

Court File No. _____

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

**PRE-FILING REPORT TO THE COURT SUBMITTED BY
FTI CONSULTING CANADA INC., IN ITS CAPACITY AS
PROPOSED MONITOR**

April 14, 2014

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

APPLICANTS

**PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS PROPOSED MONITOR**

INTRODUCTION

1. FTI Consulting Canada Inc. ("**FTI**" or the "**Proposed Monitor**") has been informed that The Cash Store Financial Services Inc. ("**Cash Store Financial**"), The Cash Store Inc., TCS Cash Store Inc., Instalozans Inc., 7252331 Canada Inc., 5515433 Manitoba Inc. and 1693926 Alberta Ltd. doing business as "The Title Store" (collectively, "**Cash Store**" or the "**Applicants**") intend to make an application to the Court seeking certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the "**CCAA**") including a stay of proceedings until May 14, 2014 and the appointment of FTI as CCAA monitor (the "**Monitor**"). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the "**CCAA Proceedings**".

2. The Proposed Monitor has reviewed the Court materials to be filed by the Applicants on this application and has had the opportunity to conduct some limited review of certain aspects thereof but not others. The purpose of this pre-filing report of the Proposed Monitor is to provide information to this Honourable Court regarding the following:
 - (a) FTI's qualifications to act as Monitor (if appointed);
 - (b) A limited summary of certain background information about the Applicants and their businesses that is relevant to the specific topics addressed below;
 - (c) The proposed treatment of certain third party lenders and related funds;
 - (d) Funding of the CCAA Proceedings, including an overview of the 13-week cash flow forecast and proposed DIP financing; and,
 - (e) The charges proposed in the Initial Order.

TERMS OF REFERENCE

3. In preparing this report, the Proposed Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management. The Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. In addition, as this is a pre-filing report, the Proposed Monitor has summarized information provided to it by the Applicants or provided in the Applicants' Court materials which it has not audited, reviewed or otherwise attempted to verify for accuracy or completeness. Accordingly, the Proposed Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

4. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

A. FTI'S QUALIFICATION TO ACT AS MONITOR

5. Greg Watson, the individual within FTI who will have primary carriage of this matter, is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada).
6. Neither FTI nor any of its representatives has been, at any time in the two preceding years:
 - (a) A director, an officer or an employee of any Applicant;
 - (b) Related to any Applicant or to any director or officer of any Applicant; or
 - (c) The auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of any Applicants.
7. FTI (through personnel in its U.S. offices) was previously retained by Cash Store Financial in relation to its listing on the New York Stock Exchange, which was subsequently de-listed voluntarily. This brief engagement concluded prior to FTI's involvement as proposed Monitor in this matter.
8. FTI has consented to act as Monitor should this Honourable Court grant the Applicants' request to commence the CCAA Proceedings.

B. SUMMARY OF RELEVANT BACKGROUND INFORMATION

9. In this section "B", the Proposed Monitor provides a very brief summary of certain relevant background facts as they have been expressed by the Applicants in the affidavit of Steve Carlstrom, sworn April 14, 2014, and filed in support of the Applicants' motion for relief under the CCAA (the "**Carlstrom Affidavit**") or

directly to the Proposed Monitor, insofar as they provide context for the remainder of the report. The Proposed Monitor has not independently verified these facts and, more generally, has not had sufficient time since the commencement of its involvement to be in a position to conduct its review and assessment of all of the matters described in the Carlstrom Affidavit.

Business of the Applicants

10. As described in the Carlstrom Affidavit, the Applicants provide alternative financial products and services to individuals, chiefly through retail branches under the banners “Cash Store Financial”, “Instaloans” and “The Title Store”. The type of product offered (which includes but is not limited to payday loans (direct and brokered) and lines of credit), varies by jurisdiction. The Applicants have branches in all of Canada’s provinces and territories except Quebec and Nunavut.
11. The Carlstrom Affidavit describes that, since late 2009, payday loan legislation has been enacted in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia (the “**Regulated Provinces**”), but that the Applicants are presently without the necessary payday lending licenses and broker’s licenses in Ontario and therefore not offering payday loans or lines of credits in Ontario.

