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March 23, 2020

To the Creditors of
MCG RESTAURANTS LTD.

Dear Sir/Mesdames:

RE: THE MATTER OF THE PROPOSAL OF MCG RESTAURANTS LTD.

Pursuant to s. 50(10)(a.1) of the *Bankruptcy and Insolvency Act*, please find enclosed an unfiled Fourth Report of the Proposal Trustee providing notice of a Material Adverse Change in these proceedings.

Because of current restrictions to court proceedings before the Alberta Court of Queen's Bench and certain precautionary measures taken by the Proposal Trustee in response to the recent COVID-19 pandemic, the enclosed report has not yet been filed with the Registrar. The Proposal Trustee undertakes to file the enclosed report with the Court and post the same to its website as soon as it is reasonable to do so given these exceptional circumstances.

Thank you for your understanding. If you have any questions regarding the above, please contact the undersigned at your convenience.

Yours truly,

Deloitte Restructuring Inc.
In its capacity as Trustee in re:
The Matter of the Proposal of MCG Restaurants Ltd.
and not in its personal capacity

Per: 

Darren M. Crocker, CPA, CGA, CIRP, Licensed Insolvency Trustee
Senior Vice-President

Enc.

COURT FILE NUMBER

24-2582587

COURT

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

JUDICIAL CENTRE

EDMONTON

DOCUMENT

FOURTH REPORT OF THE TRUSTEE
IN THE MATTER OF S. 50.4(7) 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 MARCH 20, 2020

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

COUNSEL:

MILLER THOMSON LLP
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TRUSTEE:

DELOITTE RESTRUCTURING INC.
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ATTENTION: DARREN M. CROCKER
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Introduction

1. On November 12, 2019 (the "**NOI Date**"), MCG Restaurants Ltd. (the "**Company**") filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant s. 50.4(1) of the *Bankruptcy and Insolvency Act* (the "**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**"); and
 - 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. On January 22, 2020, the Company applied for, and this Honourable Court granted, an Order (the "**Second Extension Order**") extending the time for the Company to make a proposal to its creditors to March 9, 2020.
 7. On March 9, 2020, the Company applied for, and this Honourable Court granted, an Order (the "**Third Extension Order**") extending the time for the Company to make a proposal to its creditors to April 23, 2020.
 8. 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

9. 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.
10. 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.

11. 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

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

Currency

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

Purpose of this report

14. The purpose of this fourth report of the Trustee (the "**Fourth Report**") is to provide the Court with information regarding the material adverse change (the "**MAC**") to the operations and cash-flow of the Company due to the outbreak of the Coronavirus Disease 2019 ("**COVID-19**").

Material adverse change

15. On January 30, 2020, following the global outbreak and increasing transmission of COVID-19, the World Health Organization declared COVID-19 a public health emergency of international concern, and formally declared the outbreak of COVID-19 as a pandemic on March 11, 2020.
16. On March 17, 2020, Alberta's Chief Medical Officer of Health (the "**CMOH**") declared that COVID-19 presented a public health emergency under the *Public Health Act*, and implemented protective measures to reduce potential public exposure to COVID-19 by making an Order (the "**Public Health Order**"), applicable to all persons in Alberta:
 - 16.1. Prohibiting attendance at mass gatherings of more than 50 people;
 - 16.2. Prohibiting attendance at public recreational and private entertainment facilities;
 - 16.3. Prohibiting attendance at bars and nightclubs;
 - 16.4. Limiting restaurants to operate at 50% capacity to a maximum of 50 people; and
 - 16.5. Permitting restaurants to offer takeaway, delivery, and drive through food services.
17. The Public Health Order remains in effect until rescinded by the CMOH. There is currently no certainty as to when such a rescindment would take place. A copy of the Public Health Order is attached hereto as Appendix "A".
18. The Trustee notes that the private sector has taken the directives contained in the Public Health Order as a minimum standard, and some private businesses have taken more severe approaches to address the outbreak, including temporarily closing even if not required to do so.
19. On March 17, 2020, the Company's Franchisor announced a temporary closure of all Moxie's Bar & Grill locations in Canada, with some locations continuing to offer takeaway orders and delivery. The temporary closure is anticipated to last two (2)

weeks, but may change depending on the severity of the COVID-19 pandemic. A copy of the Franchisor's announcement is attached hereto as Appendix "B".

