province to province..."

6 Where, for example, if I look at Ontario, up until
7 January of 2012 there were brokered payday loans.
8 Then there was a period of direct lending payday
9 loans and then lines of credit brokered. Are you
10 able today to tell me why the business changed as it
11 did on these dates, as set out in the table?

12 A. Specific to Ontario?

13 99. Q. Yes, let's start...I'm just using
14 that as an example.

15 A. Yes, the biggest change you'll see
16 occurred on February 1st, 2012. That coincides with
17 when the company issued its senior secured notes,
18 purchased a portfolio of loans from third party
19 lenders and began its direct lending platform. So
20 basically transitioned from primarily being a broker
21 of loans to a direct lender of loans.

22 100. Q. And then there was a change as of
23 February 1, 2013. What happened there and why did
24 that happen?

25 A. Yes, the company launched a suite of

1 103. Q. So let's now turn ahead to paragraph
2 76 of your affidavit.

3 A. Sure.

4 104. Q. And there is a discussion starting
5 on paragraph 76 of third party lenders, and you
6 indicate in paragraph 76 that:

7 "...Cash Store has entered into written
8 business agreements with a number of third
9 party lenders who are prepared to lend cash
10 to the store's customers or to purchase
11 advances originated by Cash Store..."

12 You describe them as broker agreements. Do you see
13 that?

14 A. Yes.

15 105. Q. I'm just going to have you turn up
16 for a second the second volume of the record, and
17 I'm going to have you look at Exhibit H.

18 A. H, yes.

19 106. Q. This is one of the forms of
20 agreement you entered into with one of the third
21 party lenders. This is the agreement dated June
22 19th, 2002 between the Cash Store and...

23 MR. DACKS: 2012, Mr. Staley.

24 BY MR. STALEY :
25

1 107. Q. Sorry, '12, sorry, 2012 between
2 McCann Family Holding Corporation, my client, and
3 the Cash Store Inc.?

4 A. Yes.

5 108. Q. And are you familiar with these
6 agreements?

7 A. I am familiar, yes.

8 109. Q. The form of broker agreement is a
9 form that the Cash Store prepares, and then it seeks
10 to have the brokers adopt when they become...enter
11 into a brokering relationship...or sorry, they seek
12 to have the financiers adopt when they enter into a
13 financing arrangement with the Cash Store. Is that
14 fair?

15 A. I believe so. These...

16 MR. DACKS: Don't believe. Only answer
17 if you know.

18 THE DEPONENT: So the broker agreement
19 was signed before I started with the
20 company. I'm not sure how it was
21 negotiated.

22
23 BY MR. STALEY :

24 110. Q. Okay, you're aware that the form of
25 agreement is very similar, agreement to agreement?

1 A. Correct.

2 115. Q. And is also responsible for the
3 administration of the loan and advance, right?

4 A. That's correct, yes.

5 116. Q. And as I understand it, the two ways
6 in which the money that belongs to a third party
7 lender can be utilized is one is in the form of
8 direct advances to Cash Store's customers. Is that
9 right? So Cash Store brokers an arrangement where
10 the third party lender's money is given to the
11 customer who borrows it. Is that right?

12 A. Yes.

13 117. Q. And then the other is that sometimes
14 there are receivables that are due to the Cash Store
15 that are credited to the account of the third party
16 lender. Those are the two different ways that can
17 happen?

18 A. Yes. There also is contemplation in
19 the agreement of transfers of loans between lenders
20 and between Cash Store and the third party lenders.

21 118. Q. So there are different ways
22 that...but in each case what is happening here is
23 it's the money that belongs to the third party
24 lender that gets advanced to make a loan to
25 someone...to a third party, to a customer?

1 A. Yes.

2 111. Q. If you take a look, for example, at
3 the next tab, at I and J, that we're dealing with
4 what looks like a form agreement that is modified to
5 include the name of the financier, but otherwise
6 remains largely the same, agreement to agreement?
7 Is that fair?

8 A. Yes.

9 112. Q. Okay. So just so I can understand
10 the process here, sir, under the program, the third
11 party lender takes its money and lends its money to
12 Cash Store's customers. Is that right? Is that how
13 you understand it?

14 A. Yes. The company brokers loans on
15 behalf of customers, yes.

16 113. Q. So the money...using my example,
17 McCann Family Holding Corporation, it has money, and
18 it lends the money to one of Cash Store's customers,
19 and Cash Store acts as a broker in that arrangement,
20 right? That is how it works?

21 A. Yes.

22 114. Q. And by "broker" Cash Store
23 identifies who the lender might...or the borrower
24 might be and does the administration in connection
25 with the loan or advance, right?

1 A. Third party lenders make funds
2 available for lending to consumers.

3 119. Q. Right, and again, just so I'm clear,
4 it's the money that belongs to the third party
5 lender that gets advanced to the consumer, and Cash
6 Store acts as a broker to broker the arrangement?

7 A. That's correct.

8 120. Q. Now, if you...and just in connection
9 with the transaction that we have just described,
10 and I'm going to...let's talk about a typical
11 Ontario brokerage or a line of credit transaction as
12 they existed up until earlier this year.

13 In the arrangement that takes place where
14 you have a brokered transaction, at the time that
15 the advance is made, the Cash Store gets a payment
16 or a fee off the top. Is that right?

17 A. That's correct.

18 121. Q. So whatever the cut is that Cash
19 Store gets, it gets that cut when the advance is
20 made?

21 A. At the time the advance is made.

22 122. Q. At the time the advance is made.
23 It's really it gets paid out of the advance
24 effectively, right?

25 A. Yes, often the customer will borrow

- 1 the broker fee.
 2 123. Q. Typically that's what happens,
 3 right?
 4 A. Typically, yes.
 5 124. Q. So that basically what happens is
 6 that you...Cash Store makes sure that it gets taken
 7 care of off the top when the advance is made, and
 8 then at a later date, you have to deal with the
 9 issue of collectability, right?
 10 A. That's correct.
 11 125. Q. But off the top, Cash Store gets
 12 paid when the advance is made?
 13 A. Yes, the broker fee is due at the
 14 time of the advance.
 15 126. Q. Right, and that's one reason, for
 16 example, why Cash Store wants to continue to make
 17 advances using third party lenders' money,
 18 because...
 19 MR. DACKS: Don't answer this. I don't
 20 see how that is possibly germane. You're
 21 saying why...
 22 127. MR. STALEY: I'm going to ask the
 23 question. You can object.
 24 MR. DACKS: Okay.
 25

- 1 using third party lenders' money, every time an
 2 advance is made, Cash Store Financial will get its
 3 fee off the top when the advance is made. Isn't
 4 that correct?
 5 A. I don't know. I don't think I
 6 understand the question.
 7 131. Q. Okay. I thought we agreed that
 8 every time there is an advance made, but it's a
 9 brokered...whether it's a payday loan or a line of
 10 credit advance, Cash Store Financial gets its fee
 11 off the top when the advance is made, right?
 12 A. Yes.
 13 132. Q. And you still want to carry on...you
 14 being Cash Store want to continue to carry on
 15 business and earn fees as advances are made, right?
 16 A. The company...is the company
 17 interested in earning revenue? Is that what you're
 18 asking?
 19 133. Q. I'm trying to get you to agree with
 20 me that if you...if Cash Store is allowed to
 21 continue to use third party lenders' money to make
 22 advances, every time it makes an advance, it will
 23 earn revenue on that transaction.
 24 A. Yes.
 25 134. Q. That's right. It's simple, isn't

- 1 BY MR. STALEY :
 2 128. Q. So you agree with me, sir, that Cash
 3 Store wants to continue to make advances using third
 4 party lenders' money because the moment that the
 5 advance is made, it earns revenue on those
 6 transactions, right? Do you agree with me, sir?
 7 MR. DACKS: You can answer that
 8 question, Mr. Carlstrom.
 9 THE DEPONENT: I can't speculate on what
 10 the Cash Store wants to do.
 11
 12 BY MR. STALEY :
 13 129. Q. So let's put it this way. You agree
 14 with me that if Cash Store is allowed to continue to
 15 use third party lenders' money to make advances to
 16 customers, every time an advance is made, Cash Store
 17 Financial will collect its fee upfront in those
 18 transactions, right?
 19 A. It's not my understanding that the
 20 primary reason for...
 21 130. Q. Sir, I didn't ask you that question.
 22 I asked you a different question. So let's go with
 23 the question I asked you.
 24 You'll agree with me that if Cash Store is
 25 allowed to continue to make advances to customers

- 1 it?
 2 A. Yes. I mean, the Cash Store earns
 3 revenue by brokering advances.
 4 135. Q. Right, and so that's why it wants to
 5 keep doing that, right?
 6 A. It earns revenue when it direct
 7 lends as well.
 8 136. Q. Right, but in terms of...in
 9 connection with the third party lenders'
 10 money...let's focus on the source of the revenue.
 11 Cash Store gets paid its revenue at the moment it
 12 makes the advance, right?
 13 A. Yes, the customer borrows money and
 14 uses a portion of the money that it borrows to pay a
 15 broker fee to the company.
 16 137. Q. Right, and so as we have been
 17 discussing, the Cash Store gets paid in that
 18 transaction whether or not the money ultimately is
 19 repaid. Isn't that right?
 20 A. That's correct.
 21 138. Q. So you have no credit risk on that
 22 transaction. The credit risk is with the third
 23 party lender?
 24 A. That's correct.
 25 139. Q. Now, sir, if I could turn to the

1 broker agreement, I am looking now at Exhibit H. I
2 want to focus on the McCann agreement for a second.
3 I think the other ones have similar terms, and turn
4 to page 8 of the agreement. It's 508 of the record.

5 A. Yes.

6 140. Q. I want to look at section or article

7 2.10. Do you see that?

8 A. Yes, I do.

9 141. Q. And this clause provides:

10 "...For greater certainty, funds from time
11 to time advanced to broker from financier
12 are solely intended to be utilized for the
13 purpose of making advances to broker
14 customers on financier's behalf as
15 contemplated hereunder. Broker agrees that
16 any funds not otherwise being held by the
17 broker as a float in anticipation of loan
18 approval shall not, without the consent of
19 financier, be advanced or utilized for any
20 other purpose..."

21 Do you see that?

22 A. I do.

23 142. Q. And that...sorry, it's your
24 understanding that the funds that are advanced by
25 third party lenders, consistent with the clause that

1 capital protection, and under capital protection you
2 describe two mechanisms to protect the capital of
3 the third party lenders. Do you see that?

4 A. I do.

5 146. Q. And sir, from the time that you
6 joined the company, you saw that both of these
7 practices were applied to...in relation to the
8 affairs of third party lenders. Is that fair?

9 A. Yes.

10 147. Q. And they were applied consistently
11 month-to-month?

12 A. It's a voluntary practice, but those
13 are the principles that the company had generally
14 adhered to since I was with the company, yes.

15 148. Q. And you describe it as "a voluntary
16 practice". You'll agree with me that there was an
17 expectation on the part of the third party lenders
18 that this practice would be followed monthly. Is
19 that fair?

20 A. Yes.

21 149. Q. Okay, and that was an expectation
22 that the Cash Store itself fostered because it
23 continued to actually comply with the terms of the
24 retention payments as you describe them in paragraph
25 84?

1 I just took you to, those funds will be used solely
2 for the purpose of making further advances to
3 customers. Is that right?

4 A. Yes, as contemplated in the broker
5 agreement.

6 143. Q. It's also contemplated in the broker
7 agreement that those funds are not to be used by
8 Cash Store Financial for its own corporate purposes.
9 Is that fair? That's your understanding?

10 A. Yes.

11 144. Q. Okay. Now, sir, if you turn ahead
12 in your affidavit to paragraph 84, in paragraph 84
13 you describe...under the heading "Voluntary
14 retention payments" you describe what are
15 there...set out is what you say are:

16 "...Voluntary retention payments to third
17 party lenders in order to lessen the impact
18 of loan losses..."

19 A. Yes.

20 145. Q. And you say:
21 "...Since I have been at my role in the
22 company, the TPL funds have been managed in
23 the following manner..."

24 And there are two things that you set out. One is a
25 monthly lender distribution, and the second is

1 A. Well, with respect to item number 1
2 in paragraph 84, that was a consistent practice of
3 the company since...at least since I was there.

4 150. Q. Okay.

5 A. With respect to the second
6 paragraph, that was more of the voluntary piece.

7 151. Q. When you say "more of the voluntary
8 piece", you agree with me, sir, that the company
9 repeatedly engaged in the practice of providing
10 capital protection to the third party lenders so
11 they wouldn't lose their principal? Do you agree
12 with me?

13 A. Yes, part of the retention payments
14 are to provide for that. The company didn't
15 necessarily do it on a consistent basis.

16 152. Q. It was done less frequently as
17 opposed to monthly, whereas the monthly...

18 A. Yes, there is a normal monthly
19 practice, yes, yes, at least in...since I was with
20 the company, that's true.

21 153. Q. So just so we're clear, in terms of
22 the monthly lender distributions, to get the lenders
23 to 17 and a half percent, that was something that
24 was done monthly, right?

25 A. Correct.

1 154. Q. Right, and then the other...the
2 capital protections were done less frequently, but
3 they were done periodically, and ultimately provided
4 capital protection for the third party lenders?

5 A. Yes, to a certain extent. Again,
6 it's at the...the company does it for commercial
7 reasons and it's completely voluntary. It's really
8 the third party lenders are contractually at risk
9 for loan losses and credit risk, yes.

10 155. Q. I understand you're saying that, but
11 in terms of the expectation, if I'm a third party
12 lender, my expectation, having dealt with you for
13 the last two years, is...

14 MR. DACKS: We are not going to answer
15 questions about expectations of other
16 parties.

17 156. MR. STALEY: That's fine.

18
19 BY MR. STALEY :

20 157. Q. So you'll agree with me, sir, that
21 you consistently paid the 17 and a half percent
22 monthly?

23 A. We made distributions of the 17 and
24 a half percent monthly, yes, we did, very
25 consistently.

1 A. Yes, that's...I would agree with
2 that.

3 165. Q. Okay, and this is an e-mail from
4 February 26th, 2014, sir, and you received that at
5 the time?

6 A. Yes.

7 166. Q. And she is making some arguments to
8 you here about how the McCann family funds ought to
9 be managed, and I want to focus you for a second on
10 the third paragraph down.

11 A. Yes.

12 167. Q. And there is a reference there to 17
13 and a half percent. Do you see that?

14 A. Yes.

15 168. Q. And this e-mail is consistent with
16 the practice that Cash Store had of regularly paying
17 17 and a half percent to the third party lenders,
18 right?

19 A. Yes.

20 169. Q. And you didn't respond to say, "We
21 have no such practice or arrangement or
22 understanding." You didn't respond to that...to
23 this e-mail in any way. Am I fair in that, to your
24 knowledge?

25 A. Correct. I don't believe I

1 158. Q. Right, and you less consistently,
2 but regularly, you provided the capital protections.
3 Is that fair?

4 A. Yes, it is.

5 159. Q. If you...turn in the record to...in
6 the second volume to tab R.

7 MR. DACKS: Do you mean a third volume,
8 Mr. Staley?

9 160. MR. STALEY: I'm sorry. Mine is in 2,
10 but I'm looking at tab R.

11 MR. DACKS: Tab R, okay.

12
13 BY MR. STALEY :

14 161. Q. This is an exhibit to your
15 affidavit, sir. This is an e-mail that you got from
16 Sharon Fawcett?

17 A. Yes.

18 162. Q. And Sharon Fawcett is associated
19 with my client?

20 A. Yes.

21 163. Q. And she is someone you corresponded
22 with from time to time?

23 A. That's correct.

24 164. Q. And she is the in-house accountant,
25 if I can call her that?

1 responded to it.

2 MR. DACKS: Well, do you not believe or
3 you don't know?

4 THE DEPONENT: I don't know. I'll have
5 to check.

6
7 BY MR. STALEY :

8 170. Q. And I'm going to show you here, sir,
9 another e-mail. It isn't in the record yet. Take a
10 look at that. This is an e-mail exchange involving
11 a Brian Dimmick and Ms. Fawcett. You're on this e-
12 mail exchange as well?

13 A. Okay.

14 171. Q. Do you see that?

15 A. I do.

16 172. Q. And who is Mr. Dimmick?

17 A. He is an accountant with Cash Store
18 Financial, just an accounting clerk.

19 173. Q. So is he someone who reports to you
20 or subordinate to you? How does he fit...

21 A. Yes, he ultimately reports to me,
22 yes.

23 174. Q. And as I look at this e-mail
24 exchange, sir, this is in anticipation of the
25 payment that would be made...the monthly payment

1 that would be made at the end of March to a third
2 party lender?

3 A. Yes.

4 175. Q. And you'll agree with me, sir, that
5 there was discussion at the end of March in
6 anticipation of such payment being made?

7 A. Yes.

8 176. Q. And in fact, sir, reading the
9 exchange, one would expect...one would be led to
10 believe that the payment would, in fact, be made.
11 Is that fair?

12 MR. DACKS: We're not going to answer
13 that. What the expectation of another
14 party is is not subject to cross-
15 examination.

16 177. MR. STALEY: Fair enough.

18 BY MR. STALEY :

19 178. Q. Sir, if you look at Mr. Dimmick's e-
20 mail, there is a request here for a calculation of
21 the payment due at the end of March. Is that fair?

22 MR. DACKS: Mr. Staley, where
23 specifically are you taking that from?
24

25 BY MR. STALEY :

1 MR. DACKS: I think it's only fair, Mr.
2 Staley, to read in the date of that e-mail.

3 186. MR. STALEY: It was March 13th.

4 MR. DACKS: I am just not sure that was
5 on the record.
6

7 BY MR. STALEY :

8 187. Q. Again, if you take a look...I assume
9 that you were asking that because it was not
10 proximate to month end. If you take a look at the
11 first e-mail on the first page, do you agree with
12 me, sir, reading the March 26th e-mail from Mr.
13 Dimmick, which attaches the calculation, as I read
14 it, sir, he is intending to communicate that this
15 payment was about to be made. Is that fair?

16 MR. DACKS: Mr. Dimmick isn't here. We
17 are not going to speculate on what he was
18 intending.
19

20 BY MR. STALEY :

21 188. Q. Do you, sir, know whether at that
22 time you were communicating to third party lenders
23 that they could expect to receive the payment at the
24 end of March? Do you know that, sir?
25

A. No.

1 179. Q. Take a look at the second page:
2 "...The next disbursement will be made on
3 Friday, March 28th..."

4 A. Yes.

5 180. Q. And if I take a look, sir, at the
6 attachment to that, it contemplates, you can see, a
7 payment rate of 17.5 percent?

8 A. Yes.

9 181. Q. Do you see that?

10 A. I do.

11 182. Q. And the document...the attachment
12 that's here, this is an attachment that is generated
13 by your accounting system?

14 A. It's a spreadsheet.

15 183. Q. It's a spreadsheet. It's
16 something...but it's something...it's a spreadsheet
17 generated by Cash Store Financial?

18 A. Yes, that's correct.

19 184. Q. Again, sir, it sets out there the
20 contemplated payment of 17.5 percent, when this
21 payment would be made at the end of March. Is that
22 fair?
23

A. Yes.

24 185. Q. Was this payment ever made?

25 A. No, it was not.

1 189. Q. You don't know that, one way or
2 another?

3 A. No. We had met with the audit
4 committee after Brian sent the original e-mail on
5 March 13th. The audit committee had instructed us
6 not to make such payments without their express
7 approval.

8 190. Q. When was this advice given?

9 A. To my knowledge, March 18th. I
10 believe there was an audit committee meeting.

11 191. Q. And were you aware of that at the
12 time this e-mail...the March 26th e-mail exchange
13 takes place?

14 A. I was, yes. It...the information
15 hadn't been provided to Brian as to the audit
16 committee's wishes.

17 192. Q. And so at the time, sir, that you
18 were copied on this, you were aware that barring
19 further instruction of the audit committee, this
20 payment would not be made. Is that fair?

