

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF MCEWAN ENTERPRISES INC.

**FIRST REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

OCTOBER 5, 2021

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1.0 INTRODUCTION

- 1.1 On September 28, 2021 (the “**Filing Date**”), McEwan Enterprises Inc. (“**MEI**” or the “**Applicant**”) obtained an initial order (the “**Initial Order**”) from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). The proceedings commenced by the Applicant under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 Alvarez & Marsal Canada Inc. (“**A&M**”), in its capacity as proposed monitor, filed the Pre-Filing Report of the Proposed Monitor dated September 27, 2021 (the “**Pre-Filing Report**”). The Pre-Filing Report and other Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at www.alvarezandmarsal.com/McEwanEnterprises (the “**Case Website**”). A copy of the Pre-Filing Report is also attached hereto as **Appendix “A”**.
- 1.3 The Initial Order, among other things:
- (i) appointed A&M as monitor of the Applicant (in such capacity, the “**Monitor**”);
 - (ii) granted a stay of proceedings against the Applicant up to and including October 7, 2021 (the “**Stay Period**”);
 - (iii) granted the Administration Charge and the Directors’ Charge (each as defined in the Initial Order) up to maximum amounts of \$225,000 and \$600,000, respectively;
- and

(iv) authorized the Applicant to continue making ordinary course payments to employees and vendors, including, with the consent of the Monitor, amounts owing for goods or services supplied to the Applicant prior to the Initial Order if, in the opinion of the Applicant, such payment is necessary or desirable to avoid disruption to the operations of the business or the Applicant during the CCAA Proceedings.

1.4 MEI's business is comprised of six high-end restaurant locations, three gourmet grocery locations, a catering business and an events business, each operating in the Greater Toronto Area, with the exception of one of the restaurants located in Thornbury, Ontario. MEI's brands include *Bymark*, *Fabbrica*, *Diwan*, *McEwan Fine Foods*, *McEwan Catering* and *ONE Restaurant*.¹ MEI also generates revenue from various television and media interests, as well as a partnership with Goodfood Market Corp., a subscription based food-delivery service.

1.5 MEI's equity is owned 55% by a subsidiary of Fairfax Financial Holdings Limited ("**Fairfax**") and 45% by McEwan Holdco Inc. ("**McEwan Holdco**"). Dennis Mark McEwan is the sole shareholder of McEwan Holdco. MEI is incorporated under the laws of Ontario and its registered head office is located in Toronto.

1.6 As described in the Pre-Filing Report, a key aspect of the Applicant's restructuring plan is to effectuate the going concern sale and transfer of substantially all of its assets and liabilities, with the exception of certain excluded lease agreements and related excluded

¹ MEI's interest in ONE Restaurant consists of a 50% partnership interest which is currently held in a wholly owned subsidiary, 2860117 Ontario Limited (the "**McEwan Subsidiary**"). The McEwan Subsidiary is not an applicant in these CCAA Proceedings, however, pursuant to the Initial Order, the stay of proceedings has been extended to the benefit of the McEwan Subsidiary.

liabilities, to a new entity (the “**Purchaser**”) formed by the Applicant’s current shareholders, being Fairfax and McEwan Holdco (the “**Proposed Transaction**”). The Proposed Transaction includes a cash deposit of up to \$2.25 million to be funded in multiple tranches by the Purchaser, which, if approved by the Court, is intended to be utilized by the Applicant to finance its short term liquidity requirements (the “**Transaction Deposit**”).

- 1.7 The Applicant has scheduled a hearing for October 15, 2021 for a motion to seek approval of the Proposed Transaction (the “**Sale Approval Motion**”). In connection with the Sale Approval Motion, the Monitor will file a report with the Court, which will articulate the Monitor’s views on the Proposed Transaction having regard to, among other things, the considerations set out in subsections 36(3)-(4) of the CCAA.
- 1.8 The purpose of this report (the “**First Report**”) is to provide the Court with information, and where applicable, the Monitor’s views on:
 - (i) updates regarding the CCAA Proceedings since the granting of the Initial Order;
 - (ii) the Applicant’s motion (the “**Comeback Motion**”) for an amended and restated initial order (the “**Amended and Restated Initial Order**”) which modifies the Initial Order to, among other things:
 - (a) increase the Administration Charge and the Directors’ Charge up to a maximum of \$350,000 and \$1.45 million, respectively; and
 - (b) extend the Stay Period to November 1, 2021;

- (iii) the activities of the Monitor since the Filing Date; and
- (iv) the Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this First Report, A&M, in its capacity as Monitor, has been provided with, and has relied upon unaudited financial information and the books and records prepared by MEI, and has had discussions with management of MEI and its legal counsel (collectively, the "**Information**"). Except as otherwise described in this First Report in respect of the Applicant's cash flow forecast:

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- (ii) some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this First Report was prepared based on MEI management's estimates and assumptions. Readers are cautioned that since

projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

- 2.3 This First Report should be read in conjunction with the Affidavit of Dennis Mark McEwan, President and Secretary of MEI, sworn on September 27, 2021 (the “**McEwan Affidavit**”), and filed in support of the Applicant’s application for relief under the CCAA. Capitalized terms used and not defined in this First Report have the meanings given to them in the Initial Order or the McEwan Affidavit.
- 2.4 This First Report does not consider the potential future impact of the COVID-19 pandemic on MEI’s business and operations. Such impact cannot be determined at this time.
- 2.5 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars (“**CAD**”).

3.0 UPDATES SINCE THE INITIAL ORDER

Notice to Creditors of the CCAA Proceedings

- 3.1 Pursuant to paragraph 41 of the Initial Order, on September 29 and 30, 2021, in consultation with the Monitor, the Applicant emailed or mailed a notice (together with an accompanying notice from the Monitor) advising all known creditors having a claim against the Applicant of more than \$5,000 of the CCAA Proceedings. The Monitor’s form of notice is attached hereto as **Appendix “B”**.

