

COURT FILE NUMBER

24-2582587

COURT

COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE

EDMONTON

DOCUMENT



SECOND REPORT OF THE TRUSTEE
IN THE MATTER OF S. 50.4(9) OF THE
BANKRUPTCY AND INSOLVENCY ACT,
R.S.C., 1985, c. B-3

IN THE MATTER OF THE NOTICE INTENTION TO
MAKE A PROPOSAL OF
MCG RESTAURANTS LTD.

DATED JANUARY 13, 2019

**ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT**

COUNSEL:

MILLER THOMSON LLP
2700 COMMERCE PLACE
10155 - 102 STREET
EDMONTON, AB T5J 4G8

ATTENTION: SPENCER NORRIS
TELEPHONE: 780-429-9722
FACSIMILE: 780-424-5866
EMAIL: snorris@millerthomson.com

TRUSTEE:

DELOITTE RESTRUCTURING INC.
1500 MANULIFE PLACE
10180 101 STREET
EDMONTON, ALBERTA T5J 4K1

ATTENTION: DARREN M. CROCKER
TELEPHONE: 780-421-3687
FACSIMILE: 780-421-3782
EMAIL: dcrocker@deloitte.ca

Table of Contents

Introduction	1
Notice to reader	2
Terms of reference	3
Currency	3
Purpose of this report	3
Activities of the Trustee	3
Monitoring	4
Receipts and disbursements for seven week period ended December 31, 2019	6
Company's restructuring efforts	7
Conclusions and Recommendations	9

Appendices

Revised Cash-Flow Projection	Appendix "A"
Variance Analysis for the 7 7 Weeks Ended December 31, 2019	Appendix "B"
Cash-Flow Projection for the 13 Weeks Ending March 31, 2020	Appendix "C"

Introduction

1. On November 12, 2019 (the "**NOI Date**"), MCG Restaurants Ltd. (the "**Company**") filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant s. 50.4(1) of the *Bankruptcy and Insolvency Act* ("**BIA**"). Deloitte Restructuring Inc. (the "**Trustee**") was appointed Licensed Insolvency Trustee.
2. The Company is an amalgamated corporation registered in Alberta. Mr. Philip Clarke and Mr. Robert Morris are the directors of the Company.
3. The Company operates as the franchisee of a chain of restaurants known as Moxie's Grill & Bar under franchise agreements with Moxie's Restaurants, Limited Partnership as franchisor (the "**Franchisor**"). The Company currently operates five (5) franchised restaurants (the "**Locations**") in Edmonton with the following addresses:
 - 3.1. 13551 St. Albert Trail (the "**St. Albert Trail Location**")
 - 3.2. 10628 Kingsway Avenue (the "**Kingsway Location**")
 - 3.3. #1670, 8882-170th Street (the "**West Edmonton Mall Location**")
 - 3.4. 17109 100 Avenue (the "**170 Street Location**")
 - 3.5. 1739 102 Street (the "**South Common Location**")

The Company formerly operated a sixth location in Edmonton at 4790 Calgary Trail (the "**Calgary Trail Location**"), which was closed on October 29, 2019. The Calgary Trail Location has some ongoing lease obligations, but is not otherwise active.

4. The Company leased its head office space (the "**Head Office**") at 17811 106 Avenue, Edmonton, Alberta. The Head Office lease was disclaimed by the Company on December 30, 2019, and the administrative functions are now being carried on from the Kingsway Location.
5. On December 11, 2019, the Company applied for, and this Honourable Court granted, an Order (the "**First Extension Order**"):
 - 5.1. Extending the time for the Company to make a proposal to its creditors to January 24, 2020; and

- 5.2. Establishing the Electronic Service Protocol for these proceedings.
6. Information on the NOI proceedings can be accessed on the Trustee's website (the "**Trustee's Website**") at www.insolvencies.deloitte.ca under the link "MCG Restaurants Ltd."

Notice to reader

7. In preparing this report, the Trustee has relied on unaudited financial information, the books and records of the Company, and discussions with the Company's management ("**Management**"), interested parties, and stakeholders. The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook. The Trustee expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by the Trustee in preparing this report.
8. Certain of the information referred to herein consists of financial forecasts and/or projections. The financial forecasts included in this report are the responsibility of Management. Management's responsibility extends beyond ensuring that the individual assumptions used to prepare the financial forecasts are appropriate in the circumstances and to ensure that the assumptions as a whole are appropriate. While the Trustee has reviewed the information, the Trustee has not performed an audit or other verification of such information. The Trustee expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in the financial forecasts, or relied upon by it in reporting on the financial forecasts. Future oriented financial information included in this report is based upon Management's assumptions regarding future events. Actual results achieved may vary and these variations may be material.
9. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this report. Any use, which any party makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.