Third Party Lender Products

12. In New Brunswick, Newfoundland, Northwest Territories, P.E.I. and Yukon (which are not Regulated Provinces), the Proposed Monitor understands that the Applicants broker requests made by their customers for loans from third-party lenders (“**TPL’s**”). The Carlstrom Affidavit describes that the line of credit products (offered in Manitoba and, formerly, in Ontario) are also brokered products, with TPLs providing the funds for the line of credit and Cash Store arranging the line of credit between the applicable TPL and customer and earning fees on the transaction.
13. Based on the Carlstrom Affidavit, the Proposed Monitor understands that the brokered product process operates as follows (for payday loans):

- (a) Cash Store has broker agreements with five different TPLs (the “**Broker Agreements**”);
 - (b) When a customer approaches Cash Store for a payday loan, rather than lending the funds to the customer itself, Cash Store acts as a broker and arranges for the TPL to provide the loan (each, including lines of credit, a “**Brokered Loan**”), with Cash Store earning a broker fee for each transaction, which generally proceeds as follows:
 - (i) Cash Store assesses the customer’s eligibility for a payday loan or “advance” based on approval criteria established by the TPL;
 - (ii) If the customer meets the established criteria, Cash Store provides the TPL’s loan documentation to the customer to complete;
 - (iii) Once the loan document requirements are completed, Cash Store provides a cash advance to the customer (a “**Broker Customer**”) on behalf of the TPL (see discussion below regarding the source of these funds);
 - (iv) The Broker Customer pays a fee to Cash Store for brokering the transaction;
 - (v) When the advance becomes due and payable, the Broker Customer must remit payment of the principal and interest owing to the TPL through Cash Store (see discussion below regarding the treatment of these repaid funds);
14. According to the Applicants, the TPLs have provided approximately \$42 million of funding over time in relation to various Brokered Loans (the “**TPL Funds**”)¹ and, upon repayment to Cash Store by the Broker Customer, such funds are generally redeployed by Cash Store to new borrowers under new Brokered Loans. While the Broker Agreements provide different mechanisms for funding the advances to Broker Customers (such as a wire transfer to the Broker Customer

¹ 1. The Proposed Monitor understands from the Applicants that the \$42 million in TPL Funds was advanced as follows by the five TPLs:

- (a) Trimor Annuity Focus Limited Partnership #5 (“**Trimor**”) -approximately \$27 million;
- (b) McCann Family Holding Corporation (“**McCann**”) -approximately \$14.5 million; and
- (c) The remaining three TPLs (1396309 Alberta Ltd., L-Gen Management Inc. (“**L-Gen**”), and Omni Ventures Ltd.(“**Omni**”)) - the remaining \$1.5 million in roughly equal proportions.

directly or cheque from the TPL to Cash Store for redirection to the Broker Customer), the Applicants have advised that, at this stage, the advances to the Broker Customer are funded from the TPL Funds held in Cash Store accounts.

15. Pursuant to the Broker Agreements, the TPL Funds are solely intended to be used by Cash Store to make advances to customers on behalf of (or that are subsequently assigned to) the TPL. Each Broker Agreement provides as follows in section 2.10 (or 2.11 in the Omni agreement):

“For greater certainty, funds from time to time advanced to Broker from Financier are solely intended to be utilized for the purposes of making advances to Broker Customers on Financier’s behalf as contemplated hereunder. Broker agrees that any funds not otherwise being held by the Broker as a “float” in anticipation of Loan approvals shall not, without the consent of Financier, be advanced or utilized for any other purpose.”;

16. The Carlstrom Affidavit states that any TPL Funds received by Cash Store that are not redeployed to other Broker Customers are held in Cash Store’s bank accounts and are referred to in Cash Store’s financial statements as “**Restricted Cash**”. While the Broker Agreement provides for the concept of a “Designated Financier Bank Account” (“designated by [the TPL] from time to time where (and into which) deposits of cash and cheques received from Broker Customers, in respect of such [TPL] funded loans, are to be cleared (deposited) to from time to time”), the Carlstrom Affidavit states that no such accounts were designated and that, in fact, the Restricted Cash is commingled in Cash Store’s account with its other cash (the “**Unrestricted Cash**”).
17. The exact amount of Restricted Cash and Unrestricted Cash is not known by Cash Store until it completes a month-end reconciliation, which is usually completed on or about the tenth day of the next month. The Applicants estimate that the calculation of Restricted Cash as at March 31, 2014 would be approximately \$14.7 million.
18. The Applicants have advised that, on certain occasions, once the month-end reconciliation was completed, the recorded Restricted Cash balance (that is, the