Rent Payments

- 3.2 The Monitor is working with the Applicant to address any matters related to monthly rent payable from and after the Filing Date. On October 1, 2021, the Applicant issued payment of what it believes is its monthly rent obligation for the month of October based on existing agreements or arrangements in place with its landlords for such monthly rent. The Monitor is working with the Applicant to address any landlord concerns on monthly rent payable and to understand the payment arrangements the Applicant has made with its landlords.
- 3.3 The Applicant has agreed that if there is a dispute regarding monthly rent payable, which is not resolved between any landlord, it will provide that disputed amount to the Monitor in trust pending resolution of the dispute. One such dispute has arisen between the Applicant and the Yonge & Bloor Landlord (as defined below) in respect of the Applicant's October rent. Accordingly, the Applicant has agreed to, and has advised the Yonge & Bloor Landlord that it will, fund the disputed amount into a trust account to be held by the Monitor (the "**Yonge & Bloor Rent Reserve**").
- 3.4 The Monitor understands that the Applicant is in the process of arranging for the Yonge & Bloor Rent Reserve to be funded into the Monitor's trust account.

The Yonge & Bloor Landlord

- 3.5 As described in the McEwan Affidavit, the Applicant has a single lease location with a landlord (the "**Yonge & Bloor Landlord**") in connection with the McEwan Yonge & Bloor grocery location.

- 3.6 The Yonge & Bloor Landlord, whose lease is in respect of an Excluded Location under the Proposed Transaction, conducted a cross-examination of Mr. McEwan on October 4, 2021 on the McEwan Affidavit.
- 3.7 To the extent that the Yonge & Bloor Landlord files any materials for the Comeback Motion, the Monitor may file a supplemental report to provide its views thereon.

Pre-filing Payments

- 3.8 In accordance with paragraph 7(e) of the Initial Order, the Applicant is entitled to pay, with the consent of the Monitor, amounts owing for goods and services supplied prior to the Initial Order, if in the opinion of the Applicant, such payment is necessary or desirable to avoid disruption to the operations of the business or the Applicant during the CCAA Proceedings. The Applicant set out in its materials filed in support of the Initial Order that it intends to provide payment to all trade suppliers in the normal course, subject to the terms of the Initial Order, in order to protect the ongoing Business.
- 3.9 As of the date of this First Report, the Applicant has issued, with the consent of the Monitor, pre-filing payments totaling approximately \$500,000 to third-party suppliers in respect of goods and services provided prior to the Filing Date.

4.0 INCREASES TO THE COURT-ORDERED CHARGES

- 4.1 The Initial Order provides for the Administration Charge and the Directors' Charge over the Applicant's Property. As described in the Pre-Filing Report, MEI advised at the time of the CCAA application that it intended to seek increases to the Administration Charge and the Directors' Charge at the Comeback Motion as each such charge under the Initial

Order was limited to the extent reasonably necessary for the initial 10-day Stay Period. MEI's intention in this regard was set out in the McEwan Affidavit.

Administration Charge

- 4.2 The Initial Order provides for the Administration Charge over the Applicant's Property in an amount not to exceed \$225,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicant. The Applicant is seeking to increase the Administration Charge in the Amended and Restarted Initial Order to \$350,000.
- 4.3 The Monitor assisted the Applicant in the calculation of the Administration Charge and is of the view that the increased amount of the charge is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, potential work involved at peak times, and the size of charges approved in similar CCAA proceedings.

Directors' Charge

- 4.4 The Initial Order provides that MEI will indemnify its director and officers against obligations and liabilities that they may incur in their capacity as director and officers of the Applicant from the commencement of the CCAA Proceedings, except to the extent that any obligation or liability was incurred as a result of gross negligence or wilful misconduct. The Initial Order provides for the Directors' Charge over the Applicant's Property in the amount of \$600,000 in favour of MEI's director and officers for that indemnity. The Applicant is seeking to increase the Directors' Charge to \$1.45 million in the Amended and Restated Initial Order.
- 4.5 The Monitor understands that MEI holds a directors' and officers' insurance policy that provides coverage for certain obligations. However, this policy contains certain exceptions,

exclusions and carve-outs, and as a result, the policy may not provide adequate coverage to MEI's director and officers during the CCAA Proceedings. MEI's director and officers will only be entitled to the benefit of the Directors' Charge to the extent they do not have coverage under MEI's directors' and officers' insurance policy or to the extent such coverage is insufficient to pay an indemnified amount.

- 4.6 The Monitor assisted the Applicant in the calculation of the proposed increase in the Directors' Charge, taking into consideration the amount of the Applicant's payroll, vacation pay, statutory employee obligations and sales tax liabilities. The primary components of the proposed \$1.45 million charge are approximately: (i) \$600,000 for employee salary and wages, taking into consideration the bi-weekly payroll cycles of the Applicant; (ii) \$500,000 for accrued vacation pay; (iii) \$300,000 for ongoing sales tax remittance obligations; and (iv) \$50,000 for other statutory employee obligations. The Monitor is of the view that the increased amount of the Directors' Charge is appropriate and reasonable in the circumstances.

Priority of Charges Created by the Amended and Restated Initial Order

- 4.7 As described in the Pre-Filing Report, as of the Filing Date, approximately \$2.2 million of secured debt was outstanding to RBC pursuant to certain secured credit facilities (the "**RBC Security**"). Pursuant to the Initial Order, RBC will be an unaffected creditor in the CCAA Proceedings and the RBC Security is accordingly proposed to rank in priority to the Charges in the Amended and Restated Initial Order.
- 4.8 Subject to the priority ranking of the RBC Security, the Charges in the Amended and Restated Initial Order are proposed to rank in priority to all other secured creditors, other

than statutory super-priority deemed trust and liens for unpaid employee source deductions or taxes. Additionally, the Charges in the Amended and Restated Initial Order do not purport to rank in priority to any secured creditor of the Applicant who did not receive notice of the Comeback Motion. MEI has advised the Monitor that it has provided notice of the Comeback Motion to all secured creditors with security registrations against the Applicant.

4.9 Subject to the foregoing, the contemplated priorities of the Charges in the Amended and Restated Initial Order are as follows:

- (i) First – Administration Charge (to the maximum amount of \$350,000); and
- (ii) Second – Directors’ Charge (to the maximum amount of \$1.45 million).

4.10 The Monitor believes that the Charges and their quantum are reasonable in the circumstances.

5.0 EXTENSION OF THE STAY PERIOD

5.1 Pursuant to the Initial Order, the current Stay Period expires on October 7, 2021. The Applicant is seeking an extension of the Stay Period to and including November 1, 2021.

