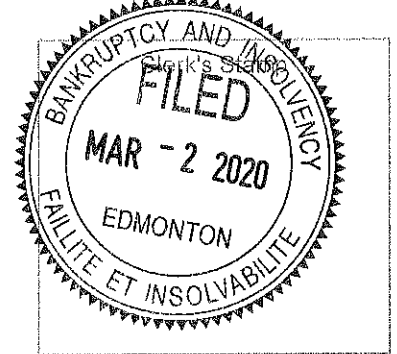


COURT FILE NO. B203 582587
ESTATE NO. 24-2582587
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE EDMONTON



IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
MCG RESTAURANTS LTD.
OF THE CITY OF EDMONTON,
IN THE PROVINCE OF ALBERTA

DOCUMENT **THIRD AFFIDAVIT OF ROB MORRIS**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

Darren R. Bieganek, QC
Barrister and Solicitor
Phone: 780.441.4386
Fax: 780.428.9683
Email: dbieganek@dcllp.com
File # 204-204417

DUNCAN CRAIG LLP
LAWYERS MEDIATORS
2800 Scotia Place
10060 Jasper Avenue
Edmonton, Alberta Canada T5J 3V9

THIRD AFFIDAVIT OF ROB MORRIS

Sworn on March 2, 2020

I, **ROB MORRIS**, of the City of Edmonton, in the Province of Alberta, Businessman, MAKE OATH AND SAY THAT:

1. I am a Director and Principal of MCG Restaurants Ltd. ("**MCG**") and, as such, the matters herein deposed to are based on my personal knowledge, on my review of the books and records maintained by MCG in the ordinary course of its business, or on information and belief and, where so stated, I do verily believe the same to be true.
2. This Affidavit should be read in conjunction with each of my previous affidavits sworn in these proceedings.

Activities Since the Second Extension Order of January 22, 2020

3. Since the Second Extension Order granted by the Court on January 22, 2020, operations have continued at each of the five remaining restaurants.
4. Attached and marked **Exhibit "A"** is a copy of the projected cashflow (adjusted) versus actual results reported for the period of January 1, 2020 to February 18, 2020. There are variances to actual which are explained in the Trustee's Report. MCG remains cashflow positive.
5. Post filing expenses continue to be paid as they are incurred.
6. As outlined in my Second Affidavit, while MCG was on an interest only negotiated arrangement with Canadian Western Bank ("CWB") to the end of March, the intention was to make two partial principal payments to CWB, one at the end of January and the second at the end of February. The payment for January was not made due to confusion on MCG's part on where to send the payment or more specifically how it should be made (whether by cheque or wire) and how it would be accounted for.
7. In addition to that confusion, in my Second Affidavit I indicated we would make two partial principal payments to CWB and noted them at \$50,000.00 each. While I did use that figure, the amount was in error. In discussions with my account manager at CWB, Dimitri Mazur, he indicated that if we are paying interest only, then two half principal payments would total \$46,365.81. MCG will pay one half of that amount as of today and the other half no later than March 16, 2020. Our interest only payment arrangement with CWB ends after this month.

CRA Filings and Payments

8. MCG is in the process of opening a dialogue with CRA regarding retirement of the outstanding pre-filing CRA source deduction liabilities of \$591,000. Those discussions are just beginning and will, hopefully, lead to an accommodation with CRA which works for both MCG and CRA respecting retirement of that obligation.
9. MCG remains current with its filing and source deduction payments post-NOI. CRA did identify in its trust audit that MCG had outstanding remittances for 2020 which had not been paid. This was not correct. Those remittances have been made. Attached and marked as **Exhibit "B"** is a copy of MCG's account transaction detail confirming remittances to CRA totalling \$221,720.58. The exhibit has been redacted to simply blank out the payroll deduction account number for MCG.

Restructuring Activities Since the Second Extension

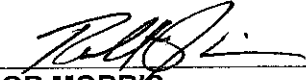
10. As outlined in my Second Affidavit, the head office landlord, Delta Square Developments Ltd. ("Delta Square") had not taken any steps to apply to the Court to challenge the disclaimer which was issued to them prior to the application for the second extension. They did not ultimately take any steps so the consequences of the disclaimer, if any, will be addressed by MCG in its proposal when filed and submitted to its creditors.