accounting entry showing the amount Cash Store received on account of loans brokered for TPLs, net of TPL Funds re-deployed) was found to exceed the total cash in Cash Store's accounts. In other words, Cash Store was not actually holding cash equal to the Restricted Cash amount as it used some of the Restricted Cash during the month to fund its operations. In those instances, Cash Store advises that it transferred its own direct loan receivables to the relevant TPL(s) in an amount equal to the Restricted Cash shortfall plus an additional amount to meet the working capital needs for the next month (thereby reducing the accounting entry for Restricted Cash by that amount). We refer to these transfers herein as the "**Restricted Cash Adjustment**".

19. Pursuant to the Broker Agreements, if the brokered loan is not repaid in full, Cash Store may be responsible to pay the TPL the outstanding amount of the loan if the reason for the loan not being paid in full is a failure of Cash Store to perform its duties as required under the Broker Agreement.
20. The Applicants have advised that the TPLs earn interest payments from the customers on the Brokered Loans and, while not mandated by the Broker Agreement, Cash Store has historically made what they describe as "voluntary retention payments" to the TPLs to incent them to continue making funds available to Cash Store as required by the broker model (together the "**Retention Payments**"):
 - (a) The Retention Payments include monthly cash payments to the TPLs to ensure that, when combined with portfolio returns and taking into consideration loan losses, the TPLs receive a return of approximately 17.5% per year on the Total TPL Funds. This works out to a payment of approximately \$612,000 per month on the original \$42 million amount of TPL Funds;
 - (b) In addition, the Applicants refer to the following as "**Capital Protection**":

- (i) In respect of losses arising from Brokered Loans that remain unpaid after 90 days, Cash Store credits the TPLs with a retention payment as a book entry in the amount of the losses suffered by the TPLs and records these retention payments as an expense on its balance sheet. No cash is paid to the TPLs by the Cash Store in respect of these retention payments. The Applicants describe that the effect of these book entry retention payments is that (i) the TPL Funds are not eroded by losses; (ii) the Restricted Cash balance is increased by the amount of the retention payment; and (iii) the Unrestricted Cash balance is decreased by the amount of the retention payment.
- (ii) In respect of past-due Brokered Loans in Ontario and Manitoba, Cash Store purchases such loans (including any past due direct loans that were previously transferred to the TPLs) at face value to prevent erosion of the TPL Funds. Cash Store incurs losses equal to the difference between the purchase price and the fair value of the purchased brokered loans and recognizes the losses as retention payments.

21. The Proposed Monitor has conducted its own preliminary review of the Broker Agreements and, as an initial matter, notes as follows: there do not appear to be any express trust provisions or express obligations to create a “Designated Financier Bank Account” or to otherwise hold TPL Funds separate and apart from other funds; section 2.10 (or 2.11 in the Omni Agreement), quoted above, sets out the purpose for which funds advanced from TPL are to be used; the defined term “Loan Services”, which are services to be provided by Cash Store Inc., includes collection of principal and interest on the brokered loans and “forwarding same” to the TPL, but the mechanics of this do not appear to be set out in the Broker Agreements; and there is no term in the Broker Agreements referencing the Retention Payments.

22. The Proposed Monitor understands from the Applicants that the original \$42 million amount of TPL Funds can be accounted for as follows: (i) Restricted Cash (estimated to be approximately \$14.7 as at March 31, 2014, as noted above); and (ii) amounts on loan to customers pursuant to the Broker Agreements of which approximately \$8.5 million in loans are considered “bad loans” that have been outstanding since at least 2012 and are unlikely to be recovered, although they have not yet been written off (the “**TPL Historic Bad Loans**”). The Proposed Monitor further understands that the TPL Historic Bad Loans of \$8.5 million are all Brokered Loans with Trimor.