5.2 The Monitor supports the Applicant’s request to extend the Stay Period for the following reasons:

- (i) the extension is necessary to enable MEI to: (a) continue ongoing discussions and negotiations with its landlords to attempt to achieve consensual lease amendments, and in certain circumstances lease terminations, in order to make the Applicant’s

business viable; (b) seek approval of the Proposed Transaction at the Sale Approval Motion; and (c) generally advance the CCAA Proceedings with a view to achieving a going concern solution for MEI on an expedited basis;

- (ii) by utilizing its cash on hand and availability under the Revolving Facility (as defined and described in the Pre-Filing Report), the Applicant is projected to have sufficient liquidity through the requested Stay Period. Further, as set out in the Pre-Filing Report (Section 5.0 Cash Flow Forecast), the Transaction Deposit of up to \$2.25 million is projected to provide the Applicant with sufficient liquidity through the 13-week period ending December 24, 2021. The funding of the Transaction Deposit is subject to obtaining Court approval at the Sale Approval Motion of the Proposed Transaction and a Court-ordered charge to secure the Transaction Deposit for the benefit of the Purchaser in the event that the Proposed Transaction is not completed. As no relief is sought with respect to the Transaction Deposit at this time, the proposed extension to the Stay Period is limited to the duration of time the Applicant is projected to have sufficient liquidity using its cash on hand and availability under the Revolving Facility; and
- (iii) the Applicant has acted, and continues to act, in good faith and with due diligence to advance the CCAA Proceedings and its restructuring efforts.

6.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE

- 6.1 Since the Filing Date, the primary activities of the Monitor have included the following:

- (i) engaging in discussions with MEI and its legal counsel regarding the CCAA Proceedings, including in connection with the Monitor's review of the Proposed Transaction and associated purchase agreement, as well as MEI's ongoing discussions with its landlords;
- (ii) monitoring the Applicant's cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting;
- (iii) corresponding with the Applicant's finance team and considering requests for disbursements for goods or services supplied to the Applicant prior to the Filing Date in accordance with the Initial Order;
- (iv) activating the Case Website and coordinating the uploading of Court-filed documents to the Case Website;
- (v) completing and coordinating the noticing requirements pursuant to paragraph 41 of the Initial Order, including:
 - (a) arranging for publication of notice of the CCAA Proceedings, in the prescribed form, in *The Globe and Mail (National Edition)* on October 4, 2021 and October 8, 2021;
 - (b) posting the Initial Order to the Case Website on September 29, 2021; and
 - (c) as described above, arranging for the Applicant to send notice of the CCAA Proceedings to all known creditors having a claim against the Applicant of more than \$5,000;

- (vi) activating the Monitor's toll-free number and email account for the CCAA Proceedings, and responding to creditor and other inquiries received through those contact points;
- (vii) with its counsel, attending at the Yonge & Bloor Landlord's cross-examination of Mr. McEwan as described above;
- (viii) submitting Forms 1 (Information Pertaining to the Initial Order) and 2 (Debtor Company Information Summary) and related documents to the Office of the Superintendent of Bankruptcy's CCAA Online Filing System; and
- (ix) with the assistance of its legal counsel, preparing this First Report.


7.0 CONCLUSIONS AND RECOMMENDATIONS

- 7.1 For the reasons set out in this First Report, the Monitor respectfully recommends that the Court grant the Amended and Restated Initial Order containing the relief requested by the Applicant.

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All of which is respectfully submitted to the Court this 5th day of October, 2021.

**Alvarez & Marsal Canada Inc., solely in its capacity as
Monitor of McEwan Enterprises Inc.,
and not in its personal or corporate capacity**

Per:  _____
Greg Karpel
Senior Vice-President

APPENDIX A
PRE-FILING REPORT OF THE PROPOSED MONITOR

See attached.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF MCEWAN ENTERPRISES INC.

**PRE-FILING REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.**

SEPTEMBER 27, 2021

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APPENDICES

Appendix A – 13-Week Cash Flow Forecast

Appendix B – Management’s Representation Letter Regarding the Cash Flow Forecast

1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that McEwan Enterprises Inc. (“**MEI**” or the “**Applicant**”) intends to make an application to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order (the “**Initial Order**”) granting, among other things, a stay of proceedings pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing A&M as Monitor of the Applicant (the “**Monitor**”). The proceedings to be commenced by the Applicant under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 MEI’s business is comprised of six high-end restaurant locations, three gourmet grocery locations, a catering business and an events business, each operating in Toronto, with the exception of one of the restaurants located in Thornbury, Ontario. MEI’s brands include *Bymark, Fabbrica, Diwan, McEwan Fine Foods, McEwan Catering* and *ONE Restaurant*.¹ MEI also generates revenue from various television and media interests, as well as a partnership with Goodfood Market Corp., a subscription based food-delivery service.
- 1.3 MEI’s equity is owned 55% by a subsidiary of Fairfax Financial Holdings Limited (“**Fairfax**”) and 45% by McEwan Holdco Inc. (“**McEwan Holdco**”). Dennis Mark McEwan is the sole shareholder of McEwan Holdco. MEI is incorporated under the laws of Ontario and its registered head office is located in Toronto.

¹ MEI’s interest in ONE Restaurant consists of a 50% partnership interest which is currently held in a wholly owned subsidiary, 2860117 Ontario Limited (the “**McEwan Subsidiary**”). The McEwan Subsidiary is not an applicant in these CCAA Proceedings, however, as discussed further below, the Applicant is requesting the stay of proceedings be extended to the McEwan Subsidiary.

- 1.4 A key part of the Applicant's restructuring plan and these CCAA Proceedings is to effectuate a going concern transaction of MEI's business, including the sale and transfer of substantially all of its assets and liabilities. To that end, the Applicant intends to seek to complete the sale and transfer of its business, with the exception of certain excluded lease agreements and related excluded liabilities, to a new entity (the "**Purchaser**") formed by the Applicant's current shareholders, being Fairfax and McEwan Holdco (the "**Proposed Transaction**").
- 1.5 The Proposed Transaction includes a cash deposit to be funded by the Purchaser, which, if approved by the Court, is intended to be utilized by the Applicant to finance its short term liquidity requirements (the "**Transaction Deposit**"). Without the Transaction Deposit (or alternative financing), the Applicant projects that it will exhaust its liquidity prior to the last week of October 2021. In light of these liquidity challenges, among other things, the Applicant intends to pursue its restructuring expeditiously.
- 1.6 The Proposed Monitor understands that the Applicant intends to bring a motion at a future date to seek approval of the Proposed Transaction. If appointed, the Monitor will file a report with the Court in connection with such motion, which will articulate the Monitor's views on the Proposed Transaction having regard to, among other things, the considerations set out in subsections 36(3)-(4) of the CCAA.
- 1.7 The purpose of this pre-filing report (the "**Report**") is to provide the Court with information, and where applicable, the Proposed Monitor's views on:
- (i) A&M's qualifications to act as Monitor;