11. As outlined in paragraph 10 of my First Affidavit, each of the restaurant locations in Edmonton are leased by either the Franchisor, Moxie's Restaurants, Limited Partnership or a company wholly owned by the Franchisor. MCG is a sub-tenant, with consent of each landlord, for each location. MCG pays the rent directly to each landlord for expediency but contractually, MCG's obligation is to the Franchisor. The Franchisor is the head tenant however any unpaid obligation under the leases can be paid by the Franchisor and added to the outstanding obligations owing by MCG. The Franchisor does hold security over the assets of MCG.
12. As of the date of the NOI filing, outstanding rent totals \$210,122 follows:
 - (a) Allard Developments (170 Street): \$28,892.26;
 - (b) Kingsway Garden Holdings Inc. (Kingsway): \$12,931.85;
 - (c) Cushman & Wakefield Asset Services (St. Albert Trail): \$52,592.71;
 - (d) West Edmonton Mall: \$73,768.53; and
 - (e) Cameron Developments (South Common): \$32,936.65.
13. Each landlord is aware of MCG's present circumstances and the process it is operating under. Each, other than West Edmonton Mall, have issued default letters to the Franchisor however direct communications with each of the landlords have been positive and no legal action is anticipated in respect of the rental arrears which MCG plans to address with each landlord and the Franchisor with a view to including steps to rectify the arrears in the proposal. Accordingly, MCG has not seen fit to apply to the court to extend the stay of proceedings to any of the landlords.
14. Rent continues to be paid in full- and on-time post filing.
15. MCG has also been in discussions with the Franchisor with respect to pre-filing royalty arrears. The amount outstanding pre-filing as claimed is \$245,179.22. From that, however, MCG is entitled to a credit for supplier rebates. As of the end of December those were at least \$52,529.51. MCG is reviewing the rebate and royalty numbers with the Franchisor to confirm the amounts.

Anticipated Plans and Extension of the Stay

16. Attached and marked **Exhibit "C"** is an updated 13-week rolling cashflow through to the week of May 19, 2020. The cashflow indicates that MCG will continue to have a surplus of cash at the end of the timeframe.
17. MCG still needs an opportunity to assess its position (as noted above) and discuss matters with certain of its stakeholders but is now through the Christmas period and will be better able to concentrate its efforts on finalizing a plan to discuss with its major financial stakeholders and then finalize a Proposal to be put to its creditors.

18. MCG has very recently completed a long-term cash flow projection for use as a tool in assisting it and its advisors in formulating its proposal for creditors. Completion of this projection took longer than anticipated. MCG, its advisors and the Trustee are now working in earnest to assess the forecast, find areas of cost savings and assess various strategies on a go forward basis with the over all intention of not simply making the proposal to its creditors but also ensuring MCG's longer term sustainability.
19. In the circumstances, MCG continues to work towards putting itself in a position where it can formulate a Proposal to its creditors. It simply needs additional time to do so. The passage of time has illustrated that MCG can be and will likely continue to be cashflow positive through the stay extension period it is seeking.
20. In the circumstances, MCG believes that a 45-day extension to April 23, 2020 is reasonable and appropriate in the circumstances.
21. I do believe that MCG is acting in good faith and with due diligence in its efforts to put together a Proposal and that if afforded a continuing opportunity to do so, is likely to make a viable Proposal. I know of no facts which suggest that a creditor would be materially prejudiced if the extension that is sought is granted.
22. I make this Affidavit in support of MCG's NOI stay extension.

SWORN BEFORE ME at the City of Edmonton, in the Province of Alberta, this 2 nd day of March, 2020. _____ (Commissioner for Oaths in and for the Province of Alberta))))))))))	 _____ ROB MORRIS
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GARRIN R. DIEGANEN
 PARTNER & SOLICITOR

District of: Alberta
 Division No.: 01 - Edmonton
 Court No.: 24-2582587
 Estate No.: 24-2582587

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
MCG RESTAURANTS LTD.
OF THE CITY OF EDMONTON, IN THE PROVINCE OF ALBERTA
PROJECTED CASH-FLOW VS. ACTUAL RESULTS REPORTED
FOR THE PERIOD OF JANUARY 1, 2020 TO FEBRUARY 18, 2020