21 A. I was aware...I was awaiting
22 approval to make the payment from the audit
23 committee.
24

25 193. Q. And you knew that in the absence of
approval from the audit committee, the payment would

1 not be made. Is that fair?
 2 A. That was the instructions.
 3 194. Q. That was the instruction. You told
 4 us that. They said, "Don't pay it without our
 5 consent," right?
 6 A. That's correct.
 7 195. Q. Right, and so when you're copied on
 8 this e-mail from Mr. Dimmick with the March 28th
 9 calculation, you know, sir, that as things then
 10 stood there was no authority to actually make that
 11 payment. Is that right?
 12 A. I was waiting for approval.
 13 196. Q. As at that time, sir, you knew there
 14 was no authority to make the payment at the time,
 15 right?
 16 MR. DACKS: He has already answered that
 17 question, Mr. Staley.
 18 197. MR. STALEY: No, he hasn't.
 19 MR. DACKS: He said he was waiting for
 20 approval.
 21 198. MR. STALEY: That's different than
 22 saying what he knew.
 23
 24 BY MR. STALEY :
 25 199. Q. You knew at that time that you did

1 not...it's nothing I can deal with"?
 2 A. I was corresponding with the
 3 advisors to the special committee.
 4 205. Q. Right, as opposed to the McCann
 5 family interests, right? You were corresponding
 6 with people internally, not the people who were
 7 looking to see, "Am I going to get paid?" right?
 8 A. I didn't know whether the payment
 9 was going to be made. I wasn't able to answer. If
 10 I was to correspond, I wouldn't have been able to
 11 provide a concrete answer.
 12 206. MR. STALEY: Let's mark that as the next
 13 exhibit. It's 3, is it?
 14
 15 --- EXHIBIT NO. 3 : E-mail string between Brian Dimmick
 16 and Sharon Fawcett from March 13,
 17 2014 to March 26, 2014 with
 18 attachment
 19
 20 BY MR. STALEY :
 21 207. Q. I asked you when we started today if
 22 you had taken a look at Ms. Fawcett's affidavit. Do
 23 you have a copy of that affidavit handy, sir?
 24 A. I don't.
 25 208. Q. I have got an extra copy, and I'm

1 not have approval to make the payment at that time,
 2 right?
 3 MR. DACKS: You have already answered
 4 the question. You can follow up with
 5 whatever remedies you want.
 6 200. MR. STALEY: I may well.
 7
 8 BY MR. STALEY :
 9 201. Q. Sir, I take it you didn't, on seeing
 10 Mr. Dimmick's e-mail, see fit to in any way contact
 11 the McCann interests to say, "Well, hold on a
 12 second. Unless we get approval from the audit
 13 committee, we can't make this payment"?
 14 A. No, by that point in time, the
 15 special committee and the advisors to the special
 16 committee were handling the matters related to the
 17 third party lenders.
 18 202. Q. So the answer is no, you didn't do
 19 any of those things?
 20 A. I did not follow up.
 21 203. Q. And that is because somebody else
 22 was handling it?
 23 A. That's correct.
 24 204. Q. And did you see fit to say at that
 25 time, "Someone else has to handle this if it's

1 going to show you a document attached to it.
 2 MR. DACKS: We have a copy of the
 3 Fawcett affidavit.
 4 209. MR. STALEY: Okay, excellent.
 5 MR. DACKS: But that's not to mean that
 6 we can accept that you can cross-
 7 examine...this is a cross-examination on
 8 Mr. Carlstrom's affidavit, and...
 9 210. MR. STALEY: He is examinable on all
 10 issues that are relevant to the motion, and
 11 not on the four corners of the affidavit.
 12 That's first year civil procedure. So I'm
 13 not going to have this debate with you.
 14 It's ridiculous.
 15 MR. DACKS: I'm sorry you feel that way.
 16 211. MR. STALEY: It's laughable. The
 17 position you're taking is laughable.
 18 MR. DACKS: We haven't taken any
 19 positions.
 20 212. MR. STALEY: Well, you just did.
 21 MR. MERSKEY: Mr. Staley, could you
 22 clarify something. You said "the motion",
 23 and I haven't heard yet today which motion
 24 is being relied upon. Is it the motion
 25 that was previously filed before the

S. Carlstrom - 50

1 commencement of the CCAA proceeding?
 2 213. MR. STALEY: Well, certainly there is a
 3 come-back in which we're entitled to
 4 challenge the initial order and seek change
 5 to the initial order. We haven't...we may
 6 also seek other relief. It's certainly in
 7 relation to the come-back.
 8 MR. MERSKEY: And that's the purpose for
 9 the examination today?
 10 214. MR. STALEY: Yes, it is.
 11 MR. MERSKEY: Are there particular
 12 provisions of the initial order that you're
 13 seeking that relief in connection with?
 14 215. MR. STALEY: We'll get instructions on
 15 that once we finish the cross-examination.
 16 MR. MERSKEY: Okay, and I take it you'll
 17 advise the company and the stakeholders of
 18 the position you intend to take and the
 19 time at which you intend to make it?
 20 216. MR. STALEY: We will provide appropriate
 21 notice to other parties at an appropriate
 22 time.
 23 MR. MERSKEY: I'm sure. Thank you.
 24
 25 BY MR. STALEY :

S. Carlstrom - 52

1 e-mail to Mr. Zvonkovic in which she asks questions
 2 here. She says:
 3 "...On the broker agreement funds, so you
 4 keep a separate designated broker bank
 5 account for each financier, such that all
 6 of the loans made using our funds are paid
 7 from and returned to that account, as well
 8 as all related interest and fees?..."
 9 Do you see that?
 10 A. I do.
 11 224. Q. And then she asks a...she says she
 12 wants clarification, and please advise, and the
 13 response is at the top of the page. Do you see
 14 that?
 15 A. Yes.
 16 225. Q. It says:
 17 "...In the new agreement we have tried to
 18 combine all of these accounts and not
 19 having a designated broker bank account.
 20 Your funds specifically would be tracked
 21 separately by our accounting system. Hope
 22 this is okay..."
 23 Do you see that?
 24 A. Yes.
 25 226. Q. And Ms. Fawcett has testified in her

S. Carlstrom - 51

1 217. Q. So sir, you have the affidavit in
 2 front of you?
 3 A. Is this it?
 4 MR. DACKS: Yes.
 5 THE DEPONENT: Yes, I do.
 6
 7 BY MR. STALEY :
 8 218. Q. Sir, I'm going to have you turn to
 9 Exhibit 2, which is an e-mail exchange with a
 10 Michael Zvonkovic. Is that...do you know Michael
 11 Zvonkovic?
 12 A. I have met Michael, yes.
 13 219. Q. Is he still with Cash Store?
 14 A. No, he is not.
 15 220. Q. Was he your predecessor?
 16 A. Yes, he was.
 17 221. Q. And did you overlap with him at all?
 18 A. I did not.
 19 222. Q. So I'm here dealing with an e-mail
 20 exchange with...between Mr. Michael Zvonkovic and
 21 Ms. Fawcett from July of 2012. That's shortly
 22 before you joined the company?
 23 A. Yes, about a month before.
 24 223. Q. Okay, and I want to just reference
 25 the...in the middle of the page Ms. Fawcett sends an

S. Carlstrom - 53

1 affidavit that she understood that what this meant
 2 was that all of the brokered funds were in one
 3 separate broker bank account, as opposed to having
 4 separate ones for each of the third party lenders,
 5 and that that was her understanding throughout,
 6 until that notion was disabused recently.
 7 Sir, do you agree with me, sir, I don't
 8 see any document coming from you in the e-mail
 9 exchanges you have had with her that would tell her
 10 clearly that that understanding is incorrect? Is
 11 that fair?
 12 A. I don't recall having discussions
 13 with Sharon about the bank account specifically.
 14 227. Q. You don't recall that?
 15 A. No.
 16 228. Q. And I take it, until you saw this,
 17 you weren't aware of this e-mail exchange?
 18 A. No, I was not aware.
 19 229. Q. That's news to you?
 20 A. Yes.
 21 230. Q. I take it, sir, from your evidence,
 22 that, in fact, there wasn't a separate bank account
 23 established for the third party lenders, to keep
 24 their funds segregated and separate?
 25 A. No, there was not. The way it

1 worked was the third party lenders would fund into a
2 bank account, and then the company would then put
3 those funds into the various bank accounts in order
4 to enable them to deploy them to customers, and so
5 they became commingled at that point.

6 231. Q. They became commingled?
7 A. Yes.

8 232. Q. And they remain commingled until
9 today's date?
10 A. That's correct.

11 233. Q. And to what extent is your
12 accounting system able to separately track funds
13 allocated to each individual third party lender?

14 A. Yes, it's all done...we have a
15 normal monthly reconciliation process that we do on
16 a detailed basis. We send each third party lender a
17 statement and a reconciliation every month. So our
18 normal process is to do that through the accounting
19 system, and it looks like as Mike indicated in his
20 e-mail.

21 234. Q. So if I turn ahead to paragraph 177
22 of your affidavit, do you see that?
23 A. Yes.

24 235. Q. You say there in the second
25 sentence:

1 A. Well, the accounting system is able
2 to do it, but the cash management system is not set
3 up to segregate the funds.

4 239. Q. So I'm sorry, I'm a lawyer, not an
5 accountant. So the difference between accounting
6 system and cash management, explain that to me.

7 A. Yes. So the way...the accounting
8 system tracks, on an individual loan-by-loan basis
9 and payment-by-payment basis, which loans belong to
10 who, whether it's...which third party lender or
11 whether they're directly lent by Cash Store.

12 Now, when the funds are collected...there
13 are different mechanisms that we use to collect
14 funds. We use our payment processing, third party
15 provider. A customer can come in and make a payment
16 in cash or write a cheque to the company.

17 All those funds end up getting deposited
18 into centralized bank accounts and they're managed
19 by a centralized treasury process in the company.
20 In order to segregate those funds, we would have to
21 make changes to the existing process.

22 240. Q. And those would be difficult changes
23 to make. Is that fair?

24 A. I have never investigated what it
25 would take to make the changes.

1 "...Cash Store is not in a position to
2 physically segregate the TPL repayments,
3 given the manner in which such repayments
4 are made and the limitations with Cash
5 Store's cash management system..."

6 Do you see that?
7 A. Yes, I do.

8 236. Q. And you'll agree with me, sir, that
9 the broker agreements contemplate that individual
10 third party lenders can request that there be
11 separate accounts established and fund segregation.
12 Is that right?

13 A. That's right.

14 237. Q. And I take it, sir, from your
15 affidavit, that you physically aren't capable of
16 delivering on that covenant if it's requested?

17 A. To my knowledge, none of the lenders
18 had requested that clause, that there would be
19 segregated bank accounts. So there was not a
20 necessity to change our existing processes to
21 facilitate that.

22 238. Q. So the answer to my question is,
23 sitting here today, your accounting system isn't
24 able to physically do the thing that you have
25 covenanted that you would do, if requested?

1 241. Q. You are someone who is experienced
2 in...a financial, accounting professional?

3 A. Accountant, yes.

4 242. Q. You agree with me that if you had to
5 implement procedures to segregate receipts store-to-
6 store, that would be a fairly onerous exercise in
7 all of your stores? It wouldn't be easy to
8 implement. Is that fair?

9 A. I'm not sure. I haven't tried.

10 243. Q. You haven't tried. You have no
11 idea?

12 A. I don't know.

13 244. Q. You don't know, okay, Sir, turn
14 back in your affidavit to paragraph 46. In
15 paragraph 46 you describe...if I'm looking here,
16 this is the company's current assets as of December
17 31, 2013?

18 A. Yes.

19 245. Q. And there is an amount of restricted
20 cash of just about 6.4 million?

21 A. Yes.

22 246. Q. Okay, and if you turn ahead to
23 paragraph 48, which is on the same page, you say
24 there in the last sentence, last line, that as of
25 February 28th the restricted cash had climbed to

S. Carlstrom - 58

1 just under 13 million, 12.9.

2 A. Yes, that's correct.

3 247. Q. Then if I flip ahead to paragraph
4 156, you indicate in paragraph 156 that as of the
5 close of business on April 11, 2014, the total cash
6 in Cash Store's bank accounts was approximately 2.9
7 million, which includes restricted cash.

8 A. That's correct.

9 248. Q. So if you could explain to me how it
10 was you went from restricted cash at the end of
11 February of 12.96 million to 2.9 million as of
12 roughly a month and a half later?

13 A. So the concept of restricted cash is
14 an accounting concept. It doesn't mean that the
15 restricted cash is physically segregated in any way,
16 shape or form. The accounting concept is that there
17 is a contractual restriction on funds, and one of
18 those contractual restrictions that the company has
19 is with respect to the broker agreement, as we
20 talked about earlier.

21 In the case that you're referring to in
22 paragraph 156 where we talk about total cash in the
23 bank accounts of approximately 2.9 million, that
24 would have been...for accounting purposes, we would
25 have had a higher amount of restricted cash than we

S. Carlstrom - 60

1 happen very often, but it has happened a handful of
2 times since I started with the company...is that we
3 invoke the clause in the broker agreement which
4 allows the company to essentially swap direct loans
5 with the third party lenders in order to...it
6 effectively frees up the restricted cash.

7 So we transfer loans to the third party
8 lenders in exchange for the restricted cash.

9 253. Q. And is that what happened in this
10 case?

11 A. As of March 31st, no.

12 254. Q. Okay, so what happened? Let me ask
13 you this: If you look at paragraph 2.10 of the
14 broker agreement it says there that the third
15 party...

16 MR. DACKS: Mr. Staley, let the witness
17 have a chance to...yes.

18
19 BY MR. STALEY :

20 255. Q. It says there that the third party
21 financier advances are to be used for the purpose of
22 making advances to broker customers, right? We
23 talked about that already.

24 A. Correct.

25 256. Q. Were any of the amounts advanced by

S. Carlstrom - 59

1 had total cash, because it's not...restricted cash
2 is not a...it doesn't refer to an actual cash in a
3 bank account. It's merely an accounting
4 classification. It's sort of a notional concept.

5 249. Q. Okay. So it's not...you don't
6 actually have the cash available that you could
7 disburse this. This is just an accounting entry.
8 Is that what you're telling me?

9 A. The concept of restricted cash is an
10 accounting concept, yes.

11 250. Q. So are you able to tell me what the
12 amount of restricted cash was as of April...the
13 close of business on April 11, 2014?

14 A. I don't know the exact amount.

15 251. Q. Would it have been more or less than
16 the roughly 12.96 million?

17 A. More.

18 252. Q. More. If it wasn't sitting in cash,
19 in what form or how was that held or otherwise
20 recorded in the company, either...what was done with
21 that restricted cash?

22 A. The normal process, if we were in a
23 situation where restricted cash...as part of our
24 normal month-end close procedures, if restricted
25 cash is greater than total cash, then...it doesn't

S. Carlstrom - 61

1 the third party lenders used for any other purpose?

2 A. So...

3 257. Q. Including, for example, general
4 operations?

5 A. So along the same lines as the
6 lender distribution, the audit committee also
7 prevented us from going through our normal process
8 to transfer loans. That was the same timing, around
9 March 18th, you know, pending further review and
10 further consideration by the special committee.

11 We did not do a loan transfer as of March
12 31st. We typically wouldn't do that until a couple
13 of weeks after month end, as part of our normal
14 month end close procedures. Instead, the special
15 committee elected to file for CCAA.

16 258. Q. So you didn't answer...come close to
17 answering my question. My question was were any of
18 the funds advanced by third party lenders used for
19 any purpose other than making advances to customers?

20 A. As of March 31st?

21 259. Q. At any time. I'm obviously focusing
22 on what happened leading up the filing. That's what
23 I'm trying to find out right now. So tell me that.

24 A. Yes.

25 260. Q. They were used for other purposes?

1 A. Yes.
 2 261. Q. So tell me how they were used.
 3 A. Well, because the funds are
 4 commingled in our bank accounts, those same bank
 5 accounts we use for making direct advances to our
 6 customers, we also use for paying expenses of the
 7 business, overhead expenses, things like rent,
 8 payroll, accounts payable.
 9 262. Q. So just so we're clear, so some of
 10 the monies that were advanced by third party lenders
 11 to be used only for the purpose of customer
 12 borrowings were, in fact, used by Cash Store
 13 Financial for corporate purposes. Is that right?
 14 A. That is correct as of the end of
 15 March.
 16 263. Q. Right, and also correct as of the
 17 date of filing, right, for CCAA protection?
 18 A. Yes.
 19 264. Q. And that was used to pay salaries?
 20 A. Because it was commingled in the
 21 company's operating accounts, it could have been
 22 used for direct lending purposes or to pay salaries.
 23 265. Q. Salaries, outside lawyers?
 24 A. Rents.
 25 266. Q. Rent, outside lawyers, the

1 274. Q. And after filing?
 2 A. I don't know what happens after the
 3 filing.
 4 275. Q. You don't know what happens?
 5 A. So in terms of...
 6 276. Q. You don't know, seriously? You
 7 don't know? You don't know what happened after
 8 filing?
 9 MR. DACKS: After the filing, Mr.
 10 Staley, there was an initial order made.
 11 277. MR. STALEY: Yes.
 12 MR. DACKS: It set out certain TPL
 13 protections.
 14 278. MR. STALEY: Yes.
 15 MR. DACKS: And we have a monitor and a
 16 CRO and that is what has been happening.
 17 279. MR. STALEY: I'm just asking about what
 18 he knows. What he knows...it's one thing
 19 to say, "We complied with the initial
 20 order," rather than say he doesn't know.
 21
 22 BY MR. STALEY :
 23 280. Q. I'm going to ask what you know, sir.
 24 A. Let me clarify. I know that there
 25 is a number of other considerations when you file.

1 consultants, advisors, all of those things?
 2 A. To pay the company's expenses.
 3 267. Q. Which include all of those things I
 4 just mentioned?
 5 A. Correct.
 6 268. Q. Are we talking about millions of
 7 dollars here?
 8 A. Yes.
 9 269. Q. Over 10 million dollars?
 10 A. The company's monthly expenses do
 11 exceed 10 million dollars.
 12 270. Q. So of the amounts that were advanced
 13 by third party lenders to be used solely to
 14 advance...to be used solely for third party loans,
 15 how much of those monies have, to this date, been
 16 used for corporate purposes?
 17 A. I don't have an exact figure.
 18 271. Q. Can you give me a ballpark?
 19 A. No, I can't.
 20 272. Q. Is it over 10 million?
 21 A. I think it would be approximately
 22 10.
 23 273. Q. And that was done both before filing
 24 and after filing?
 25 A. Leading up to the filing.

1 I'm not an expert in CCAA. So maybe there is a
 2 different way to...
 3 MR. DACKS: If you have any specific
 4 questions post-filing, maybe you can give
 5 them to us in writing, and we can deal with
 6 them with the monitor.
 7 281. MR. STALEY: I'm sure you would. Thank
 8 you.
 9
 10 BY MR. STALEY :
 11 282. Q. Are you able to...you can't tell me,
 12 sitting here today, sir, how many millions of
 13 dollars...
 14 MR. DACKS: You have asked this question
 15 five times already. You have his answer.
 16 283. MR. STALEY: I have a he doesn't know
 17 answer, which I guess is the best I'm going
 18 to get.
 19
 20 BY MR. STALEY :
 21 284. Q. So do you agree with me, sir, that
 22 many Cash Store Financial customers are repeat
 23 customers?
 24 A. Yes.
 25 285. Q. And there are many people for whom,

1 unfortunately, they live from pay cheque to pay
2 cheque, and they seek to advance on the pay cheque
3 through your company. Is that fair?

4 A. Yes, the company lends against
5 customers' income streams.

6 286. Q. And it wouldn't be uncommon for
7 customers to get a new borrowing to replace an
8 existing borrowing when it comes due. Is that fair?

9 A. Customers are required to repay
10 their loan in full before they can take a new loan,
11 but the general cycle is a payment and a reborrow,
12 yes.

13 287. Q. So people will...the cycle is that
14 when you have a customer, the customer often comes
15 back?

16 A. Yes, anecdotally we often hear that
17 a typical customer goes through a period of six
18 borrows, I guess you could say, six cycles before
19 they move on.

20 288. Q. Well, if you take a look, for
21 example, at paragraph 175 of your affidavit, you
22 indicate there in paragraph 175 that there is likely
23 to be difficulty in collecting the Ontario loans,
24 because you can't advance new money to
25 customers...to the customers who already owe you

1 A. Yes.

2 294. Q. And there are limits on the funds it
3 has available to lend to people, to customers?

4 MR. DACKS: Perhaps you can rephrase
5 that question.

6
7 BY MR. STALEY :

8 295. Q. You, at this point, don't have new
9 sources of funding to lend to your customers?

10 A. The company is conducting its
11 lending business as business as usual.

12 296. Q. Business as usual, using the money
13 that it has available to it?

14 A. That's correct.

15 297. Q. Including the third party lenders'
16 money?

17 A. It's using the cash that is in its
18 bank accounts.

19 298. Q. Which includes third party lenders'
20 money, right?

21 A. The money is commingled.

22 299. Q. Well, whether it's commingled...we
23 agree it's commingled.

24 A. Yes.

25 300. Q. It includes third party lenders'

1 money, right?

2 A. That's right, yes.

3 289. Q. So you acknowledge that your ability
4 to lend new money to existing customers impacts your
5 ability to collect from those same customers?

6 A. That's correct.

7 290. Q. Right, and you talked about there
8 being six cycles as one thing that anecdotally
9 you're aware of?

10 A. Yes. It's multiple cycles, yes.

11 291. Q. And so just from the perspective
12 of...I'm now speaking, sir, about the prospective
13 advances that might be made, that whether or not
14 Cash Store remains in business as it is in Ontario
15 will affect its ability to actually collect monies
16 it advances, right?

17 A. That's correct.

18 292. Q. And you have indicated in paragraph
19 175 that because you're no longer able to broker new
20 loans in Ontario, it affects your collections in
21 Ontario, right?

22 A. Yes, it does.

23 293. Q. And you'll agree with me, sir, that
24 Cash Store, at this point in time, is in a
25 distressed financial situation. Is that fair?

1 money, right?

2 A. I just...I wasn't sure what you
3 were...

4 301. Q. No, I'm just trying to ask you it
5 includes third party lenders' money, right?

6 A. It includes funds that were made
7 available for third party lenders for funding to
8 consumers.

9 302. Q. Right, so that sits in your
10 accounts, commingled with the company's own
11 accounts, right?

12 A. That's correct.

13 303. Q. And so those monies are available at
14 this point in time to lend to customers, right?

15 A. That's correct.

16 304. Q. You'll agree with me that whether or
17 not Cash Store Financial remains in business as a
18 going concern remains to be determined based on what
19 happens in the CCAA ?

20 MR. DACKS: Don't answer that. We're
21 not going to speculate on what is going to
22 happen in CCAA, or whether or not it's
23 going to remain...