- (ii) background information with respect to MEI;
- (iii) MEI's 13-week cash flow forecast;
- (iv) MEI's cash management system;
- (v) the relief sought by the Applicant as part of the proposed Initial Order, including:
 - (a) the Applicant's intention to continue making ordinary course payments to employees and vendors, including the payment of certain pre-filing obligations with the consent of the Monitor;
 - (b) extending the stay of proceedings for the benefit of the McEwan Subsidiary and Mr. McEwan;
 - (c) the priority Court-ordered charges over the property and assets of the Applicant (collectively, the "**Property**"); and
 - (d) the proposed notice to be provided in respect of the CCAA Proceedings; and
- (vi) the Proposed Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with, and has relied upon unaudited financial information and the books and records prepared by MEI, and has had discussions with management of MEI and its legal counsel

(collectively, the “**Information**”). Except as otherwise described in this Report in respect of the Applicant’s cash flow forecast:

- (i) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- (ii) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this Report was prepared based on MEI management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 This Report should be read in conjunction with the Affidavit of Dennis Mark McEwan, President and Secretary of MEI, sworn on September 27, 2021 (the “**McEwan Affidavit**”), and filed in support of the Applicant’s application for relief under the CCAA. Capitalized

terms used and not defined in this Report have the meanings given to them in the McEwan Affidavit.

2.4 This Report does not consider the potential future impact of the COVID-19 pandemic on MEI's business and operations. Such impact cannot be determined at this time.

2.5 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars ("CAD").

3.0 A&M'S QUALIFICATIONS TO ACT AS MONITOR

3.1 Alvarez & Marsal Canada ULC, an affiliate of A&M, was engaged to act as a consultant to MEI on September 10, 2021, and as such, the Proposed Monitor is familiar with the business and operations of the Applicant, its personnel and the key issues and stakeholders in the proposed CCAA Proceedings. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**") and is not subject to any of the restrictions on who may be appointed as monitor set out in subsection 11.7(2) of the CCAA.

3.2 A&M is related to Alvarez & Marsal Holdings, LLC which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. The senior A&M personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees, and whom have previously acted in CCAA matters of a similar nature.

3.3 The Proposed Monitor has retained Bennett Jones LLP to act as its independent legal counsel.

3.4 A&M has consented to act as Monitor of the Applicant should the Court grant the Applicant's request to commence the CCAA Proceedings pursuant to the Initial Order.

4.0 BACKGROUND INFORMATION

4.1 The information in this Report provides a summary of certain of the background to the CCAA Proceedings. The Proposed Monitor recommends that readers review the materials filed by the Applicant in respect of these CCAA Proceedings, including, but not limited to the McEwan Affidavit.

Financial Results

4.2 Although many of MEI's locations have historically been profitable, certain of its locations have been underperforming for a number of years, causing a significant strain on the business as a whole. Further, the negative impacts of the COVID-19 pandemic, including extensive restaurant closures, capacity constraints and other COVID-19 related measures over the past 18 months, have been significant and have resulted in material EBITDA losses and liquidity challenges for the consolidated MEI business.

4.3 For the year ended December 31, 2020 ("FY2020"), MEI reported revenue of approximately \$30.1 million, a reduction of 34% compared to the prior year. In FY2020, MEI experienced a net loss of approximately \$2.8 million, compared to the prior year's net loss of \$1.3 million. The negative impacts of the COVID-19 pandemic have continued this

year, with MEI reporting revenues of \$13.1 million and a net loss of \$2.2 million for the six months ended June 2021.

- 4.4 To address its underperforming locations and the operating headwinds caused by the COVID-19 pandemic, MEI implemented extensive cost-saving and cash conservation measures, negotiated landlord concessions at certain of its locations and utilized a number of government subsidies made available to companies during the COVID-19 pandemic.
- 4.5 Although these initiatives did provide some liquidity runway, MEI continued to experience significant operating and cash losses. In order to continue operating during the COVID-19 pandemic, Fairfax provided MEI unsecured debt financing of approximately \$1.72 million.

Employees

- 4.6 MEI currently employs approximately 268 staff, comprised of 213 full-time and 55 part-time employees.
- 4.7 The Applicant's payroll is processed by a third-party payroll processor, Desjardins Employer Solutions, and paid through MEI's Cash Management System (defined below).
- 4.8 MEI sponsors an employee benefits plan (including medical, dental, vision and other benefits) for eligible employees, administered by Manulife Financial. MEI does not maintain any pension plans for its employees.
- 4.9 During the CCAA Proceedings, MEI intends to continue funding the benefits plan and all other employee related costs and benefits in the normal course. The Proposed Monitor

understands that MEI is current in all of its funding obligations in respect of this plan and related costs.

- 4.10 The Proposed Monitor understands the Proposed Transaction will include an offer of employment to all of MEI's employees on the same terms to their existing employment (with those employees currently at excluded locations to be offered employment at an assumed location).

Trade Creditors

- 4.11 Based on MEI's books and records, as at August 31, 2021, approximately \$2.3 million is owing to trade creditors, consisting primarily of suppliers of food products, packaging and other general goods and services.
- 4.12 In addition to these amounts, MEI's books and records include an accrual of approximately \$500,000 in connection with obligations for customer gift cards and customer loyalty programs.
- 4.13 As described in this Report and included in the Cash Flow Forecast (defined below), MEI intends to continue to: (i) pay its third-party suppliers in the ordinary course and on usual trade terms, including pre-filing amounts owing as at the commencement of the CCAA Proceedings with the Monitor's consent and where the Applicant determines that such payment is necessary or desirable to avoid disruption to MEI's business; and (ii) honour all customer gift cards and loyalty programs in the ordinary course.