CDN\$ unaudited	Forecast Total	Actual Total	Variance
For the Period of January 1, 2020 to February 18, 2020			
Operating receipts			
Cash Sales	2,304,172	2,246,686	(57,486)
GST Collected	110,139	108,660	(1,479)
Total operating receipts	2,414,311	2,355,346	(58,965)
Operating disbursements			
Purchases - Cost of Goods Sold	555,447	598,747	(43,300)
Advertising & Promotions	108,297	123,399	(15,102)
Bank & CC Charges	40,547	37,897	2,650
Repairs and Maintenance	34,563	31,075	3,488
Supplies	72,678	18,691	53,987
Quality Control Meals	41,914	46,805	(4,891)
Royalties	110,649	116,312	(5,663)
Salaries - Variable	605,552	616,082	(10,530)
Salaries - Fixed	201,851	190,382	11,469
Payroll Source Remittances	159,989	171,106	(11,117)
Group Benefits	2,797	21,846	(19,049)
WCB	20,998	20,970	28
Cleaning	38,416	17,107	21,309
Waste Removal	6,500	-	6,500
Equipment & Technology Costs	17,750	8,101	9,649
Rent - Base	173,440	218,959	(45,519)
Common Area Costs and Property Taxes	117,990	82,875	35,115
Utilities	90,330	75,286	15,044
Professional Fees	90,386	33,575	56,811
Head Office Charges	28,460	20,659	7,801
Cash Float	-	(13,024)	13,024
GST remittances	73,421	54,221	19,200
Total operating disbursements	2,591,975	2,491,071	100,904
Cash from operations	(177,664)	(135,725)	41,939
Financing receipts and disbursements			
CWB Loan Interest Cost	20,529	20,529	-
CWB Loan Principal Costs	22,949	-	22,949
Rick Young / Rye Inc.	5,300	5,300	-
Interest Income	-	(181)	181
Cash from financing	48,778	25,648	23,130
Net cash-flow	(226,442)	(161,373)	65,069
Opening Cash	475,114	558,320	83,206
Closing Cash	248,672	396,947	148,275

This is Exhibit "A" referred to in the Affidavit of
 Rob Morris
 Sworn before me this 2nd day
 of March, A.D., 2020

A Notary Public, A Commissioner for Oaths
 In and for the Province of Alberta

DARREN R. DIEGANER
 BARRISTER & SOLICITOR



Government of Canada

Gouvernement du Canada

Canada Revenue Agency

Logout

View account transactions – result

Payroll deduction account:

[REDACTED]

Business name:

MCG RESTAURANTS LTD.

This is Exhibit "B" referred to in the Affidavit of Rob Morris Sworn before me this 2nd day of March A.D., 2020
 A Notary Public, A Commissioner for Oaths
DARTEN R. DEGANEN
 BARRISTER & SOLICITOR

Disclaimer

Electronic payments will be applied to your account in approximately 48 hours. It may take longer to process payments mailed or made at financial institutions. If you believe there is missing information, please call 1-800-959-5525.

Account transactions as of March 1, 2020

Date posted	Transaction	Date received	(\$ Amount)
Feb 24, 2020	Payment Feb 2020	Recd Feb 19 2020	\$50,614.03Cr
Feb 10, 2020	Payment Jan 2020	Recd Feb 05 2020	\$52,795.92Cr
Jan 29, 2020	Payment Jan 2020	Recd Jan 24 2020	\$60,833.47Cr
Jan 15, 2020	Payment Jan 2020	Recd Jan 10 2020	\$57,477.16Cr

Previous

Screen ID: B-RP-AT-01

Date modified:

2019-10-21

District of Alberta
 Division No.: 01 - Edmonton
 Court No.: 24-2582587
 Estate No.: 24-2582587

IN THE COURT OF QUEEN'S BENCH OF ALBERTA

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
 MCG RESTAURANTS LTD.
 OF THE CITY OF EDMONTON, IN THE PROVINCE OF ALBERTA

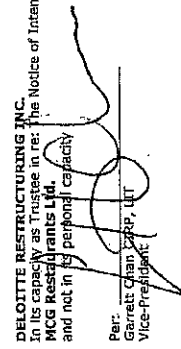
STATEMENT OF PROJECTED CASH-FLOW
 FOR THE PERIOD OF FEBRUARY 19, 2020 TO MAY 19, 2020