24
25 BY MR. STALEY :

- 1 305. Q. I think it's fair to say that by
2 filing, the company is hoping to successfully
3 restructure, right? Is that fair?
4 A. That's correct.
- 5 306. Q. And at this point, you don't know if
6 that is going to happen or not. You're hoping it
7 does, right, right?
8 A. Yes.
- 9 307. Q. And you'll agree with me, sir, that
10 if you're unsuccessful in restructuring, and have to
11 go out of business, it will affect your ability to
12 collect amounts that you have lent to people
13 already? It will be harder to collect those
14 amounts. Isn't that fair?
15 A. Yes.
- 16 308. Q. So you'll agree with me, sir, that
17 from the perspective of a third party lender whose
18 money is now at risk, the risk to the third party
19 lender today is greater than the risk was a year
20 ago. Is that fair?
21 MR. DACKS: He is not going to answer.
- 22 309. MR. STALEY: Is that fair, sir?
23 MR. DACKS: Don't answer that. We're
24 not going to speculate on a risk to a third
25 party. Perhaps you should rephrase your

- 1 definitely...if the company was to cease operating,
2 the...I think it's fair to say that they would
3 expect a lower recovery on the outstanding
4 receivables. The collection of the receivables in
5 large part depends on the branches physically
6 existing and being open.
- 7 315. Q. Okay, I think that answers my
8 question. Thank you. So turn to paragraph 132,
9 sir, of your affidavit.
10 A. Sure.
- 11 316. Q. In paragraph 32 (sic) you reference
12 requests to return funds from two third party
13 lenders. One is my client, and one is Trimor.
14 A. Yes.
- 15 317. Q. And you make reference to a
16 requirement there to provide 120 days advance notice
17 of reduced lending limits. Do you see that?
18 A. That's correct.
- 19 318. Q. And then you go on to calculate when
20 the notices take effect. Do you see that?
21 A. Yes.
- 22 319. Q. And I'm not going to debate that
23 with you, but is it my understanding, sir, from
24 reading this, that as of the date the 120 days takes
25 effect, that any third party funds attributable, for

- 1 question.
2
3 BY MR. STALEY :
- 4 310. Q. Let's try it this way. So you agree
5 with me, sir, a year ago it was Cash Store
6 Financial's practice...first off, Cash Store
7 Financial a year ago was carrying on business
8 throughout the country, right, including in Ontario?
9 A. That's correct.
- 10 311. Q. And it had an expectation that it
11 would continue to carry on business, right?
12 A. Yes.
- 13 312. Q. And the third party lender had
14 protections which included the 17 and a half percent
15 interest plus the capital protections that were in
16 place at the time, right?
17 A. Voluntary.
- 18 313. Q. Such as they were. However you want
19 to describe them, they existed, right?
20 A. Yes.
- 21 314. Q. Right, and you agree with me, sir,
22 that to the extent the company is carrying on
23 business actively, it's easier to collect fresh
24 amounts that are advanced, right?
25 A. Yes. So the collectability is

- 1 example, to my client, would be returned to my
2 client as of that date, or would you continue...
3 MR. DACKS: Well, Mr. Staley, I think
4 that's a legal question.
- 5 320. MR. STALEY: I'm asking factually,
6 because he is making factual comments about
7 when it's effective. I'm asking what their
8 intention is. I'm asking about his
9 intention.
10 MR. DACKS: Okay, then I'm going to
11 respond after.
- 12
13 BY MR. STALEY :
- 14 321. Q. Okay. Once we get to the 120 days
15 in relation to monies my client has advanced...
16 A. Yes.
- 17 322. Q. ...what do you intend to do with
18 monies allocatable to my client's advances as of the
19 120 days?
20 A. I...
21 MR. DACKS: Don't speculate, Mr.
22 Carlstrom.
23 THE DEPONENT: Okay.
- 24
25 BY MR. STALEY :

1 323. Q. Do you know what the intention is?

2 A. I believe the money is available to
3 lend to consumers in the 120-day period.

4 324. Q. After the 120-day period?

5 A. No, not after.

6 325. Q. Not after. They would stop as of
7 that date?

8 A. That's correct.

9 MR. DACKS: And Mr. Staley, I'm going to
10 put on the record that there has been a
11 CCAA filing since this affidavit was sworn.
12 It was sworn in support of a CCAA filing,
13 and the effect of that filing on your
14 question is a legal matter.

15 326. MR. STALEY: I accept that. I just
16 wanted to know what factually...based on
17 his statement in his affidavit, I wanted to
18 understand what he was saying. That's all.
19 I know there is a different set of legal
20 issues here. Subject to the refusals, that
21 completes my questions. Thank you.

22 MR. DACKS: Thank you.

23
24 CROSS-EXAMINATION BY MR. MERSKEY:

25

1 332. Q. Mr. Staley asked a few times about
2 whether cash was used for non...for purposes other
3 than being advanced for...making advances to broker
4 customers. You stated at the end of March that was
5 the case, and at the time of filing. What would
6 normally be done in those circumstances?

7 A. The normal procedure, because we
8 only measure the restricted cash once a month, as
9 part of our month-end accounting procedure, standard
10 procedure, what we have always done, at least since
11 I have been there, when we encounter a scenario
12 where the restricted cash...the computation of
13 restricted cash exceeds the total cash balance as
14 reported under U.S. GAAP, we utilize the provision
15 in the broker agreements to effectively swap loans
16 with the third party lenders to ensure that the
17 company has unrestricted cash.

18 333. Q. With the result that you would
19 not...

20 MR. STALEY: Sorry, that's a leading
21 question, by the way, just in case you're
22 asking yourself. So you should stop right
23 there.

24 334. MR. DACKS: Well, I'll ask it again.

25 MR. STALEY: Try to ask it in a non-

1 327. Q. I have a question for you, Mr.
2 Carlstrom.

3 A. Yes.

4 328. Q. Go to paragraph 80 of your affidavit
5 at page 80 of the record. At paragraph 80 you're
6 describing, as I understand it, and 81, the monthly
7 reconciliation of the restricted cash. Is that
8 correct?

9 A. Yes.

10 329. Q. And you indicate that from time to
11 time, as a process of that reconciliation, in order
12 to compensate the third party lenders, the company
13 would transfer loan receivables of its own. Is that
14 correct?

15 A. That's correct.

16 330. Q. And as far as you know, were the
17 TPLs aware of this practice?

18 A. Yes, it was disclosed to them via
19 the monthly account statements and reconciliations
20 that were provided.

21 331. MR. MERSKEY: Thank you.

22 MR. DACKS: Anyone else? Okay, well, I
23 have one question in re-examination.

24
25 RE-EXAMINATION BY MR. DACKS:

1 leading manner. You're leading the
2 witness.

3 335. MR. DACKS: I hear you. I will rephrase
4 my question.

5
6 BY MR. DACKS :

7 336. Q. What would the result be of that
8 transaction?

9 A. It's a non-cash transaction. So no
10 cash physically changes hands. It doesn't change
11 the total amount of cash in the company's bank
12 account. It's merely an accounting classification
13 determination.

14 So it doesn't actually increase the
15 company's cash by swapping loans with the third
16 party lenders. It's just an acknowledgement and an
17 accounting entry to change the classification of it
18 on the balance sheet.

19 337. MR. DACKS: That's all I have in re-
20 examination.

21 MR. STALEY: Thank you very much.

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<p>/</p> <p>/r [8] 14:1 30:21 38:16 42:15 44:18 47:5 69:23 70:21</p> <hr/> <p>1</p> <p>1 [5] 4:4 8:21,23 23:23 37:1 10 [5] 6:10 63:9,11,20,22 100 [3] 18:2,24 23:22 101 [1] 24:15 102 [3] 17:15,21 24:20 103 [1] 25:1 104 [1] 25:4 105 [1] 25:15 106 [1] 25:19 107 [1] 26:1 108 [1] 26:5 109 [1] 26:8 11 [6] 6:14 10:17 12:5,7 58:5 59:13 110 [1] 26:24 111 [1] 27:2 112 [1] 27:9 113 [1] 27:16 114 [1] 27:22 115 [1] 28:2 116 [1] 28:5 117 [1] 28:13 118 [1] 28:21 119 [1] 29:3 12 [7] 6:19 12:23 18:5,21 19:4 20: 14 26:1 12.9 [1] 58:1 12.96 [2] 58:11 59:16 120 [5] 29:8 72:16,24 73:14,19 120-day [2] 74:3,4 121 [1] 29:18 122 [1] 29:22 123 [1] 30:2 123rd [1] 8:15 124 [1] 30:5 125 [1] 30:11 126 [2] 30:15 79:2 127 [1] 30:22 128 [1] 31:2 129 [1] 31:13 12th [2] 21:15,16 13 [4] 6:22 12:8 48:16 58:1 130 [1] 31:21 131 [1] 32:7 132 [2] 32:13 72:8 133 [1] 32:19 134 [1] 32:25 135 [1] 33:4 136 [1] 33:8 137 [1] 33:16 138 [1] 33:21 139 [1] 33:25 13th [2] 44:3 45:5 14 [2] 6:24 79:1 140 [1] 34:6 141 [1] 34:9 142 [1] 34:23 143 [1] 35:6 144 [1] 35:11</p>	<p>145 [1] 35:20 146 [1] 36:5 147 [1] 36:10 148 [1] 36:15 149 [1] 36:21 14th [1] 4:10 15 [1] 7:4 150 [1] 37:4 151 [1] 37:7 152 [1] 37:16 153 [1] 37:21 154 [1] 38:1 155 [2] 38:10 79:3 156 [4] 38:17 58:4,4,22 157 [1] 38:20 158 [1] 39:1 159 [1] 39:5 16 [1] 7:10 160 [1] 39:9 161 [1] 39:14 162 [1] 39:18 163 [1] 39:21 164 [1] 39:24 165 [1] 40:3 166 [1] 40:7 167 [1] 40:12 168 [1] 40:15 169 [1] 40:20 17 [7] 7:13 37:23 38:21,23 40:12, 17 71:14 17.5 [2] 43:7,20 170 [1] 41:8 171 [1] 41:14 172 [1] 41:16 173 [1] 41:19 174 [1] 41:23 175 [4] 42:4 66:21,22 67:19 176 [3] 15:20 42:8 79:4 177 [2] 42:16 54:21 178 [1] 42:19 179 [1] 43:1 18 [1] 7:20 180 [1] 43:5 181 [1] 43:9 182 [1] 43:11 183 [1] 43:15 184 [1] 43:19 185 [1] 43:24 186 [1] 44:3 187 [2] 44:8 79:5 188 [1] 44:21 189 [1] 45:1 18th [2] 45:9 61:9 19 [1] 7:24 190 [1] 45:8 191 [1] 45:11 192 [1] 45:17 193 [1] 45:24 194 [1] 46:3 195 [1] 46:7 196 [1] 46:13 197 [1] 46:18 198 [1] 46:21 199 [2] 46:25 79:6</p>	<p>19th [1] 25:22 1st [1] 23:16</p> <hr/> <p>2</p> <p>2 [7] 4:12 9:11,13,24 15:2 39:9 51: 9 2.10 [2] 34:7 60:13 2.9 [3] 58:6,11,23 20 [1] 8:3 200 [1] 47:6 2002 [1] 25:22 201 [1] 47:9 2012 [6] 13:15 23:7,16 25:23 26:1 51:21 2013 [6] 9:4,15 14:16 20:24 23:23 57:17 2014 [7] 4:10 18:7 40:4 48:17,17 58:5 59:13 202 [1] 47:18 203 [1] 47:21 204 [1] 47:24 205 [1] 48:4 206 [1] 48:12 207 [1] 48:21 208 [1] 48:25 209 [1] 49:4 21 [1] 8:7 210 [1] 49:9 2100 [1] 10:5 211 [1] 49:16 212 [1] 49:20 213 [1] 50:2 214 [1] 50:10 215 [1] 50:14 216 [1] 50:20 217 [1] 51:1 218 [1] 51:8 219 [1] 51:13 22 [1] 8:11 220 [1] 51:15 221 [1] 51:17 222 [1] 51:19 223 [1] 51:24 224 [1] 52:11 225 [1] 52:16 226 [1] 52:25 227 [1] 53:14 228 [1] 53:16 229 [1] 53:19 23 [5] 8:14 14:25 15:7,12 20:21 230 [1] 53:21 231 [1] 54:6 232 [1] 54:8 233 [1] 54:11 234 [1] 54:21 235 [1] 54:24 236 [1] 55:8 237 [1] 55:14 238 [1] 55:22 239 [1] 56:4 24 [7] 8:17 10:14,16,18 20:18,23 22:6 240 [1] 56:22 241 [1] 57:1</p>	<p>242 [1] 57:4 243 [1] 57:10 244 [1] 57:13 245 [1] 57:19 246 [1] 57:22 247 [1] 58:3 248 [1] 58:9 249 [1] 59:5 25 [1] 8:20 250 [1] 59:11 251 [1] 59:15 252 [1] 59:18 253 [1] 60:9 254 [1] 60:12 255 [1] 60:20 256 [1] 60:25 257 [1] 61:3 258 [1] 61:16 259 [1] 61:21 26 [2] 9:2 48:17 260 [1] 61:25 261 [1] 62:2 262 [1] 62:9 263 [1] 62:16 264 [1] 62:19 265 [1] 62:23 266 [1] 62:25 267 [1] 63:3 268 [1] 63:6 269 [1] 63:9 26th [3] 40:4 44:12 45:12 27 [2] 9:7 18:7 270 [1] 63:12 271 [1] 63:18 272 [1] 63:20 273 [1] 63:23 274 [1] 64:1 275 [1] 64:4 276 [1] 64:6 277 [1] 64:11 278 [1] 64:14 279 [1] 64:17 27th [1] 16:25 28 [1] 9:10 280 [1] 64:23 281 [1] 65:7 282 [1] 65:11 283 [1] 65:16 284 [1] 65:21 285 [1] 65:25 286 [1] 66:6 287 [1] 66:13 288 [1] 66:20 289 [1] 67:3 28th [3] 43:3 46:8 57:25 29 [1] 9:18 290 [1] 67:7 291 [1] 67:11 292 [1] 67:18 293 [1] 67:23 294 [1] 68:2 295 [1] 68:8 296 [1] 68:12 297 [1] 68:15</p>
--	--	---	---

ProDEX Transcript Indexing by ETS Inc.

298 [1] 68:19	46 [3] 12:21 57:14,15	91 [1] 21:24	affairs [2] 16:1 36:8
299 [1] 68:22	47 [2] 13:3 79:6	92 [1] 22:1	affect [2] 67:15 70:11
3	48 [2] 13:6 57:23	93 [4] 17:9,9,21 22:5	affecting [1] 17:10
3 [4] 4:15 22:18 48:13,15	49 [1] 13:8	94 [1] 22:13	affects [1] 67:20
30 [5] 9:4,15,23 21:1 79:2	5	95 [1] 22:17	affidavit [47] 4:7,9,12,15 5:5,7,25
300 [1] 68:25	5 [1] 5:4	96 [1] 22:20	6:25 7:17 8:6 10:15,16,18,22 13:
301 [1] 69:4	5.7 [2] 5:13,14	97 [1] 22:24	23 14:11,25 16:10,11,14 17:8,18
302 [1] 69:9	50 [1] 13:11	98 [1] 23:2	18:2,20,23 19:12 20:1,18,20 25:2
303 [1] 69:13	508 [1] 34:4	99 [1] 23:13	35:12 39:15 48:22,23 49:3,8,11
304 [2] 69:16 79:7	51 [1] 13:16	A	51:1 53:1 54:22 55:15 57:14 66:
305 [1] 70:1	52 [2] 13:21 79:1	a...it [1] 59:2	21 72:9 74:11,17 75:4
306 [1] 70:5	53 [1] 14:4	a...she [1] 52:11	affidavits [3] 5:22 6:2,8
307 [1] 70:9	54 [1] 14:9	ability [6] 4:13 24:12 67:3,5,15 70:	affirmed [1] 5:18
308 [2] 70:16 79:8	55 [1] 14:15	11	ago [4] 19:19 70:20 71:5,7
309 [1] 70:22	56 [3] 5:9,10 14:19	able [13] 18:4,12,17 21:17 23:10	agree [26] 11:7,16 24:20 31:2,6,13,
31 [2] 10:3 57:17	57 [1] 14:22	48:9,10 54:12 55:24 56:1 59:11	24 32:19 36:16 37:8,11 38:20 40:
31.3 [1] 5:11	57.6 [1] 20:25	65:11 67:19	1 42:4 44:11 53:7 55:8 57:4 65:21
310 [1] 71:4	58 [1] 14:24	above [2] 13:20 24:5	67:23 68:23 69:16 70:9,16 71:4,
311 [1] 71:10	59 [1] 15:3	absence [1] 45:24	21
312 [1] 71:13	6	accept [2] 49:6 74:15	agreed [1] 32:7
313 [1] 71:18	6 [5] 5:17 16:10,13 17:4,20	account [11] 28:15 52:5,7,19 53:3,	agreement [21] 25:20,21 26:8,18,
314 [1] 71:21	6...sorry [1] 17:4	13,22 54:2 59:3 75:19 77:12	25,25,25 27:4,6,6 28:19 34:1,2,4
315 [1] 72:7	6.4 [2] 5:12 57:20	accountant [4] 39:24 41:17 56:5	35:5,7 52:3,17 58:19 60:3,14
316 [1] 72:11	60 [1] 15:7	57:3	agreements [5] 25:8,12 26:6 55:9
317 [1] 72:15	61 [1] 15:11	accounted [1] 20:25	76:15
318 [1] 72:19	62 [1] 15:18	accounting [19] 41:18 43:13 52:	agrees [1] 34:15
319 [1] 72:22	63 [1] 15:22	21 54:12,18 55:23 56:1,5,7 57:2	ahead [9] 8:8 12:3,5 17:8 25:1 35:
31st [3] 60:11 61:12,20	64 [1] 15:25	58:14,16,24 59:3,7,10 76:9 77:12,	11 54:21 57:22 58:3
32 [2] 10:10 72:11	65 [1] 16:4	17	alberta [2] 6:20 13:1
320 [1] 73:5	66 [1] 16:7	accounts [14] 52:18 54:3 55:11,19	allocatable [1] 73:18
321 [1] 73:14	67 [1] 16:9	56:18 58:6,23 62:4,5,8,21 68:18	allocated [1] 54:13
322 [1] 73:17	68 [1] 16:13	69:10,11	allow [2] 20:4 24:16
323 [1] 74:1	69 [2] 16:18 79:7	accrued [1] 5:11	allowed [3] 31:14,25 32:20
324 [1] 74:4	7	accurate [1] 4:17	allows [1] 60:4
325 [1] 74:6	7 [1] 5:21	acknowledge [1] 67:3	already [6] 46:16 47:3 60:23 65:15
326 [1] 74:15	70 [2] 16:24 79:8	acknowledgement [1] 77:16	66:25 70:13
327 [1] 75:1	71 [1] 17:3	act [1] 4:5	among [3] 4:7 13:17 16:18
328 [1] 75:4	72 [1] 17:13	actively [1] 71:23	amount [6] 5:12 57:19 58:25 59:
329 [1] 75:10	73 [1] 17:17	acts [2] 27:19 29:6	12,14 77:11
33 [1] 10:14	74 [1] 18:1	actual [1] 59:2	amounts [5] 60:25 63:12 70:12,14
330 [1] 75:16	75 [1] 18:10	actually [6] 11:12 36:23 46:10 59:	71:24
331 [1] 75:21	76 [4] 18:19 25:2,5,6	6 67:15 77:14	ancillary [2] 21:20 22:3
332 [1] 76:1	77 [1] 19:1	additional [1] 24:4	anecdotally [2] 66:16 67:8
333 [1] 76:18	78 [1] 19:11	address [9] 8:14,18 10:7,10,12 11:	annual [5] 9:3,14,21 12:4 22:15
334 [1] 76:24	79 [1] 19:14	8,13,25,25	another [4] 15:4 41:9 42:13 45:2
335 [1] 77:3	8	address...when [1] 10:22	answer [17] 7:24 8:4 14:1 26:16
336 [1] 77:7	8 [2] 6:1 34:4	adhered [1] 36:14	30:19 31:7 38:14 42:12 47:18 48:
337 [1] 77:19	80 [4] 19:20 75:4,5,5	administration [2] 27:24 28:3	9,11 55:22 65:15,17 69:20 70:21,
34 [1] 10:20	81 [2] 19:25 75:6	adopt [2] 26:10,12	23
35 [1] 11:1	82 [1] 20:3	advance [22] 27:25 28:3 29:15,19,	answer...come [1] 61:16
36 [1] 11:4	83 [1] 20:8	21,22,23 30:7,12,14 31:5,16 32:2,	answer...have [1] 6:1
37 [1] 11:7	84 [5] 20:12 35:12,12 36:25 37:2	3,8,10,11,22 33:12 66:2,24 72:16	answered [2] 46:16 47:3
38 [2] 11:11 79:3	85 [1] 20:17	advance...to [1] 63:14	answering [1] 61:17
39 [1] 11:16	86 [1] 20:23	advanced [12] 28:24 29:5 34:11,	answers [2] 8:1 72:7
4	87 [1] 21:6	19,24 60:25 61:18 62:10 63:12 71:	anticipation [3] 34:17 41:24 42:6
4 [1] 4:20	88 [1] 21:13	24 73:15 76:3	apart [1] 5:5
40 [2] 10:5 11:19	89 [1] 21:16	advances [19] 25:11 28:8 30:17	apologize [2] 19:5,5
41 [1] 11:24	9	31:3,15,25 32:15,22 33:3 34:13	appears [2] 12:22 16:14
42 [2] 12:3 79:4	9 [1] 6:6	35:2 60:21,22 61:19 62:5 67:13,	applicable [1] 24:17
43 [1] 12:10	90 [1] 21:21	16 73:18 76:3	applied [2] 36:7,10
44 [2] 12:15 79:5		advice [1] 45:8	apply [1] 18:17
45 [1] 12:19		advise [2] 50:17 52:12	appropriate [2] 50:20,21
		advisors [3] 47:15 48:3 63:1	approval [3] 34:18 45:7,22,25 46:

by ETS Inc.