Landlords

- 4.14 MEI does not own any real property and all of its locations are leased. In total, MEI is party to seven leases, comprised of: (i) five leases managed by one third-party landlord; (ii) one lease managed by a third-party landlord in respect of the Thornbury restaurant location; and (iii) one lease managed by a third-party landlord in respect of its grocery store located in the Yonge and Bloor neighborhood of Toronto.
- 4.15 The lease agreement in respect of the ONE Restaurant is entered into directly by the ONE Restaurant partnership, as tenant, and there is no lease arrangement or rent charged at the Diwan location, which is a restaurant located within the Aga Khan Museum in Toronto.
- 4.16 Due to the impacts of the COVID-19 pandemic, MEI executed various rent concessions and deferrals with certain of its landlords (the “**Landlord Concessions**”). As at August 31, 2021, approximately \$500,000 is owing to landlords, based on MEI’s financial statements and taking into account certain amended lease terms.
- 4.17 In preparing the Cash Flow Forecast, MEI has projected the payment in full of its ongoing monthly rent obligations, but has not projected any repayments in respect of the Landlord Concessions.

RBC Secured Credit Facilities

- 4.18 As of the date of this Report, approximately \$2.2 million of secured debt was outstanding to Royal Bank of Canada (“**RBC**”), MEI’s operating lender. This secured debt balance is comprised of: (i) approximately \$239,000 owing under various revolving credit facilities (the “**Secured Credit Facilities**”); (ii) approximately \$1.7 million owing under various

equipment leases (the “**RBC Equipment Leases**”); and (iii) approximately \$250,000 owing under a term loan (the “**HASCAP Loan**”).

- 4.19 The Secured Credit Facilities consist of: (i) eight revolving demand facilities with cumulative maximum availability of \$850,000, of which approximately \$95,000 is currently drawn (the “**Revolving Facility**”); (ii) credit cards with a cumulative maximum availability of \$360,000; and (iii) a \$90,000 letter of credit.
- 4.20 The Proposed Monitor understands that MEI is currently not in compliance with certain of the covenants under the Secured Credit Facilities. However, as described in the McEwan Affidavit, RBC has confirmed to the Applicant that it is prepared to continue to provide access to the Secured Credit Facilities, including the Revolving Facility, on terms and conditions satisfactory to RBC during the CCAA Proceedings.
- 4.21 RBC will be an unaffected creditor in these CCAA Proceedings. As described further below, during the initial 10-day stay period the court ordered charges are proposed to rank behind the Secured Credit Facilities, the HASCAP Loan and the RBC Equipment Leases.

Other Credit Facilities

- 4.22 In addition to each of the above credit facilities, the Applicant is also party to:
- (i) a \$198,000 fixtures loan with one of its landlords, secured by MEI’s assets as well as certain of Mr. McEwan’s personal assets;
 - (ii) unsecured loans with RBC, under which approximately \$899,000 is owing, secured over certain of Mr. McEwan’s personal assets;

- (iii) certain leases with respect to photocopies and motor vehicles used in connection with MEI's business; and
- (iv) unsecured shareholder loans with Fairfax, under which approximately \$2.3 million is owing.

5.0 CASH FLOW FORECAST

- 5.1 The Applicant has prepared a weekly cash flow forecast (the “**Cash Flow Forecast**”) for the 13-week period from September 25 to December 24, 2021 (the “**Cash Flow Period**”). A copy of the Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) and management's report on the cash-flow statement required by subsection 10(2)(b) of the CCAA are attached hereto as **Appendices “A” and “B”**, respectively.
- 5.2 The following table provides a summary of the Cash Flow Forecast, including the period prior to the comeback hearing, being the two-week period ending October 8, 2021 (the “**Initial 2-Week Period**”):²

² The comeback hearing is currently scheduled to be heard on October 7, 2021.

Cash Flow Forecast		\$000's	
	2-Week Period	11-Week Period	13-Week Total
	<i>Oct-8</i>	<i>Dec-24</i>	<i>Dec-24</i>
Receipts	1,320	7,335	8,655
Disbursements			
Vendors	(955)	(5,290)	(6,245)
Employee wages	(416)	(2,327)	(2,743)
Rent	(486)	(1,222)	(1,708)
Other SG&A	(78)	(408)	(486)
RBC principal, lease payments & interest	(30)	(234)	(264)
Restructuring professional Fees	(226)	(684)	(910)
Net Cash Flow	(871)	(2,830)	(3,701)
Cash balance, opening	930	284	930
Net Cash Flow	(871)	(2,830)	(3,701)
Revolving Facility draws	225	530	755
Transaction Deposit	-	2,250	2,250
Ending Cash Balance	284	234	234

5.3 The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

- (i) during the Initial 2-Week Period, net cash flows are projected to be negative \$871,000, which is projected to be sufficiently funded by the Applicant's current cash on hand of approximately \$930,000 and draws on the Revolving Facility of approximately \$225,000;
- (ii) during the entire Cash Flow Period, net cash flows are projected to be negative \$3.7 million. These negative cash flows are projected to be financed by a combination of: (a) cash on hand of approximately \$930,000; (b) the Transaction Deposit of \$2.25 million; and (c) draws on the Revolving Facility of approximately \$755,000;
- (iii) as described in the McEwan Affidavit, the funding of the Transaction Deposit is subject to obtaining Court approval of the Proposed Transaction and a Court-

ordered charge to secure the Transaction Deposit for the benefit of the Purchaser in the event that the Proposed Transaction is not completed. The Proposed Monitor notes that, without the Transaction Deposit, the Applicant is projected to exhaust its liquidity prior to the last week of October 2021 and without additional financing would not have sufficient liquidity to continue to fund the CCAA Proceedings or continue to operate in the ordinary course; and

- (iv) forecast disbursements include: (a) payments in the ordinary course and on normal trade terms, including the payment of all pre-filing vendor and employee amounts; and (b) the continued payment of principal, lease payments and interest owing to RBC.

5.4 Based on the Proposed Monitor's review,³ nothing has come to its attention that causes it to believe, in all material respects that:

- (i) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;
- (ii) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or

³ The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor by subsection 23(1)(b) of the CCAA. Subsection 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of management. The Proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

(iii) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

5.5 The Cash Flow Forecast has been prepared solely for the purpose and subject to the assumptions described above, and readers are cautioned that it may not be appropriate for other purposes.

