

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

**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.**

Applicant

**APPLICATION RECORD
(Returnable September 28, 2021)**

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Lawyers for the Applicant

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Electronically issued
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Toronto

**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
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Applicant

NOTICE OF APPLICATION
(Returnable September 28, 2021)

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing

- ☐ In person
- ☐ By telephone conference
- ☒ By video conference

at the following location

<https://ca01web.zoom.us/j/64596332440?pwd=Tm4yTXdYVDhGK3dsd29NcU05YmJ5dz09https://ca01web.zoom.us/j/64596332440?pwd=Tm4yTXdYVDhGK3dsd29NcU05YmJ5dz09>

On September 28, 2021, at 9:15 a.m., (or as soon as the application may be heard).

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

**IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY
EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES**

ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date September 28, 2021

Issued by _____
Local Registrar

Address of 330 University Avenue, 9th floor
court office: Toronto, Ontario M5G ~~1E6~~ 1R7

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Lawyers for the Monitor

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Monitor

APPLICATION

1. McEwan Enterprises Inc. (“**MEI**”, the “**McEwan Group**” or the “**Applicant**”) makes an Application for an initial order (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), substantially in the form attached at Tab “2” of the within Application Record, *inter alia*:

- (a) abridging the time for and validating the service of this Notice of Application and the Application Record;
- (b) declaring that the Applicant is a party to which the CCAA applies;
- (c) staying all proceedings and enforcement processes (each, a “**Proceeding**”) taken or that might be taken in respect of the Applicant, its business or property, the former, current or future directors and officers of the Applicant, or the Monitor (as defined below);
- (d) staying all Proceedings taken or that might be taken in respect of the Applicant’s sole direct subsidiary or Dennis Mark McEwan in respect of any guarantees, indemnities and security Mr. McEwan has provided in respect of certain of the Applicant’s obligations, or their respective property;
- (e) appointing Alvarez & Marsal Canada Inc. (“**A&M**”) as officer of this Court to monitor the assets, business and affairs of the Applicant (the “**Monitor**”);
- (f) authorizing the Applicant to pay certain expenses incurred prior to, on or after the date of the Initial Order, subject to the provisions of the Initial Order;

- (g) authorizing the Applicant to continue to utilize its cash management system and to maintain the banking arrangements already in place for the Applicant;
- (h) granting the following charges over the assets and property of the Applicant, and ordering that such charges, as among them, shall have the following relative priorities:
 - (i) *first* – a charge in favour of the Monitor, its legal counsel, and the Applicant’s legal counsel in respect of their fees and disbursements (the “**Administration Charge**”), to a maximum amount of \$225,000, pending further Order of the Court; and
 - (ii) *second* – a charge in favour of the directors and officers of the Applicant (the “**Directors’ Charge**”), to a maximum amount of \$600,000, pending further Order of the Court; and
- (i) such further and other relief as this Court deems just.

2. The grounds for the Application are:

- (a) the Applicant meets the statutory requirements to be eligible for protection under the CCAA;
- (b) the Applicant is insolvent;
- (c) the claims against the Applicant exceed \$5 million;
- (d) the McEwan Group is recognized as one of Canada’s premier hospitality companies with a portfolio of innovative, high-end restaurants, gourmet

grocery stores, gourmet food halls and catering services (the “**Business**”) operating primarily in the Greater Toronto Area (the “**GTA**”);

- (e) the Applicant operates six restaurants (collectively, the “**McEwan Restaurants**”), two food-hall locations and one gourmet grocery location (collectively, with the McEwan Restaurants, the “**McEwan Locations**”);
- (f) many of the McEwan Locations have been historically successful and profitable; however, certain locations have been underperforming for a number of years, causing an overall significant strain on the Applicant’s profitability and liquidity;
- (g) the underperforming locations, even without taking into account the impacts of the COVID-19 pandemic, have proven to be unsustainable based on their negative financial results;
- (h) commencing in March 2020, the significant and detrimental impacts of the COVID-19 pandemic on the restaurant industry in the GTA as a whole greatly exacerbated the Applicant’s pre-existing financial and liquidity challenges, and as a result, the Business has experienced significantly reduced revenues for 2020 and 2021;
- (i) the Applicant’s extensive cost-saving and cash conservation measures implemented to address the COVID-19 challenges, landlord rent concessions, government subsidies and support programs, the Applicant’s existing secured credit facilities and shareholder equity financing provided in early 2020 have

been insufficient to address the Applicant's liquidity needs during the COVID-19 pandemic to date, and the Applicant needed to obtain additional debt financing, further increasing the Applicant's overall debt obligations;

- (j) while the government-mandated restrictions on dining began to be eased most recently in June and July 2021, the McEwan Restaurants continue to operate at reduced capacity, and a number of the McEwan Locations continue to suffer from reduced foot-traffic and significantly lowers sales compared to pre-pandemic levels;
- (k) there remains much uncertainty with respect to the ongoing COVID-19 pandemic and its continued impact on the McEwan Group and the restaurant industry as a whole;
- (l) the Applicant expects that it will require additional funding to continue operating until the COVID-19 related factors cease negatively impacting the Business and revenues improve more significantly;
- (m) commencing in the summer of 2021, the McEwan Group engaged legal counsel to assist it in reviewing and assessing its various potential options and alternatives, in light of the financial difficulties facing the McEwan Group, including its liquidity issues and the ongoing challenges and impacts of the COVID-19 pandemic;
- (n) the McEwan Group reviewed and considered various potential alternatives with the assistance of its legal counsel, including, among others, further

negotiations with landlords, additional financing (debt or equity), reducing the size of the Business, a sale of the Business, and combinations thereof;

- (o) the McEwan Group made extensive efforts, with the assistance of its advisors, to seek consensual arrangements with its landlords in respect of its leases, to improve lease terms and reduce those lease obligations that are unsustainable and/or to exit certain locations, but has been unable to achieve a comprehensive out-of-court resolution that would result in the long term viability of the McEwan Group and its Business;
- (p) after extensive review and consideration of its circumstances and its options and alternatives, and following efforts to reach consensual arrangements with its landlords, the Applicant determined that the best available alternative that could be implemented in the circumstances that would preserve the value of the Business for the benefit of the McEwan Group's many stakeholders, would be a sale of substantially all of the assets of the Business to the McEwan Group's current shareholders, Dennis Mark McEwan and Fairfax Financial Holdings Limited (the "**Transaction**"), and the continuation of the Business with a reduced number of McEwan Locations, to result in a right-sizing of the Business on a sustainable basis going forward;
- (q) on September 27, 2021, the Applicant entered into an asset purchase agreement with 2864785 Ontario Corp. (the "**Purchaser**"), a newly formed company owned by the Applicant's current shareholders, pursuant to which, subject to Court approval, the parties would complete the Transaction;