<p>approximately [3] 58:6,23 63:21 april [3] 4:9 58:5 59:13 april...the [1] 59:12 aren't [1] 55:15 arguments [1] 40:7 around [1] 61:8 arrangement [6] 26:13 27:19 28:9 29:6,13 40:21 article [1] 34:6 aside [2] 12:21 14:4 asks [2] 52:1,11 assertion [2] 15:16,19 assets [1] 57:16 associated [1] 39:18 assume [1] 44:8 attached [1] 49:1 attaches [1] 44:13 attachment [4] 43:6,11,12 48:18 attempted [1] 20:3 attributable [2] 21:9 72:25 audit [9] 45:3,5,10,15,19,22,25 47:12 61:6 august [1] 13:15 authority [2] 46:10,14 available [6] 14:11 29:2 59:6 68:3,13 69:7,13 74:2 avenue [1] 8:15 awaiting [1] 45:21 aware [10] 5:21,24,25 26:24 45:11,18 53:17,18 67:9 75:17 aware...I [1] 45:21</p> <hr/> <p style="text-align: center;">B</p> <hr/> <p>back [6] 14:24 15:3 20:17 22:13 57:14 66:15 baker [2] 14:13,15 balance [2] 76:13 77:18 ballpark [1] 63:18 bank [16] 52:4,19 53:3,13,22 54:2,3 55:19 56:18 58:6,23 59:3 62:4,4 68:18 77:11 barret [2] 12:22 14:6 barring [2] 20:12 45:18 based [1] 69:18 basically [2] 23:20 30:5 basis [5] 14:18 37:15 54:16 56:8,9 became [2] 54:5,6 become...enter [1] 26:10 been...for [1] 58:24 began [1] 23:19 begin [1] 17:9 behalf [3] 5:22 27:15 34:14 belief [1] 5:6 believe [15] 4:16,19 5:13 6:13 12:2 13:5 14:6,21 26:15,16 40:25 41:2 42:10 45:10 74:2 belong [1] 56:9 belongs [3] 28:6,23 29:4 below [1] 21:10 benefit [2] 24:8,11 benefits [1] 24:4 best [4] 4:13 5:6 10:13 65:17 between [6] 25:22 26:1 28:19,20 56:5 78:3</p>	<p>big [1] 22:1 biggest [1] 23:15 blackwell [1] 11:9 borrow [1] 29:25 borrower [1] 27:23 borrowing [2] 66:7,8 borrowings [1] 62:12 borrows [4] 28:11 33:13,14 66:18 both [6] 6:10,12 12:12 20:3 36:6 63:23 bottom [1] 17:3 branches [3] 15:20,23 72:5 brian [4] 41:11 45:4,15 78:3 brock [2] 11:8,19 broker [30] 23:20 25:12 26:8,18 27:19,22 29:6,6 30:1,13 33:15 34:1,11,13,15,17 35:4,6 52:3,4,19 53:3 55:9 58:19 60:3,14,22 67:19 76:3,15 brokerage [1] 29:11 brokered [5] 23:7,9 24:23 29:14 53:2 brokered...whether [1] 32:9 brokering [2] 26:11 33:3 brokers [3] 26:10 27:14 28:9 brought [1] 4:24 business [25] 11:12 15:9,13 18:12,13 19:8 20:14,21 21:17 23:4,10 25:8 32:15 58:5 59:13 62:7 67:14 68:11,11,12 69:17 70:11 71:7,11,23 businesses [1] 22:25</p> <hr/> <p style="text-align: center;">C</p> <hr/> <p>calculate [1] 72:19 calculation [3] 42:20 44:13 46:9 call [1] 39:25 canada [1] 11:21 capable [1] 55:15 capital [8] 36:1,1,2 37:10 38:2,4 39:2 71:15 cards [1] 21:23 care [1] 30:7 carlstrom [5] 4:1,4 31:8 73:22 75:2 carlstrom's [1] 49:8 carried [1] 18:13 carries [1] 11:12 carry [5] 18:12 21:17 32:13,14 71:11 carrying [2] 71:7,22 case [5] 28:22 58:21 60:10 76:5,21 cash [10] 4:8 7:7,14 8:12 9:3 11:11,21 15:13 17:5,21 19:2,9 21:2 22:9 24:16 25:7,9,11,22 26:3,9,13 27:12,18,19,22 28:8,9,14,20 29:5,15,18 30:11,16 31:2,10,14,16,24 32:2,10,14,20 33:2,11,17 35:8 36:22 40:16 41:17 43:17 51:13 55:1,4,5 56:2,6,11,16 57:20,25 58:5,6,7,10,13,15,22,25 59:1,1,2,6,9,12,18,21,25,25 60:6,8 62:12 65:22 67:14,24 68:17 69:17 71:5,6 75:7 76:2,8,13,13,17 77:10,11,15 78:1,2</p>	<p>cash...as [1] 59:23 cash...the [1] 76:12 cashing [1] 21:22 cassels [2] 11:8,19 ccaa [9] 4:8 50:1 61:15 62:17 65:1 69:19,22 74:11,12 cease [1] 72:1 centralized [2] 56:18,19 ceo [2] 12:25 14:22 certain [2] 38:5 64:12 certainly [3] 19:20 50:2,6 certainty [1] 34:10 challenge [1] 50:4 challenges [2] 16:15 19:22 chance [2] 6:4 60:17 change [8] 18:16 20:13 23:15,22 50:4 55:20 77:10,17 changed [4] 18:22 19:8 23:5,10 changes [4] 56:21,22,25 77:10 check [1] 41:5 cheque [5] 21:22 56:16 66:1,2,2 chief [4] 15:8,13,25 20:20 chooses [1] 19:2 circular [1] 9:20 circumstance [1] 18:17 circumstances [4] 18:22 19:8 20:13 76:6 civil [1] 49:12 clarification [1] 52:12 clarify [2] 49:22 64:24 classification [3] 59:4 77:12,17 clause [4] 34:9,25 55:18 60:3 clear [3] 29:3 37:21 62:9 clearly [1] 53:10 clerk [1] 41:18 client [7] 5:22 26:2 39:19 72:13 73:1,2,15 client's [1] 73:18 climbed [1] 57:25 close [6] 21:13 58:5 59:13,24 61:14,16 coincides [1] 23:16 collect [7] 31:17 56:13 67:5,15 70:12,13 71:23 collectability [2] 30:9 71:25 collected...there [1] 56:12 collecting [1] 66:23 collection [1] 72:4 collections [1] 67:20 combine [1] 52:18 come [3] 15:3 22:2 56:15 come-back [2] 50:3,7 comes [3] 22:4 66:8,14 coming [1] 53:8 commencement [1] 50:1 comments [1] 73:6 commercial [1] 38:6 commingled [8] 54:5,6,8 62:4,20 68:21,23 69:10 commingled...we [1] 68:22 committee [13] 45:4,5,10,19,23,25 47:13,15,16 48:3 61:6,10,15 committee's [1] 45:16 communicate [1] 44:14</p>	<p>communicating [1] 44:22 company [50] 7:15 10:4,12 13:13,14,19 14:5,17,18,20 16:16 18:4,11 19:15,21,21 23:17,25 24:2,7,7 26:20 27:14 32:16 33:15 35:22 36:6,13,14 37:3,8,14,20 38:6 50:17 51:22 54:2 56:16,19 58:18 59:20 60:4 66:3,4 68:10 70:2 71:22 72:1 75:12 76:17 company's [15] 7:4 8:17 10:1 12:6,11,16 16:22 21:8 57:16 62:21 63:2,10 69:10 77:11,15 company...is [2] 32:16 60:2 compensate [1] 75:12 completely [1] 38:7 completes [1] 74:21 compliance [1] 16:1 complied [2] 24:21 64:19 comply [3] 24:17,23 36:23 computation [1] 76:12 concept [6] 58:13,14,16 59:4,9,10 concern [1] 69:18 concrete [1] 48:11 conducting [1] 68:10 connection [5] 14:12 27:24 29:8 33:9 50:13 consent [2] 34:18 46:5 consideration [1] 61:10 considerations [1] 64:25 consistent [4] 34:25 37:2,15 40:15 consistently [4] 36:10 38:21,25 39:1 consultants [1] 63:1 consumer [4] 16:20 22:4 24:1 29:5 consumers [3] 29:2 69:8 74:3 contact [1] 47:10 contemplate [1] 55:9 contemplated [4] 34:15 35:4,6 43:20 contemplates [1] 43:6 contemplation [1] 28:18 continue [8] 30:16 31:3,14,25 32:14,21 71:11 73:2 continued [1] 36:23 contract [1] 14:18 contractual [2] 58:17,18 contractually [1] 38:8 copied [2] 45:18 46:7 copy [7] 9:3,20,21 48:23,25 49:2 78:2 corners [1] 49:11 corporate [4] 12:1 35:8 62:13 63:16 corporation [2] 26:2 27:17 correct [5] 14:17 5:8 7:9 8:19 10:11 11:3,23 13:10 15:21 16:3 17:25 20:2,16 21:12,19 22:12 23:1 24:19 28:1,4 29:7,17 30:10 32:4 33:20,24 37:25 39:23 40:25 43:18 46:6 47:23 54:10 58:2,8 60:24 62:14,16 63:5 67:6,17 68:14 69:12,15 70:4 71:9 72:18 74:8 75:8,14,</p>
--	--	---	--

<p>15 correspond [1] 48:10 corresponded [1] 39:21 corresponding [2] 48:2,5 cost [1] 24:13 counsel [1] 11:21 counsel...or [1] 11:20 count [1] 17:14 country [1] 71:8 county [1] 6:25 couple [1] 61:12 court [2] 22:8 24:22 covenant [1] 55:16 covenanted [1] 55:25 covers [1] 17:13 credit [12] 17:7 23:9 24:1,4,9,13, 23 29:11 32:10 33:21,22 38:9 credited [1] 28:15 cro [1] 64:16 cross [2] 42:14 49:6 cross-examination [6] 4:2 6:20 8:5 49:7 50:15 74:24 current [2] 21:9 57:16 currently [1] 17:5 curtailed [1] 22:9 customer [11] 24:6,9 28:11,25 29: 25 33:13 56:15 62:11 66:14,14,17 customers [24] 25:10 27:12,15,18 28:8 31:16,25 34:14 35:3 54:4 60: 22 61:19 62:6 65:22,23 66:7,9,25 67:4,5 68:3,9 69:14 76:4 customers' [1] 66:5 customers...to [1] 66:25 cut [2] 29:18,19 cycle [2] 66:11,13 cycles [3] 66:18 67:8,10</p> <hr/> <p style="text-align: center;">D</p> <p>dacks [52] 4:23 5:9 7:16,23 8:2,5,8 13:25 15:1 25:23 26:16 30:19,24 31:7 38:14 39:7,11 41:2 42:12,22 44:1,4,16 46:16,19 47:3 49:2,5,15, 18 51:4 60:16 64:9,12,15 65:3,14 68:4 69:20 70:21,23 73:3,10,21 74:9,22 75:22,25 76:24 77:3,6,19 date [9] 18:5 30:8 44:2 54:9 62:17 63:15 72:24 73:2 74:7 dated [1] 25:21 dates [1] 23:11 day-to-day [1] 13:8 days [4] 72:16,24 73:14,19 deal [3] 30:8 48:1 65:5 dealing [2] 27:3 51:19 dealt [1] 38:12 dean [1] 14:16 debate [2] 49:13 72:22 december [1] 57:16 decision [1] 16:19 decisions [1] 22:9 definitely...if [1] 72:1 delivering [1] 55:16 demonstrating [1] 24:12 depends [1] 72:5 deploy [1] 54:4</p>	<p>deponent [6] 5:10 26:18 31:9 41:4 51:5 73:23 deposited [1] 56:17 describe [7] 17:19 25:12 35:14 36: 2,15,24 71:19 describe...if [1] 57:15 describe...under [1] 35:13 described [1] 29:9 describing [1] 75:6 designated [2] 52:4,19 designed [1] 24:4 detail [3] 6:5,7 17:20 detailed [1] 54:16 determination [3] 16:25 24:22 77: 13 determined [1] 69:18 developments [2] 17:19 21:7 devise [1] 24:16 difference [1] 56:5 different [8] 22:24 28:16,21 31:22 46:21 56:13 65:2 74:19 difficult [1] 56:22 difficulty [1] 66:23 dimnick [6] 41:11,16 44:13,16 46: 8 78:3 dimnick's [2] 42:19 47:10 direct [8] 23:8,19,21 28:8 33:6 60: 4 62:5,22 directly [1] 56:11 director [1] 12:12 directors [2] 12:6,11 disabused [1] 53:6 disburse [1] 59:7 disbursement [1] 43:2 disclosed [3] 10:25 11:2 75:18 discussing [1] 33:17 discussion [4] 17:10,14 25:4 42:5 discussions [1] 53:12 distressed [1] 67:25 distribution [2] 35:25 61:6 distributions [2] 37:22 38:23 document [7] 19:21 12:4 13:17 49:1 53:8 document...the [1] 43:11 doing [1] 33:5 dollars [4] 63:7,9,11 65:13 don't...we're [1] 13:25 done [9] 24:15 37:16,24 38:2,3 59: 20 63:23 76:6,10 done...we [1] 54:14 down [5] 10:17 12:16 16:19 18:25 40:10 due [5] 5:12 28:14 30:13 42:21 66: 8</p> <hr/> <p style="text-align: center;">E</p> <p>e-mail [21] 39:15 40:3,15,23 41:9, 10,23 44:2,11,12 45:4,12 46:8 47: 10 51:9,19 52:1 53:8,17 54:20 78: 3 e-mail...the [1] 45:12 each [5] 28:22 52:5 53:4 54:13,16 earlier [7] 4:24 5:21 6:3 17:1 18:7 29:12 58:20</p>	<p>earn [2] 32:15,23 earning [1] 32:17 earns [3] 31:5 33:2,6 easier [1] 71:23 easy [1] 57:7 edmonton [6] 7:1,3,8 8:15 10:7 13:1 effect [3] 72:20,25 74:13 effective [1] 73:7 effectively [3] 29:24 60:6 76:15 effort [1] 24:15 either [2] 6:2,8 either...what [1] 59:20 elected [1] 61:15 eligible [1] 18:21 employees [1] 15:22 enable [1] 54:4 encounter [1] 76:11 end [14] 16:5 18:11 42:1,5,21 43: 21 44:10,24 56:17 58:10 61:13,14 62:14 76:4 ended [3] 9:4,15 13:23 engaged [1] 37:9 enough [1] 42:16 ensure [1] 76:16 enter [1] 26:12 entered [2] 25:7,20 entitled [1] 50:3 entry [3] 12:16 59:7 77:17 error [1] 5:4 essentially [3] 21:17 24:3 60:4. established [2] 53:23 55:11 evidence [3] 17:17 18:15 53:21 exact [2] 59:14 63:17 examinable [1] 49:9 examination [3] 42:15 50:9 77:20 examine...this [1] 49:7 example [8] 23:6,14 27:2,16 30:16 61:3 66:21 73:1 exceed [1] 63:11 exceeds [1] 76:13 excellent [1] 49:4 except [1] 7:4 exchange [9] 41:10,12,24 42:9 45: 12 51:9,20 53:17 60:8 exchanges [1] 53:9 exercise [1] 57:6 exhibit [13] 8:21,21,23 9:11,11,13 15:2 25:17 34:1 39:14 48:13,15 51:9 exhibits [1] 7:17 existed [2] 29:12 71:19 existing [5] 55:20 56:21 66:8 67:4 72:6 expect [2] 44:23 72:3 expect...one [1] 42:9 expectation [6] 36:17,21 38:11,12 42:13 71:10 expectations [1] 38:15 expenses [4] 62:6,7 63:2,10 experienced [1] 57:1 expert [2] 19:7 65:1 explain [2] 56:6 58:9 express [1] 45:6</p>	<p>extent [3] 38:5 54:11 71:22 extra [1] 48:25 extraordinary [1] 20:13</p> <hr/> <p style="text-align: center;">F</p> <p>face [5] 7:10,13,14 8:11 78:1 faced [1] 19:22 facilitate [1] 55:21 facing [1] 16:16 fact [6] 15:23 22:5 42:8,10 53:22 62:12 factual [1] 73:6 factually [1] 73:5 factually...based [1] 74:16 fair [36] 12:1 19:17,23 20:6 21:6,11, 14 22:11 24:24 26:14 27:7 35:9 36:8,19 39:3 40:23 42:11,16,21 43:22 44:1,15 45:20 46:1 53:11 56:23 57:8 66:3,8 67:25 70:1,3,14, 20,22 72:2 fairly [1] 57:6 familiar [3] 9:5 26:5,7 family [5] 4:5 26:2 27:17 40:8 48:5 far [2] 11:17 75:16 fawcett [9] 5:23 39:16,18 41:11 48: 16 49:3 51:21,25 52:25 fawcett's [1] 48:22 february [9] 16:5 21:15,16 23:16, 23 40:4 57:25 58:11 fee [7] 29:16 30:1,13 31:17 32:3,10 33:15 feel [1] 49:15 fees [2] 32:15 52:8 few [1] 76:1 figure [1] 63:17 file [2] 61:15 64:25 filed [1] 49:25 filing [14] 61:22 62:17 63:23,24,25 64:1,3,8,9 70:2 74:11,12,13 76:5 filings [3] 10:25 11:2 12:1 final [2] 16:24 18:6 financial [17] 4:8 7:7,14 8:12,24 31:17 32:2,10 35:8 41:18 43:17 57:2 62:13 65:22 67:25 69:17 71: 7 financial's [3] 9:3 71:6 78:2 financier [5] 27:5 34:11,19 52:5 60:21 financier's [1] 34:14 financiers [1] 26:12 financing [1] 26:13 find [3] 4:21 5:1 61:23 fine [1] 38:17 finish [1] 50:15 finished [1] 15:1 firm [1] 11:9 first [8] 7:22 8:21 12:10,13 15:18 44:11,11 49:12 fiscal [2] 20:24 21:9 fit [3] 41:20 47:10,24 five [1] 65:15 flew [1] 6:19 flip [1] 58:3 float [1] 34:17</p>
---	---	--	---

<p>focus [4] 22:20 33:10 34:2 40:9 focusing [1] 61:21 follow [3] 15:22 47:4,20 followed [1] 36:18 following [1] 35:23 for...making [1] 76:3 foreign [1] 7:5 form [14] 9:4,5,8,14,22 12:5 22:15 26:8,9,24 27:4 28:7 58:16 59:19 forms [1] 25:19 forward [1] 4:24 fostered [1] 36:22 four [2] 16:19 49:11 frees [1] 60:6 frequently [2] 37:16 38:2 fresh [1] 71:23 friday [1] 43:3 front [3] 4:9 9:20 51:2 full [1] 66:10 fund [2] 54:1 55:11 funding [2] 68:9 69:7 fun [27] 29:1 34:10,16,24 35:1,7, 22 40:8 52:3,6,20 53:2,24 54:3,12 56:3,12,14,17,20 58:17 61:18 62: 3 68:2 69:6 72:12,25 further [6] 5:17 15:15 35:2 45:19 61:9,10</p> <hr/> <p style="text-align: center;">G</p> <p>gaap [1] 76:14 general [3] 6:15 61:3 66:11 generally [1] 36:13 generated [2] 43:12,17 germane [1] 30:20 gets [11] 28:24 29:5,15,19,19,23 30:6,11 32:10 33:11,17 getting [1] 56:17 give [3] 13:1 63:18 65:4 given [3] 28:10 45:8 55:3 gives [1] 10:7 gord [1] 14:19 got [4] 6:15 15:23 39:15 48:25 government [2] 20:4,9 graduate [1] 24:13 greater [4] 17:20 34:10 59:25 70: 19 group [1] 7:7 guess [2] 65:17 66:18</p> <hr/> <p style="text-align: center;">H</p> <p>half [3] 22:21 37:23 38:21,24 40:13, 17 58:12 71:14 handful [1] 60:1 handle [1] 47:25 handling [2] 47:16,22 hands [1] 77:10 handy [1] 48:23 happen [6] 20:15 23:24 28:17 60: 1 69:22 70:6 happened [6] 23:23 60:1,9,12 61: 22 64:7 happening [2] 28:22 64:16 happens [5] 30:2,5 64:2,4 69:19 hard [1] 19:15</p>	<p>harder [1] 70:13 haven't...we [1] 50:5 head [3] 8:14,17 10:7 heading [2] 15:8 35:13 hear [2] 66:16 77:3 heard [1] 49:23 held [2] 34:16 59:19 help [2] 8:1 9:7 hereunder [1] 34:15 higher [1] 58:25 hired [2] 7:6 16:4 historic [1] 21:10 historically [2] 17:23 21:18 history [1] 24:13 hold [1] 47:11 holding [2] 26:2 27:17 hope [1] 52:21 hoping [2] 70:2,6 however [1] 71:18</p> <hr/> <p style="text-align: center;">I</p> <p>idea [1] 57:11 identifies [1] 27:23 impact [2] 22:8 35:17 impacts [1] 67:4 implement [2] 57:5,8 in-house [1] 39:24 in...a [1] 57:2 in...since [1] 37:19 inc [4] 7:15 8:12,24 26:3 include [2] 27:5 63:3 included [2] 24:2 71:14 includes [6] 5:11 58:7 68:19,25 69:5,6 including [5] 12:11,25 61:3 68:15 71:8 income [1] 66:5 incorrect [1] 53:10 increase [1] 77:14 indicate [12] 10:16,20 17:3 18:2,7 20:18,23 22:6 25:6 58:4 66:22 75: 10 indicated [2] 54:19 67:18 individual [3] 54:13 55:9 56:8 individuals [1] 14:10 information [8] 9:3,14,19,22 12:4 16:14 22:15 45:14 initial [5] 50:4,5,12 64:10,19 instead [1] 61:14 instructed [1] 45:5 instruction [2] 45:19 46:3 instructions [2] 46:2 50:14 intend [5] 50:18,19 73:17 intended [1] 34:12 intending [2] 44:14,18 intention [3] 73:8,9 74:1 interest [2] 52:8 71:15 interested [1] 32:17 interests [3] 4:5 47:11 48:5 internally [1] 48:6 introducing [1] 7:18 investigated [1] 56:24 invoke [1] 60:3 involved [2] 12:23 20:8</p>	<p>involving [1] 41:10 isn't [3] 7:8 32:3,25 33:19 41:9 44: 16 55:23 70:14 issuance [1] 18:6 issue [3] 16:21 24:21 30:9 issued [1] 23:17 issues [3] 17:10 49:10 74:20 it's...which [1] 56:10 it...the [1] 45:14 item [2] 4:19 37:1 itself [1] 36:22</p> <hr/> <p style="text-align: center;">J</p> <p>january [1] 23:7 joined [2] 36:6 51:22 july [1] 51:21 june [1] 25:21 jurisdictions [1] 22:22 just...i [2] 20:19 69:2 just...yes [1] 5:14</p> <hr/> <p style="text-align: center;">K</p> <p>keep [3] 33:5 52:4 53:23 key [1] 21:18 king [1] 10:6 kingdom [1] 12:24 knowledge [9] 4:13 10:13 13:6,7 14:8,10 40:24 45:9 55:17 knows [1] 64:18 knows...it's [1] 64:18</p> <hr/> <p style="text-align: center;">L</p> <p>large [1] 72:5 largely [1] 27:6 last [4] 22:6 38:13 57:24,24 late [2] 13:14 14:16 later [4] 15:4 16:14 30:8 58:12 laughable [2] 49:16,17 launched [1] 23:25 law [1] 11:9 lawyer [1] 56:4 lawyers [2] 62:23,25 leading [5] 61:22 63:25 76:20 77:1, 1 least [5] 6:15 18:10 37:3,19 76:10 led [1] 42:9 legal [5] 11:20,21 73:4 74:14,19 lend [3] 25:9 67:4 68:3,9 69:14 74: 3 lender [19] 23:21 27:11,23 28:7,16, 24 29:5 33:23 35:25 37:22 38:12 42:2 54:13,16 56:10 61:6 70:17, 19 71:13 lender's [2] 16:21 28:10 lenders [35] 23:19 25:5,9,21 28:19, 20 29:1 34:25 35:17 36:3,8,17 37: 10,22 38:4,8 40:17 44:22 47:17 53:4,23 54:1 55:10,17 60:5,8 61:1, 18 62:10 63:13 69:7 72:13 75:12 76:16 77:16 lenders' [10] 30:17 31:4,15 32:1, 21 33:9 68:15,19,25 69:5 lending [7] 22:4 23:8,19 29:2 62: 22 68:11 72:17 lends [4] 27:11,18 33:7 66:4</p>	<p>lent [2] 56:11 70:12 less [4] 37:16 38:2 39:1 59:15 lessen [1] 35:17 levels [2] 21:10,14 liability [1] 5:11 licence [3] 16:21 18:5 19:3 licences [1] 19:16 like...and [1] 21:21 likely [1] 66:22 limitations [1] 55:4 limited [1] 21:19 limits [2] 68:2 72:17 line [7] 17:7 24:1,9,13 29:11 32:9 57:24 lines [7] 10:17 16:19 18:13 23:9 24:3,23 61:5 list [1] 12:5 listed [5] 12:11,25 13:12,17 14:10 lists [1] 22:22 litigation [1] 20:9 live [4] 6:22,25 13:3 66:1 loan [13] 17:6 24:5 27:25 28:3,24 32:9 34:17 35:18 38:9 61:11 66: 10,10 75:13 loan-by-loan [1] 56:8 loans [17] 23:7,9,18,21,21 27:14 28:19 52:6 56:9 60:4,7 61:8 63:14 66:23 67:20 76:15 77:15 located [2] 10:5,21 location [1] 11:12 long [1] 13:12 longer [6] 14:17 17:9,21 24:8,9 67: 19 look [17] 6:24 18:1 22:14,17 23:6 25:17 27:2 34:6 41:10,23 42:19 43:1,5 44:10 48:22 60:13 66:20 look...i [1] 44:8 looked [1] 4:16 looking [5] 17:18 34:1 39:10 48:7 57:15 looks [2] 27:4 54:19 lose [1] 37:11 losses [2] 35:18 38:9 lost [1] 20:9 lower [1] 72:3</p> <hr/> <p style="text-align: center;">M</p> <p>made [31] 16:25 24:22 29:15,20,21, 22 30:7,12 31:5,16 32:2,3,8,11,15 38:23 42:1,6,10 43:2,21,24 44:15 45:20 46:1 48:9 52:6 55:4 64:10 67:13 69:6 made...the [1] 41:25 mail [2] 41:12 42:20 mailing [1] 11:13 makers [2] 21:24 22:1 managed [3] 35:22 40:9 56:18 management [7] 7:9 19:19 55:5 56: 2,6 manner [3] 35:23 55:3 77:1 many [3] 65:12,22,25 march [23] 16:25 18:7,11 42:1,5, 21 43:3,21 44:3,12,24 45:5,9,12 46:8 48:16,17 60:11 61:9,11,20</p>
--	--	--	---

