



Cost of providing payday loans in Manitoba

September 17, 2007



Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: (204) 926-7653
Fax: (204) 947-2689
www.deloitte.ca

September 17, 2007

Private and confidential

Aikins, MacAulay & Thorvaldson LLP
30th Floor, 360 Main Street
Winnipeg, MB R3C 4G1

Attention: Allan F. Foran, Partner

Dear Sir:

Please find attached our report on the cost of providing payday loans in the Province of Manitoba.

We understand that our work product will be required for submission to the Public Utilities Board of Manitoba.

Yours truly,

A handwritten signature in cursive script that reads "Dean Schinkel".

Dean Schinkel, CA, CBV
Senior Manager, Financial Advisory Services
Deloitte & Touche LLP

Table of contents

1.0	Executive summary	1
2.0	Background and purpose of engagement	2
3.0	Methodology	3
3.1	Overall methodology	3
3.2	Operating costs of payday loans	3
3.3	Cost of loan capital	5
3.4	Cost of supplementary capital	6
3.5	Bad debt costs	6
4.0	Discussion of survey results	8
4.1	Surveys disbursed and returned	8
4.2	Summary	10
5.0	Results of calculations	11
5.1	Cost of a \$100 loan	11
5.2	Operating costs	12
5.3	Cost of loan capital and supplementary capital	12
5.4	Bad debt costs	12
	Appendix A – Survey of Manitoba payday loan providers	13

1.0 Executive summary

Deloitte & Touche LLP (“Deloitte”) has been engaged by the Canadian Payday Loan Association (“Association”) to prepare a report related to the cost of providing payday loan services in the Province of Manitoba. This report focuses on private companies providing payday loans in Manitoba.

Deloitte collected financial data and other relevant information about Manitoba payday lenders via a detailed survey. Thirteen surveys were sent out to private companies in Manitoba which provide payday loans to customers. An attempt was made to contact all private companies in Manitoba providing payday loan services, including companies that are not members of the Association. Deloitte received back a total of five surveys, representing a total of \$7.9M in payday loans disbursed for the respondents most recent fiscal year.

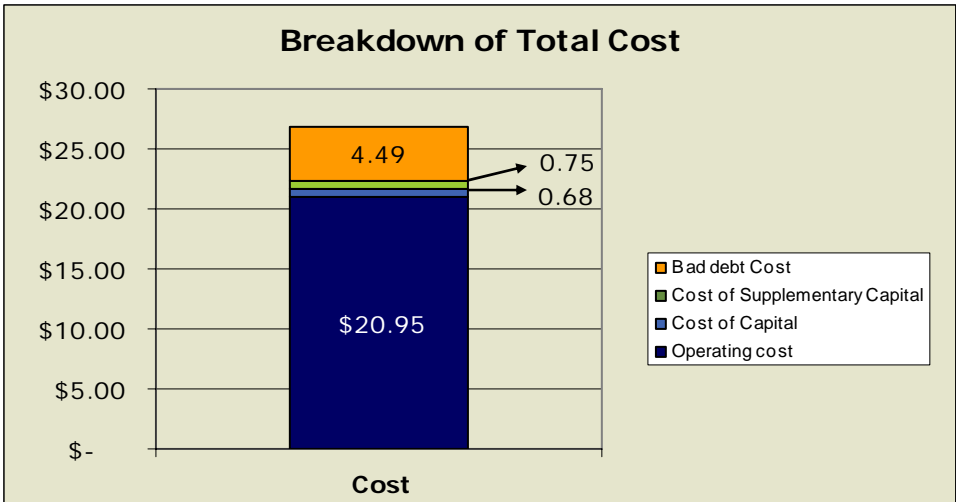
Information received from survey respondents was reviewed in detail by Deloitte in order to assess the reasonableness of the data. This included discussions with all respondents. In all instances adjustments were required to the data provided to ensure the data was consistent and represented the cost of providing payday loans.

Ernst & Young released a report (“E&Y Report”) in October of 2004 entitled “The Cost of Providing Payday Loans in Canada”. This report was also commissioned by the Association. Deloitte has reviewed this report in detail. Based on our review we concluded that the methodology employed by E&Y was sound and appropriate when attempting to determine the cost of providing payday loans. As a result the methodologies and procedures utilized in this report are based on the E&Y study except where noted.