- (r) the proposed Transaction contemplates the transfer of substantially all of the assets and the assumption of substantially all of the liabilities of the Applicant, with the exception of certain excluded agreements and liabilities to the Purchaser;
- (a) the Applicant believes there would be a significant benefit to the stakeholders of the Business from the completion of the proposed Transaction as, without the support of the Applicant's founder (Mr. McEwan), the Applicant's management team and Fairfax Financial Holdings Limited, there is a significant risk that many parties could be negatively impacted both on a financial and overall business basis;
- (b) the proposed Transaction is the best executable transaction that would be available to the Applicant in the circumstances, and will create a sustainable Business for its key stakeholders, including its employees, suppliers, customers and other key stakeholders;
- (c) if the Initial Order is granted, the McEwan Group intends to bring a motion on a date to be set by this Court to, among other things, seek Court approval of the Transaction;
- (d) the Applicant is initiating CCAA proceedings at this time and seeking a stay of proceedings in order to provide stability for the Business while the McEwan Group advances its efforts to restructure and right-size the Business, including pursuing the proposed Transaction;

- (e) the initial stay of proceedings is being sought for a period of ten days up to and including October 7, 2021 (the “**Stay Period**”), and should the proposed Initial Order be granted, the Applicant intends to request an extension of the Stay Period to December 17, 2021 at the next scheduled hearing before this Court (the “**Comeback Hearing**”);
- (f) should the Court grant the Initial Order, the Applicant also intends to seek an increase to the amounts of the Administration Charge and the Directors’ Charge to \$350,000 and \$1.45 million, respectively at the Comeback Hearing;
- (g) A&M has consented to act as the Court-appointed Monitor if so appointed by the Court;
- (h) the cash flow forecast indicates that the Applicant is expected to have sufficient liquidity to operate the Business in the ordinary course during 13-week period following commencement of these CCAA proceedings;
- (i) the circumstances that exist make the Initial Order sought by the Applicant appropriate;
- (j) such other grounds as set out in the Affidavit of Dennis Mark McEwan sworn September 27, 2021 (the “**McEwan Affidavit**”);
- (k) the provisions of the CCAA and this Court’s equitable and statutory jurisdiction thereunder;

- (l) Rules 1.04, 1.05, 2.03, 3.02, 14.05(2), 16 and 38 of the Ontario *Rules of Civil Procedure*, R.S.O. 1990, Reg. 194, as amended;
 - (m) Consolidated Notice to the Profession, Litigants, Accused Persons, Public and the Media regarding Expanded Operations of Ontario Superior Court of Justice dated May 13, 2020, as amended;
 - (n) changes to Commercial List Operations in light of COVID-19 dated March 16, 2020; and
 - (o) such further and other grounds as counsel may advise and this Court may permit.
3. The following documentary evidence will be used at the hearing of the Application:
- (a) the McEwan Affidavit and the exhibits attached thereto;
 - (b) the consent of A&M to act as Monitor dated September 27, 2021; and
 - (c) such further and other materials as counsel may advise and this Court may permit.

Date: September ²⁸~~27~~, 2021

GOODMANS LLP

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Lawyers for the Applicant

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

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

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

NOTICE OF APPLICATION
(Returnable September 28, 2021)

GOODMANS LLP

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Lawyers for the Applicant

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Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE CHIEF)	TUESDAY, THE 28 TH
)	
JUSTICE MORAWETZ)	DAY OF SEPTEMBER, 2021

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.

Applicant

INITIAL ORDER

THIS APPLICATION, made by McEwan Enterprises Inc. (the “**Applicant**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), was heard this day via videoconference.

ON READING the affidavit of Dennis Mark McEwan sworn September 27, 2021 and the Exhibits thereto (the “**McEwan Affidavit**”), the Pre-Filing Report of Alvarez & Marsal Canada Inc. (“**A&M**”) dated September 27, 2021, and on hearing the submissions of counsel for the Applicant and counsel for the proposed monitor, A&M, and on reading the consent of A&M to act as the monitor of the Applicant (the “**Monitor**”),

DRAFT

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

CAPITALIZED TERMS

2. THIS COURT ORDERS that unless otherwise indicated or defined herein, capitalized terms have the meaning given to them in the McEwan Affidavit.

APPLICATION

3. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

4. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further Order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”).

POSSESSION OF PROPERTY AND OPERATIONS

5. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the “**Business**”) and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, contractors, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

DRAFT

6. THIS COURT ORDERS that the Applicant shall be entitled to continue to utilize the central cash management system currently in place as described in the McEwan Affidavit or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings and/or related corporate matters, at their standard rates and charges, including the fees and disbursements of legal counsel retained by the Applicant;
- (c) all outstanding and future amounts related to honouring gift cards and the Customer Program;
- (d) amounts owing to providers of credit, debit, gift card or other payment process services; and
- (e) 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.

8. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance and tail insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order.

9. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any

nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

10. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be or has been negotiated between the Applicant and the landlord from time to time (“**Rent**”), for the period commencing from and including the date of this Order, monthly on the first day of each month, in advance (but not in arrears) (save and except for any component of Rent comprising percentage rent which shall be calculated and paid in accordance with the terms of the applicable lease), or at such other time intervals and dates as may be agreed to between the Applicant, with the consent of the Monitor, and the applicable landlord. On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date, other than in respect of scheduled payments to RBC; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. THIS COURT ORDERS that the Applicant shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate;

- (c) in accordance with paragraphs 13 and 14 of this Order, vacate, abandon or quit any leased premises and/or disclaim any real property lease and any ancillary agreements relating to the leased premises in accordance with Section 32 of the CCAA;
- (d) disclaim such other arrangements or agreements of any nature whatsoever with whomsoever, whether oral or written, as the Applicant deems appropriate, in accordance with Section 32 of the CCAA; and
- (e) pursue all avenues of refinancing, restructuring or sale of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing, restructuring or sale,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

13. THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant’s entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant’s claim to the fixtures in dispute.

14. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours’ prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any

such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

15. THIS COURT ORDERS that until and including October 7, 2021, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court or the written consent of the Applicant and the Monitor.

16. THIS COURT ORDERS that during the Stay Period, no Proceeding shall be commenced or continued against or in respect of 2860117 Ontario Limited (the “**McEwan Subsidiary**”), or against or in respect of any of the McEwan Subsidiary’s current or future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, and including all proceeds thereof (the “**McEwan Subsidiary Property**”) except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the McEwan Subsidiary or affecting the McEwan Subsidiary Property are hereby stayed and suspended pending further Order of this Court or the written consent of the Applicant and the Monitor.

17. THIS COURT ORDERS that during the Stay Period, no Proceeding shall be commenced or continued against or in respect of Dennis Mark McEwan (“**McEwan**”), or against or in respect of any of McEwan’s current or future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, and including all proceeds thereof (the “**McEwan Property**”) with respect to any guarantee, contribution or indemnity obligation, liability or claim in respect of or that relates to any agreement involving the Applicant or the obligations, liabilities and claims of and against the Applicant (collectively, the “**Related Claims**”), except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all

Proceedings currently under way against or in respect of McEwan or the McEwan Property in respect of Related Claims are hereby stayed and suspended pending further Order of this Court or the written consent of the Applicant and the Monitor.

NO EXERCISE OF RIGHTS OR REMEDIES

18. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

19. THIS COURT ORDERS that during the Stay Period, no Person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, rescind, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

20. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements or arrangements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Applicant or exercising any other remedy provided under the agreements or arrangements, and

that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

21. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

22. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

23. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

24. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$600,000, unless permitted by further Order of this Court, as security for the indemnity provided in paragraph 23 of this Order. The Directors’ Charge shall have the priority set out in paragraphs 35 and 37 herein.

25. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors’ Charge, and (b) the Applicant’s directors and officers shall only be entitled to the benefit of the Directors’ Charge to the extent that they do not have coverage under any directors’ and officers’ insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 23 of this Order.

APPOINTMENT OF MONITOR

26. THIS COURT ORDERS that A&M is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor’s functions.

27. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant’s receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicant in its preparation of the Applicant’s cash flow statements;

- (d) advise the Applicant in its development of any Plan and any amendments to such Plan;
- (e) assist the Applicant, to the extent required by the Applicant, with the holding and administering of any meetings for voting on any Plan;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (h) perform such other duties as are required by this Order or by this Court from time to time.

28. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

29. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in

pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

30. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

31. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

32. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a bi-weekly basis (or on such other basis as agreed to by the Applicant and the applicable party) and, in addition, the Monitor and the Monitor's counsel are authorized to maintain their respective retainers provided by the Applicant prior to the commencement of these proceedings, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

33. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

34. THIS COURT ORDERS that the Monitor, counsel to the Monitor and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration**

Charge”) on the Property, which charge shall not exceed an aggregate amount of \$225,000, unless permitted by further Order of this Court, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 35 and 37 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

35. THIS COURT ORDERS that the priorities of the Directors’ Charge and the Administration Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$225,000); and

Second – Directors’ Charge (to the maximum amount of \$600,000).

36. THIS COURT ORDERS that the filing, registration or perfection of the Directors’ Charge or the Administration Charge (collectively, the “**Charges**”) shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

37. THIS COURT ORDERS that each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances and claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person, notwithstanding the order of perfection or attachment, except for any secured creditor of the Applicant who did not receive notice of the application for this Order. The Applicant shall be entitled to seek priority of the Charges ahead of additional Encumbrances on a subsequent motion on notice to those Persons likely to be affected thereby.

38. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicant also obtains the prior written consent of the Monitor and the beneficiaries of the applicable Charge(s), or further Order of this Court.

39. THIS COURT ORDERS that the Directors' Charge and the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA (as defined below), or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

40. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.

SECURED LENDER

41. THIS COURT ORDERS AND DECLARES that RBC shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any secured obligations of the Applicant owing to RBC.

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42. THIS COURT ORDERS AND DECLARES that for certainty, notwithstanding paragraph 41 hereof, RBC shall be subject to all of the provisions of this Order, including, without limitation, the stay of proceedings granted in favour of the Applicant and its Business and Property.

SERVICE AND NOTICE

43. THIS COURT ORDERS that the Monitor shall not, without further Order of the Court, (i) publish in any newspaper a notice containing the information prescribed under the CCAA, (ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than \$1,000, or (iii) make publicly available any list showing the names and addresses of those creditors and the estimated amounts of those claims. The Applicant, 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 these CCAA proceedings.

44. THIS COURT ORDERS that the E-Service Guide of the Commercial List (the “**Guide**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at: <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL: <http://www.alvarezandmarsal.com/McEwanEnterprises>.

45. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Guide is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile or other electronic transmission to the Applicant’s creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service, distribution or notice shall be deemed to be received: (a) if sent by courier, on the next business day following the date of forwarding thereof, (b) if delivered by personal

delivery or facsimile or other electronic transmission, on the day so delivered, and (c) if sent by ordinary mail, on the third business day after mailing.

46. THIS COURT ORDERS that the Applicant and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors, as applicable. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS).

47. THIS COURT ORDERS that, except with respect to any motion to be heard on the Comeback Date (as defined below), and subject to further Order of this Court in respect of urgent motions, any interested party wishing to object to the relief sought in a motion brought by the Applicant or the Monitor in these proceedings shall, subject to further Order of this Court, provide the service list in these proceedings (the "**Service List**") with responding motion materials or a written notice (including by e-mail) stating its objection to the motion and the grounds for such objection by no later than 5:00 p.m. EST on the date that is four (4) days prior to the date such motion is returnable (the "**Objection Deadline**"). The Monitor shall have the ability to extend the Objection Deadline after consulting with the Applicant.