ProDEX Transcript Indexing by ETS Inc.

<p>62:15 76:4 march...towards [1] 18:10 mark [3] 8:20 9:10 48:12 matter [1] 74:14 matters [1] 47:16 mccann [10] 4:5 5:23,23,25 26:2 27:17 34:2 40:8 47:11 48:4 mccann's [1] 6:12 mccarthy [1] 16:2 mean [4] 33:2 39:7 49:5 58:14 meant [1] 53:1 measure [1] 76:8 mechanisms [2] 36:2 56:13 meeting [1] 45:10 mentioned [2] 22:3 63:4 merely [2] 59:3 77:12 merskey [7] 49:21 50:8,11,16,23 74:24 75:21 met [2] 45:3 51:12 michael [5] 14:13 51:10,10,12,20 middle [3] 12:8 18:3 51:25 might [3] 20:15 27:24 67:13 might...or [1] 27:23 mike [1] 54:19 million [14] 5:11,12,13 20:25 57: 20 58:1,7,11,11,23 59:16 63:9,11, 20 millions [2] 63:6 65:12 mine [1] 39:9 minimal [1] 21:14 ministry [1] 16:20 modified [1] 27:4 moment [3] 22:20 31:4 33:11 money [31] 21:22,24 22:1 24:17 27:11,11,17,18 28:6,10,23 29:4 30:17 31:4,15 32:1,21 33:13,14, 18 66:24 67:1,4 68:12,16,20,21 69:1,5 70:18 74:2 money...let's [1] 33:10 money...using [1] 27:16 monies [6] 62:10 63:15 67:15 69: 13 73:15,18 monitor [2] 64:15 65:6 month [7] 44:10 51:23 54:17 58: 12 61:13,14 76:8 month-end [2] 59:24 76:9 month-to-month [1] 36:11 monthly [14] 35:25 36:18 37:17,17, 18,22,24 38:22,24 41:25 54:15 63: 10 75:6,19 months [4] 18:5,21 19:4 20:14 most [1] 22:2 motion [4] 49:10,22,23,24 move [1] 66:19 ms [1] 16:2 41:11 48:22 51:21,25 52:25 much [2] 63:15 77:21 multiple [1] 67:10 murray [1] 5:23</p>	<p>necessarily [1] 37:15 necessity [1] 55:20 need [1] 4:17 negotiated [1] 26:21 never [1] 56:24 new [9] 7:5 16:7 52:17 66:7,10,24 67:4,19 68:8 news [1] 53:19 next [5] 9:10 18:11 27:3 43:2 48: 12 non [1] 76:25 non-cash [1] 77:9 non...for [1] 76:2 none [1] 55:17 normal [3] 37:18 54:15,18 59:22, 24 61:7,13 76:7 normally [1] 76:6 not...it's [1] 48:1 not...restricted [1] 59:1 not...you [1] 59:5 note [1] 20:19 notes [1] 23:17 nothing [2] 21:13 48:1 notice [3] 17:1 50:21 72:16 notices [1] 72:20 notion [1] 53:6 notional [1] 59:4 number [3] 4:23 13:11 17:13 19: 15,18 25:8 37:1 64:25 numerical [1] 5:4 numerous [1] 7:17</p>	<p>21:9 22:10 23:3,6,12 29:11 66:23 67:14,20,21 71:8 open [1] 72:6 operating [2] 62:21 72:1 operations [2] 20:25 61:4 opposed [4] 13:23 37:17 48:4 53: 3 order [11] 18:6 35:17 50:4,5,12 54: 3 56:20 60:5 64:10,20 75:11 original [1] 45:4 originated [1] 25:11 other [14] 4:7 14:9 21:3 28:13 34:3, 20 38:15 50:6,21 61:1,19,25 64: 25 76:2 other...the [1] 38:1 otherwise [3] 27:5 34:16 59:19 ought [1] 40:8 out [14] 7:6 10:11 15:7 17:20 19:25 20:14 23:11 29:23 35:15,24 43:19 61:23 64:12 70:11 outside [5] 7:3 11:20,20 62:23,25 outstanding [1] 72:3 over [7] 12:7 17:14 19:15 23:4 24: 5 63:9,20 overhead [1] 62:7 overlap [1] 51:17 owe [1] 66:25 own [4] 24:3 35:8 69:10 75:13 ozanne [1] 14:16</p>	<p>payable [1] 62:8 payday [5] 17:6 23:7,8 24:5 32:9 paying [2] 40:16 62:6 payment [24] 24:12 29:15 41:25, 25 42:6,10,21 43:7,20,21,24 44:15, 23 45:20,22,25 46:11,14 47:1,13 48:8 56:14,15 66:11 payment-by-payment [1] 56:9 payments [5] 35:14,16 36:24 37: 13 45:6 payroll [1] 62:8 pending [1] 61:9 people [6] 48:6,6 65:25 66:13 68:3 70:12 percent [9] 21:1 37:23 38:21,24 40:13,17 43:7,20 71:14 perhaps [2] 68:4 70:25 period [4] 23:8 66:17 74:3,4 periodically [1] 38:3 permission [1] 19:16 permitted [2] 17:6 19:9 person [1] 7:6 perspective [2] 67:11 70:17 persuade [1] 20:4 phone [1] 21:23 physically [6] 55:2,15,24 58:15 72: 5 77:10 piece [2] 37:6,8 place [7] 13:1 15:8,13 20:20 29:13 45:13 71:16 plan [1] 24:3 platform [1] 23:19 plaza [2] 10:5,11 please [3] 8:21 9:11 52:12 plus [1] 71:15 point [8] 18:14 20:5 47:14 54:5 67: 24 68:8 69:14 70:5 portfolio [1] 23:18 portion [1] 33:14 portions [1] 9:19 position [4] 16:7 49:17 50:18 55:1 positions [1] 49:19 possible [1] 19:6 possibly [1] 30:20 post-filing [1] 65:4 practice [9] 36:12,16,18 37:2,9,19 40:16,21 75:17 practice...first [1] 71:6 practices [1] 36:7 preamble [1] 6:24 predecessor [1] 51:15 prepaid [1] 21:23 preparation [1] 9:7 prepared [1] 25:9 prepares [1] 26:9 presence [1] 15:19 presidents [1] 13:20 press [1] 16:5 prevented [1] 61:7 previously [1] 49:25 primarily [1] 23:20 primarily...the [1] 24:7 primary [2] 21:25 31:20 principal [3] 17:22 18:13 37:11</p>
<p style="text-align: center;">N</p> <p>name [3] 4:4 12:22 27:5 nature [2] 23:4 24:10 near [1] 7:1</p>		<p style="text-align: center;">P</p> <p>page [25] 7:10,13,14 8:11 9:24 10: 17 12:5,7,8,10,13,15,23,23 17:4 22:18,21 34:4 43:1 44:11 51:25 52:13 57:23 75:5 78:1 pages [1] 17:13 paid [7] 29:23 30:12 33:11,17 38: 21 48:7 52:6 paragraph [49] 4:22,25 5:9,10 9: 25 10:14,16,18 14:25 15:7,11 16: 10,13 17:4,9,9,15,20 18:2,3,24 20: 18,21,23 22:6 25:1,5,6 35:12,12 36:24 37:2,6 40:10 54:21 57:14, 15,23 58:3,4,22 60:13 66:21,22 67:18 72:8,11 75:4,5 paragraphs [1] 17:21 parent [1] 7:15 park [1] 7:2 part [6] 36:17 37:13 59:23 61:13 72:5 76:9 particular [1] 50:11 parties [2] 38:16 50:21 party [65] 23:18 25:5,9,21 27:11 28: 6,10,15,20,23,25 29:1,4 30:17 31: 4,15 32:1,21 33:9,23 34:25 35:17 36:3,8,17 37:10 38:4,8,11 40:17 42:2,14 44:22 47:17 53:4,23 54:1, 13,16 55:10 56:10,14 60:5,7,15,20 61:1,18 62:10 63:13,14 68:15,19, 25 69:5,7 70:17,18,25 71:13 72: 12,25 75:12 76:16 77:16 pause [1] 20:19 pay [3] 33:14 46:4 62:19,22 63:2 66:1,1,2</p>	

<p>principles [1] 36:13 privileged [1] 13:22 procedure [4] 49:12 76:7,9,10 procedures [3] 57:5 59:24 61:14 proceeding [2] 14:12 50:1 process [3] 27:10 54:15,18 56:19, 21 59:22 61:7 75:11 processes [1] 55:20 processing [1] 56:14 product [1] 21:25 products [3] 17:6,7,22 21:18,20 22:3 24:1,14 professional [1] 57:2 program [1] 27:10 protective [1] 67:12 protect [1] 36:2 protection [5] 36:1,1 37:10 38:4 62:17 protections [5] 38:2 39:2 64:13 71:14,15 provide [7] 15:12 18:15 24:5 37: 14 48:11 50:20 72:16 provided [4] 38:3 39:2 45:15 75: 20 provider [1] 56:15 provides [1] 34:9 providing [1] 37:9 province [3] 15:14 17:11,23 19:17 21:3 23:5,5 24:18 provision [1] 76:14 provisions [1] 50:12 proximate [1] 44:10 public [1] 7:15 purchase [1] 25:10 purchased [1] 23:18 purpose [7] 7:18 34:13,20 35:2 50: 8 60:21 61:1,19 62:11 purposes [3] 12:1 35:8 58:24 61: 25 62:13,22 63:16 76:2 pursuant [1] 16:25 put [4] 7:25 31:13 54:2 74:10 putting [2] 12:21 14:4</p> <hr/> <p style="text-align: center;">Q</p> <p>question [22] 14:1 30:23 31:8,21, 22,23 32:6 46:17 47:4 55:22 61: 17,17 65:14 68:5 71:1 72:8 73:4 74:14 75:1,23 76:21 77:4 questions [3] 4:6 7:21,25 8:1,4 38: 15 52:1 65:4 74:21 quickly [2] 6:9,10</p> <hr/> <p style="text-align: center;">R</p> <p>rate [1] 43:7 rather [1] 64:20 re [1] 77:19 re-apply [4] 18:21 19:2,6,10 re-examination [2] 75:23,25 read [5] 5:13 6:7 22:5 44:2,13 reading [4] 19:11 42:8 44:12 72: 24 really [2] 29:23 38:7 reapply [1] 18:4 reason [4] 13:16,22 30:15 31:20</p>	<p>reasons [1] 38:7 reborrow [1] 66:11 recall [3] 16:4 53:12,14 receipts [1] 57:5 receivables [4] 28:14 72:4,4 75: 13 receive [1] 44:23 received [1] 40:4 recently [1] 53:6 recognize [1] 8:2 recognizes [1] 7:22 recollection [1] 5:6 reconciliation [4] 54:15,17 75:7, 11 reconciliations [1] 75:19 record [3] 5:18 25:16 34:4 39:5 41: 9 44:5 74:10 75:5 recorded [1] 59:20 recovery [1] 72:3 reduced [3] 21:13 24:13 72:17 refer [2] 9:25 59:2 reference [7] 15:25 16:18,24 40: 12 51:24 72:11,15 referring [1] 58:21 refusals [1] 74:20 refuse [1] 16:21 regime [2] 24:16,18 registered [3] 10:1,4,10,11,21,23 11:13,25 registrar [2] 16:20 18:16 regularly [2] 39:2 40:16 regulatory [3] 7:6 16:1 17:10,19 19:7,22 21:7 22:8 24:18 related [2] 47:16 52:8 relation [3] 36:7 50:7 73:15 relationship [1] 24:8 relationship...or [1] 26:11 release [1] 16:5 relevant [1] 49:10 relied [1] 49:24 relief [2] 50:6,13 remain [2] 54:8 69:23 remains [4] 27:6 67:14 69:17,18 remedies [1] 47:5 rent [2] 62:7,25 rents [1] 62:24 repaid [1] 33:19 repay [1] 66:9 repayments [2] 55:2,3 repeat [1] 65:22 repeatedly [1] 37:9 rephrase [3] 68:4 70:25 77:3 replace [1] 66:7 reported [1] 76:14 reports [2] 41:19,21 request [2] 42:20 55:10 requested [3] 55:16,18,25 requests [1] 72:12 required [1] 66:9 requirement [1] 72:16 residence [1] 13:1 respect [4] 10:24 37:1,5 58:19 respond [3] 40:20,22 73:11 responded [1] 41:1</p>	<p>response [1] 52:13 responsible [1] 28:2 restricted [18] 57:19,25 58:7,10, 13,15,25 59:9,12,21,23,24 60:6,8 75:7 76:8,12,13 restriction [1] 58:17 restrictions [1] 58:18 restructure [1] 70:3 restructuring [1] 70:10 result [4] 17:18 21:7 76:18 77:7 retention [4] 35:14,16 36:24 37:13 return [1] 72:12 returned [2] 52:7 73:1 revenue [11] 21:1,2,8 22:2 31:5 32: 17,23 33:3,6,10,11 revenue-generating [1] 17:22 revenues [1] 22:10 review [2] 6:4 61:9 reviewed [1] 6:7 reykdal [5] 12:12,22,25 14:6,19 ridiculous [1] 49:14 risk [3] 33:21,22 38:8,9 70:18,18, 19,24 robert [1] 4:4 role [1] 35:21 roughly [3] 21:1 58:12 59:16</p> <hr/> <p style="text-align: center;">S</p> <p>salaries [3] 62:19,22,23 sales [1] 21:23 same [6] 27:6 57:23 61:5,8 62:4 67:5 saw [3] 6:13 36:6 53:16 saying [4] 30:21 38:10 46:22 74: 18 says [7] 10:3 19:1 52:2,11,16 60: 14,20 scenario [1] 76:11 scotia [2] 10:5,11 second [16] 9:24 12:15,16,21,22 22:14 25:16,16 34:2 35:25 37:5 39:6 40:9 43:1 47:12 54:24 section [2] 20:20 34:6 secured [1] 23:17 sedar [4] 7:1,1,11 8:11 78:1 sedar...this [1] 7:13 see [43] 8:15 9:5 10:1,8,18 12:10, 13,19 13:11 15:9,16 16:16,22 17: 11,15 18:8,19,20,22 21:4 22:22 23:2,15 25:12 30:20 34:7,21 36:3 40:13 41:14 43:6,9 47:10,24 48:7 52:9,13,23 53:8 54:22 55:6 72:17, 20 seeing [1] 47:9 seek [4] 26:11 50:4,6 66:2 seeking [1] 50:13 seeks [1] 26:9 seen [2] 6:2,5 segregate [4] 55:2 56:3,20 57:5 segregated [3] 53:24 55:19 58:15 segregation [1] 55:11 sell [2] 17:6,21 selling [1] 21:18 send [1] 54:16</p>	<p>sends [1] 51:25 senior [3] 7:7 13:19 23:17 senior...or [1] 7:5 sense [1] 6:15 sent [1] 45:4 sentence [3] 22:6 54:25 57:24 separate [6] 52:4 53:3,4,22,24 55: 11 separately [2] 52:21 54:12 september [2] 9:4,15 seriously [1] 64:6 services [4] 7:14 8:12,24 16:21 set [3] 10:11 15:7 17:20 19:25 23: 11 35:24 56:2 64:12 74:19 sets [1] 43:19 shall [1] 34:18 shape [1] 58:16 sharon [5] 5:23 39:16,18 48:16 53: 13 sheet [1] 77:18 sherwood [1] 7:2 shortly [1] 51:21 show [4] 7:10 9:2 41:8 49:1 shows [1] 8:14 sic [1] 72:11 side [1] 19:7 signed [1] 26:19 significantly [2] 21:10 22:9 similar [2] 26:25 34:3 simple [1] 32:25 since [3] 4:16 19:20 35:21 36:14 37:3 60:2 74:11 76:10 since...at [1] 37:3 sir [63] 8:11 9:2,5,18 11:5,7 12:3 13:13 14:4 15:7 16:9,11 17:8,18 18:23 21:6 27:10 31:2,6,21 33:25 35:11 36:5 37:8 38:20 39:15 40:4 41:8,24 42:4,8,19 43:5,19 44:12, 14,21,24 45:17 46:9,13 47:9 48: 23 51:1,8 53:7,7,21 55:8,14 57:13 64:23 65:12,21 67:12,23 70:9,16, 22 71:5,21 72:9,23 sits [2] 19:11 69:9 sitting [7] 4:17 5:5 6:16 20:12 55: 23 59:18 65:12 situation [2] 59:23 67:25 six [4] 10:17 66:17,18 67:8 sold [2] 17:23 21:18 solely [4] 34:12 35:1 63:13,14 somebody [1] 47:21 someone [4] 39:21 41:19 47:25 57:1 someone...to [1] 28:25 something...but [1] 43:16 something...it's [1] 43:16 sometimes [1] 28:13 somewhere [1] 7:1 sooner [3] 18:17 19:10 20:15 sorry [3] 9:23 26:1,1,11 39:9 49:15 56:4 76:20 sort [1] 59:4 source [1] 33:10 sources [1] 68:9 speaking [1] 67:12</p>
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ProDEX Transcript Indexing by ETS Inc.