Financial Position and Capital Structure

23. The Applicants’ financial statements as at December 31, 2013 show total assets of \$176,255,000 and total liabilities of approximately \$184,984,000.
24. According to the Carlstrom Affidavit, Cash Store is capitalized as follows (the Proposed Monitor has not reviewed the security interests or related documentation referenced herein and makes no comment on their validity, enforceability or priority): a) \$12 million advanced by Coliseum Capital Management, LLC, 8028702 Canada Inc. and 424187 Alberta Ltd. to Cash Store Financial, guaranteed by the other Applicants (except for 1693926 Alberta Ltd. doing business as “The Title Store”) pursuant to a credit agreement, secured in first priority (generally speaking) (the “**Senior Debt**”); b) \$127.5 million of Notes issued through a private placement in January, 2012, secured in second priority (generally speaking); and c) \$42 million (originally) of TPL Funds.

C. RESTRICTED CASH AND TREATMENT OF TPL FUNDS

25. The Proposed Monitor understands that at least one TPL (McCann) has alleged that the Restricted Cash is subject to a trust in favour of McCann and at least McCann and Trimor have indicated that such funds should be segregated, among other things. The Proposed Monitor further understands that this characterization is strongly disputed by the Applicants who assert that no provision of the Broker

Agreement establishes a trust relationship or imposes a trust on any funds, and all funds were commingled, among other things.

26. The Proposed Monitor has not conducted an assessment of the factual basis for each of these two positions.
27. Recognizing that it may take some period of time after the commencement of the CCAA Proceedings to resolve the claims of TPLs to a trust or proprietary interest in the Restricted Cash (by an adjudication or consensual resolution), the “operating principles” for the treatment of existing cash and post-filing receipts from Brokered Loans during the CCAA Proceedings will be relevant to both sides of the dispute. For this reason, it would be beneficial if “operating principles” were adopted (and reflected in the initial order) that took into account and balanced the respective positions and interests of the different stakeholders as well as the operational needs and limitations of the Applicants in a practical way.
28. In the view of the Proposed Monitor, appropriate “operating principles”, having regard to the alleged proprietary interest asserted, can be considered in the context of two related but distinct components:
 - (a) **Cash-on-hand:** The Proposed Monitor understands that the Restricted Cash (an accounting entry estimated to be approximately \$14.7 million as at March 31, 2014) exceeds the actual cash-on-hand (estimated to be approximately \$2.94 million at the CCAA filing date (the “**Filing Date**”)). Therefore, practically speaking, the TPLs are or may be alleging that they have a trust or proprietary interest in all of the cash in the Cash Store accounts as at the Filing Date (the “**Filing Date Cash-on-Hand**”) (which is denied by Cash Store); and
 - (b) **Receipts on Brokered Loans going forward:** The Brokered Loans are made in the name of the relevant TPL, as lender, or are assigned or deemed to be assigned to such TPL, such that the TPL

appears to have an ownership interest in the receivables relating to such Brokered Loans (at least prior to repayment, at which time the above-described dispute regarding commingled funds arises, assuming the repayments are deposited in Cash Store's general account). The Proposed Monitor understands that, of the original \$42 million amount of TPL Funds, there are presently approximately \$18.66 million of Brokered Loans outstanding for less than 90 days (not including the TPL Historic Bad Loans, the "**Existing Brokered Loans**"). If and when payments in respect of such Existing Brokered Loans are received by Cash Store, it appears that the TPLs would assert a trust or proprietary interest in those receipts (the "**Brokered Loan Receipts**").

Cash-on-Hand

29. The Proposed Monitor understands that the Applicants intend to continue to use the Filing Date Cash-on-Hand (and other cash-on-hand from time to time) to fund its operations during the CCAA Proceedings. The Proposed Monitor notes that the use of these funds is included in the proposed cash flow forecast.
30. If these funds were unavailable, the Applicants would need to obtain an amount equivalent to the Filing Date Cash-on-Hand through an interim financing source (for instance by way of an increase in the DIP Facility, described below), if that was possible, despite the Applicants' position that the Filing Date Cash-on-Hand belongs to them.
31. To balance the competing positions and interests of the parties, the Applicants have proposed (after discussions with the Proposed Monitor) to create a charge, ranking pari passu with the DIP Charge (defined below), in the amount of the Filing Date Cash-on-Hand (the "**TPL Charge**"), as a form of security for the TPLs to the extent they are able to establish entitlement to the Filing Date Cash-on-Hand in priority to any other person (for instance a valid trust or other proprietary interest) based on the circumstances as they existed at the Filing Date.