Deloitte’s methodology involved segregating costs into four (4) components:

- Operating costs – cost to provide payday loans such as labour, rent, and utilities
- Cost of capital – actual and opportunity costs for providing capital for loans
- Cost of supplementary capital – for infrastructure and working capital
- Bad debt costs – lost principal and operating costs for issuance and processing of loans

These costs are combined and presented as a ‘cost per \$100 loan.’ This report estimates the cost of providing a \$100 payday loan in Manitoba to be \$26.87, which can be further illustrated as follows:



2.0 Background and purpose of engagement

Deloitte & Touche LLP has been engaged by the Canadian Payday Loan Association (“Association”) to prepare a report related to the cost of providing payday loan services in the Province of Manitoba. This report focuses on private companies providing payday loans in Manitoba. It is our understanding the Association is preparing a separate analysis of public companies operating in Manitoba. Internet based lending and the associated costs are excluded from our analysis.

We understand this report is being commissioned as part of a submission by the Association to the Public Utilities Board of Manitoba. The Public Utilities Board defines a payday loan as a loan with an initial advance of no more than \$1,500 and term no longer than 62 days¹.

The purpose of this report is to attempt to gather factual data on the cost of providing payday loans. Deloitte sought to obtain financial and other relevant data from Manitoba payday lenders (“payday lenders”, “respondents”) via survey responses. Thirteen surveys were sent out and five responses were received within the timeframe necessary to prepare the report. This report includes analysis of the data obtained and the results of our calculations using that data; it does not contain or provide an opinion on what is an appropriate rate and/or fees lenders should charge when providing payday loans. It should be noted that as not all payday lenders responded to the survey that the results may not be representative of the industry as a whole. Deloitte reviewed and analyzed all survey responses in detail; however, the data provided by survey responses has not been audited.

Ernst & Young released a report (“E&Y Report”) in October of 2004 entitled “The Cost of Providing Payday Loans in Canada”. The E&Y Report was also commissioned by the Association. Deloitte has reviewed the E&Y Report in detail. Based on our review we concluded that the methodology employed by E&Y was sound and appropriate when attempting to determine the cost of providing payday loans. As a result, the methodologies and procedures utilized in this report are based on the E&Y Report except where noted. Readers of this report are directed to the E&Y Report for further detail.

¹ Deloitte could not specifically determine if any loans were issued outside of these thresholds, but based on our analysis and discussions we believe loans issued outside this definition would be insignificant.

3.0 Methodology

3.1 Overall methodology

This report intends to address the cost of providing payday loans in Manitoba². Based on our review Deloitte has segregated the costs of payday loans into four (4) components:

- Operating costs
- Cost of capital
- Cost of supplementary capital
- Bad debt costs

The four cost components are combined to generate a 'cost per \$100 loan' figure which can be applied to all loans. The 'cost per \$100 loan' was used in the E&Y Report and based on discussions with industry participants appears to be the most relevant and accepted measure when assessing costs in the industry.

3.2 Operating costs of payday loans

Based on the survey results, common operating costs incurred by payday lenders include:

- Salaries and benefits
 - Security
 - Rent
 - Utilities
 - Insurance
 - NSF and other bank service charges
 - Credit checks
 - Advertising
 - Supplies
 - Professional fees
 - Dues and memberships
 - Depreciation and amortization
 - Taxes
-

² We are not segregating loans into first-time versus repeat loans and rollover/re-write loans as was done by E&Y due to constraints in available data and the fact we are providing an "average" cost over all loan types.

- Provisions for loan losses and doubtful accounts
- Interest
- Payments to affiliated companies (i.e. management fees, royalties, etc.)

A discussion on the last three items occurs below in Section 3.2.2.

In order to properly determine operating costs they must first be allocated between payday lending and other services, and then reviewed in order to determine whether certain adjustments are required. The allocation of costs and required adjustments are discussed below. After adjusted operating costs are determined the total is divided over all loans issued during the year, then multiplied by 100 in order to determine operating costs per \$100 of loan.

3.2.1 Allocating operating costs

There are two distinct types of payday loan providers: mono-line and multi-line operators. A mono-line operator is only in business to provide payday loans, whereas a multi-line operator also offers other services such as cheque cashing, money transfers/orders, tax preparation (including discounting), etc. The costs associated with providing these other services need to be excluded from our calculations, as they are not directly incurred to provide payday loans. This infers that a reasonable method must be used to segregate the costs of a multi-line provider between payday loans and all other services.

All respondents reported that they operate as multi-line providers. In addition, all of the respondents indicated that they have no precise way of separating costs related specifically to the payday lending portions of their business. They generally stated that they assumed if X% of revenues were generated from payday lending, then X% could be applied to each of the cost line items (with the exception of bad debts where substantially all of these costs relate to payday lending). They also indicated that this may not be entirely appropriate since a higher percentage of time is usually spent on payday lending than other services in comparison to the revenue generated. As a result, splitting costs based on revenue percentage may have the effect of understating the operating costs related to payday lending. However, based on the information available, revenue split appears to be the most reasonable estimation for allocating costs between revenue sources. Therefore, this method was employed by Deloitte.