48. THIS COURT ORDERS that following the expiry of the Objection Deadline, counsel to the Monitor or counsel to the Applicant shall inform the Court, including by way of a 9:30 a.m. appointment, of the absence or the status of any objections to the motion and the judge having carriage of the motion may determine (a) whether a hearing in respect of the motion is necessary, (b) if a hearing is necessary, the date and time of the hearing, (c) whether such hearing will be in person, by telephone or videoconference, or by written submissions only, and (d) the parties from whom submissions are required. In the absence of any such determination, a hearing will be held in the ordinary course on the date specified in the notice of motion.

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GENERAL

49. THIS COURT ORDERS that any interested party that wishes to amend or vary this Order shall be entitled to appear or bring a motion before this Court on October 7, 2021, or such other date as may be set by this Court upon the granting of this Order (the “**Comeback Date**”), and any such interested party shall give not less than two (2) business days’ notice to the Service List and any other party or parties likely to be affected by the Order sought in advance of the Comeback Date; provided, however, that the Chargees shall be entitled to rely on this Order as issued and entered and on the Charges and priorities set forth in paragraphs 35 and 37 hereof with respect to any fees, expenses and disbursements incurred, as applicable, until the date this Order may be amended, varied or stayed.

50. THIS COURT ORDERS that, notwithstanding paragraph 49 of this Order, the Applicant or the Monitor may from time to time apply to this Court to amend, vary, supplement or replace this Order, or for advice and directions in the discharge of their respective powers and duties under this Order or the interpretation or application of this Order.

51. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

52. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

53. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the

terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

54. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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

Court File No: _____

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

Applicant

***ONTARIO*
SUPERIOR COURT OF JUSTICE-
COMMERCIAL LIST**

Proceeding commenced at Toronto

INITIAL ORDER

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**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

Applicant")

INITIAL ORDER

THIS APPLICATION, made by McEwan Enterprises Inc. (the “**Applicant**,”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), was heard this day ~~at 330 University Avenue, Toronto, Ontario~~ via videoconference.

ON READING the affidavit of ~~[NAME]~~ Dennis Mark McEwan sworn ~~[DATE]~~ September 27, 2021 and the Exhibits thereto, ~~and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice~~ (the “McEwan Affidavit”), the Pre-Filing Report of Alvarez & Marsal Canada Inc. (“A&M”) dated September 27, 2021, and on hearing the submissions of counsel for ~~[NAMES], no one appearing for [NAME]¹ although duly served as appears from the affidavit of service of [NAME] sworn [DATE]~~ the Applicant and counsel for the proposed monitor, A&M, and on reading the consent of ~~[MONITOR’S NAME]~~ A&M to act as the monitor of the Applicant (the “Monitor”),

~~[†] Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).~~

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DOCUMENT: 2847683\3

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated² so that this Application is properly returnable today and hereby dispenses with further service thereof.

CAPITALIZED TERMS

2. THIS COURT ORDERS that unless otherwise indicated or defined herein, capitalized terms have the meaning given to them in the McEwan Affidavit.

APPLICATION

3. ~~2.~~ THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

4. ~~3.~~ THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further ~~order~~Order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the ~~"Plan"~~"Plan").

POSSESSION OF PROPERTY AND OPERATIONS

5. ~~4.~~ THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the ~~"Property"~~"Property"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the ~~"Business"~~"Business") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, contractors, agents, experts, accountants, counsel and such other persons (collectively ~~"Assistants"~~"Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

² ~~If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

6. ~~5.~~ [THIS COURT ORDERS that the Applicant shall be entitled to continue to utilize the central cash management system³ currently in place as described in the McEwan Affidavit ~~of~~ ~~[NAME]~~ ~~sworn~~ ~~[DATE]~~ or replace it with another substantially similar central cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.]

7. ~~6.~~ THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; ~~and~~
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings and/or related corporate matters, at their standard rates and charges, including the fees and disbursements of legal counsel retained by the Applicant;
- (c) all outstanding and future amounts related to honouring gift cards and the Customer Program;
- (d) amounts owing to providers of credit, debit, gift card or other payment process services; and

³ ~~This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.~~

- (e) 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.

8. ~~7.~~ THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance and tail insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order.

9. ~~8.~~ THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

10. ~~9.~~ THIS COURT ORDERS that until a real property lease is disclaimed ~~for resiliated~~⁴ in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be or has been negotiated between the Applicant and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, ~~twice-monthly in equal payments~~ on the first ~~and fifteenth~~ day of each month, in advance (but not in arrears) (save and except for any component of Rent comprising percentage rent which shall be calculated and paid in accordance with the terms of the applicable lease), or at such other time intervals and dates as may be agreed to between the Applicant, with the consent of the Monitor, and the applicable landlord. On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. ~~10.~~ THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date, other than in respect of scheduled payments to RBC; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. ~~11.~~ THIS COURT ORDERS that the Applicant shall, subject to such requirements as are imposed by the CCAA ~~and such covenants as may be contained in the Definitive Documents (as hereinafter defined)~~, have the right to:

⁴ ~~The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, ~~[and to dispose of redundant or non-material assets not exceeding \$● in any one transaction or \$● in the aggregate]⁵.~~
- (b) ~~{~~terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate~~}~~; ~~and~~
- (c) in accordance with paragraphs 13 and 14 of this Order, vacate, abandon or quit any leased premises and/or disclaim any real property lease and any ancillary agreements relating to the leased premises in accordance with Section 32 of the CCAA;
- (d) disclaim such other arrangements or agreements of any nature whatsoever with whomsoever, whether oral or written, as the Applicant deems appropriate, in accordance with Section 32 of the CCAA; and
- (e) ~~(e)~~ pursue all avenues of refinancing, restructuring or sale of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing, restructuring or sale.

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "Restructuring").

13. ~~12.~~ THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims ~~[or resiliates]~~ the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be

⁵ ~~Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer ~~for-resiliation~~ of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

14. ~~13.~~ THIS COURT ORDERS that if a notice of disclaimer ~~for-resiliation~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~for-resiliation~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~for-resiliation~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

15. ~~14.~~ THIS COURT ORDERS that until and including ~~[DATE—MAX. 30 DAYS]~~ October 7, 2021, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court or the written consent of the Applicant and the Monitor.