CBQS unaudited	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total	
Week ending:	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	31	2020	
	25-Feb-20	3-Mar-20	10-Mar-20	17-Mar-20	24-Mar-20	31-Mar-20	7-Apr-20	14-Apr-20	21-Apr-20	28-Apr-20	5-May-20	12-May-20	19-May-20	26-May-20	31-May-20	5-Jun-20	12-Jun-20	19-Jun-20	2020	
Operating receipts	334,309	343,314	330,741	352,908	378,333	357,988	329,819	339,232	319,147	360,114	345,497	360,728	324,362	4,476,492						
Purchases - Cost of Goods Sold	15,980	15,410	15,809	16,869	18,054	17,112	15,285	16,215	15,253	17,213	16,513	17,253	15,594	203,272						
Advertising & Promotions	359,724	359,724	346,550	369,777	396,417	375,100	345,584	355,447	334,402	377,328	362,012	377,971	359,866	4,890,466						
Bank & CC Charges	80,557	82,736	79,725	85,067	91,234	85,305	79,424	81,656	76,802	86,646	83,177	86,914	78,145	1,076,388						
Repairs and Maintenance	15,713	16,139	15,545	16,567	17,782	16,823	15,501	15,944	15,000	16,925	16,238	16,954	15,245	210,395						
Supplies	5,015	5,150	4,961	5,294	5,675	5,370	4,947	5,088	4,787	5,402	5,182	5,411	4,865	67,148						
Quality Control Meals	10,549	10,832	10,424	11,149	11,957	11,326	10,592	10,668	10,035	11,316	10,894	11,395	10,218	141,155						
Rent - Base	6,101	6,311	6,065	6,490	7,009	6,572	6,026	6,170	5,797	6,520	6,252	6,625	5,886	81,864						
Utilities	15,053	15,746	15,881	16,944	18,164	17,188	15,837	16,290	15,325	17,293	16,590	17,321	15,576	214,947						
Salaries - Fixed	50,614	50,248	49,298	51,971	55,971	51,978	49,268	50,486	56,421	51,032	59,359	52,541	58,094	916,751						
Payroll Source Remittances	-	-	-	-	-	-	-	-	-	-	-	-	-	305,584						
Group Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	41,000						
WCB	-	-	-	-	-	-	-	-	-	-	-	-	-	2,925						
Cleaning	-	-	-	-	-	-	-	-	-	-	-	-	-	8,755						
Waste Removal	-	-	-	-	-	-	-	-	-	-	-	-	-	17,731						
Equipment & Technology Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	3,250						
Rent - Base	-	-	-	-	-	-	-	-	-	-	-	-	-	8,192						
Common Area Costs and Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	86,719						
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	58,988						
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	28,000						
Personal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	41,565						
Head Office Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	28,845						
GST remittances	-	-	-	-	-	-	-	-	-	-	-	-	-	7,120						
TOTAL OPERATING DISBURSEMENTS	212,152	212,152	212,152	212,152	212,152	212,152	212,152	212,152	212,152	212,152	212,152	212,152	212,152	2,427,720						
Cash from operations	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	4,470,362						
Financing receipts and disbursements	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	61,587						
CWB Loan Interest Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	91,796						
CWB Loan Principal Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	8,400						
Rick Young / Rye Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	2,800						
Cash from financing	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	161,783						
NET CASH FLOW	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	4,632,145						
Operating Cash	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	3,959,471						
Financing Cash	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	1,672,674						
Operating Cash	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	4,632,145						
Financing Cash	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	1,672,674						
Cash from operations	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	138,137	4,470,362						
Financing receipts and disbursements	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	61,587						
CWB Loan Interest Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	91,796						
CWB Loan Principal Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	8,400						
Rick Young / Rye Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	2,800						
Cash from financing	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	20,529	161,783						
NET CASH FLOW	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	4,632,145						
Operating Cash	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	395,947	3,959,471						
Financing Cash	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	1,672,674						
Operating Cash	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	117,608	4,632,145						
Financing Cash	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	514,555	1,672,674						

This Statement of Projected Cash-Flow is prepared in accordance with Subsection 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on Cash-Flow Statement.

Dated this 2nd day of March, 2020

DELOITTE RESTRUCTURING INC.
 In its capacity as Trustee in re: the Notice of Intention to Make a Proposal of
 MCG Restaurants Ltd.
 and not in its personal capacity

Per: 
 Garrett Chan, Chartered Accountant
 Vice-President

MCG RESTAURANTS LTD.


 Rob Morris
 Director

GARRETT F. BIEGANEK
 BARRISTER & SOLICITOR

This is Exhibit "C" referred to in the Affidavit of
 Rob Morris
 Sworn before me this 2nd day
 March A.D., 2020
 Notary Public, A Commissioner of Oaths
 in and for the Province of Alberta