<p>speaks [2] 9:25 14:6 special [5] 47:15,15 48:3 61:10,14 specific [2] 23:12 65:3 specifically [3] 42:23 52:20 53:13 speculate [5] 31:9 44:17 69:21 70:24 73:21 spreadsheet [3] 43:14,15,16 stakeholders [1] 50:17 stalely [82] 4:2,5 5:3,16 7:16,20,24 8:3,7,10,20 9:1,10,17 14:3 15:1,3,6 25:23,25 26:23 30:22 31:1,12 38:17,19 39:8,9,13 41:7 42:16,18,22,25 44:2,3,7,20 46:17,18,21,24 47:6,8 48:12,20 49:4,9,16,20,21 50:2,10,14,20,25 51:7 60:16,19 64:10,11,14,17,22 65:7,10,16,20 68:7 69:25 70:22 71:3 73:3,5,13,25 74:9,15 76:1,20,25 77:21 standard [1] 76:9 start [3] 5:1 9:24 23:3 start...i'm [1] 23:13 started [4] 13:14 26:19 48:21 60:2 starting [4] 12:15 15:11 16:19 25:4 starts [2] 12:6 20:21 stated [1] 76:4 statement [4] 15:18 18:20 54:17 74:17 statements [3] 15:12,15 75:19 steve [1] 8:8 steven [1] 4:1 still [4] 14:19,22 32:13 51:13 stood [1] 46:10 stop [2] 74:6 76:22 store [61] 4:8 7:7,14 8:12 9:3 11:11,21 15:20,23 17:5,21 19:2,9 24:16 25:7,11,22 26:3,9,13 27:19,22 28:9,14,20 29:6,15,19 30:6,11,16 31:3,10,14,16,24 32:2,10,14,20 33:2,11,17 35:8 36:22 40:16 41:17 43:17 51:13 55:1 56:11 57:6 62:12 65:22 67:14,24 69:17 71:5,6 78:1,2 store's [9] 15:13 21:2 22:10 25:10 27:12,18 28:8 55:5 58:6 store-to [1] 57:5 stores [1] 57:7 strategic [1] 24:3 strathcona [1] 7:1 streams [1] 66:5 street [1] 10:6 string [1] 78:3 subject [3] 15:4 42:14 74:20 subordinate [1] 41:20 subsidiaries [2] 7:5 16:22 subsidiary [1] 12:24 successfully [1] 70:2 suite [2] 10:5 23:25 summarize [2] 16:13 17:19 support [3] 15:15,19 74:12 swap [2] 60:4 76:15 swapping [1] 77:15 swear [1] 14:11 swearing [1] 13:23</p>	<p>swore [5] 4:9,12 5:25 6:2 10:22 sworn [5] 4:7 5:22 6:13 74:11,12 system [10] 43:13 52:21 54:12,19 55:5,23 56:1,2,6,8</p> <hr/> <p style="text-align: center;">T</p> <hr/> <p>tab [4] 27:3 39:6,10,11 table [2] 22:21 23:11 talked [3] 58:20 60:23 67:7 term [2] 24:8,10 terminated [4] 14:5,7,7,14 terms [6] 33:8 34:3 36:23 37:21 38:11 64:5 testified [1] 52:25 text [1] 6:8 that's...i [1] 40:1 that...but [1] 28:22 that...do [1] 51:10 that...sorry [1] 34:23 that...to [1] 40:22 that...yes [1] 5:24 the...i [1] 72:2 the...i'm [1] 12:4 the...in [1] 51:25 the...the [1] 38:6 then...it [1] 59:25 there...and [1] 20:19 there...i [2] 10:17 23:2 there...set [1] 35:15 there...there [1] 15:8 therefore [1] 17:5 third [66] 23:18 25:5,8,20 27:10 28:6,10,15,20,23,25 29:1,4 30:17 31:3,15 32:1,21 33:9,22 34:25 35:16 36:3,8,17 37:10 38:4,8,11 39:7 40:10,17 42:1 44:22 47:17 53:4,23 54:1,13,16 55:10 56:10,14 60:5,7,14,20 61:1,18 62:10 63:13,14 68:15,19,25 69:5,7 70:17,18,24 71:13 72:12,25 75:12 76:16 77:15 thirds [1] 18:25 though [1] 11:11 throughout [2] 53:5 71:8 timeline [1] 22:24 timing [1] 61:8 to...first [1] 15:12 to...in [2] 36:7 39:5 to...is [1] 14:6 to...it [1] 60:5 to...let's [1] 29:10 to...yes [1] 60:17 to...you [1] 65:11 today [15] 4:6,18 5:6,18,22 6:3,16 20:12 23:10 48:21 49:23 50:9 55:23 65:12 70:19 today's [1] 54:9 took [1] 35:1 top [8] 12:7 22:21 29:16 30:7,11 32:3,11 52:13 toronto [2] 10:21,23 total [7] 21:2 58:5,22 59:1,25 76:13 77:11 tpl [3] 35:22 55:2 64:12 tpls [2] 5:12 75:17</p>	<p>track [1] 54:12 tracked [1] 52:20 tracks [1] 56:8 transaction [8] 29:9,11,14 32:23 33:18,22 77:8,9 transactions [2] 31:6,18 transfer [4] 60:7 61:8,11 75:13 transfers [2] 21:22 28:19 transitioned [1] 23:20 treasury [1] 56:19 tried [4] 19:15 52:17 57:9,10 trimor [1] 72:13 true [5] 4:13 5:7 13:6,7 37:20 truth [1] 5:19 try [3] 7:25 71:4 76:25 trying [4] 4:21 32:19 61:23 69:4 10 17:8 20:17 22:14 25:1,15 33:25 34:3 35:11 51:8 54:21 57:13,22 72:8 two [7] 18:24 28:5,16 35:24 36:2 38:13 72:12 types [1] 22:24 typical [2] 29:10 66:17 typically [3] 30:2,4 61:12</p> <hr/> <p style="text-align: center;">U</p> <hr/> <p>u.s [1] 76:14 ultimately [4] 24:21 33:18 38:3 41:21 uncommon [1] 66:6 under [5] 20:20 27:10 36:1 58:1 76:14 understand [10] 6:19 17:17 18:1 27:9,13 28:5 32:6 38:10 74:18 75:6 understanding [11] 13:18 19:6,9,14 31:19 34:24 35:9 40:22 53:5,10 72:23 understood [1] 53:1 unfortunately [1] 66:1 united [1] 12:24 unless [2] 18:15 47:12 unrestricted [1] 76:17 unsuccessful [2] 20:5 70:10 until [8] 18:10 21:15 23:6 29:12 53:6,16 54:8 61:12 up [14] 10:15 13:23 18:10 21:15 23:6 25:15 29:12 47:4,20 56:3,17 60:6 61:22 63:25 upfront [1] 31:17 uses [1] 33:14 using [7] 23:13 30:17 31:3 32:1 52:6 68:12,17 usual [2] 68:11,12 utilize [1] 76:14 utilized [3] 28:7 34:12,19</p> <hr/> <p style="text-align: center;">V</p> <hr/> <p>various [2] 22:22 54:3 version [1] 6:13 very...or [1] 21:14 via [1] 75:18 vice [1] 13:19</p>	<p>volume [3] 25:16 39:6,7 voluntary [8] 35:13,16 36:12,15 37:6,7 38:7 71:17</p> <hr/> <p style="text-align: center;">W</p> <hr/> <p>waiting [2] 46:12,19 wanted [2] 74:16,17 wants [6] 19:16 30:16 31:3,10 33:4 52:12 way [11] 18:25 31:13 40:23 45:1 47:10 49:15 53:25 58:15 65:2 71:4 76:21 way...the [1] 56:7 ways [3] 28:5,16,21 weeks [1] 61:13 west [1] 10:6 whatever [2] 29:18 47:5 whereas [1] 37:17 whether [10] 24:21 33:18 44:21 48:8 56:10,11 67:13 68:22 69:16 76:2 whom [1] 65:25 will [12] 21:10 29:25 31:17 32:2,22 35:1 43:2 50:20 67:15 70:11,13 77:3 will...the [1] 66:13 wishes [1] 45:16 with...between [1] 51:20 without [3] 34:18 45:6 46:4 witness [4] 7:20 8:1 60:16 77:2 work [1] 13:8 worked [1] 54:1 working [1] 14:18 works [1] 27:20 write [1] 56:16 writing [1] 65:5 written [1] 25:7</p> <hr/> <p style="text-align: center;">Y</p> <hr/> <p>year [11] 9:4,14 16:5 18:11 20:24 21:9 29:12 49:12 70:19 71:5,7 years [4] 11:19 19:15,18 38:13 you...and [1] 29:8 you...cash [1] 30:6 you...if [1] 32:20 you...turn [1] 39:5 your...i [1] 18:20 yourself [1] 76:22</p> <hr/> <p style="text-align: center;">Z</p> <hr/> <p>zvonkovic [4] 51:10,11,20 52:1</p>
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Tab A



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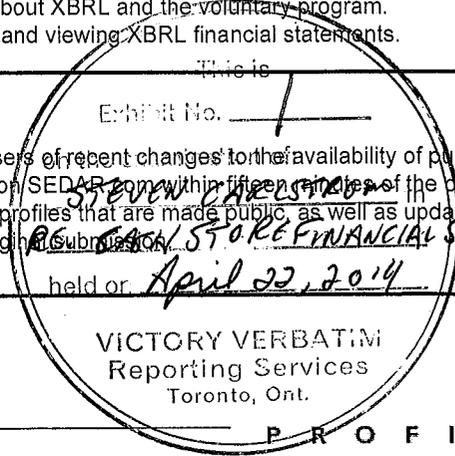
IMPORTANT NOTICE OF CHANGES dated January 11th, 2014

XBRL Voluntary Filing Program

Visit the [CSA's XBRL website](#) for information about XBRL and the voluntary program. [Click here](#) for information about XBRL software and viewing XBRL financial statements.

SEDAR News:

Canadian Securities Regulators advises issuers and SEDAR.com users of recent changes to the availability of public regulatory filings on SEDAR.com. Public regulatory filings are now accessible on SEDAR.com within fifteen minutes of the original submission through the SEDAR filing system. New reporting issuer profiles that are made public, as well as updates to existing profiles, will also appear on SEDAR.com within 15 minutes of the original submission.



The Cash Store Financial Services Inc.

P R O F I L E

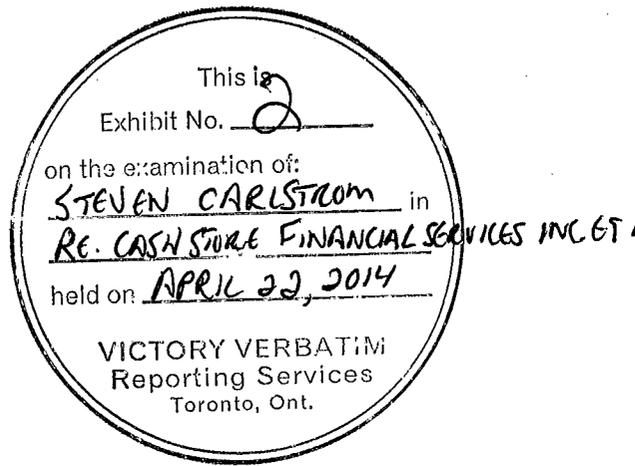
Mailing Address: 15511-123 Ave. Edmonton, Alberta T5V 0C3	Head Office Address: 15511-123 Ave. Edmonton, Alberta T5V 0C3
Contact Name: Gordon J. Reykdal	Principal Regulator: Alberta
Business e-mail address: gord@csfinanical.ca	Short Form Prospectus Issuer: No
Telephone Number: 780 408-5118	Reporting Jurisdictions: British Columbia, Alberta, Ontario
Fax Number: 780 443-2653	Stock Exchange: TSX, NYSE
Date of Formation: Jan 17 2002	Stock Symbol: CSF
Jurisdiction Where Formed: Ontario	Auditor: KPMG LLP
Industry Classification: other	General Partner:
CUSIP Number: 14756F	Transfer Agent: Computershare Investor Services Inc.
Financial Year-End: Sep 30	Size of Issuer (Assets): \$100,000,001 to \$500,000,000

VIEW THIS PUBLIC COMPANY'S DOCUMENTS

HOME SITE MAP

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Tab B



December 11, 2013

Annual Information Form



Year Ended September 30, 2013

TABLE OF CONTENTS

CORPORATE STRUCTURE	2
GENERAL DEVELOPMENT OF THE BUSINESS	3
Three Year History and Acquisitions	3
DESCRIPTION OF THE BUSINESS	4
Products and Services	4
Principal Markets and Foreign Operations	5
Competition	6
Intangible Assets	6
Cycles	6
Economic Dependence	7
Employees	7
Risks and Uncertainties	7
RATINGS	7
CAPITAL STRUCTURE	8
DIVIDENDS	8
MARKET FOR SECURITIES	9
Trading Price and Volume	9
Prior Sales	9
DIRECTORS AND OFFICERS	11
Cease Trade Orders, Bankruptcies, Penalties or Sanctions	14
Conflicts of Interest	15
LEGAL PROCEEDINGS	15
REGULATORY ACTIONS	15
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	15
TRANSFER AGENTS AND REGISTRARS	15
MATERIAL CONTRACTS	16
EXPERTS	16
AUDIT COMMITTEE INFORMATION	16
ADDITIONAL INFORMATION	19

Explanatory Notes

The information in this Annual Information Form ("AIF") is given as of September 30, 2013, unless otherwise indicated. All figures are presented in thousands of Canadian dollars, unless otherwise disclosed. In this AIF, unless the context otherwise requires, all references to "the Company" or "Cash Store Financial" are to The Cash Store Financial Services Inc.

Cash Store Financial is a Canadian corporation and is not affiliated with Cottonwood Financial Ltd. or the outlets Cottonwood Financial Ltd. operates in the United States under the name "Cash Store". Cash Store Financial does not conduct business under the name "Cash Store" in the United States and does not own or provide any consumer lending services in the United States.

Forward-Looking Information

In order to help our investors understand our current results and future prospects, this AIF includes "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian and United States federal securities legislation. These types of statements are referred to collectively, as "forward-looking information". Forward-looking information includes, but is not limited to, information with respect to our objectives, strategies, operations and financial results, competition as well as initiatives to grow revenue or reduce retention payments.

Forward-looking information can generally be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases. They may also be identified by statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved".

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied. These risks and uncertainties may include (but are not limited to) changes in economic and political conditions, legislative or regulatory developments, technological developments, third party arrangements, competition, litigation, market conditions, the availability of alternative transactions, shareholder, legal, regulatory and court approvals and third party consents and other factors described under the heading "Risks and Uncertainties".

Management has attempted to identify the important factors that could cause actual results to differ materially from those contained in forward-looking information, but other factors unknown to us at the time of writing could cause results to vary. There can be no assurance that forward-looking information will prove to be accurate. Actual results could differ materially. Management cautions readers not to place undue reliance on forward-looking information. Unless required by law, the Company does not undertake to update any forward-looking information.

CORPORATE STRUCTURE

The Company was incorporated on February 23, 2001, under the Business Corporations Act (Ontario) (the "OBCA"), as B&B Capital Corporation. On August 1, 2001, B&B Capital Corporation changed its name to "Rentcash Inc." and subsequently amalgamated with Larkfield Capital Corp. ("Larkfield"), under the OBCA, effective January 17, 2002 (the "Amalgamation"), with the amalgamated company continuing as Rentcash Inc. Larkfield was incorporated under the Company Act (British Columbia) on May 15, 2000, under the name Willow Creek Capital Corp. ("Willow Creek"). The name of Willow Creek was changed to "Larkfield Capital Corp." on August 24, 2000, and Larkfield was subsequently continued into Ontario under the OBCA, effective January 15, 2002.

Pursuant to the Amalgamation, each common share of Rentcash was exchanged for one common share of the Company, and each three common shares of Larkfield were exchanged for one common share of the Company.

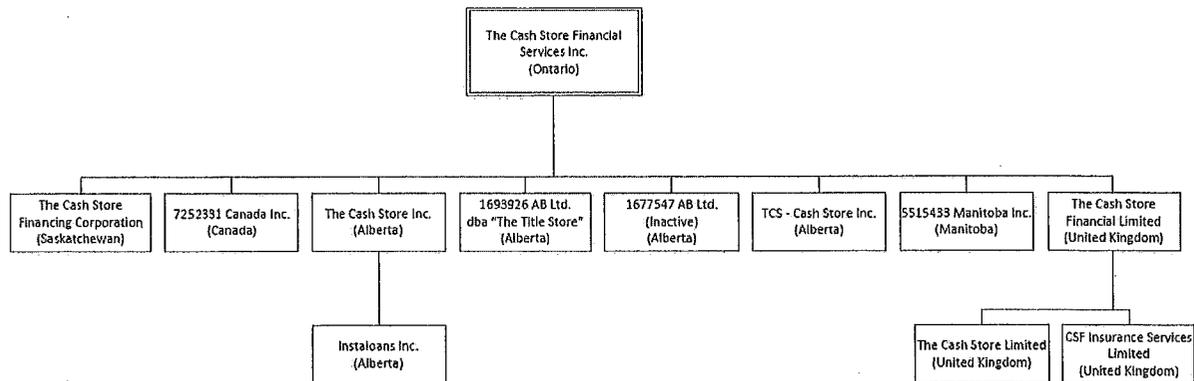
The Company changed its name on March 31, 2008, from Rentcash Inc. to "The Cash Store Financial Services Inc." in connection with the spin-off of its rental division. Cash Store Financial's common shares (the "Common Shares") are traded on the Toronto Stock Exchange ("TSX") under the symbol "CSF". On June 8, 2010, the Company began trading its shares on the New York Stock Exchange ("NYSE") under the symbol "CSFS".

On March 31, 2008, pursuant to a plan of arrangement, the Company separated its rental business and certain of its assets and liabilities into an independent, publicly-traded company. Each existing shareholder of Cash Store Financial received one common share of Insta-Rent for each Common Share held on March 31, 2008.

On April 28, 2010, the Company's board of directors (the "Board") approved a change in its fiscal year end from June 30 to September 30.

The registered office of the Company is located at Scotia Plaza, Suite 2100, 40 King Street West, Toronto, Ontario M5H 3C2. The head office of the Company is located at 15511 - 123 Avenue, Edmonton, Alberta T5V 0C3.

The Company's principal direct and indirect subsidiaries are as set forth in the following chart. The Company owns 100% of the issued and outstanding shares of each principal subsidiary. The Cash Store Inc., in turn, owns 100% of the issued and outstanding shares of Instaloans Inc.; and The Cash Store Financial Limited owns 100% of the issued and outstanding shares of The Cash Store Limited and CSF Insurance Services Limited. Included in parenthesis within the corporate organization chart is the respective jurisdiction of incorporation of each entity:



GENERAL DEVELOPMENT OF THE BUSINESS

The Company, under its "Cash Store Financial", "Instaloans" and "The Title Store" banners, provides consumers with alternative financial products and services, serving everyday people for whom traditional banking may be inconvenient or unavailable. The Company acts as both a broker and lender of short term advances and offers a range of other products and services to help customers meet their day to day financial service needs. The Company employs a combination of payday loans and lines of credit as its primary consumer lending product offerings and earns fees and interest income on these consumer lending products. The Company also offers a wide range of financial products and services including bank accounts, prepaid MasterCard and private label credit and debit cards, cheque cashing, money transfers, payment insurance and prepaid phone cards. The Company has agency arrangements with a variety of companies to provide these products.

The table below illustrates the Company's primary consumer lending offerings summarized by jurisdiction since October 1, 2011:

Jurisdiction	Branches	Oct 1, 2011 to Jan 31, 2012	Feb 1, 2012 to Sep 30, 2012	Oct 1, 2012 to Jan 31, 2013	Feb 1, 2013 to Present
British Columbia, Alberta Saskatchewan Nova Scotia	278	Payday Loans (Brokered)	Payday Loans (Direct Lending)		
Manitoba	25	Payday Loans (Brokered)	Payday Loans (Direct Lending)	Lines of Credit (Brokered)	
Ontario	174	Payday Loans (Brokered)	Payday Loans (Direct Lending)	Lines of Credit (Brokered)	
New Brunswick Newfoundland Prince Edward Isl. Yukon / NWT	33	Payday Loans (Brokered)			
United Kingdom	27	Payday Loans (Direct Lending)			

Three Year History and Acquisitions

Since late 2009, the Canadian payday loan market has been in transition from an unregulated market to varying states of regulation. The key components of payday loans regulation are caps on the loan size, length and fees that can be charged. Typically regulations limit payday loans to a maximum of \$1,500 and 62 days in duration as well as providing a rate cap. The following table shows the date that regulations came into effect in the provinces where the Company currently offers payday loans and their rate cap:

Province	Rate Cap (per \$100)	Effective Date
British Columbia	\$23	November 18, 2009
Alberta	\$23	March 1, 2010
Nova Scotia	\$25	April 1, 2011
Saskatchewan	\$23	January 1, 2012

On April 14, 2010, the Company opened its first branch in the UK and has since expanded its operations to include 27 branches in the UK at September 30, 2013.

In January 2012, the Company completed a private placement of \$132.5 million of 11.5% senior secured notes (the "Notes") and used most of the net proceeds of this offering to acquire a portfolio of consumer loans from third-party lenders. With the acquisition of the loan portfolio, the Company began funding payday loans directly in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia.

On October 1, 2012 and February 1, 2013 the Company launched a new suite of line of credit products in Manitoba and Ontario, respectively, and payday loans are no longer being offered in those provinces. The lines of credit are traditional, unsecured, medium term revolving credit lines, with regular minimum payments tailored to customers' needs and profiles. This suite of line of credit products enables consumers to move up the credit ladder toward credit-scored products that will eventually enable access to mainstream lending

products. The Company is subject to regulatory risk and actions related to the lines of credit products and a discussion of these risk factors can be found in the section entitled "Risks and Uncertainties" in the Company's Management Discussion and Analysis ("MD&A") dated December 11, 2013 for the year ended September 30, 2013 and available on the Company's profile on SEDAR at www.sedar.com

DESCRIPTION OF THE BUSINESS

Products and Services

Consumer Loans & Line of Credit	
Payday	<ul style="list-style-type: none"> - Bridge loans to help our clients span temporary cash shortfalls or meet emergency or unexpected expenses - Short-term non-collateralized loans - Range from \$100 to \$1500.
Signature	<ul style="list-style-type: none"> - Short-term loan against a government source of income (Child Tax, Disability, Pension, Employment Insurance)
Lines of Credit	<ul style="list-style-type: none"> - Up to \$5000 unsecured - Helps customers to rebuild their credit - Customers borrow as needed and repay at any time - Minimum payments are due at regular intervals - Introduced early in FY2012
Injury Claims	<ul style="list-style-type: none"> - Immediate cash for personal injury claims awaiting payout - Provided by Rhino Legal Finance Inc.
Diversified Financial Products	
Bank Accounts: Standard & Premium	<ul style="list-style-type: none"> - Provided by DC Bank - Gives customers access to a variety of services - CDIC insured
Cheque Cashing	<ul style="list-style-type: none"> - Fast turn around - Funds transferred electronically; branches do not hold cash
Prepaid Credit Card	<ul style="list-style-type: none"> - Supplied by DC Bank and MasterCard - Provides the convenience of a credit card without interest - Can be used online
Prepaid Debit Card	<ul style="list-style-type: none"> - Supplied by DC Bank - Preloaded with funds for daily transactional needs and access to cash at ATMs
Money Transfer	<ul style="list-style-type: none"> - Provided by RIA Financial Services - Provides an easy and reliable way to pay bills or send and receive funds worldwide
Payment Insurance	<ul style="list-style-type: none"> - Covers outstanding loan balances in the event of unexpected events such as: involuntary unemployment, accidental injury, critical illness, death, dismemberment

Payday loans – direct lending

The Company typically arranges for advances to customers that range from \$100 to \$1,500. In order to receive an advance, a customer is required to provide proof of income, copies of recent bank statements, current proof of residence and current telephone and utility bills. The customer must then either write a cheque or execute a pre-authorized debit agreement for the amount of the advance plus loan fees. Deposit of the cheque is deferred until the due date of the loan, which is the customer's next payday (normally 7 to 14 days but no later than 31 days).