Terms of reference

10. Capitalized terms not otherwise defined herein have the meanings given to them in reports previously filed with the Court by the Trustee.

Currency

11. All amounts included herein are in Canadian dollars unless otherwise stated.

Purpose of this report

12. The purpose of this second report of the Trustee (the "**Second Report**") is to provide the Court with:
 - 12.1. Information regarding the Trustee's activities since the First Report;
 - 12.2. Information regarding the Company's restructuring efforts since the First Report; and
 - 12.3. The Trustee's position with respect to the Company's application for an extension of time to make a proposal.

Activities of the Trustee

13. Since the First Report, the Trustee has performed the following activities:
 - 13.1. Participated in discussions, meetings, and teleconferences with Management, respective counsel, the Franchisor, CWB, and CRA to discuss the Company's restructuring efforts;
 - 13.2. Served the First Extension Order and an explanatory notice of the Electronic Service Protocol upon all known creditors of the Company, as directed by the Court in the First Extension Order;
 - 13.3. Posted up to date Service Lists to the Trustee's Website as received from the Company's counsel pursuant to the Electronic Service Protocol;

- 13.4. Reviewed the Company's revised and updated cash-flow projections, and filed same with the Office of the Superintendent of Bankruptcy;
- 13.5. Monitored the affairs and cash-flow of the Company on a weekly basis;
- 13.6. Made inquires of Management and requested certain records of the Company in support of the monitoring program pertaining to the Company's operations, liabilities, and cash-flow projections; and
- 13.7. Prepared, reviewed, and finalized this Second Report.

Monitoring

14. During the Trustee's monitoring of the Company's weekly receipts and disbursements, the Trustee noted that the payments listed below, totaling approximately \$68,975, for expenses incurred by the Company prior to the NOI Date cleared the Company's bank account subsequent to the NOI Date.

Pre-NOI Expenses Paid Subsequent to November 12, 2019				
Vendor	Cheque Date	Cheque #	Date Withdrawn	Amount
AGLC	10/30/2019	13967	11/18/2019	\$245.00
AGLC	10/31/2019	13973	11/18/2019	490.00
AGLC	10/31/2019	14003	11/18/2019	199.60
Bell	-	Automatic	11/12/2019	145.36
Bell	-	Automatic	11/12/2019	403.83
Bell	-	Automatic	11/14/2019	278.09
Bell	-	Automatic	11/21/2019	391.34
Canada Bread West	10/31/2019	13995	11/19/2019	2,479.26
Canadian Linen	10/31/2019	13998	11/18/2019	2,335.03
DayMark Safety Systems	10/17/2019	13965	11/14/2019	477.44
EPCOR	-	Automatic	11/12/2019	8,174.65
EPCOR	-	Automatic	11/13/2019	8,781.74
Moxie's	-	Automatic	11/15/2019	3,273.95
Moxie's	-	Automatic	11/15/2019	4,275.68
Moxie's	-	Automatic	11/15/2019	4,539.69
Moxie's	-	Automatic	11/15/2019	4,860.54
Moxie's	-	Automatic	11/15/2019	6,881.16
Moxie's	-	Automatic	11/15/2019	8,667.93
Professional Electric	9/9/2019	13884	11/12/2019	451.50
Scamper Delivery	11/7/2019	14000	11/28/2019	21.00
Shaw	-	Automatic	11/20/2019	473.50
Shaw	-	Automatic	11/29/2019	430.00
Trolley 5	10/29/2019	14004	12/2/2019	199.50
Worker's Compensation Board	-	Automatic	12/4/2019	10,499.00
Total Pre-NOI Expenses Paid on or After November 12, 2019				\$68,974.79

15. The Trustee had advised Management to put a stop payment on all outstanding cheques and electronic payments as at the NOI Date. Management advised the Trustee that although they had instructed their bank to stop the payments, the above payments unfortunately were allowed to clear the account.
16. The Trustee notes that the Company's bank reconciliations were not current as at the NOI Date as a result of certain transactions not being recorded in the Company's accounting system. The Trustee has advised the Company of this issue, as this impacts the timeliness of financial information and the accuracy of reporting.
17. The Trustee and Management also identified the following issues with respect to the initial cash-flow projection filed by the Company:

- 17.1. Income tax withholdings for employees were included as part of salaries;
 - 17.2. Payroll source deduction remittances comprised only CPP and EI portions of payroll source withholdings, and did not include withholdings for income tax;
 - 17.3. Equipment and technology costs were overstated by approximately \$10,333;
 - 17.4. Rent expense was understated by approximately \$83,470; and
 - 17.5. Common area costs and property taxes were understated by approximately \$50,120.
18. With the assistance of the Trustee, Management has prepared a revised cash-flow projection addressing the above issues. The income tax withholding is only a reclassification of the income tax portion from salaries to payroll source remittances for the purpose of streamlining reporting, monitoring, and presentation. The equipment and technology costs, rent, and common area costs and property tax expenses were the result of an inadvertent formula error in the cash-flow calculations. The revised cash-flow projection compared to the initial cash-flow projection is attached hereto as Appendix "A"
19. The Company has remained current with its payroll source deduction remittances and GST obligations after the NOI Date, and the Trustee continues to monitor the Company's compliance with respect to same.

Receipts and disbursements for the seven (7) week period ended December 31, 2019

20. The Company's actual receipts and disbursements for the seven (7) week period ended December 31, 2019, compared to the Company's revised cash-flow projection for the same period is set out in the variance analysis attached as Appendix "B" to this Second Report.
21. The Company generated net cash-flow of \$270,565 as compared to the forecast of \$184,859, for a positive variance of \$85,706. This positive variance was driven primarily by a reduction in promotional meal expenses of approximately \$33,000, a reduction in repairs and maintenance costs of approximately \$22,000, and timing of

professional fee payments of approximately \$40,000, offset by lower than expected sales at the Kingsway Location of \$71,000, not accounting for the cash float in the forecast (used for tipping out to staff) of approximately \$15,000, and not accounting for the Calgary Trail location expenses in the forecasted rent.

Company's restructuring efforts

22. On December 19, 2019, the Company contacted CRA to request a trust examination for payroll source deductions. The Trustee has been advised by CRA that an agent has been assigned, and the request has been marked as high priority. However, as at the date of this Second Report, a date for the examination has not yet been set by CRA.
23. Management has advised the Trustee that on January 9, 2020, the Company filed a schedule of its estimated source deduction arrears with CRA which totaled approximately \$580,000. The Trustee requested proof of the filing, but has not yet received same from CRA or the Company (although the Trustee has been involved in discussions between CRA and Management with respect to same). The Company has notified a CRA insolvency agent of the arrears, and the CRA agent has advised the Company that preparation of a T4 summary in advance of the trust examination may expedite the examination. The Company has agreed to prepare the T4 summary.
24. On December 30, 2019, the Company sent notice of its intention to disclaim its Head Office lease within thirty (30) days, as the Company believed that it could conduct administrative activities from its Kingsway Location. The Company anticipates it will realize cost savings of approximately \$1,355 per month once the lease is disclaimed.
25. Since the NOI Date, the Company has generated cash-flow of approximately \$270,565, and had a net cash position of approximately \$558,320 on December 31, 2019.
26. While the cash balance appears significant, it should be noted that the Company has benefited from the following (which has contributed to the temporary cash surplus):
 - 26.1. Firstly, the Company has relief from monthly principal payments of approximately \$45,000 per month from CWB until April 2020; and

- 26.2. Secondly, the Company is coming off a seasonal peak in terms of revenue and cash-flow.
27. The Company anticipates a more modest cash-flow looking forward as it is entering its seasonal low period, and intends to begin making principal payments to CWB.
28. As the Company has accumulated a positive cash balance, the Company believes that it is appropriate to begin making principal payments to CWB. CWB had originally agreed to interest only payments while the Company was in arrears with the Franchisor. Now that the Franchisor is being paid in the normal course, and there is sufficient cash-flow, the Company believes it is appropriate to resume principal payments against the CWB loan. Specifically, in addition to the regular interest payments, the Company intends to make 50% principal payments for January 2020 and February 2020, and resume full principal and interest payments in March 2020.
29. The Company has prepared an updated cash-flow projection for the thirteen (13) weeks ending March 31, 2020, which is attached to this Second Report as Appendix "C".
30. The Company anticipates being able to continue to meet its obligations in the normal course, and does not expect to require interim financing or critical supplier charges to address any cash shortfalls at this time. Over the thirteen (13) week projection period ending March 31, 2020, the Company anticipates a net cash-outflow of approximately \$182,900, with an ending cash balance of approximately \$375,419 as at March 31, 2020.
31. The Company has made preliminary efforts on analyzing the profitability and viability of its individual Locations, but has not yet completed its forecasts over a sufficient period of time and under enough scenarios to formulate a proposal to its creditors.
32. The Company has advised the Trustee that it does not anticipate that it will be in a position to file a proposal to its creditors before the stay expires on January 24, 2020, and that it intends to seek an extension of the NOI proceedings.