Deloitte discussed the reported revenues with each of the respondents. In two instances, NSF fee revenues which are related to payday lending were recorded in different revenue categories. Deloitte included this revenue in payday lending revenue for the purposes of allocating costs.

3.2.2 Adjusted operating costs

Allocated operating costs were used as a starting point for our analysis. Adjustments are required to help ensure consistency across all payday lenders and that the costs included reflect actual costs required to provide payday loans. Based on the information received, the four main adjustments required are as follows:

- **Provisions for loan losses:** Responses show there are large variations in the methods used by payday lenders to account for bad debts. For example, one respondent did not record a loan as a bad debt until the customer declared bankruptcy while another respondent recorded bad debt when the amount was not collected after 60 days of becoming in default. Therefore, we removed the various bad debts costs from our overall calculation of operating costs per \$100 loan and calculated them separately based on a consistent method. This is discussed below in Section 3.5.
- **Interest on long term debt:** This expense is considered under the cost of capital (Section 3.3 below) and therefore excluded from operating costs.

- **Payments to affiliated companies (i.e. management fees, royalties, etc.):** These types of expenses are only properly included in the calculation of overall costs if it represents a transaction which occurred at fair market value and are incurred for business purposes (i.e. the expense would be relatively the same size if made to an unrelated company).

In one instance, a respondent classified salary paid to shareholders under this category. However, the shareholders were key employees to the company. We reviewed the number of hours they spent on the business in a typical week and deemed the salary to be reasonable relative to fair market value. Thus the expense was included in the calculation of operating costs. In another instance, management fees were paid to a related company for tax planning purposes. This is not a cost deemed necessary to payday lending. The amount was adjusted out of the calculation of operating expenses.

- **Payments to owners:** Similar to the third point above, this expense is only properly included in the calculation of overall costs if it represents fair market value for the employment services provided. The survey requested not only the amount of remuneration to owners/shareholders, but also requested the amount of time that these individuals spend during an average week on the business. This information was combined to assess the reasonableness of amounts paid to owners/shareholders and make adjustments to fair market value if necessary.

3.3 Cost of loan capital

In order to issue loans, payday lenders require capital to operate their business. Like other businesses and industries, payday lenders can finance their operations using debt, equity or a combination thereof. This capital has a cost to it in the form of interest paid on debt and payments/dividends to satisfy and provide a return associated with equity contributions.

The cost of capital is determined by multiplying the value of loans by the weighted average cost of capital (“WACC”). WACC represents the weighted blended rate of return required by the equity holders of a business and the interest rate required by debt holders.

Based on the responses received, private company payday lenders in Manitoba have diverse capital structures, with debt to equity structures varying widely between the respondents. Additionally, funding comes from a wide variety of sources with very different rates and terms.

The E&Y Report highlights that cost of capital is a relatively small component of the overall cost of providing payday loans. In addition, their report prepares a sensitivity analysis showing the costs based on varying WACC’s. Based on our review of respondents’ data, and in order to be consistent with the E&Y Report, we have utilized an average WACC of 14% when calculating the cost of loan capital. However, it is likely this is a conservative estimate.

The cost of loan capital is calculated as follows:

Cost of Loan Capital
Weighted average cost of capital (14%)
<i>multiplied by</i>
Average maturity of good loans ÷ 365
<i>multiplied by</i>
100
<i>equals</i>
Cost of loan capital per \$100 loan

3.4 Cost of supplementary capital

In addition to borrowing money or utilizing equity to disburse principal on loans, payday lenders must employ fixed assets to operate and must carry cash reserves sufficient to ensure that money is available for new loan requests. These fixed assets and cash balances have associated carrying costs which are referred to as the cost of supplementary capital.

In order to calculate the cost of supplementary capital the net fixed asset balance of each payday lender needs to be allocated to the payday lending portion of the business. Similarly to the allocation of costs, all of the respondents indicated that they have no precise way of separating fixed assets specifically to the payday lending portions of the business. Therefore, net assets have also been allocated to payday lending based on the same methodology as the operating costs.

Secondly, the cash balance of each payday lender needs to be adjusted to reflect only the cash on hand for payday lending. This involves segregating out cash used for other business purposes. Additionally, some lenders hold large amounts of cash on hand to meet upcoming liabilities and obligations or for anticipated expansion. Therefore, we have defined the amount of cash on hand for payday lending to be the greater of:

- Cash allocated to payday lending based on the allocation % used for operating costs
- 1/26th of total loans issued in the year

The cost of supplementary capital is calculated by multiplying the supplementary capital by the WACC of 14% which is discussed in Section 3.3 above.