16. THIS COURT ORDERS that during the Stay Period, no Proceeding shall be commenced or continued against or in respect of 2860117 Ontario Limited (the "McEwan Subsidiary"), or against or in respect of any of the McEwan Subsidiary's current or future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, and including all proceeds thereof (the "McEwan Subsidiary Property") except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the McEwan Subsidiary or affecting the McEwan Subsidiary Property are

hereby stayed and suspended pending further Order of this Court or the written consent of the Applicant and the Monitor.

17. THIS COURT ORDERS that during the Stay Period, no Proceeding shall be commenced or continued against or in respect of Dennis Mark McEwan (“McEwan”), or against or in respect of any of McEwan’s current or future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, and including all proceeds thereof (the “McEwan Property”) with respect to any guarantee, contribution or indemnity obligation, liability or claim in respect of or that relates to any agreement involving the Applicant or the obligations, liabilities and claims of and against the Applicant (collectively, the “Related Claims”), except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of McEwan or the McEwan Property in respect of Related Claims are hereby stayed and suspended pending further Order of this Court or the written consent of the Applicant and the Monitor.

NO EXERCISE OF RIGHTS OR REMEDIES

18. ~~15.~~ THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being ~~“Persons”~~ and each being a ~~“Person”~~) against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

19. ~~16.~~ THIS COURT ORDERS that during the Stay Period, no Person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, rescind, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour

of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

20. ~~17.~~ THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements or arrangements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Applicant or exercising any other remedy provided under the agreements or arrangements, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

21. ~~18.~~ THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of ~~lease~~leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶

⁶ ~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

22. ~~19.~~ THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS’ AND OFFICERS’ INDEMNIFICATION AND CHARGE

23. ~~20.~~ THIS COURT ORDERS that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings,⁷ except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director’s or officer’s gross negligence or wilful misconduct.

24. ~~21.~~ THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the “Directors’ Charge”)⁸ on the Property, which charge shall not exceed an aggregate amount of \$~~100,000~~, unless permitted by further Order of this Court, as security for the indemnity provided in paragraph ~~{20}~~23 of this Order. The Directors’ Charge shall have the priority set out in paragraphs ~~{38}~~35 and ~~{40}~~37 herein.

25. ~~22.~~ THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors’ Charge, and (b) the Applicant’s directors and officers shall only be entitled to the benefit of the Directors’ Charge to the extent that they do not have coverage under

⁷~~The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors’ Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~
⁸~~Section 11.51(3) provides that the Court may not make this security/charging order if in the Court’s opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

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any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~{20}~~23 of this Order.

APPOINTMENT OF MONITOR

26. ~~23.~~ THIS COURT ORDERS that ~~[MONITOR'S NAME]~~A&M is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

27. ~~24.~~ THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- ~~(c) — assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel on a [TIME INTERVAL] basis of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;~~
- (c) ~~(d)~~ advise the Applicant in its preparation of the Applicant's cash flow statements ~~and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to by the DIP Lender;~~

- (d) ~~(e)~~ advise the Applicant in its development of ~~the~~any Plan and any amendments to ~~the~~such Plan;
- (e) ~~(f)~~ assist the Applicant, to the extent required by the Applicant, with the holding and administering of ~~creditors' or shareholders'~~any meetings for voting on ~~the~~any Plan;
- (f) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;
- (g) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (h) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

28. ~~25.~~ THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

29. ~~26.~~ THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental

Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

30. ~~27.~~ THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicant ~~and the DIP Lender~~ with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

31. ~~28.~~ THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

32. ~~29.~~ THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a ~~{TIME INTERVAL}~~ bi-weekly basis (or on such other basis as agreed to by the Applicant and the applicable party) and, in addition, the ~~Applicant is hereby~~ Monitor and the Monitor's counsel are authorized to ~~pay to the Monitor, counsel to the Monitor, and counsel to the Applicant,~~ maintain their respective retainers ~~in~~ provided by the ~~amount[s]~~ Applicant prior to the commencement of \$● ~~[these proceedings, respectively,]~~ to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

33. ~~30.~~ THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

34. ~~31.~~ THIS COURT ORDERS that the Monitor, counsel to the Monitor, ~~if any,~~ and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$~~25,000,~~ unless permitted by further Order of this Court, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~[38]~~35 and ~~[40]~~37 hereof.

DIP FINANCING

~~32. — THIS COURT ORDERS that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from [DIP LENDER'S NAME] (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$~~unless permitted by further Order of this Court.

~~33. — THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed.~~

~~34. — THIS COURT ORDERS that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.~~

~~35. — THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs [38] and [40] hereof.~~

36. ~~THIS COURT ORDERS that, notwithstanding any other provision of this Order:~~

- (a) ~~the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;~~
- (b) ~~upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon 10 days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and~~
- (c) ~~the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.~~

37. ~~THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.~~

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

35. ~~38.~~ THIS COURT ORDERS that the priorities of the Directors' Charge, and the Administration ~~Charge and the DIP Lender's~~ Charge, as among them, shall be as follows⁹:

First – Administration Charge (to the maximum amount of \$~~25,000~~); and

Second – ~~DIP Lender's Charge; and~~

~~Third~~ – Directors' Charge (to the maximum amount of \$~~600,000~~).

36. ~~39.~~ THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, or the Administration Charge ~~or the DIP Lender's Charge~~ (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

37. ~~40.~~ THIS COURT ORDERS that each of the ~~Directors' Charge, the Administration Charge and the DIP Lender's Charge~~ Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, notwithstanding the order of perfection or attachment, except for any secured creditor of the Applicant who did not receive notice of the application for this Order. The Applicant shall be entitled to seek priority of the Charges ahead of additional Encumbrances on a subsequent motion on notice to those Persons likely to be affected thereby.

38. ~~41.~~ THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge~~ Charges, unless the Applicant also obtains the

⁹ ~~The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

prior written consent of the Monitor, ~~the DIP Lender~~ and the beneficiaries of the ~~Directors' applicable~~ Charge ~~and the Administration Charge(s)~~, or further Order of this Court.