Conclusion and recommendation

33. The Company is seeking an extension of time to make its proposal for a further forty-five (45) days to March 9, 2020. The Trustee agrees that the relief being requested by the Company is appropriate for the following reasons:

- 33.1 The Company requires additional time to assess each of the Locations in more detail, and develop longer term profitability and cash-flow forecasts;
- 33.2 The trust examination by CRA has not yet been completed and the priority claim for payroll source deductions has not yet been quantified;
- 33.3 The Company has acted, and is acting in good faith, and with due diligence;
- 33.4 The Company is likely to be able to make a viable proposal if the extension being applied for is granted;
- 33.5 No creditor would be materially prejudiced if the requested extension is granted.

34. The Trustee therefore respectfully recommends that this Honourable Court grant an Order extending the time for the Company to make a proposal to March 9, 2020, or such other date as may be directed by the Court.

All of which is respectfully submitted this 13th day of January, 2020.

DELOITTE RESTRUCTURING INC.,

In its capacity as Trustee acting in *re* the proposal of
MCG Restaurants Ltd.,
And not in its personal capacity



Darren Crocker, CPA, CGA, CIRP, LIT
Senior Vice-President

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 (RESTATED) VS. PROJECTED CASH-FLOW (ORIGINAL)
FOR THE PERIOD OF NOVEMBER 13, 2019 TO DECEMBER 31, 2019

CDN\$ unaudited	Restated Total	Original Total	Variance
For the Period Ending December 31, 2019			
Operating receipts			
Cash Sales (Note 1)	2,622,699	2,622,699	-
GST Collected	125,365	125,365	-
Total operating receipts	2,748,064	2,748,064	-
Operating disbursements			
Purchases - Cost of Goods Sold	631,542	631,542	-
Advertising and Promotions	123,267	123,267	-
Bank and Credit Card Charges	22,160	22,160	-
Repairs and Maintenance	39,339	39,339	-
Supplies	82,332	82,332	-
Quality Control Meals	47,230	47,230	-
Royalties	125,960	125,960	-
Salaries - Variable (Note 1)	514,230	572,562	(58,332)
Salaries - Fixed (Note 1)	171,410	189,576	(18,166)
Payroll Source Remittances (Note 1)	179,921	103,422	76,499
Group Benefits	2,984	2,984	-
WCB	20,998	20,998	-
Cleaning	19,208	19,208	-
Waste Removal	3,250	3,250	-
Equipment and Technology Costs (Note 2)	8,875	19,208	(10,333)
Rent - Base (Note 2)	176,976	3,250	173,726
Common Area Costs and Property Taxes (Note 2)	58,995	8,875	50,120
Utilities	44,113	44,113	-
Professional Fees	63,000	63,000	-
Head Office Charges	21,345	21,345	-
GST remittances	160,074	160,074	-
Total operating disbursements	2,517,209	2,303,695	213,514
Cash from operations	230,855	444,369	213,514
Financing receipts and disbursements			
CWB Loan Interest Cost	40,396	40,396	-
CWB Loan Principal Costs	-	-	-
Other Loan Interest	5,600	-	5,600
Interest Income	-	-	-
Cash from financing	45,996	40,396	5,600
Net cash-flow	184,859	403,973	219,114
Opening Cash	287,755	287,755	-
Closing Cash	472,614	691,728	219,114

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 (RESTATED) VS. ACTUAL RESULTS REPORTED
FOR THE PERIOD OF NOVEMBER 13, 2019 TO DECEMBER 31, 2019