20. On March 18, 2020, the Trustee advised the Company that the above closures resulting from the spread of COVID-19 may constitute a MAC to the Company's operations, and requested that Management provide its comments on how it would be responding to the situation, and further advised that it would be appropriate to prepare a revised cash-flow projection taking into account the MAC.
21. The Trustee was subsequently advised by the Company's legal counsel that the Company was adhering to the Franchisor's policy and had closed all of its Locations on March 17, 2020, laying off substantially all of its employees. The Trustee was also advised that the Kingsway Location and South Common Location remain open, but only for takeaway and delivery services.
22. The Company's legal counsel further advised the Trustee that takeaway and delivery orders are not anticipated to make up for the loss of dine-in revenue, and the Company will not have sufficient cash to meet its next payroll and pay recurring fixed costs for an indeterminate reopening date.
23. As of the date of this Fourth Report, Management has not yet provided the Trustee with a revised cash-flow projection taking into account the impact of the MAC. However, in the interest of expediting this report to the Company's stakeholders, the Trustee has finalized this Fourth Report absent a revised cash-flow projection.
24. The Trustee notes that it has not yet received complete materials required by the Trustee's monitoring program for the week ended March 10, 2020, due to the disruption to the Company's operations. The Trustee has however received a sales report for the week ended March 10, 2020, disclosing gross sales of approximately \$304,000 (a 12% decrease year-over-year from approximately \$345,000), which appears indicative of the already declining attendance prior to closure of the Locations.

Conclusion

26. COVID-19 has materially impacted the ability of the Company to continue as a going concern, and Management anticipates its cash balance to be fully depleted during the week of March 23, 2020.
27. As a result of the MAC, it does not appear that a viable proposal will be made by the Company. The Company's legal counsel has advised the Trustee that the Company is considering all options, and will likely make an assignment in bankruptcy in the near term.

All of which is respectfully submitted this 20th day of March, 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

Appendix "A"

RECORD OF DECISION—CMOH Order 02-2020

Re: 2020 COVID-19 Response

I, Dr. Deena Hinshaw, Chief Medical Officer of Health (CMOH) have initiated an investigation into the existence of COVID-19 within the Province of Alberta.

This investigation has confirmed that COVID-19 is present in Alberta and constitutes a public health emergency as a novel or highly infectious agent that poses a significant risk to public health.

Under section 29(2.1) of the *Public Health Act* (the Act), I have the authority by order to prohibit a person from attending a location for any period and subject to any conditions that I consider appropriate, where I have determined that the person's engaging in that activity could transmit an infectious agent. I also have the authority to take whatever other steps that are, in my opinion, necessary in order to lessen the impact of the public health emergency.

Therefore, having determined that certain activities could transmit COVID-19 as an infectious agent and that certain other steps are necessary to lessen the impact of the public health emergency, I hereby make the following Order:

Effective immediately, all persons in the Province of Alberta are prohibited from attending the following locations or places where the activities listed are taking place:

1. Mass gatherings of more than 50 attendees. This includes places of worship, gatherings and family events such as weddings. Grocery stores, shopping centres, health care facilities, airports, the legislature and other essential services are not included.
2. Public recreational facilities and private entertainment facilities, including but not limited to, gyms, swimming pools, arenas, science centres, museums, art galleries, community centres, children's play centres, casinos, racing entertainment centres, and bingo halls.
3. Bars and nightclubs where minors are prohibited by law.

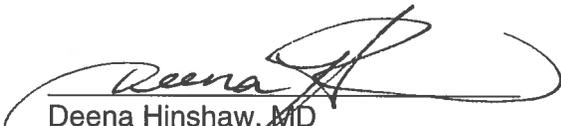
The above prohibitions do not apply, or apply with modifications set out below, to the following locations or places where the activities listed are taking place:

4. Albertans can attend restaurants, cafes, coffee shops, food courts and other food-serving facilities, including those with a minors-allowed liquor license. Such locations are limited to 50 per cent of their stated capacity, up to a maximum limit of 50 persons within a given location or place.

5. Take-out, delivery or drive-through food services are permitted. Licensed facilities are also permitted to deliver liquor.
6. Not-for-profit community kitchens, soup kitchens and religious kitchens are exempt, but sanitization practices must be utilized and followed.

This Order remains in effect until rescinded by the Chief Medical Officer of Health.

Signed on this 17 day of March, 2020.


Deena Hinshaw, MD
Chief Medical Officer of Health

Appendix "B"

A MESSAGE FROM OUR PRESIDENT

JOANNE FORRESTER

To Our Guests, Suppliers, and Community,

We've decided to temporarily close all locations across the country. While it was not a decision made lightly, we believe that closing is the key to everyone's well-being in the long run.

This temporary closure will be effective as of the close of business on Tuesday, March 17. We estimate we'll be closed for two weeks, at which time we will re-evaluate the situation.

Some of our locations will continue to offer 20% off phoned in pick-up orders as well as free delivery at moxies.com.

This is uncharted territory for all of us. We'd love nothing more than to keep on with business as usual, extending hospitality to you, our amazing guests. But our greater responsibility right now is to do our part to keep everyone safe.

As information changes on an almost hourly basis, we will continuously evaluate the best course of action for our business and, most importantly, for our people. We'll keep you informed of any updates at moxies.com and through our social channels.

We don't know when things will turn around, but we do know they will. And we know that today's difficult decisions will help put Moxie's — and our entire industry — in the strongest possible position. To pick up where we left off as both a place for people to get together and celebrate, as well as a provider of livelihoods for our many employees.

We miss you already. We will get through this together, and we can't wait to have you back as soon as this is behind us.



Joanne Forrester
President, Moxie's Grill & Bar