Brokered Loan Receipts

32. The Proposed Monitor understands that the Applicants intend to continue to use the Brokered Loan Receipts in the CCAA Proceedings strictly for the purpose of making advances to Broker Customers on behalf of the respective TPLs in accordance with the Broker Agreements (the “**Permitted Purpose**”). In this regard, the Proposed Monitor has been advised by the Applicants of the following:
- (a) The Applicants earn a broker fee on new Brokered Loans and therefore, if they are unable to continue to use the Brokered Loan Receipts to offer new Brokered Loans, they will not be able to earn such fees;
 - (b) If the Applicants are not able to use the Brokered Loan Receipts to offer new Brokered Loans, then Cash Store will likely suffer losses in the non-Regulated Provinces (in which Cash Store offers Brokered Loans instead of direct loans). Among other things, the Applicants advise that, based on their experience, payments on existing loans may be delayed if they are not able to offer new loan products; and
 - (c) Approximately \$11.49 million of the Existing Brokered Loans are in Ontario and the Applicants expect that, as a result of the regulatory issues in Ontario referenced above, including the fact that Cash Store cannot presently offer payday loans, lines of credit or brokered loans in Ontario, there will likely be a significant loss rate in payment of the Ontario portion of the Existing Brokered Loans. As a result, they expect that the approximately \$18.66 million of Existing Brokered Loans will only result in a much smaller Brokered Loan Receipts amount.
33. The Proposed Monitor understands that it would be impractical and/or unfeasible to physically segregate the Brokered Loan Receipts into a separate account that

could only have withdrawals made for the Permitted Purpose (i.e. a segregated account that would, at all times, have the Brokered Loan Receipts net of amounts that are re-advanced for the Permitted Purpose (the “**Net Brokered Loan Receipts**”). The Proposed Monitor understands that this is impractical and/or unfeasible as a result of the existing cash systems, including the systems for depositing funds used by third parties that accept payments on behalf of Cash Store, that do not differentiate between brokered loans and direct loans when accepting and making payments.

34. As an alternative to physical segregation, to balance the competing positions and interests of the parties, including enabling the Applicants to continue to use the Brokered Loan Receipts for the Permitted Purpose, the Applicants (after discussions with the Proposed Monitor and DIP Lender) have proposed to implement restrictions in the Initial Order and appropriate accounting mechanisms (including the need to track these amounts more frequently than simply at month-end) to ensure that the cash-on-hand in the Applicants’ account never falls below the Net Brokered Loan Receipts. The TPL must establish an interest to such funds in priority to any other person (for instance a valid trust or other proprietary interest) based on the circumstances as they existed at the Filing Date.

D. FUNDING OF CCAA PROCEEDINGS: CASHFLOW AND PROPOSED DIP

35. The Applicants, with the assistance of the Proposed Monitor, have prepared a consolidated 13-week cash flow forecast of their receipts, disbursements and financing requirements (the “**Cashflow Forecast**”). A copy of the Cashflow Forecast and a report containing the prescribed representations of the Applicants is attached to the Carlstrom Affidavit.
36. The Cashflow Forecast shows that it is estimated that for the period of the weeks ending April 18, 2014 to July 11, 2014, the Applicants will have total receipts of \$126,294,000, total operating disbursements of \$131,872,000, and total

disbursements relating to the restructuring of \$6,147,000, for a net cash outflow of \$11,724,000.

37. The Cashflow Forecast assumes that the CCAA Proceedings will not materially impact the demand for new loans or the rate of repayment on existing loans. In addition, the Applicants have advised FTI that there is uncertainty in terms of the timing of repayment of existing loans, generally, given the nature of these alternative financial products. Accordingly, the Proposed Monitor notes that there is some variability inherent in the Cashflow Forecast. However, it is anticipated that the Applicants' forecast liquidity requirements during the CCAA Proceedings will be met by funds advanced pursuant to the DIP Agreement (if approved), described below, and through use of the Filing Date Cash-on-Hand, as described above.