6.0 PAYMENTS DURING THE CCAA PROCEEDINGS

6.1 MEI intends to pay for goods and services supplied as contemplated in the Cash Flow Forecast. As part of the Initial Order, the Applicant is requesting the Court's authorization to, with the consent of the Monitor, pay pre-filing amounts for goods or services supplied to MEI in the ordinary course subject to the restrictions set forth therein.

6.2 The Proposed Monitor considered the following to assess the reasonableness of the above requested relief:

- (i) as discussed in this Report, the Applicant's intended outcome of these CCAA Proceedings is to complete the Proposed Transaction, which contemplates the continuation of the business as a going concern and the assumption of all trade and related obligations (other than certain lease obligations) in the ordinary course. As such, to minimize disruption to MEI's business, which could potentially impact a going concern outcome, the Proposed Monitor is of the view that the payment of these pre-filing amounts is reasonable in the circumstances;
- (ii) the Proposed Monitor understands that the Transaction Deposit to be funded by the Purchaser of up to \$2.25 million (pending the Court's approval of the Proposed

Transaction), was purposely sized to provide for the normal course payment to third-party vendors, including pre-filing trade creditor obligations; and

- (iii) the Monitor's consent will be required before any such proposed payment may be made.

7.0 CASH MANAGEMENT SYSTEM

7.1 As described in the McEwan Affidavit, the Applicant's cash management system is operated through various accounts held by MEI with RBC (the "**Cash Management System**"). The Cash Management System is administered by MEI's finance department at its head office in Toronto.

7.2 The Applicant has a total of 10 bank accounts with RBC, each of which are Canadian dollar accounts. An overview of the accounts is as follows:

- (i) each of MEI's eight locations (excluding ONE Restaurant) has an account used for receipts and disbursements in respect of the location;
- (ii) an account for receipts in connection with its interest in the ONE Restaurant; and
- (iii) an account for receipts and disbursements in connection with its non-restaurant and grocery operations.

7.3 The Applicant intends to continue using its existing Cash Management System in substantially the same manner as before the commencement of the CCAA Proceedings and is seeking the approval of the Court to do so. The Proposed Monitor supports this request.

8.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

- 8.1 The Proposed Initial Order seeks the granting of the Administration Charge and the Directors' Charge (collectively, the "**Charges**") over the Property.
- 8.2 During the initial 10-day stay period the Charges are proposed to rank behind all of the Applicant's secured creditors, including the security granted in favour of RBC with respect to the Secured Credit Facilities, the HASCAP Loan and the RBC Equipment Leases (the "**RBC Security**").
- 8.3 At the comeback hearing, the Applicant intends to modify the priority of the Charges such that the Administration Charge and Directors' Charge would continue to rank behind the RBC Security, but in priority to all other secured creditors of the Applicant.

Administration Charge

- 8.4 The Initial Order provides for a charge over the Applicant's Property in an amount not to exceed \$225,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicant (the "**Administration Charge**"), as security for their respective professional fees and disbursements incurred prior to and after the commencement of the CCAA Proceedings. The Proposed Monitor understands that the Applicant intends to seek an increase in the amount of the Administration Charge to \$350,000 at the comeback hearing.
- 8.5 The Proposed Monitor assisted the Applicant in the calculation of the Administration Charge and is of the view that the amount of the charge for the initial 10-day stay period is reasonable and appropriate in the circumstances, having regard to the nature of the

proceedings, the anticipated professional costs incurred during the initial 10-day stay period, and the size of charges approved in similar CCAA proceedings.

Directors' Charge

- 8.6 The Initial Order provides that MEI will indemnify its director and officers against obligations and liabilities that they may incur in their capacity as director and officers of the Applicant from the commencement of the CCAA Proceedings, except to the extent that any obligation or liability was incurred as a result of gross negligence or wilful misconduct, and provides for a charge on the Property in the amount of \$600,000 in favour of MEI's director and officers as security for any such obligations or liabilities arising after the commencement of these CCAA Proceedings (the "**Directors' Charge**"). The Proposed Monitor understands that the Applicant intends to seek an increase in the amount of the Directors' Charge to \$1.45 million at the comeback hearing.
- 8.7 The Proposed Monitor understands that MEI holds a directors' and officers' insurance policy that provides coverage for certain obligations. However, this policy contains certain exceptions, exclusions and carve-outs, and as a result, the policy may not provide adequate coverage to MEI's director and officers during the CCAA Proceedings.
- 8.8 MEI's director and officers will only be entitled to the benefit of the Directors' Charge to the extent they do not have coverage under MEI's directors' and officers' insurance policy or to the extent such coverage is insufficient to pay an indemnified amount.
- 8.9 The Proposed Monitor assisted the Applicant in the calculation of the Directors' Charge, taking into consideration the amount of the Applicant's payroll, vacation pay and sales tax

liabilities. The Proposed Monitor is of the view that the amount of the Directors' Charge for the initial 10-day stay period is appropriate and reasonable in the circumstances.

Priority of Charges Created by the Proposed Initial Order

8.10 The priorities of the Charges are proposed to be as follows:

- (i) First – Administration Charge (to the maximum amount of \$225,000); and
- (ii) Second – Directors' Charge (to the maximum amount of \$600,000).

8.11 As set out above, the Proposed Monitor believes that the Charges are reasonable in the circumstances.

9.0 STAY OF PROCEEDINGS

9.1 The proposed Initial Order contemplates the granting of an initial 10-day stay of proceedings in respect of the Applicant, its business and the Property. Further, pursuant to the proposed Initial Order, the Applicant is seeking an extension of the stay of proceedings to: (i) the McEwan Subsidiary; and (ii) Mr. McEwan or his assets and property solely in respect of personal guarantees, indemnities, liabilities or claims that relate to or involve the Applicant or the obligations, liabilities and claims of and against the Applicant.

9.2 The proposed stay of proceedings will provide the breathing space required for the Applicant to stabilize its business and preserve value for its stakeholders. Moreover, it will prevent the termination of key contracts and the commencement of enforcement steps, which would be detrimental to the Applicant's restructuring efforts.