3.5 Bad debt costs

When a loan goes into default and is not ultimately collected, it is considered a bad debt. For the purposes of this report, bad debt is defined using three components. Firstly, there is the principal amount loaned out that is never collected on defaulted loans. This is by far the largest component of bad debt expense. The remaining two components represent a portion of operating costs and supplementary capital costs that are allocated to these defaulted loans; this represents the share of costs that would otherwise be borne by the loan had it not gone bad. The E&Y report also included a cost of loan capital charge in their total bad debt costs. As is discussed below, as we did not define bad debts as those not recovered within 90 days, this calculation is not possible as the number of days a bad loan is carried is not available³.

In regards to the principal component of bad debts, Deloitte's definition is "the principal on defaulted loans which was never ultimately collected." This differs from the E&Y Report which defined bad debts as "the principal on defaulted loans that are not recovered within 90 days". This difference in methodology is due to the fact that certain of our respondents could only provide loans ultimately not collected (not just loans not collected within 90 days). In addition, we believe the true cost of bad debts is loans ultimately not recovered, not just those not recovered within 90 days. Based on discussions with respondents only a small portion of loans that are not collected after 90 days in default are ultimately collected. Therefore, the difference in methodology would likely not have a significant impact on the cost calculations.

In regard to operating costs and supplementary capital, since bad debts are never recovered and the revenue is lost, the general rate offered and attained by payday lenders on good loans (loans which do not default) must be sufficient to bear the cost of bad debts on loans that default.

³ This difference in methodology would not have a significant impact on the total cost of providing payday loans.

The following table demonstrates that when a loan is not collected, not only is the principal not collected, but the operating costs that were intended to be covered by an uncollected loan also are not recovered. The example below is based on a breakeven analysis whereby fees/interest are set to equal costs (and cost of loan capital is excluded):

Description	Amount
Principal distributed and due on 10 loans (loans at \$100 each)	\$1,000
Fees/interest due on loans, \$25 per loan (equal to actual costs per loan)	250
Total due	1,250
Total ultimately collected, 9 loans (9X(100+25))	1,125
Less: original principal amount	(1,000)
Less: actual operating costs, \$25 per loan	(250)
Shortfall	\$(125)

The above simplified calculation illustrates that the cost of bad debts increases the total cost of providing good loans, therefore the revenue from good loans must cover off these bad debt costs. Stated differently, when a loan is not collected that loan does not go towards covering a portion of its costs. These costs must therefore be reflected as part of bad debt costs and be included when pricing out all loans. Our calculation of bad debts is as follows⁴:

	COST OF BAD DEBTS PER \$100 of LOAN	=	(total bad debt costs) X $\frac{100}{\text{(total good loans)}}$
where;	TOTAL GOOD LOANS	=	(total principal collected)
and;	TOTAL BAD DEBT COSTS	=	(bad debt principal + operating and supplementary capital costs allocated to bad debt ⁵)

One payday lender was unable to quantify his/her volume of defaulted loans which were recovered during the year. Since it is necessary to have this statistic to calculate the bad debt cost per loan, this lender's default statistics were omitted from the calculation.

⁴ It is important to note that this calculation method was appropriate since none of the respondents operated as a broker. A broker would not lose the principal of a defaulted loan since the third party assumes that risk.

⁵ Defined further as operating costs and supplementary capital costs multiplied by (bad debt principal/total volume of loans)

4.0 Discussion of survey results

4.1 Surveys disbursed and returned

On August 27, 2007, thirteen surveys were sent out to private companies in Manitoba which provide payday loans to customers. The surveys were designed in an attempt to ensure that the questions were understandable and that the necessary information to complete the study would be obtained. An effort was made to contact all private companies in Manitoba providing payday loan services, including companies that are not members of the Association. Deloitte received back a total of five surveys, representing a total of \$7.9M in payday loans disbursed for the respondents most recent fiscal year.

Some of the surveys contained unclear responses including:

- Missing responses
- Ambiguous answers explaining how costs were allocated to payday lending
- Discrepancies between information included in the survey and financial statements provided
- Unusual balances or costs that appeared to be anomalies

In all instances, Deloitte contacted the companies to clarify and gain comfort over their responses. In certain instances significant further discussions and analysis needed to take place in order for Deloitte to obtain comfort that the responses received were reasonable and could be utilized. In addition, based on discussions a number of adjustments were required on the information received.