DIP Facility

38. The Proposed Monitor understands that the Applicants received two proposals to provide DIP Financing and has entered or will enter into an agreement (as attached to the Carlstrom Affidavit, the "**DIP Agreement**") with Coliseum Capital Partners, LP, Coliseum Capital Partners II, LP and Blackwell Partners, LLC (collectively, the "**DIP Lender**") to provide interim financing to the Applicants during these CCAA Proceedings.

TPL Funds

39. As discussed above, the Applicants have taken the position they should be entitled to continue to use the Filing Date Cash-on-Hand for operating purposes and use the Brokered Loan Collections for the Permitted Purpose during the CCAA Proceedings. Both of these assumptions are reflected in the Cashflow Forecast.
40. With respect to payments or transfers by Cash Store to the TPLs, as described above, the Proposed Monitor understands (and the Cashflow Forecast reflects) that the Applicants:

- (a) do not intend to make any Restricted Cash Adjustments to TPLs during the CCAA Proceedings;
 - (b) intend to pay a return equal to 17.5% and Capital Protection to the TPLs but only in respect of the funds available for re-advancing and not in respect of the TPL Historic Bad Loans or other funds that prove to be ‘bad loans’.
41. It is anticipated that the funds advanced by the DIP Lender, together with the use of the Filing-Date Cash-on-Hand as set out in the Cashflow Forecast, will accommodate the Applicants’ forecast liquidity requirements during the requested stay period in the proposed CCAA Proceedings.

E. COURT-ORDERED CHARGES IN DRAFT INITIAL ORDER

42. The proposed Initial Order includes the following charges, in the following priority in relation to each other and the Senior Debt:
- (i) First — the Administration Charge (in the maximum amount of \$1.5 million);
 - (ii) Second — the D&O Charge (in the maximum amount of \$1,250,000);
 - (iii) Third — the DIP Charge (in the maximum amount of \$20,500,000) and the TPL Charge (in the amount of the Pre-Filing Cash-on-Hand, which the Applicants advise equals \$2,940,474.03), to rank *pari passu* with one another;
 - (iv) Fourth — Senior Debt; and
 - (v) Fifth — the D&O Charge (in the maximum amount of \$1.25 million).
43. The Proposed Monitor notes that the amount and priority ranking of the proposed charges have been negotiated and agreed with the DIP Lender. At the request of the Applicants, the Proposed Monitor has provided some assistance in the

calculation of certain amounts in relation to the Administration Charge and the D&O Charge as set out below.

a) Administration Charge

44. The Proposed Order provides for a first-ranking charge in the maximum amount of \$1.5 million charging the assets of the Applicants to secure the fees and disbursements incurred in connection with services rendered to the Applicants both before and after the commencement of the CCAA Proceedings by the following entities: counsel to the Applicants; counsel to the Special Committee; the CCRO (as defined in the Carlstrom Affidavit); counsel to the DIP Lender; Moelis & Company, financial advisor to the DIP Lender; the Financial Advisor; Conway MacKenzie, financial advisor to the Applicants; the Monitor; and the Monitor's counsel (the "**Administration Charge**").
45. Counsel to the Applicants provided estimates to the Proposed Monitor of the fees and costs of the proposed beneficiaries of the Administration Charge for four weeks of a CCAA Proceeding. While the Proposed Monitor is unable to comment on the likely accuracy of such estimates, the quantum of the proposed Administration Charge equals the estimates provided by such beneficiaries.

b) Directors & Officers Charge

46. The proposed Initial Order provides for a charge in favour of the directors and officers of the Applicants (the "**D&O Charge**") over the property of the Applicants in the maximum amount of \$2.5 million, with the priority listed above.
47. The Proposed Monitor was asked to calculate statutory amounts relating to potential liabilities that may attach to the directors and officers for certain employee-related and tax-related obligations, based on information provided by Cash Store. These calculations were provided to the Applicants for purposes of calculating the D&O Charge. The Proposed Monitor notes that the total of these figures exceeds the proposed D&O Charge:

- (1) Outstanding payroll and bonuses estimated to be approximately \$3,700,000;
- (2) Outstanding vacation pay estimated to be approximately \$1,354,000.

The Proposed Monitor respectfully submits to the Court this Pre-Filing Report.

Dated this 14th day of April, 2014.

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

A handwritten signature in blue ink, appearing to read 'Greg Watson', with a horizontal line extending to the right.

Greg Watson
Senior Managing Director