39. ~~42.~~ THIS COURT ORDERS that the Directors' Charge, and the Administration Charge, ~~the Commitment Letter, the Definitive Documents and the DIP Lender's Charge~~ shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") ~~and/or the DIP Lender~~ thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA (as defined below), or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) ~~neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents~~ shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents~~; and
- (c) the payments made by the Applicant pursuant to this Order, ~~the Commitment Letter or the Definitive Documents~~, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

40. ~~43.~~ THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.

SECURED LENDER

41. THIS COURT ORDERS AND DECLARES that RBC shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the “BIA”), with respect to any secured obligations of the Applicant owing to RBC.

42. THIS COURT ORDERS AND DECLARES that for certainty, notwithstanding paragraph 41 hereof, RBC shall be subject to all of the provisions of this Order, including, without limitation, the stay of proceedings granted in favour of the Applicant and its Business and Property.

SERVICE AND NOTICE

43. 44. THIS COURT ORDERS that the Monitor shall ~~(i) not,~~ without ~~delay~~ further Order of the Court, (i) publish in ~~[newspapers specified by the Court]~~ any newspaper a notice containing the information prescribed under the CCAA, (ii) ~~within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B)~~ send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than \$~~1000~~1,000, ~~and/or (Ciii) prepare a~~ make publicly available any list showing the names and addresses of those creditors and the estimated amounts of those claims, ~~and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.~~ The Applicant, 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 these CCAA proceedings.

44. 45. THIS COURT ORDERS that the E-Service ~~Protocol~~Guide of the Commercial List (the “~~Protocol~~Guide”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the ~~Protocol~~Guide (which can be found on the Commercial List website at ~~http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/~~ <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule

3.01(d) of the Rules of Civil Procedure and paragraph ~~21~~13 of the ~~Protocol~~Guide, service of documents in accordance with the ~~Protocol~~Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the ~~Protocol~~Guide with the following URL: ~~<@>~~http://www.alvarezandmarsal.com/McEwanEnterprises.

45. ~~46.~~ THIS COURT ORDERS that if the service or distribution of documents in accordance with the ~~Protocol~~Guide is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile or other electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service ~~or~~ distribution ~~by courier, personal delivery or facsimile transmission or~~ notice shall be deemed to be received: (a) if sent by courier, on the next business day following the date of forwarding thereof, (b) if delivered by personal delivery or facsimile or other electronic transmission, on the day so delivered, and (c) if sent by ordinary mail, on the third business day after mailing.

46. THIS COURT ORDERS that the Applicant and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors, as applicable. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS).

47. THIS COURT ORDERS that, except with respect to any motion to be heard on the Comeback Date (as defined below), and subject to further Order of this Court in respect of urgent motions, any interested party wishing to object to the relief sought in a motion brought by the Applicant or the Monitor in these proceedings shall, subject to further Order of this Court, provide the service list in these proceedings (the "Service List") with responding motion materials or a written notice (including by e-mail) stating its objection to the motion and the grounds for such objection by no later than 5:00 p.m. EST on the date that is four (4) days prior

to the date such motion is returnable (the “**Objection Deadline**”). The Monitor shall have the ability to extend the Objection Deadline after consulting with the Applicant.

48. THIS COURT ORDERS that following the expiry of the Objection Deadline, counsel to the Monitor or counsel to the Applicant shall inform the Court, including by way of a 9:30 a.m. appointment, of the absence or the status of any objections to the motion and the judge having carriage of the motion may determine (a) whether a hearing in respect of the motion is necessary, (b) if a hearing is necessary, the date and time of the hearing, (c) whether such hearing will be in person, by telephone or videoconference, or by written submissions only, and (d) the parties from whom submissions are required. In the absence of any such determination, a hearing will be held in the ordinary course on the date specified in the notice of motion.

GENERAL

49. ~~47.~~ THIS COURT ORDERS that any interested party that wishes to amend or vary this Order shall be entitled to appear or bring a motion before this Court on October 7, 2021, or such other date as may be set by this Court upon the granting of this Order (the “**Comeback Date**”), and any such interested party shall give not less than two (2) business days’ notice to the Service List and any other party or parties likely to be affected by the Order sought in advance of the Comeback Date; provided, however, that the Chargees shall be entitled to rely on this Order as issued and entered and on the Charges and priorities set forth in paragraphs 35 and 37 hereof with respect to any fees, expenses and disbursements incurred, as applicable, until the date this Order may be amended, varied or stayed.

50. THIS COURT ORDERS that, notwithstanding paragraph 49 of this Order, the Applicant or the Monitor may from time to time apply to this Court to amend, vary, supplement or replace this Order, or for advice and directions in the discharge of ~~its~~their respective powers and duties ~~hereunder~~under this Order or the interpretation or application of this Order.

51. ~~48.~~ THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

52. ~~49.~~ THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

53. ~~50.~~ THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

~~51. — THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.~~

54. ~~52.~~ THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

<u>IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C.</u> <u>1985, c. C-36, AS AMENDED</u>		<u>Court File No:</u> _____
<u>AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF</u> <u>MCEWAN ENTERPRISES INC.</u>		
<u>Applicant</u>		
<div>DRAFT</div>		<u>ONTARIO</u> <u>SUPERIOR COURT OF JUSTICE-</u> <u>COMMERCIAL LIST</u> <u>Proceeding commenced at Toronto</u>
		<u>INITIAL ORDER</u>
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Court File No. CV-21-00669445-00CL

**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.**

Applicant

**AFFIDAVIT OF DENNIS MARK MCEWAN
(sworn September 27, 2021)**

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**AFFIDAVIT OF DENNIS MARK MCEWAN
(sworn September 27, 2021)**

I, Dennis Mark McEwan, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

I. INTRODUCTION

1. I am the President and Secretary of McEwan Enterprises Inc. (“**MEI**”, the “**McEwan Group**” or the “**Company**”), a high-end, full-service restaurant, catering, gourmet grocery and events company based in the Greater Toronto Area (“**GTA**”). I am also the sole director of the Company. I have been involved in the restaurant business as chef and restaurant operator since approximately 1982. I am the founder of the McEwan Group, have been a director and officer of the Company (including predecessor entities thereof) since 1987, and currently hold a 45% equity interest in the Company. My personal name is associated with the Company and I lead the development, preparation and delivery of the culinary aspects of the Company’s business.