After all discussions were conducted, Deloitte determined that all five responses could ultimately be used for the purposes of this report (after making necessary adjustments) with one main exception. One exception occurred in the calculation of bad debt costs where one vital statistic could not be obtained from a respondent. This respondent's results were not included in the calculation of bad debt costs per loan.

Deloitte reviewed and analyzed all survey responses in detail; however, the data provided by survey responses has not been audited.

The survey and cover letter that was sent is included in Appendix A. The survey contained several questions to assess the reasonableness of responses and was structured to capture information falling within seven (7) main areas:

- 1. Company structure and business mix.** Questions were intended to gather information regarding the types of services offered by the payday lenders, the number of locations operated, the length of time these locations have been in operation, and the legal structure of the company.

As mentioned earlier, all five of the respondents provided services in addition to payday lending. Two respondents run multiple store locations. The oldest store of all respondents opened in January 2002, while the majority of stores opened between May 2004 and September 2005. All five of the respondents operate as incorporated private companies.

- 2. Owner compensation.** Information specific to "owner" compensation (including proprietors of the business, partners in the business, shareholders, and their spouses and family members of these positions) was required in order to properly adjust operating costs. This compensation in certain situations, such as tax planning strategies is considered an unnecessary expense to the regular operation of the payday lender. Put another way, the survey requested not only the amount of remuneration to owners/shareholders, but also requested the amount of time that

these individuals spend during an average week on the business. This information was combined to assess the reasonableness of amounts paid to owners/shareholders and make adjustments to the fair market value of those services, if necessary.

- 3. Financial statement information.** Recent historical financial information is essential to the calculation and analysis of the cost data. The data also provides vital information regarding the proportion of revenue attributable to payday lending in a multi-service business.

The respondents' answers indicated that payday loan revenues constituted 68.9% to 94.9% of total company revenues, with a simple average of 85%.

Additionally, financial statements are requested in order to help assess the reasonability of the information filled in by the respondents. One payday lender's financial statements were audited, three payday lender's statements were reviewed by external accountants, and one respondent did not have financial statements reviewed by an external accountant.

- 4. Financing/capital sources.** Financing sources were requested in order to gain an understanding of the sources of capital for private payday lenders in Manitoba and their cost of capital. As was discussed above, the sources and rates related to capital utilized by the respondents varied greatly.
- 5. Product line activity.** This section of the survey was intended to gather information regarding the relative size of each company based on dollar volume and number of loans and dollar volume, as well as the dollar volume of loans that went into default and ultimately were or were not collected. These statistics were used for various calculations, the most significant being operating cost per loan and bad debt cost per loan.

Based on all five responses, Deloitte has summarized the loan statistics in the following table:

Description	Total	Per Store (simple average)
Total dollar volume of loans issued in most recent fiscal year	\$7,873,053	\$715,732
Total number of loans issued in most recent fiscal year	29,269.00	2,661
Average loan size	268.99	268.99
Dollar value of loans that went into default ¹	999,247	90,841
Defaulted loans as a percentage of total loans	12.7%	12.7%
Defaulted loans ultimately collected ²	727,441	66,131
Collected loans as a percentage of defaulted loans	72.8%	72.8%
Defaulted loans ultimately not collected	271,806	24,710
Bad debts as a percentage of loans issued	3.5%	3.5%

¹Defaulted loans represent loans not collected on the due date. Many loans that go into default are ultimately collected.

²Note that one lender which had \$34K of loans default was not able to determine the amount that was ultimately collected. It is possible that some or all of the \$34K may have been collected.

- 6. Returned cheques and unrecoverable debts.** This section of the survey intends to gather information regarding the accounting treatment of defaulted loans and bad debts. It specifically highlighted the fact that there are large discrepancies in the methods used by payday lenders to account for these situations. For example, one of the five respondents writes off loans as soon as they go into default. The other four respondents indicated that they write off loans between 60 and 120 days after defaulting with one response indicating this occurs only at the point the customer claims bankruptcy.
- 7. Breakdown of fees.** Information gathered with respect to fee structure assisted with the general understanding of the industry and in order to assist in assessing the reasonableness of the information provided.

4.2 Summary

In summary, one of the five surveys returned omitted key vital statistics to be considered usable for the purposes of the bad debt calculation. Specifically, the lender did not keep track of the portion of defaulted loans that were collected during the year.