- 9.3 As described in the McEwan Affidavit, Mr. McEwan is an integral component of MEI's day-to-day business operations. The proposed extension of the limited stay of proceedings to Mr. McEwan and his assets and property will assist in ensuring Mr. McEwan's continued and uninterrupted participation in MEI's operations and these CCAA Proceedings. Accordingly, the Proposed Monitor supports the Applicant's request for the proposed extension of the stay of proceedings in respect of Mr. McEwan.
- 9.4 As described in the McEwan Affidavit, the only obligations of the McEwan subsidiary are those relating to the ONE Restaurant Partnership and its only asset is its partnership interest in The Hazleton Food Services Partnership. MEI's interest in the ONE Restaurant Partnership is a meaningful part of the business of the Company, and any steps that may be taken in respect of the McEwan Subsidiary could have a significant detrimental impact on the Applicant's restructuring efforts.
- 9.5 In light of the McEwan Subsidiary's limited liabilities, the Proposed Monitor believes that the proposed extension of the stay of proceedings to the McEwan Subsidiary will not prejudice stakeholders during the initial 10-day stay period.

10.0 NOTICE OF THE CCAA PROCEEDINGS

- 10.1 The proposed Initial Order contemplates that, without further Order of the Court, the standard noticing procedures within CCAA proceedings be modified, such that: (i) notice of the CCAA Proceedings will not be published in any newspaper; (ii) the Monitor will not send notice to creditors with claims against MEI in excess of \$1,000 in the prescribed manner; and (iii) no list of creditors and estimated amounts owing to them will be made publicly available on the Monitor's case website. Rather, the proposed Initial Order

contemplates that MEI, in consultation with the Monitor, shall send a notice to every known creditor who has a claim against the Applicant of more than \$5,000 advising of the CCAA Proceedings.

10.2 The Proposed Monitor recognizes the concerns of MEI with respect to the potential negative impacts that noticing may have on its vendor relationships, and is of the view that, in the specific circumstances of this case, the modified noticing procedures sought by MEI are reasonable. The Proposed Monitor considered the following to assess the reasonableness of the requested relief:

- (i) the Applicant intends to use the CCAA Proceedings to effectuate the Proposed Transaction, which is a going concern transaction;
- (ii) the Applicant intends to continue to pay all of its trade and employee obligations in the ordinary course, including pre-filing obligations, and any amounts not paid in the ordinary course (both pre- and post-filing amounts) are intended to be assumed by the Purchaser as part of the Proposed Transaction;
- (iii) each of the landlords in respect of the lease agreements that are to be excluded from the Proposed Transaction will be provided with notice of the CCAA Proceedings;
and
- (iv) the form of notice that MEI intends to send to its creditors includes information to notify them of the CCAA Proceedings and provides a link to access the Proposed

Monitor's case website should they wish to obtain additional information regarding the CCAA Proceedings.

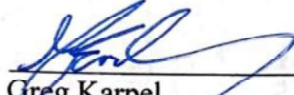
11.0 CONCLUSIONS AND RECOMMENDATIONS

- 11.1 For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Applicant in the proposed Initial Order is reasonable, appropriate and necessary having regard to the current circumstances of the Applicant. As such, the Proposed Monitor supports the Applicant's application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicant.

All of which is respectfully submitted to the Court this 27th day of September, 2021.

**Alvarez & Marsal Canada Inc., in its capacity as
Proposed Monitor of McEwan Enterprises Inc.,
and not in its personal or corporate capacity**

Per:



Greg Karpel
Senior Vice-President

APPENDIX A
CASH FLOW FORECAST

See attached.

McEwan Enterprises Inc.
Cash Flow Forecast
For the thirteen-week period ending December 24, 2021
(Unaudited, in 000s CAD)

Week ending	Notes	Week 1 Oct 01	Week 2 Oct 08	Week 3 Oct 15	Week 4 Oct 22	Week 5 Oct 29	Week 6 Nov 05	Week 7 Nov 12	Week 8 Nov 19	Week 9 Nov 26	Week 10 Dec 03	Week 11 Dec 10	Week 12 Dec 17	Week 13 Dec 24	13 Week Total
Receipts	(1)	653	667	667	667	667	667	667	667	667	667	667	667	667	8,655
Disbursements															
Vendors	(2)	(474)	(481)	(481)	(481)	(481)	(481)	(481)	(481)	(481)	(481)	(481)	(481)	(481)	(6,245)
Employee wages	(3)	(416)	-	(388)	-	(388)	-	(388)	-	(388)	-	(388)	-	(388)	(2,743)
Rent	(4)	-	(486)	-	-	-	(736)	-	-	-	(486)	-	-	-	(1,708)
Other SG&A (incl. HST remittances)	(5)	(42)	(36)	(36)	(37)	(39)	(37)	(37)	(37)	(39)	(37)	(37)	(37)	(37)	(486)
Total Disbursements		(932)	(1,003)	(905)	(518)	(908)	(1,254)	(905)	(518)	(908)	(1,004)	(905)	(518)	(905)	(11,182)
Operating Net Cash Flow		(279)	(336)	(238)	149	(241)	(587)	(239)	149	(241)	(337)	(239)	149	(239)	(2,527)
RBC principal, lease payments & interest	(6)	(26)	(4)	-	-	(71)	(10)	-	-	(71)	(10)	-	-	(71)	(264)
Restructuring professional fees	(7)	(170)	(57)	(170)	(57)	(102)	(28)	(28)	(73)	(62)	(28)	(28)	(57)	(51)	(910)
Net Cash Flow		(474)	(397)	(408)	93	(414)	(625)	(267)	76	(374)	(375)	(267)	93	(361)	(3,701)
Beginning Cash		930	481	284	126	219	305	430	163	239	364	239	197	443	930
Net Cash Flow		(474)	(397)	(408)	93	(414)	(625)	(267)	76	(374)	(375)	(267)	93	(361)	(3,701)
Transaction Deposit	(8)	-	-	250	-	500	750	-	-	500	250	-	-	-	2,250
Change in Revolving credit line		25	200	-	-	-	-	-	-	-	-	225	153	153	755
Ending Cash		481	284	126	219	305	430	163	239	364	239	197	443	234	234
<u>RBC Credit Line</u>															
Revolving credit line limit		850	850	850	850	850	850	850	850	850	850	850	850	850	
Revolving credit line drawn		(120)	(320)	(320)	(320)	(320)	(320)	(320)	(320)	(320)	(320)	(545)	(698)	(850)	
Revolving credit line available		730	530	530	530	530	530	530	530	530	530	305	153	-	

Prepared by Management. To be read in conjunction with the attached Notes.