Payday loans – brokering

For loans that the Company brokers on behalf of customers, the application process and documentation requirements are similar to those for direct lending. After an application is completed and other relevant information is obtained from a customer, the Company brokers the customer's loan request to third-party lenders. Based on approval criteria established by the third-party lenders, the customers' eligibility for an advance is assessed. If the customer is approved, the Company provides the lender's loan documentation to the customer. Upon fulfillment of the loan documentation requirements, the Company is authorized by the lender to forward the cash advance to the customer on behalf of the lender. When an advance becomes due and payable, the customer must make repayment of the principal and interest owing to the lender through the Company, which, in turn, remits the funds to the third-party lender. If there is difficulty with the collection process, the customer's account may be turned over to an independent collection agency.

Principal Markets and Foreign Operations

The Company conducts business in Canada and the United Kingdom. As at September 30, 2013, the Company operated 537 (September 30, 2012 - 536) short-term advance branches across Canada (510 branches) and the United Kingdom (27 branches). The Company operates branches in all Canadian provinces and territories except Quebec and Nunavut. The following chart presents the geographic distribution of the Company's branches:

September 30, 2013	Branches
British Columbia	97
Alberta	122
Saskatchewan	34
Manitoba	25
Ontario	174
New Brunswick	14
Nova Scotia	25
Prince Edward Island	3
Newfoundland and Labrador	13
Northwest Territories	2
Yukon	1
United Kingdom	27
Total	<u>537</u>

The Company also has investments in the following foreign operations:

- 18.3% of the outstanding common shares of The Cash Store Australia Holdings Inc., which operated payday loan branches in Australia under the name "The Cash Store Pty." ("Pty"). The Cash Store Australia Holdings Inc. is publicly listed on the TSX Venture exchange under the symbol "AUC". In December of 2012 the Alberta, Ontario and British Columbia Securities Commissions issued cease trade orders in respect of the shares of AUC for failure to file financial statements. On September 13, 2013 Pty appointed a voluntary administrator pursuant to Section 436A of the Australian Corporations Act 2001. In the opinion of the directors of Pty, Pty is insolvent. The Administrator has taken control of the operations and assets of Pty and the application to have the cease trade orders revoked have been withdrawn by AUC.
- 15.7% of the outstanding common shares of RTF Financial Holdings Inc., a private company in the business of short-term lending by utilizing highly automated mobile technology (SMS text message lending). RTF Financial Holdings Inc. currently operates in the UK.

Competition

The Company has a market share of approximately one third of all payday loan branches in Canada. The Company estimates there are approximately 1,500 short-term advance branches across Canada. The Company's biggest competitor is DFC Global Corp. ("Dollar Financial"), a U.S.-based public company. Dollar Financial operates approximately 489 branches in Canada under the banner "Money Mart". "Cash Money" is the next largest operator in Canada with approximately 120 branches. The remainder of the payday loans market consists of small, single store operations and regional operations that may have a number of payday loan advance centres in a given region. Competition also comes from companies, such as cheque cashers, pawnshops, rental stores and others, that offer the payday loan service as an ancillary service. Several companies also provide payday loans via the Internet.

In addition to other unsecured consumer lending and cheque cashing stores and online lenders, the Company competes with banks and other financial services entities and retail businesses that offer consumer loans and lines of credit, cash cheques, sell money orders, provide money transfer services or offer other products and services offered by the Company.

The Company estimates that the UK market for small, unsecured short-term consumer loans is served by approximately 1,200 store locations as well as numerous online lenders.

Some of the Company's competitors have larger and more established customer bases in other provinces and substantially greater financial and other resources than the Company.

Competitive Strengths

Management believes that the Company has a number of competitive strengths that provide a solid base for continued growth.

The Company's branch environment is unique in the market. Because Cash Store Financial branches do not disburse cash, the Company is able to offer a comfortable, upscale, open concept floor plan where customers can sit down with a customer service advisor to discuss their needs, much like they would in a traditional bank.

This differentiated environment complements the Company's expanded product offering, which is designed for long term customer retention.

Customers choose to do business with the Company for a number of reasons, including:

- the range of products offered;
- the provision of access to flexible credit products through a graduated line of credit suite that rewards good payment behavior;
- the provision of opportunities for consumers to rebuild credit;
- the comfortable, friendly, open concept branch environment that is more bank-like than other consumer lending stores;
- the specialized support and committed customer service that they receive from well-trained associates; and
- the convenience of branch locations and hours.

Intangible Assets

Through past business combinations, the Company has acquired customer lists, contracts, and relationships as well as brand names. These intangible assets have been and will continue to be important to the Company's overall success.

In January 2012, the Company acquired significant non-compete agreements, favourable supplier relationships, and proprietary knowledge from third-party lenders through the acquisition of consumer loans. Given that the majority of the Company's operations are in the the provinces where the loans were originated and the Company continues to depend on third-party lenders, the Company views these intangibles as critical to its future success and future growth.

Cycles

The Company has observed that the payday loans market, in terms of sales, has been relatively stable over the last several years and not strongly tied to general economic conditions.

The Company's business is not significantly affected by seasonality. Typically the Company's strongest

revenues are in its third and fourth fiscal quarters (which correspond with tax season and the summer months) followed by the Company's first fiscal quarter (Christmas/holiday season). The Company's second fiscal quarter is typically the weakest. In addition to seasonal demand, quarterly results are impacted by the number and timing of new branch openings.

Economic Dependence

The Company's business depends on the willingness of third-party lenders to make significant funds available for lending to the Company's customers and to purchase loans that the Company has made. There are no assurances that existing or new third-party lenders will continue to make funds available. Any reduction or withdrawal of funds could have a material adverse impact on the Company's results of operations and financial condition.

For a description of arrangements with third-party lenders, refer to the section entitled "Off-Balance Sheet Arrangements" in the Company's MD&A available on the Company's profile on SEDAR at www.sedar.com

Employees

As at September 30, 2013, the Company had 1,856 active employees across Canada and the United Kingdom.

Risks and Uncertainties

The Company's business is subject to risks and uncertainties that could result in material adverse effects on its business and financial results. Additional risks and uncertainties not presently known to Cash Store Financial, or that it currently deems immaterial, may also impair its business operations.

A discussion of the risk factors relating to business and operations can be found in the section entitled "Risks and Uncertainties" in the Company's MD&A available on the Company's profile on SEDAR at www.sedar.com.

RATINGS

The following information relating to the Company's credit ratings is provided as it relates to financing costs and liquidity. Specifically, credit ratings affect the Company's ability to obtain short-term and long-term financing and the cost of such financing. A reduction in the current ratings on the Company's debt by its rating agencies, particularly a downgrade or a negative change in the ratings outlook, could adversely affect the Company's cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect the Company's ability to, and the associated costs of, entering into normal course derivative or hedging transactions or its ability to maintain ordinary course contracts with customers and suppliers on acceptable terms.

Moody's Investor Service, Inc. ("Moody's")

Caa1: The Caa1 rating assigned to the Company's corporate family and the Notes is within the C rating category which is the seventh highest rating of Moody's nine rating categories, which range from Aaa to C. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aaa through Caa. The modifier 1 indicates a ranking in the higher end of that generic rating category. The outlook trend for this rating is negative.

Moody's rating description: Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P")

CCC+ (Recovery Rating 4): The CCC+ rating assigned to the Company and the Notes is within the CCC rating category which is the ninth highest rating of S&P's twelve rating categories, which range from AAA to D. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A recovery rating of 4 indicates an average recovery, or 30-50% of accrued principal plus interest at the time of default. S&P's ratings outlook is negative.

S&P Rating Description: An obligation rated 'CCC' is currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or an issuer of securities and such ratings do not address the suitability of a particular security for a particular investor. The ratings assigned to a security may not reflect the potential impact of all risks on the value of the security. The Company pays the applicable rating agency fees to have its debt rated by the rating agency. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

CAPITAL STRUCTURE

Cash Store Financial is authorized to issue an unlimited number of Common Shares having the following rights, privileges, restrictions and conditions:

1. The holders of Common Shares are entitled to receive notice of, and vote at, every meeting of the shareholders of Cash Store Financial and shall have one vote for each such Common Share held.
2. Subject to the rights, privileges, restrictions and conditions attached to any preferred shares of Cash Store Financial, the holders of Common Shares are entitled to receive such dividends as the directors of the Company may from time to time, by resolution, declare.
3. Subject to the rights, privileges, restrictions and conditions attached to any Common Shares of Cash Store Financial, in the event of liquidation, dissolution or winding up of Cash Store Financial or upon any distribution of the assets of Cash Store Financial among shareholders being made (other than by way of dividends out of monies properly applicable to the payment of dividends), the holders of Common Shares shall be entitled to share pro rata.

DIVIDENDS

The Company paid dividends to shareholders from 2008 to 2012. Starting in the fourth fiscal quarter of 2012 the Board suspended quarterly dividends. The dividend distribution policy is reviewed on a quarterly basis. This review includes evaluating the Company's financial position, profitability, cash flow and other factors that the Board considers relevant. The ability to declare and pay dividends is subject to compliance with a restricted payment covenant stipulated in the indenture governing the Notes.

The following is the Company's dividend history for the past three fiscal years:

Date declared	Date paid	Dividend per Common Share	Total amount paid (\$000's)
December 6, 2010	December 21, 2010	\$0.10	\$1,710
February 7, 2011	February 21, 2011	\$0.12	\$2,062
May 9, 2011	May 24, 2011	\$0.12	\$2,084
August 10, 2011	August 25, 2011	\$0.12	\$2,073
November 16, 2011	December 14, 2011	\$0.12	\$2,091
February 8, 2012	March 7, 2012	\$0.12	\$2,091
May 10, 2012	June 7, 2012	\$0.06	\$1,039
August 10, 2012	September 7, 2012	\$0.06	\$1,049

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed on the TSX under the symbol "CSF" and on the NYSE under the symbol "CSFS". The volume and price range for the Common Shares as traded on the TSX for each month for the twelve month period ended September 30, 2013, were as follows:

Month	Volume of shares traded	Price Range (\$CDN)	
		Low	High
October, 2012	280,884	4.57	5.73
November, 2012	778,620	4.00	4.85
December, 2012	504,860	2.85	4.44
January, 2013	304,445	3.32	4.05
February, 2013	490,438	2.85	4.38
March, 2013	402,532	2.49	3.00
April, 2013	806,482	1.65	3.07
May, 2013	208,383	2.86	3.45
June, 2013	220,774	2.35	3.37
July, 2013	109,261	2.05	2.71
August, 2013	79,744	2.15	2.50
September, 2013	284,519	1.50	2.18

Prior Sales

On January 31, 2012, the Company completed a private placement offering in Canada and the US for \$132.5 million of 11.5% Notes. The Notes mature on January 31, 2017 and bear interest semi-annually on January 31 and July 31 each year. The Notes were issued at a price of 94.608% resulting in an effective interest rate of 13.4%.

The indenture governing the Notes ("the Indenture") contains certain covenants that limit the Company's ability to:

- incur or guarantee additional indebtedness;
- make capital expenditures;
- make certain investments and acquisitions;
- amend the Company's dividend policy or pay dividends or make distributions on capital stock or make certain other restricted payments;
- sell assets, including capital stock of the Company's restricted subsidiaries;
- enter into transactions with affiliates;
- create or incur liens;
- agree to payment restrictions affecting restricted subsidiaries;
- amend underwriting standards;
- form subsidiaries or fund foreign subsidiaries; and
- consolidate, merge, sell or otherwise dispose of assets, except those in the ordinary course of operations.

The ability to declare and pay dividends is subject to compliance with a restricted payment covenant stipulated

in the Indenture.

Compliance with the covenants are not impacted solely through the ordinary course of operations or the results of operations. The Company remains in compliance with all of the covenants under this Indenture.

In the event of specified change of control events, holders of Notes will have the right to require the Company to purchase all or a portion of the Notes at a purchase price in cash equal to 101% of the principal amount purchased, plus accrued interest to the date of purchase. In addition, upon certain asset sales, we may be required to use the net proceeds of such sales to offer to repurchase a portion of the Notes at a price in cash equal to 100% of the principal amount purchased, plus accrued and unpaid interest to the date of purchase.

Under the terms of the Notes, the Company may redeem up to 35% of the Notes with the net proceeds of certain equity offerings at a redemption price equal to 111.5% of the principal amount redeemed, plus accrued and unpaid interest to the redemption date any time before July 31, 2014. The Notes are redeemable in whole or in part, at any time on or after July 31, 2014 at the redemption prices (expressed as percentages of principal amounts) in the table below, plus accrued and unpaid interest:

For the period	Percentage
On or after July 31, 2014	103.084%
On or after January 31, 2015	102.091%
On or after July 31, 2015	101.127%
On or after January 31, 2016	101.194%
On or after July 31, 2016	100.000%

The Indenture contains a first lien carve out that allows us to obtain credit facilities of up to \$32.5 million.

Proceeds from the issuance of the Notes were \$125.2 million. The Company used \$116.3 million of the proceeds to acquire a portfolio of loans from third-party lenders. \$8.2 million of the proceeds were used to pay fees and expenses related to the issuance and remainder was used for general corporate purposes.

DIRECTORS AND OFFICERS

As at December 11, 2013, the Company's directors and senior executive officers together beneficially owned 4,665,700 (26.5%) of the outstanding Common Shares.

The names and province or state, and country of residence of the directors and senior executive officers of the Company, the date when the individual first became a director, their principal occupations, the positions in the Company held by them and the number and percentage of voting securities of the Company as at December 11, 2013, are set out in the following table:

Name, Province or State, and Country of Residence	Position with the Company and Date First Became a Director	Principal Occupation, Business or Employment (5 preceding years unless otherwise indicated)	Number and percentage of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised
Eugene I. Davis ⁽²⁾⁽³⁾ Livingston, New Jersey, USA	Chairman of the Board June 26, 2013	Chairman of the Board of Atlas Air Worldwide Holdings Inc. (Nasdaq: AAWW), and U.S. Concrete, Inc (Nasdaq:USCR). Director of Global Power Equipment Group Inc (Nasdaq:GLPW), Spectrum Brands Holdings Inc.(NYSE:SPB) and WMI Holdings Corp.	Nil
Gordon Reykdal ⁽²⁾ Edmonton, Alberta, Canada	Director and Chief Executive Officer February 23, 2001	Founder and Chief Executive Officer of the Company.	3,640,300 ⁽⁴⁾ 20.7%
William C. (Mickey) Dunn ⁽³⁾ Calgary, Alberta, Canada	Director May 14, 2002	Chairman of Bellatrix Exploration (NYSE:BXE), an oil and gas exploration company. A director of Precision Drilling Inc. prior to the 2009 Arrangement of True Energy.	750,000 4.3%
Edward C. McClelland ⁽²⁾ Burlington, Ontario, Canada	Director November 8, 2005	Chairman of TEC (The Executive Committee) Group 223 & 323, an organization of international CEO's. Director of The Cash Store Australia Holdings Inc. since 2009.	29,500 0.2%
Donald C. Campion ⁽¹⁾ Commerce Twp, Michigan, USA	Director August 14, 2013	Director of Haynes International, Inc. (NASDAQ: HAYN) and is an independent director and Chair of the Audit Committee for three privately held companies.	Nil
Thomas L. Fairfield ⁽¹⁾⁽³⁾ Landenberg, Pennsylvania, USA	Director August 14, 2013	Executive Vice President, Chief Operating Officer, Counsel and a Director of Capmark Financial Group Inc, a financial services company focused on the commercial real estate industry.	Nil
Ron Chicoyne ⁽¹⁾⁽²⁾ Calgary, Alberta, Canada	Director October 29, 2008	Founder & Managing Director of Links Capital Partners Ltd., an independent corporate finance firm.	8,450 0.0%

Name, Province or State, and Country of Residence	Position with the Company and Date First Became a Director	Principal Occupation, Business or Employment (5 preceding years unless otherwise indicated)	Number and percentage of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised
Timothy J. Bernlohr ⁽²⁾⁽³⁾ Newtown, Pennsylvania, USA	Director August 14, 2013	Managing Director of TJB Management Consulting, LLC, a firm specializing in project-specific consulting services to businesses in transformation. Chairman of the Board of Directors of Champion Home Builders, Inc. and The Manischewitz Co. and is a director of Atlas Air Worldwide Holdings (Nasdaq:AAWW), Chemtura Corp. (NYSE:CHMT) and Rock-Tenn Company (NYSE:RKT).	Nil
Kevin Paetz Edmonton, Alberta, Canada	President and Chief Operating Officer, Canadian Operations	Chief Operating Officer, Canadian Operations since March 1, 2012. Prior to this, he spent seven years with DFC Global Corp. (Dollar Financial) in several leadership positions including: Vice President Acquisitions, Vice President of Operations, United Kingdom, and Vice President, Field Operations Canada.	15,100 0.1%
Barret Reykdal Bowdon, United Kingdom	President and Chief Operating Officer, UK Operations	Chief Operating Officer of the Company's UK operations since March 1, 2012. Prior to that he was the Chief Operating Officer of the Company since April 2005.	170,367 1.0%
Craig Warnock Edmonton, Alberta, Canada	Chief Financial Officer	Chief Financial Officer of the Company since July 3, 2012. From August 2010 to July 2012 he was Executive Vice President and Chief Financial Officer of a private foreign exchange company. From May 2008 to May 2010 he served as Chief Financial Officer and Treasurer of the City of Edmonton.	4,000 0.0%
S. William (Bill) Johnson Edmonton, Alberta, Canada	Senior Executive Vice President	Senior Executive Vice President since November 2008. Chief Financial Officer and Director of affiliated companies The Cash Store Australia Holdings Ltd. and RTF Financial Holdings Inc.	35,600 0.2%
Halldor Kristjansson Edmonton, Alberta, Canada	Senior Executive Vice President Banking and Credit	Senior Executive Vice President of the Company since November 2010. Prior to joining the Company, he served as Group Co-Chief Executive Officer and Group Managing Director of a private Icelandic bank.	Nil

Name, Province or State, and Country of Residence	Position with the Company and Date First Became a Director	Principal Occupation, Business or Employment (5 preceding years unless otherwise indicated)	Number and percentage of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised
Michael Thompson Edmonton, Alberta, Canada	Senior Vice President Corporate Affairs	Senior Vice President Corporate Affairs since February 2012, prior to which he was the Senior Vice President and Corporate Secretary since February 2008.	7,383 0.0%
Michael Baker Edmonton, Alberta, Canada	Senior Vice President, Canadian Operations	Senior Vice President, Canadian Operations since September 2013. From 2010 to 2013 was Senior Vice President Investment Operations with the Alberta Investment Management Corp. Previously spent 11 years with ATB Financial in a variety of executive leadership roles.	5,000 0.0%
Dean Ozanne Edmonton, Alberta, Canada	Senior Vice President Virtual Operations and Innovation	Senior Vice President Virtual Operations and Innovation since September, 2013. Previously spent 13 years with ATB Financial in a variety of executive leadership roles.	27,950 0.2%

Notes

- (1) Member of Audit Committee.
- (2) Member of Corporate Governance and Nominating Committee.
- (3) Member of Compensation Committee.
- (4) 3,222,635 of these shares are directly owned by 424187 Alberta Ltd., a company controlled by Mr. Gordon Reykdal; 272,968 are held by Mr. Gordon Reykdal directly and 144,697 are held by Mr. Gordon Reykdal's spouse.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease-Trade Orders or Bankruptcies

Other than as set out below, no director, executive officer, or shareholder of the Company holding a sufficient number of securities of the Company to affect materially the control of the Company, or personal holding company of any of such persons, as applicable, is or has been, within the preceding 10 years of the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that, while that person was acting in such capacity:

- a) was the subject of a cease-trade order or similar order or an order that denied the relevant company access to any exemptions under securities legislation for a period of more than 30 consecutive days (an "order");
- b) was subject to an order that was issued after the director, chief executive officer, or chief financial officer ceased to be a director or executive officer and resulted from an event that occurred while that person was acting in such a capacity.

Disclosure of Ron Chicoyne as a Director of a bankrupt company

Ron Chicoyne served as a director of Paintearth Energy Services Ltd. ("Paintearth"), a private Alberta oilfield services company, from June 2008 to May 18, 2010. Mr. Chicoyne resigned from Paintearth several months before an interim receiver was appointed by the Court of Queen's Bench of Alberta in respect of the property of Paintearth. On December 20, 2010, the Court of Queen's Bench of Alberta approved a purchase and sale transaction for the sale of all of the assets of Paintearth to a third party.

Disclosure of Gordon Reykdal and Edward C. McClelland as Directors and S. William (Bill) Johnson as a Director and Chief Financial Officer of The Cash Store Australia Holdings Inc (AUC), a Company subject to a cease trade-order and insolvency

AUC operated payday loan branches in Australia under the name "The Cash Store Pty." ("Pty"). AUC is publicly listed on the TSX Venture exchange under the symbol "AUC". In December of 2012 the Alberta, Ontario and British Columbia Securities Commissions issued cease trade orders in respect of the shares of AUC for failure to file financial statements. On September 13, 2013 Pty appointed a voluntary administrator pursuant to Section 436A of the Australian Corporations Act 2001. In the opinion of the directors of Pty, Pty is insolvent. The Administrator has taken control of the operations and assets of Pty and the application to have the cease trade orders revoked have been withdrawn by AUC.

Penalties or Sanctions

No director, executive officer of the Company, or shareholder of the Company holding a sufficient number of securities of the Company to affect materially the control of the Company, or personal holding company of any such persons, is or has been subject to any penalties or sanctions relating to securities legislation imposed by a court or by a securities regulatory authority, or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanction imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision concerning the Company's securities.

Personal Bankruptcies

No director, executive officer of the Company, or shareholder of the Company holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such persons, is or has, within the preceding 10 years, become bankrupt, made a proposal under any legislation as at the date hereof relating to bankruptcy or insolvency, or was at the date hereof subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold its assets.