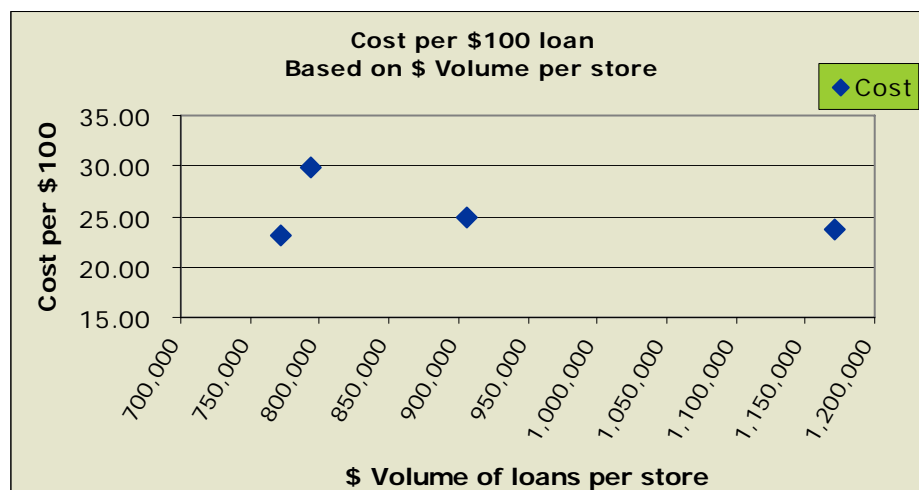
5.0 Results of calculations

5.1 Cost of a \$100 loan

Based on the cost calculations, an average payday lender in Manitoba incurs costs of \$26.87 to provide a \$100 payday loan. The table below illustrates the cost structure to provide a \$100 loan:

Overall Statistics	
Cost Analysis	
Operating cost per \$100 loan	\$20.95
Cost of loan capital	0.68
Cost of supplementary capital	0.75
Cost of \$100 loan before bad debt costs	22.38
Bad debt cost per \$100 loan	4.49
Total cost of \$100 loan	\$26.87

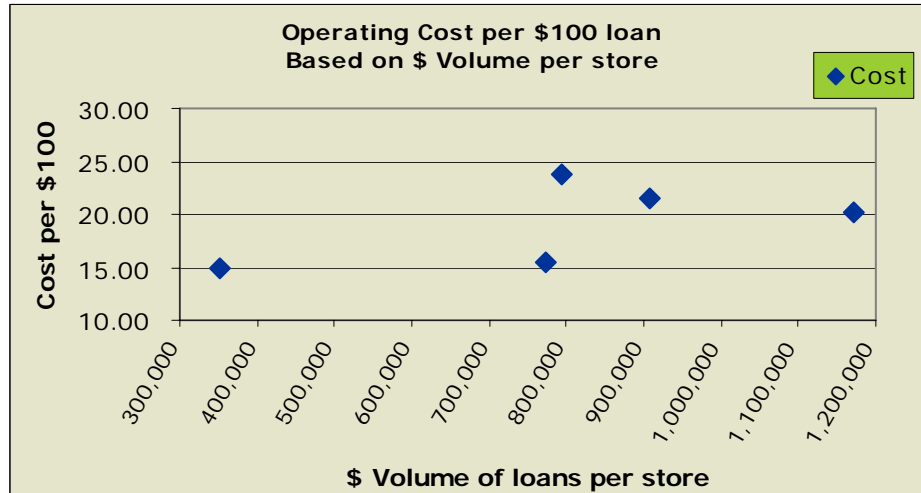
The following graph demonstrates the costs incurred by payday lenders based on their volume per store (for companies with multiple locations calculated as total loans divided by number of stores). Note that since cost of bad debts could not be included in the calculation for one of the respondents, their results are not shown in the graphs:



5.2 Operating costs

Based on the responses received, Deloitte calculated the average operating cost per \$100 loan at \$20.95.

The following graph illustrates the operating cost per loan based on the volume of loans per store (for companies with multiple locations calculated as total loans divided by number of stores):



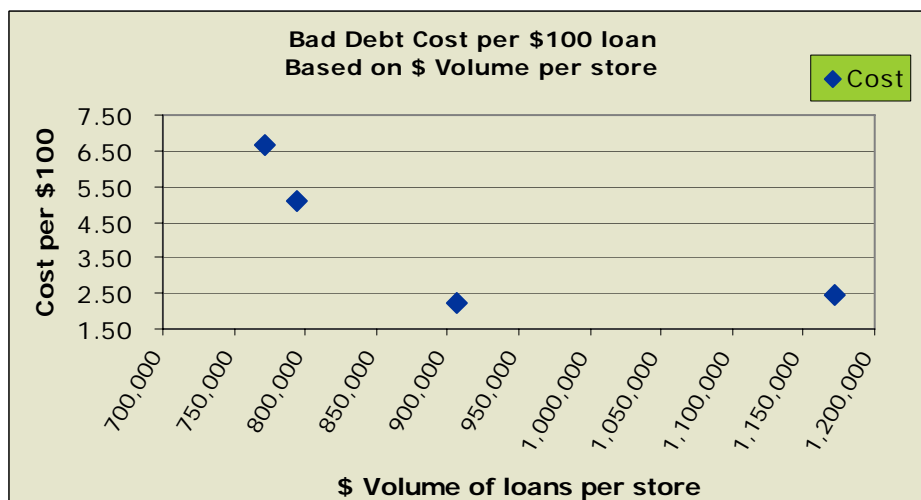
5.3 Cost of loan capital and supplementary capital