CDN\$ unaudited	Restated Forecast Total	Actual Total	Variance
For the Period Ending December 31, 2019			
Operating receipts			
Cash Sales (Note 1)	2,622,699	2,590,200	(32,499)
GST Collected	125,365	125,624	259
Total operating receipts	2,748,064	2,715,824	(32,240)
Operating disbursements			
Purchases - Cost of Goods Sold (Note 2)	631,542	689,580	(58,038)
Advertising and Promotions (Note 3)	123,267	90,545	32,722
Bank and Credit Card Charges	22,160	20,626	1,534
Repairs and Maintenance	39,339	17,345	21,994
Supplies (Note 2)	82,332	13,809	68,523
Quality Control Meals	47,230	46,767	463
Royalties	125,960	130,003	(4,043)
Salaries - Variable	514,230	497,122	17,108
Salaries - Fixed	171,410	165,257	6,153
Payroll Source Remittances	179,921	217,581	(37,660)
Group Benefits	2,984	15,381	(12,397)
WCB (Note 4)	20,998	10,500	10,498
Cleaning	19,208	17,338	1,870
Waste Removal	3,250	-	3,250
Equipment and Technology Costs	8,875	4,275	4,600
Rent - Base (Note 6) (Note 7)	176,976	192,431	(15,455)
Common Area Costs and Property Taxes	58,995	56,543	2,452
Utilities (Note 8)	44,113	50,613	(6,500)
Professional Fees (Note 9)	63,000	23,072	39,928
Head Office Charges	21,345	28,295	(6,950)
Cash Float (Note 10)	-	15,046	(15,046)
GST remittances	160,074	99,747	60,327
Total operating disbursements	2,517,209	2,401,876	115,333
Cash from operations	230,855	313,948	83,093
Financing receipts and disbursements			
CWB Loan Interest Cost	40,396	40,396	-
Other Loan Interest	5,600	3,100	2,500
Interest Income	-	(113)	113
Cash from financing	45,996	43,383	2,613
Net cash-flow	184,859	270,565	85,706
Opening Cash	287,755	287,755	-
Closing Cash	472,614	558,320	85,706

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

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the proposal of
MCG Restaurants Ltd.
of the City of Edmonton, in the Province of Alberta

The attached statement of projected cash flow of MCG Restaurants Ltd., as of the 13th day of January 2020, consisting of weekly projections for the period of January 1, 2020 to March 31, 2020., has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

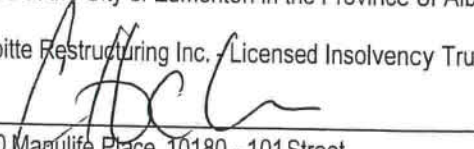
- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Edmonton in the Province of Alberta, this 13th day of January 2020.

Deloitte Restructuring Inc. - Licensed Insolvency Trustee


1500 Manulife Place, 10180 - 101 Street
Edmonton AB T5J 4K1
Phone: (780) 401-3913 Fax: (780) 421-3782

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

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the proposal of
MCG Restaurants Ltd.
of the City of Edmonton, in the Province of Alberta

Purpose:

This Statement of Projected Cash-Flow is prepared in accordance with Subsection 50.4(2) of the Bankruptcy and Insolvency Act.

Projection Notes:

Sales at St. Albert location down 5% from same period last year.
Sales at West Edmonton Mall location up 5% from same period last year.
Sales at South Common location down 3% from same period last year.
Sales at 170 Street and Kingsway locations remain at same levels as same period last year.
Fixed costs do not increase by a material amount beyond management estimates.
Variable costs and margins remain at same levels as previous year.

Assumptions:

Creditors take no steps to terminate the stay of proceedings.
The Company is able to fulfill the terms of its franchise agreement.
The Company is supported by its critical vendors throughout the proposal proceedings.

Dated at the City of Edmonton in the Province of Alberta, this 13th day of January 2020.

Deloitte Restructuring Inc. - Licensed Insolvency Trustee



1500 Manulife Place, 10180 - 101 Street
Edmonton AB T5J 4K1
Phone: (780) 401-3913 Fax: (780) 421-3782

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

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the proposal of
MCG Restaurants Ltd.
of the City of Edmonton, in the Province of Alberta

The Director of MCG Restaurants Ltd., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 13th day of January 2020, consisting of weekly projections for the period of January 1, 2020 to March 31, 2020..

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

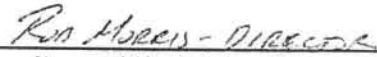
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Edmonton in the Province of Alberta, this 13th day of January 2020.



MCG Restaurants Ltd.
Debtor



Name and title of signing officer

Name and title of signing officer

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

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the proposal of
MCG Restaurants Ltd.
of the City of Edmonton, in the Province of Alberta

Purpose:

This Statement of Projected Cash-Flow is prepared in accordance with Subsection 50.4(2) of the Bankruptcy and Insolvency Act.

Projection Notes:

Sales at St. Albert location down 5% from same period last year.
Sales at West Edmonton Mall location up 5% from same period last year.
Sales at South Common location down 3% from same period last year.
Sales at 170 Street and Kingsway locations remain at same levels as same period last year.
Fixed costs do not increase by a material amount beyond management estimates.
Variable costs and margins remain at same levels as previous year.

Assumptions:

Creditors take no steps to terminate the stay of proceedings.
The Company is able to fulfill the terms of its franchise agreement.
The Company is supported by its critical vendors throughout the proposal proceedings.

Dated at the City of Edmonton in the Province of Alberta, this 13th day of January 2020.


MCG Restaurants Ltd.