The directors, officers and shareholders of the Company holding a sufficient number of securities of the Company to affect materially the control of the Company have furnished the information pertaining to corporate cease-trade orders or bankruptcies, penalties or sanctions and personal bankruptcies.

Conflicts of Interest

To the best of the knowledge of the directors and executive officers of the Company, the following are existing or potential material conflicts of interest between directors or executive officers and the Company, its subsidiaries and entities that the Company holds significant influence:

- 424187 Alberta Ltd., a company controlled by the Company's CEO, Gordon Reykdal, provided a loan to the Company as described in Note 25 to the Company's annual consolidated financial statements;
- Mr. Gordon Reykdal, Mr. S. William Johnson and Mr. Edward C. McClelland are currently on the board of directors of The Cash Store Australia Holdings Inc., a company in which the Company has an investment as described above in "Principal Markets and Foreign Operations";
- Mr. Gordon Reykdal and Mr. S. William Johnson are currently on the board of directors of RTF Financial Holdings Inc., a company in which the Company has an investment as described above in "Principal Markets and Foreign Operations";
- Mr. S. William Johnson is the Chief Financial Officer of The Cash Store Australia Holdings Inc. and RTF Financial Holdings Inc.; and
- Mr. Barret J. Reykdal is the son of Mr. Gordon Reykdal.

LEGAL PROCEEDINGS

The Company is subject to class action proceedings and other material claims in the Canada and the United States. A detailed description of each proceeding and its status can be found in the section entitled "Risks and Uncertainties" in the 2013 annual MD&A available on the Company's profile on SEDAR at www.sedar.com.

REGULATORY ACTIONS

The Company is currently subject to ongoing regulatory actions in the Canadian provinces of British Columbia and Ontario. The result of these regulatory actions may impose significant limitations on the way the Company conducts or expands its business.

A discussion of current regulatory actions and the regulatory environment can be found in the section entitled "Risks and Uncertainties" in the 2013 annual MD&A available on the Company's profile on SEDAR at www.sedar.com.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed under the heading "conflicts of interest", to the best of the knowledge of the directors and executive officers of the Company, no director or executive officer of the Company or person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10% of the outstanding Common Shares of, or any of their associates or affiliates, had any material interest, direct or indirect, in any transaction within the three most recently completed financial years, or during the current financial year, that has materially affected, or is reasonably expected to materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

Computershare Investor Services Inc. acts as the transfer agent and registrar for the Common Shares of Cash Store Financial through its office in Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the Company entered into the following agreements, copies of which can be found on SEDAR at www.sedar.com:

- A credit agreement dated November 29, 2013 between the Company and Coliseum Capital Management, LLC, 8028702 Canada Inc. and 424187 Alberta Ltd. pursuant to which \$12.0 million of loans were provided to the Company.

EXPERTS

KPMG LLP, Chartered Accountants ("KPMG") were the auditors of the Company for the year ended September 30, 2013, and prepared and executed the audit report accompanying the annual financial statements. KPMG LLP have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation, and that are independent accountants with respect to the Company under all relevant US professional and regulatory standards.

AUDIT COMMITTEE INFORMATION

Audit Committee's Charter

The Company's Audit Committee charter sets out its roles and objectives, responsibilities and duties, and membership standards for reporting to the Board. A copy of the charter is attached hereto as Appendix "A".

Composition of the Audit Committee

The Company's board of directors has a separately-designated standing audit committee (the "Audit Committee") established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the "Exchange Act"). The Audit Committee is composed of Donald Campion, Thomas Fairfield and Ron Chicoyne, all of whom, in the opinion of the Board, are independent and financially literate. Each member of the Audit Committee is "financially literate" within the meaning of applicable Canadian securities laws.

Relevant Education and Experience

1. Donald Campion, BSc., MBA (Chairman of the Audit Committee)

Mr. Campion is a senior executive with broad corporate experience with strategic acquisitions, divestitures, integration activities and international operations. Mr. Campion currently serves as a director of Haynes International, Inc. (NASDAQ: HAYN), where he serves as the Chair of the Audit Committee, and is an independent director and Chair of the Audit Committee for three privately held companies. Mr. Campion had been a senior-level financial executive with a number of public and private companies. He spent 27 years with General Motors Corporation where he held various positions including CFO of several operating divisions, and he was the CFO of four privately held companies.

2. Thomas Fairfield, B.S.F.S.

Mr. Fairfield is Executive Vice President, Chief Operating Officer, Counsel and a director of Capmark Financial Group Inc. Capmark is a financial services company focused on the commercial real estate industry. Prior to joining Capmark in 2006, Mr. Fairfield practiced corporate and securities law for more than 20 years. He is admitted to the bar of the states of Connecticut, Pennsylvania, New York and the District of Columbia, and is a member of the American Bar Association and the National Association of Stock Plan Professionals.

3. Ron Chicoyne, CFA, CF, ICD.D

Mr. Chicoyne holds a Chartered Financial Analyst designation, Corporate Finance Qualification, Institute of Corporate Directors designation and received his Bachelor of Commerce (Honours) degree from the University of Manitoba. He is the founder and Managing Director of Links Capital Partners Ltd., a boutique corporate finance firm. Prior to this, he was a partner and director of the private equity firm, Mercantile

Bancorp Limited.

Audit Committee Financial Expert

The Board has determined that it has at least one Audit Committee financial expert serving on its Audit Committee. The Company's board of directors has determined that Donald Campion is an audit committee financial expert and is independent (as defined under Rule 10A-3 of the Exchange Act and Section 303A.06 of the New York Stock Exchange's Listed Company Manual).

The U.S. Securities and Exchange Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose on such person any duties, obligations or liability that are greater than those imposed on such person as a member of the Audit Committee and the Board in the absence of such designation and does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board.

Pre-approval Policies and Procedures

As part of the Company's corporate governance structure, the Audit Committee annually reviews and approves the terms and scope of the auditor's engagement. To further ensure that the independence of the auditors is not compromised, Company policy requires that the Audit Committee also pre-approve all significant engagements of the auditors for non-audit services and monitor all other engagements.

In addition, all non-audit service engagements, regardless of the cost estimate, are required to be coordinated by the Company's Chief Financial Officer, or a designate, to further ensure that adherence to this policy is monitored. All non-audit service engagements must also be reported to the Audit Committee on a quarterly basis.

External Audit Fees by Category

KPMG has served continually as the Company's external auditor since January 2002. The following table lists the fees billed by KPMG, by category, during the last two fiscal years:

	Year Ended September 30, 2013	Year Ended September 30, 2012
Audit fees	\$1,457,885	\$638,250
Audit-related fees	\$198,780	\$510,450
Tax fees	\$10,000	\$3,600
All other fees	Nil	Nil
Total fees	\$1,666,665	\$1,152,300

Audit Fees - Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual financial statements or services provided in connection with statutory and regulatory filings or engagements and the review of the Company's interim financial statements.

Audit-related Fees - Audit-related fees were paid for assurance and related services that are related to the performance of the audit or review of the annual and interim financial statements and are not reported under the audit fees item above. These services consisted of special attest services as required by various government entities, services provided in relation to foreign investments and services in respect of special transactions.

Tax Fees - Tax fees were paid for professional services relating to tax compliance, tax advice and tax planning. These services consisted of the review of a goods and services tax re-assessment.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the Company's profile on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans is contained in the Company's management information circular dated December 11, 2013.

Additional financial information is provided in the Company's audited consolidated financial statements and MD&A for the year ended September 30, 2013, both of which are available on the Company's profile on SEDAR at www.sedar.com.

Security holders may also obtain a copy of the Company's financial statements and MD&A by writing to the Company at 15511 – 123 Avenue, Edmonton, Alberta T5V 0C3 attention: Chief Financial Officer, or through the Company's website at www.csfinancial.ca.

APPENDIX "A"

THE CASH STORE FINANCIAL SERVICES INC.

AUDIT COMMITTEE CHARTER

1. PURPOSE

- 1.1 The primary duties and responsibilities of the Audit Committee of the board of directors ("Board of Directors") of The Cash Store Financial Services Inc. (the "Corporation") are to:
- (a) assist the Board of Directors with its oversight of the integrity of the Corporation's financial statements and the Corporation's compliance with legal and regulatory requirements;
 - (b) review and recommend to the Board for approval, prior to their public release, all material financial information required to be gathered and disclosed by the Corporation;
 - (c) oversee management designed and implemented accounting systems and internal controls; and
 - (d) be directly responsible for recommending, engaging, supervising, arranging for the compensation of and ensuring the independence and qualifications of any external auditor to the Corporation engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation.

2. COMPOSITION AND MEETINGS

- 2.1 The Audit Committee will be comprised of at least three members of the Board each of whom will at all times be independent and financially literate as those terms are defined in National Instrument 52- 110 *Audit Committees* and the NYSE Listed Company Manual, and possess:
- (a) an understanding of the accounting principles used by the Corporation to prepare its financial statements;
 - (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
 - (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
 - (d) an understanding of internal controls and procedures for financial reporting.
- 2.2 The Audit Committee shall have at least one audit committee financial expert who has acquired the attributes listed above through education and experience as a principal financial officer, principal accounting officer, controller, public accountant, auditor, experience in positions performing similar functions, experience supervising persons performing similar functions, experience overseeing or assessing the performance of companies or public accountants with respect to preparation, auditing or evaluation of financial statements, or other relevant experience.
- 2.3 The Audit Committee is required to meet in person, or by telephone conference call at least once each quarter and as often thereafter as required to discharge the duties of the Audit Committee.

- 2.4 Each member of the Audit Committee shall serve at the pleasure of the Board of Directors and, in any event, only so long as that person shall be an independent director. The Board of Directors may remove a member of the Audit Committee at any time in its sole discretion by resolution of the Board of Directors. The Directors may fill vacancies in the Audit Committee by election from among their number.
- 2.5 In connection with the appointment of the members of the Audit Committee, the Board of Directors will determine whether any proposed nominee for the Committee serves on the audit committees of more than three public companies. To the extent that any proposed nominee for membership on the Audit Committee serves on the audit committees of more than three public companies, the Board of Directors will make a determination as to whether such simultaneous services would impair the ability of such member to effectively serve on the Audit Committee and may disclose such determination in the Corporation's annual report on Form 40-F or Form 20-F, as applicable, filed with the United States Securities and Exchange Commission (the "SEC").
- 2.6 The Chairman of the Audit Committee appointed by the Board will, in consultation with the members, determine the schedule, time and place of meetings, and in consultation with management and the external auditor, establish the agenda for meetings.
- 2.7 Notice of the time and place of every meeting shall be given in writing, by email or facsimile to each member of the Audit Committee at least 24 hours prior to the time fixed for such meeting, provided that a member may in any manner waive a notice of meeting.
- 2.8 The Committee should hold an in-camera session without management present, including management directors, as a regular feature of each regularly scheduled Committee meeting.

3. QUORUM

- 3.1 A quorum for a meeting of the Audit Committee shall be a majority of members present in person or by telephone conference call.

4. RESPONSIBILITIES

The Audit Committee is responsible for:

- 4.1 **Financial Reporting** - Prior to public disclosure, the Audit Committee will meet to review and discuss with senior management and the independent external auditors and to recommend to the Board of Directors for approval, the Corporation's:
- (a) annual consolidated financial statements and interim unaudited consolidated financial statements;
 - (b) annual and interim management discussion and analysis of financial condition and results of operations (MD&A);
 - (c) earnings press release and earnings guidance, if any; and
 - (d) financial public disclosure documents, including but not limited to, prospectuses, press releases with financial results and relevant sections of the Corporation's Annual Information Form, Management Information Circular, Annual Report and SEC Form 40-F or Form 20-F, as applicable.
- 4.2 **Accounting and Financial Management**
- (a) The Audit Committee will review, together with management, the internal auditor and the external auditors:

- (i) the Corporation's major accounting policies (including the impact of alternative accounting policies), key management estimates, risks and judgments that could materially affect the financial results and whether they should be disclosed in the MD&A;
 - (ii) any proposed changes to the Corporation's accounting policies including alternative treatment available to the Corporation;
 - (iii) emerging accounting issues and their potential impact on the Corporation's financial reporting;
 - (iv) the evaluation by either the internal or external auditors of the Corporation's internal control systems, and management's responses to any identified weaknesses; and
 - (v) the evaluation by management of the adequacy and effectiveness in the design and operation of the Corporation's disclosure controls and internal controls over financial reporting.
- (b) The Audit Committee will:
- (i) be satisfied and obtain reasonable assurances from management and the external auditors that accounting systems are reliable; prescribed internal controls are effective; and adequate procedures are in place for the review of the disclosure of financial information extracted or derived from the Corporation's financial statements;
 - (ii) periodically assess the adequacy of accounting systems, internal controls and procedures for the review of disclosure of financial information;
 - (iii) review control weaknesses identified by the external auditor and management's response;
 - (iv) review with the external auditor its view of the qualifications and performance of the key financial and accounting executives;
 - (v) discuss issues of its choosing with the external auditor, management and corporate counsel; and
 - (vi) make inquiries of the external auditor and legal counsel to the Corporation regarding potential claims, assessments, contingent liabilities, and legal and regulatory matters that may have a material impact on the financial statements of the Corporation.

4.3 Whistleblower Complaint Procedures

The Committee will:

- (a) establish procedures for the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. Following the receipt of any complaints received submitted through the confidential process established by the Corporation, if a complaint is deemed to require further investigation, the Audit Committee shall take appropriate steps to carry out such investigation, including appointing the appropriate investigators with respect to such complaint; and
- (b) establish procedures for the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters and the retention (for at least 7 years) of copies of concerns and evidence of investigations.

4.4 Independent Audit Function

To preserve the independence of the external auditor responsible for preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, the external auditors will report directly to the Audit Committee and the Committee will be directly responsible for:

- (a) maintaining direct communications with the external auditors ensuring that the external auditor is answerable to the Audit Committee, as representatives of the shareholders, rather than to the executive officers and management of the Corporation;
- (b) overseeing the work of the external auditor;
- (c) recommending to the Board of Directors the external auditor to be nominated;
- (d) recommending to the Board of Directors the external auditor's compensation;
- (e) evaluating the external auditor's qualifications, performance and independence including by annually reviewing:
 - (i) a report of the auditor describing its internal quality-control procedures;
 - (ii) material issues raised by its most recent internal quality-control review; and
 - (iii) the results of any inquiry or investigation by government or professional authorities of the auditor within the last five years;
- (f) reviewing the experience and qualifications of the senior members of the external auditors, ensure that the lead audit partner is replaced periodically in accordance with applicable law, and that the audit firm continues to be independent;
- (g) annually, prior to public disclosure of its annual financial statements, confirming that the external auditor has current participant status with the Canadian Public Accountability Board;
- (h) reviewing and pre-approving any engagements for non-audit services to be provided by the external auditor and its affiliates in light of the estimated fees and impact on the external auditor's independence;
- (i) reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and most recent former external auditor of the Corporation in compliance with the requirements set out in section 2.4 of National Instrument 52-110;
- (j) pre-approving all audit services;
- (k) meet with the external auditor prior to the audit to review the scope and general extent of the external auditor's annual audit including planning and staffing the audit and the factors considered in determining the audit scope, including risk factors;
- (l) meeting with the external auditor to:
 - (i) review significant changes to the audit plan, if any,
 - (ii) review any disputes or difficulties with management encountered during the audit, including any disagreements which, if not resolved, would have caused the external

- auditor to issue a non-standard report on the Corporation's financial statements;
and
- (iii) review the co-operation received by the external auditor during its audit and interim reviews including their ability to access all requested records, data and information;
- (m) meeting with the external auditor at least annually in the absence of management;
- (n) resolving any disagreements between management and the external auditor;
- (o) discussing or reviewing specific issues that arise from time-to-time with the external auditor;
and
- (p) directing the external auditor's examinations to particular issues.

4.5 Internal Audit Function

The Audit Committee will:

- (a) approve the appointment, replacement, or dismissal of the Vice President of the internal audit group;
- (b) review and approve the compensation of the Vice President of the internal audit group;
- (c) review and approve the reporting relationship of the internal auditor to ensure that an appropriate segregation of duties is maintained and that the internal auditor has an obligation to report directly to the Audit Committee on matters affecting the Audit Committee's duties, irrespective of his or her other reporting relationships;
- (d) direct the Vice President of the internal audit group to review any specific areas the Committee deems necessary;
- (e) consider and review the following issues with management and the Vice President of internal audit:
 - i. significant findings of the internal audit group as well as management's response to them;
 - ii. any difficulties encountered in the course of their internal audits, including any restrictions on the scope of their work or access to required information;
 - iii. the internal auditing budget and staffing;
 - iv. the Audit Services Charter; and
 - v. compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

5. RISK MANAGEMENT

The Audit Committee will:

- (a) discuss the Corporation's policies with respect to risk assessment and risk management, including guidelines and policies to govern the process by which risk assessment and risk management are undertaken;

- (b) review transactions involving the Corporation and "related parties" as that term is defined in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (collectively, "Related Party Transactions");
- (c) monitor any Related Party Transactions and report to the Board of Directors on a regular basis regarding the nature of any Related Party Transactions;
- (d) oversee and monitor any litigation, claim or regulatory investigation or proceeding involving the Corporation;
- (e) review and approve annually, directors' and officers' third party liability insurance coverage; and
- (f) review and monitor the Corporation's insurance claims.

6. REPORTING

- 6.1 The Audit Committee is responsible, following each meeting, to report to the Board of Directors regarding its activities, findings, recommendations, any issues that arise with respect to the quality or integrity of the Corporation's financial statements, compliance with applicable law, the performance and independence of the external auditor and the effectiveness of the internal audit function.
- 6.2 The Audit Committee will prepare any reports required to be prepared by the Committee under applicable law including quarterly reports regarding ongoing investigations made pursuant to the Corporation's Whistleblower Policy.

7. AUTHORITY

- 7.1 The Audit Committee has the power to, at the expense of the Corporation and as it determines necessary, retain, instruct, compensate and terminate independent advisors (including independent counsel) to assist the Audit Committee in the discharge of its duties.

8. OTHER

- 8.1 The Audit Committee is responsible to annually review its own performance, and in its discretion, make recommendations to the Board of Directors regarding changes to its Charter and the position description of its Chairman.

Approved by the Board of Directors - December 11, 2013

Tab C

Sharon Fawcett

From: Brian Dimmick <Brian.Dimmick@csfinancial.ca>
Sent: March-26-14 12:08 PM
To: Sharon Fawcett
Cc: Steve Carlstrom; Nigel Mbanga
Subject: RE: Lender Disbursement Calculation - March 2014
Attachments: Lender Disbursement Calculation - March 2014

Hi Sharon, yes, we sent the notification out previously but here it is again.

Let me know if you need anything else.

Thanks,

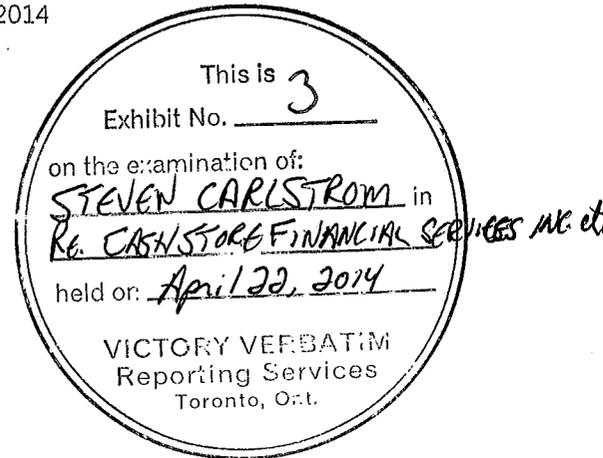
Brian Dimmick

Finance - Staff Financial Services

CASH STORE FINANCIAL
15511 – 123 Avenue Edmonton, AB T5V 0C3
T: 780.408.5110 ext: 5152 F: 780.408.5122

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Please consider your environmental responsibility before printing this e-mail



From: Sharon Fawcett [mailto:s.fawcett@aristoscorp.com]
Sent: Wednesday, March 26, 2014 12:02 PM
To: Brian Dimmick
Cc: Steve Carlstrom; Nigel Mbanga
Subject: Lender Disbursement Calculation - March 2014

Hi Brian – following up on the payment for March – I don't think you have sent out the distribution calculation as yet. Will the payment go on Friday Mar 28th or Monday Mar 31st. Please advise.

Sharon Fawcett
T: 403.251.5517
F: 1.888.474-8105
E: s.fawcett@aristoscorp.com

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From: Brian Dimmick [mailto:Brian.Dimmick@csfinancial.ca]
Sent: February-27-14 1:00 PM
To: Sharon Fawcett
Cc: Steve Carlstrom; Nigel Mbanga
Subject: Lender Disbursement Calculation - February 2014

Hi Sharon, my apologies – yes, payment is set for tomorrow. The calculation is attached for your information.

Sharon Fawcett

From: Brian Dimmick <Brian.Dimmick@csfinancial.ca>
Sent: March-13-14 3:49 PM
To: Sharon Fawcett
Cc: Steve Carlstrom; Nigel Mbanga
Subject: Lender Disbursement Calculation - March 2014
Attachments: The Family Trust Lender Payments Calc..xlsx

Hi Sharon, the next disbursement will be made on Friday, March 28, 2014.

The attached file contains the calculation.

Feel free to contact me if you have any questions.

Regards,

Brian Dimmick

Finance - Staff Accountant

CASH STORE FINANCIAL
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Cash Store Interest Calculation
 The Family Trust

March 2014		Fund Balance	Funds for Pyl. calc.	Payment Rate	Pro-rate for Mar	Total Payment
	Opening Balance March 1, 2014	\$ 13,350,000.00		17.50%		\$ 194,687.50
	Closing Balance March 31, 2014	<u>\$ 13,350,000.00</u>				<u>\$ 194,687.50</u>
	Disbursement March 28, 2014	<u>\$ 194,687.50</u>				

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 OR COMPROMISE OR ARRANGEMENT OF CASH STORE FINANCIAL SERVICES INC. et al
Court File No. CV-14-10518-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

BRIEF OF TRANSCRIPTS OF 0678786
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