Cost of loan capital is an average cost of \$0.68 per \$100 loan. Cost of supplementary capital is an average cost of \$0.75 per \$100 loan.

5.4 Bad debt costs

As mentioned, one of the five responses was unable to provide a statistic on 'defaulted loans which were ultimately collected'. Therefore, this response is excluded from the calculation of bad debts. Based on our analysis, average bad debt costs per \$100 loan is \$4.49.

The following table illustrates the bad debt cost per loan based on the volume of loans per store:



Appendix A – Survey of Manitoba payday loan providers

August 27, 2007

Dear Manitoba Payday Loan Provider:

Deloitte & Touche LLP (“Deloitte”) has been engaged by the Canadian Payday Loan Association (“Association”) to prepare a report on the cost of providing payday loan services in the Province of Manitoba. This report will be utilized by the Association for presentation to the Public Utilities Board of Manitoba.

In order to prepare the report Deloitte will be conducting a survey of payday loan providers in Manitoba, you will find the survey attached. In order to complete the report in a timely manner Deloitte requests that you complete and return the survey no later than end of business day Thursday, August 30, 2007. Responses early to this date would be appreciated. Return information is included on the front page of the survey.

As agreed to with the Association, all information obtained by Deloitte through the survey process will be kept strictly confidential. Information from individual respondents will not be shared with the Association or disclosed in the report. The report will only disclose information on an aggregate basis from all respondents. In addition, the report will not disclose who responded to the survey.

When completing the survey you will note that we are requesting data related to your **most recently completed** fiscal year. For clarity, when referring to fiscal year we are referring to the 12-month period utilized for preparing the yearly (annual) financial statements for your business. For example, if the year end of your business was March 31, 2007, we are requesting data from your March 31, 2007 year-end financial statements which would cover the period April 1, 2006 to March 31, 2007. If the year end of your business was December 31, 2006, we are requesting data from your December 31, 2006 year-end financial statements which would cover the period January 1, 2006 to December 31, 2006. Again for clarity, we are not requesting data from the interim period subsequent to your most recently completed fiscal year.

As noted on the survey, in addition to completing the information please also provide your financial statements from your two most recently completed fiscal years. If you require more space than the survey provides, please feel free to add separate pages with your comments.

Deloitte will also likely require a discussion with you to discuss your responses if clarification is required in any areas.

If you have any question please contact me at 204-926-7653, or by e-mail at dschinkel@deloitte.ca.

Yours truly,

A handwritten signature in cursive script that reads "Dean Schinkel".

Dean Schinkel, CA, CBV
Senior Manager, Financial Advisory Services
Deloitte & Touche LLP



Canadian Payday Loan Association Survey of Manitoba Payday Loan Providers

August 27, 2007

All information will be kept strictly confidential by Deloitte & Touche LLP

Return Surveys To:
Dean Schinkel
Deloitte & Touche LLP
2300-360 Main Street
Winnipeg, MB R3C 3Z3
Tel: 204-926-7653
Fax: 204-947-2689
Email: dschinkel@deloitte.ca

Contact information

Name of Contact Person:	
Telephone Number of contact person:	

In addition to completing the questionnaire, please send a copy of your annual financial statements for the two most recent fiscal years

Company structure and business mix

1. Please identify (x) which service lines are provided by your company:

Payday lending		Instalment loans	
Cheque cashing		Card services, reloadable, debit card	
Money transfers		Tax preparation / discounting	
Collateral/pawn loans		Money orders	
Title loans		Other (please identify)	

2a. How many stores did your company operate at the end of your most recent fiscal year, and were they company operated or franchised.

Company operated	Franchised	Total

b. For each of your stores included in 2a, please list the approximate date they opened for business.

Store #	Month / Year

3. Do you act as the principal for payday loans, or as a broker for loans provided by a bank or another third party?

As principal	
As broker	

4. Are your loans insured for default risk or do you offer insurance on loans?

Insured	<input type="checkbox"/>
Not insured	<input type="checkbox"/>

If so, by an independent insurer or an affiliated company?