McEwan Enterprises Inc. ("MEI")

Cash Flow Forecast

Notes

Disclaimer

*In preparing this cash flow forecast (the "**Forecast**"), MEI has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("**CCAA**"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. The Forecast is presented in thousands of Canadian dollars.*

Note 1 Receipts

Receipts include sales from MEI's restaurant, grocery, catering and events businesses, inclusive of sales tax. The projections are based on management's estimates of near-term sales, taking into consideration recent sales experience and expectations with respect to ongoing social distancing measures, capacity restrictions and other COVID-19 related impacts on the business.

Note 2 Vendors

Consists primarily of disbursements to purchase produce, meat, seafood and other food & groceries used in MEI's restaurant, grocery and catering businesses. The Forecast includes the payment of both pre-filing and post-filing obligations to vendors in accordance with the Initial Order.

Note 3 Employee wages

Salaries, wages, remittances and employee benefits for salaried and hourly employees.

Note 4 Rent

Disbursements include: (i) the payment in full for ongoing post-filing monthly rent obligations; and (ii) an estimated payment during the week ending November 5 in respect of certain rent arrears.

Note 5 Other SG&A

Consists primarily of packaging, logistics, IT, facility management and other miscellaneous costs and monthly HST remittances. Forecast includes the payment of both pre-filing and post-filing obligations in accordance with the Initial Order.

Note 6 RBC principal, lease payments & interest

Forecast includes principal and interest payments owing to RBC for mortgages, equipment leases and the Secured Credit Facilities. The Secured Credit Facilities consist of: (i) a revolving credit facility with cumulative maximum availability of \$850,000 (the "**Revolving Facility**"); (ii) credit cards with a cumulative maximum availability of \$360,000; and (iii) a \$90,000 letter of credit, as well as the equipment leasing arrangements.

Note 7 Restructuring professional fees

Disbursements include forecast payments to MEI's legal counsel, the Monitor and the Monitor's legal counsel.

Note 8 Transaction Deposit

As described in the McEwan Affidavit, pursuant to the Purchase Agreement, the Purchaser has agreed to fund a deposit of up to \$2.25 million to MEI for use by MEI to fund its operations until the closing of the Proposed Transaction. The funding of the Transaction Deposit by the Purchaser is subject to obtaining Court approval of the Proposed Transaction and a Court-ordered charge to secure the repayment of the Transaction Deposit to the Purchaser in the event the Proposed Transaction is not completed. If the Proposed Transaction is completed, the obligation to repay the Transaction Deposit would be assumed by the Purchaser pursuant to the Proposed Transaction, and there is no adjustment to the cash purchase price as a result thereof. If the Purchase Agreement is terminated, the Company will be required to repay the Transaction Deposit to the Purchaser.

APPENDIX B
MANAGEMENT'S REPRESENTATION LETTER
REGARDING CASH FLOW FORECAST

See attached.



McEwan Enterprises Inc.
38 Karl Fraser Road, Toronto, On M3C 0H7
Telephone: 416-444-6262 Facsimile: 416-444-6212
www.mcewanfoods.com

Alvarez & Marsal Canada Inc.
200 Bay Street, Suite 2900
Toronto ON M5J 2J1

Attention: Mr. Greg Karpel

September 27, 2021

Dear Sirs:

Re: McEwan Enterprises Inc. ("MEI") – CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast


In connection with the application by MEI for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, the management of MEI have prepared the attached 13-week projected cash flow statement for the period October, 2021 to December, 2021 (the "**Cash Flow Forecast**") and the list of assumptions on which the Cash Flow Forecast is based. The purpose of the Cash Flow Forecast is to determine the liquidity requirements of MEI during the CCAA proceedings.

MEI confirms that the hypothetical assumptions on which the Cash Flow Forecast is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of MEI and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Cash Flow Forecast (the "**Notes**").

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

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Yours truly,


Per: Name: Kuldip Anuja
Title: CFO

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED Court File No.: CV-21-00669445-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MCEWAN ENTERPRISES INC.**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**
Proceeding commenced at Toronto

**PRE-FILING REPORT OF THE
PROPOSED MONITOR**

BENNETT JONES LLP

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M5X 1A4

Sean Zweig (LSO# 57307I)

Tel: (416) 777-6254

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Joshua Foster (LSO# 79447K)

Tel: (416) 777-7906

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Counsel for Alvarez & Marsal Canada Inc., solely
in its capacity as the Proposed Monitor and not in
its personal or corporate capacity

APPENDIX B
FORM OF MONITOR'S NOTICE TO CREDITORS

See attached.



September 29, 2021

To: Whom it may concern

Re: McEwan Enterprises Inc. (the “Applicant”)

On September 28, 2021, the Applicant commenced court-supervised restructuring proceedings under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) pursuant to an order (the “**Initial Order**”) granted by the Ontario Superior Court of Justice (the “**Court**”). Among other things, the Initial Order grants a stay of proceedings until October 7, 2021 in respect of the Applicant and its business and property (which may be extended by the Court from time to time) and appoints Alvarez & Marsal Canada Inc. as monitor (the “**Monitor**”) of the business and financial affairs of the Applicant.

A copy of the Initial Order and all materials filed in these proceedings may be obtained at the Monitor’s website at <http://www.alvarezandmarsal.com/McEwanEnterprises> or on request from the Monitor by calling 1-416-847-5187 or by emailing McEwanEnterprises@alvarezandmarsal.com.

Under the Initial Order, the Applicant, with the oversight of the Monitor, is entitled to pay expenses whether incurred prior to or after the Initial Order. It is the Monitor’s understanding that the Applicant intends to pay its suppliers and employees in the ordinary course on a continuing basis, subject to the terms of the Initial Order.

If you have any questions regarding the foregoing or require further information, please consult the Monitor’s website at <http://www.alvarezandmarsal.com/McEwanEnterprises> or should you wish to speak to a representative of the Monitor, please contact the Monitor at 1-416-847-5187 or by emailing McEwanEnterprises@alvarezandmarsal.com.

Yours very truly,

Alvarez & Marsal Canada Inc.,
Solely in its capacity as Court-appointed Monitor of
the Applicant and not in its personal or corporate capacity

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

Court File No.: CV-21-00669445-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MCEWAN ENTERPRISES INC.**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

FIRST REPORT OF THE MONITOR

BENNETT JONES LLP

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Email: fosterj@bennettjones.com

Counsel for Alvarez & Marsal Canada Inc., solely
in its capacity as the Monitor and not in its
personal or corporate capacity