Independent insurer	<input type="checkbox"/>
Affiliated company	<input type="checkbox"/>

5. Are there any other relevant or unique features of your operations that may affect the cost of your payday loan business? Please describe:

6. Do you operate any internet operations from your store?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

7. What is the legal structure of the business?

Unincorporated Proprietorship	<input type="checkbox"/>	Partnership	<input type="checkbox"/>
Incorporated Private Company	<input type="checkbox"/>	Other	<input type="checkbox"/>

Owner compensation

Please answer Questions 8-10 with respect to the following people. (a) proprietors of the business, (b) partners in the business, (c) shareholders, and (d) the spouses and other family members of proprietors, partners and significant shareholders. Please answer based on your financial statements for the most recent fiscal year.

8. What is the total \$ amount of salary paid to the individuals identified above?

\$ _____

Please describe

9. What is the total \$ amount of bonuses/benefits/other compensation paid to the individuals identified above?

\$ _____

Please describe

10. Please provide an estimate of the total hours spent on the business in a typical week by the individuals identified above.

Financial Statement information

Please answer Questions 11-18 on the basis of your financial statements for the most recently completed fiscal year available.

11. Please indicate (X) whether your financial statements are:

Audited	<input type="checkbox"/>
Reviewed by an external accountant	<input type="checkbox"/>
Provided to a bank or another lender	<input type="checkbox"/>

12. What is the date of the year end for these statements?

 (day/month/year)

13. Your total revenues for major business lines:

Payday lending	<input type="checkbox"/>	Instalment loans	<input type="checkbox"/>
Cheque cashing	<input type="checkbox"/>	Card services, reloadable, debit card	<input type="checkbox"/>
Money transfers	<input type="checkbox"/>	Tax preparation / discounting	<input type="checkbox"/>
Collateral/pawn loans	<input type="checkbox"/>	Money orders	<input type="checkbox"/>
Title loans	<input type="checkbox"/>	Other (please identify)	<input type="checkbox"/>
Other (please identify)	<input type="checkbox"/>	Other (please identify)	<input type="checkbox"/>
Other (please identify)	<input type="checkbox"/>	Other (please identify)	<input type="checkbox"/>

17. Your company's equity:

Capital stock/paid in capital	
Retained earnings	
Other (please identify)	
Total equity	

18. Based on your financial statements for the most recent fiscal year, please describe and list the amounts of any unusual or non-recurring/one-time revenue or expenses incurred.

Description	Amount

Financing/capital sources

19. For any debt held by the company (eg. line of credit, term loans, leases, shareholder loans, etc.) and other capital sources (eg. common shares, preferred shares, convertible debt) provided by third parties or non-arms length parties, please describe the source of the funds and the cost including interest rates, fees, dividend payments, etc.

Capital source	Description of terms/costs

Product line activity

Please answer questions 20a – 20e based on your most recently completed fiscal year.

- 20a. What is the total value in \$ of payday loans issued during your last fiscal year, not including rollovers or extensions (please ensure the total value includes only principal advances, and excludes fees and other charges).

\$ _____

- b. How many payday loans were issued during your last fiscal year, not including rollovers or extensions?

- c. Of the total value of loans in 20a, what is the \$ value of loans and # of loans that went into default (i.e. cheque returned NSF)?

\$ _____

- d. Of the total value of loans that went into default in 20c, what is the \$ amount that was ultimately collected?

\$ _____

- e. Of the total value of loans that went into default in 20c, what is the \$ amount that was collected within 90 days?

\$ _____

Returned cheques and unrecoverable debts

21. Not including amounts that are unrecoverable within 90 days, on average how long would you estimate that it typically takes to collect on returned cheques?

22. For financial accounting purposes, do you write off loans in default at the time the cheques are returned as uncollected?

23. If you answered NO to Question 22, how many days after the cheques are returned do you write them off as bad debt?

Breakdown of fees

24. Please describe the fee structure for:

Payday loans:

Rollovers/extensions or re-writes:

Default charges, including NSF cheques:

Interest and other charges on defaulted loans

Optional insurance charges

www.deloitte.ca

© Deloitte & Touche LLP and affiliated entities.

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services through more than 6,800 people in 51 offices. Deloitte operates in Québec as Samson Bélair/Deloitte & Touche s.e.n.c.r.l. The firm is dedicated to helping its clients and its people excel. Deloitte is the Canadian member firm of Deloitte Touche Tohmatsu.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names. Services are provided by the member firms or their subsidiaries or affiliates and not by the Deloitte Touche Tohmatsu Verein.



Member of
Deloitte Touche Tohmatsu