2. I have been actively engaged in discussions and negotiations surrounding the proposed restructuring of MEI. I have knowledge of the matters deposed to herein, and where I have

relied upon other sources of information, I have stated the source of that information and believe such information to be true. The Company does not waive or intend to waive any applicable privilege by any statement herein.

3. This Affidavit is sworn in support of an application for an initial order (the “**Initial Order**”) in respect of the Company pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).

4. The principal objectives of these CCAA proceedings are to ensure the ongoing operations of the McEwan Group for the benefit of its many stakeholders and to effectuate a restructuring of the Company and its Business (as defined below) in order to provide for a right-sized, sustainable Business going forward. As part of its restructuring efforts pursuant to these CCAA proceedings, the Company intends to seek to complete the sale and transfer of the restructured Business pursuant to the proposed Transaction (as defined and further described below). The proposed Transaction contemplates the transfer of substantially all of the assets and the assumption of substantially all of the liabilities of the Company, with the exception of certain excluded agreements and liabilities, to the current owners of MEI, being myself and Fairfax (as defined below).

5. The continuation of the McEwan Group under the ownership of its current shareholders is a critical aspect of any proposed restructuring. My continued involvement as chef and operator of the McEwan Locations (as defined below), which I believe to be fundamental to the value and success of the Business going forward, is premised on a continuation of my partnership with Fairfax as co-owners of the McEwan Group.

6. The Company has made extensive efforts, with the assistance of its advisors, to seek consensual arrangements with its landlords in respect of its leases, to improve lease terms and reduce those lease obligations that are unsustainable and/or to exit certain locations, but has been unable to achieve a comprehensive out-of-court resolution that would result in the long term viability of the McEwan Group and its Business.

7. The Company believes that the Transaction is the best executable transaction that would be available to the Company in the circumstances, and will create a sustainable Business for its key stakeholders, including its employees, suppliers, customers and other key stakeholders. The Company is not seeking Court-approval of the Transaction at this time. Should the initial CCAA relief be granted by the Court, MEI intends to bring a motion on a future date to be set by this Court to, among other things, seek Court approval of the Transaction (the “**Sale Approval Motion**”).

II. OVERVIEW

8. The McEwan Group is recognized as one of Canada’s premier hospitality companies with a portfolio of innovative, high-end restaurants, gourmet grocery stores, gourmet food-halls and catering services (the “**Business**”) operating primarily in the GTA. The McEwan Group currently operates six restaurants (collectively, the “**McEwan Restaurants**”), two food-hall locations and one gourmet grocery location (collectively, the “**McEwan Grocery Locations**”, and together with the McEwan Restaurants, the “**McEwan Locations**”).

9. Many of the McEwan Locations have been historically successful and profitable; however, as discussed further below, certain locations have been underperforming for a number of years, causing an overall significant strain on the Company’s profitability and liquidity. These

underperforming locations, even without taking into account the impacts of the COVID-19 pandemic (discussed below), have proven to not be sustainable based on their negative financial results. As a result of these financial challenges, in March 2020, the Company's shareholders provided approximately \$1.1 million of equity financing to support the operations of the Business, which funding was determined to be required even prior to the impacts of the COVID-19 pandemic.

10. Commencing in March 2020, the significant and detrimental impacts of the COVID-19 pandemic on the restaurant industry in the GTA as a whole greatly exacerbated the Company's pre-existing financial and liquidity challenges. Due to various governmental declarations of emergency, stay-at-home orders and mandated restaurant closures, the McEwan Restaurants have been closed for approximately 10 cumulative months of the last approximately 18 months, and have otherwise operated at limited capacity for dine-in service, or outdoor dining only, for an extended period of time. The McEwan Grocery Locations have also been impacted by the COVID-19 pandemic, with two of the three McEwan Grocery Locations in particular being negatively affected by greatly reduced foot-traffic at their locations and much lower sales. As a result, the Business has experienced significantly reduced revenues for 2020 and 2021.

11. The Company's extensive cost-saving and cash conservation measures implemented to address the COVID-19 challenges, landlord rent concessions, government subsidies and support programs (all discussed further below), the Company's existing Secured Credit Facilities (as defined below) and shareholder equity financing provided in early 2020 have been insufficient to address the Company's liquidity needs during the COVID-19 pandemic to date, and the Company has required additional funding in order to be able to satisfy its operational needs. As a result, the Company needed to obtain additional financing, which it was able to obtain from

one of its shareholders, Fairfax, by way of a number of unsecured loans provided in 2020 and 2021, further increasing the Company's overall debt obligations.

12. While the government-mandated restrictions on dining began to be eased most recently in June and July 2021, the McEwan Restaurants continue to operate at reduced capacity, and a number of the McEwan Locations continue to suffer from reduced foot-traffic and significantly lower sales compared to pre-pandemic levels. There remains much uncertainty with respect to the ongoing COVID-19 pandemic and its continued impact on the McEwan Group and the restaurant industry as a whole. The Company expects that it will require additional funding to continue operating until the COVID-19 related factors cease negatively impacting the Business and revenues improve more significantly.

13. Commencing in the summer of 2021, the Company engaged legal counsel to assist it in reviewing and assessing its various potential options and alternatives, in light of the financial difficulties facing the Company, including its liquidity issues and the ongoing challenges and impacts of the COVID-19 pandemic. The Company reviewed and considered various potential alternatives with the assistance of its legal counsel, including, among others, further negotiations with landlords, additional financing (debt or equity), reducing the size of the Business, a sale of the Business, and combinations thereof.

14. After extensive review and consideration of its circumstances, and its options and alternatives, and following efforts to reach consensual arrangements with its landlords, the Company determined that the best available alternative that could be implemented in the circumstances that would preserve the value of the Business for the benefit of the Company's many stakeholders, would be a sale of substantially all of the assets of the Business to the

McEwan Group's current shareholders pursuant to the proposed Transaction, and the continuation of the Business with a reduced number of McEwan Locations, to result in a right-sizing of the Business on a sustainable basis going forward.

15. Having regard to its financial circumstances and ongoing challenges, the Company has determined that it is necessary to seek protection under the CCAA in order to provide stability for the Business, while the Company advances its efforts to restructure and right-size the Business, including pursuing the proposed Transaction. As noted above, MEI intends to bring the Sale Approval Motion on a future date to be set by this Court to seek approval of the proposed Transaction.

16. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency.

III. BACKGROUND

(A) The Business

(i) Overview of the Business

17. As discussed above, the McEwan Group operates the Business – a high-end, full-service restaurant, catering, gourmet grocery and events company, primarily in the GTA. The McEwan Group conducts the Business out of six McEwan Restaurants and three McEwan Grocery Locations under the following brand names: (i) *Bymark*, (ii) *One Restaurant*, (iii) *Fabbrica*, (iv) *Diwan*, (v) *McEwan Fine Foods*, and (vi) *McEwan Catering*.

18. The McEwan Group currently operates the following six McEwan Restaurants:

- a) ***Bymark:*** Bymark, opened in 2001, is a 299-seat capacity (including patio capacity), high-end gourmet restaurant located in the atrium of the TD Towers in Toronto's financial district.
- b) ***ONE Restaurant:*** ONE Restaurant, opened in 2007, is a 355-seat capacity (including patio capacity), contemporary restaurant located at the Hazelton Hotel, a luxury hotel in Yorkville. The McEwan Group, through a wholly-owned subsidiary, owns a 50% interest in the ONE Restaurant Partnership (as defined below) that owns the ONE Restaurant, as discussed further below, and I lead the operations of the ONE Restaurant. Profits from the ONE Restaurant are shared among MEI and its partners pursuant to the terms of the ONE Restaurant Partnership Agreements (as defined below).
- c) ***Fabbrica Don Mills:*** Fabbrica Don Mills, opened in 2010, is a 210-seat capacity (including patio capacity) Italian restaurant located at the Shops at Don Mills outdoor shopping mall. Fabbrica Don Mills was the first Fabbrica location.
- d) ***Fabbrica TD:*** Fabbrica TD, opened in 2018, is located in the concourse of the TD Towers in Toronto's financial district, offering a "grab & go" menu. It is the second Fabbrica location.
- e) ***Fabbrica Thornbury:*** Fabbrica Thornbury, opened in 2018, is a 136-seat capacity (including patio capacity) restaurant located in Thornbury, Ontario. It is the third Fabbrica location.

- f) **Diwan:** Diwan, is a 174-seat capacity (including patio capacity) restaurant located at the Aga Khan Museum, offering a wide-ranging menu including Middle Eastern, North African and South Asian cuisine. MEI began managing Diwan in 2015, which had previously been managed by another operator. MEI also operates a food kiosk and provides exclusive catering services for events held at the Aga Khan Museum. Profits from the Diwan restaurant and kiosk are divided between the McEwan Group and the Aga Khan Museum pursuant to the contractual arrangements between the parties, and the Company pays a commission to the Aga Khan Museum on catering sales.
19. The McEwan Group also operates the following three McEwan Grocery Locations:
- a) **McEwan Don Mills:** McEwan Don Mills, opened in 2009, is located at the Shops at Don Mills outdoor shopping mall and is the McEwan Group's flagship gourmet marketplace.
- b) **McEwan TD:** McEwan TD, opened in 2015, is located in the concourse of the TD Towers in Toronto's financial district.
- c) **McEwan Yonge & Bloor:** McEwan Yonge & Bloor is the newest addition to the McEwan Group, opening in 2019 and located in One Bloor. The store includes, among other things, an all-day café, on-site butcher, bakery, patisserie, deli, produce section, carving station, hot & cold tables, sandwich station and sushi bar.
20. The McEwan Group's catering business ("**McEwan Catering**"), provides catering services for special and corporate events, as well as virtual cooking demonstrations. The

McEwan Catering services are currently operated primarily out of McEwan Don Mills and McEwan Yonge & Bloor, and are a preferred or offered caterer in various locations in the GTA.

21. In addition, the McEwan Group also operates a gifts and floral business, including the sale of floral arrangements and gift baskets for special and corporate events.

22. Commencing in March 2020, the Company also launched its partnership with Goodfood Market Corp., one of the biggest Canadian subscription food-delivery services for the production of ready-to-eat meals, which partnership is ongoing.

23. Finally, the Company generates additional revenue from the “McEwan” brand, including my involvement with the Food Network (Top Chef Canada), media appearances, sponsorships and brand ambassador work.

(ii) Suppliers

24. The McEwan Group’s key suppliers are comprised primarily of various produce, meat, seafood and other food suppliers. The Company has strong relationships with its many suppliers. Suppliers typically require payment terms of 20-30 days, and as at August 31, 2021, there was approximately \$2.3 million of trade payables outstanding (for certainty, not taking into account the ONE Restaurant).

25. It is critical to the preservation of the Business that the McEwan Group is able to continue its relationships with key suppliers without disruption and on existing terms while the Company pursues its restructuring efforts pursuant to these proceedings, including the proposed Transaction. The proposed Initial Order authorizes the Company to pay pre-filing amounts to

suppliers, with the consent of the Monitor (as defined below), if such payments are necessary or desirable to prevent disruption to the operation of the Business.

(iii) Customers

26. Customers of the McEwan Group can pay for dining or catering services or purchase products using a number of payment methods, including payment by cash, credit card and gift cards. Customer credit card payments in respect of the Business are processed by Chase Paymentech, Fidelity Payment Services and Worldpay. The related credit card processing fees are charged to the Company monthly in arrears and are settled on the first business day of each month through the application of funds in the MEI bank accounts at RBC (as defined below). The proposed Initial Order authorizes the Company to make payments to providers of payment processing services (including credit card processing services) in respect of services supplied to the Company prior to the date of the Initial Order.

27. The McEwan Group uses the customer loyalty program “Five Stars” (the “**Customer Program**”) at the McEwan Grocery Locations to generate sales revenue and maximize customer loyalty. The Customer Program is a points based program that provides certain discounts to customers based on the level of points obtained. The proposed Initial Order provides that the Company is authorized to continue to honour and fulfill its obligations in respect of the Customer Program during the CCAA proceedings, including those relating to the pre-filing period.

28. The McEwan Group also operates a prepaid gift card program. The gift cards are sold by the Company at the McEwan Locations and online through the McEwan Group’s website. The gift cards are redeemable at the McEwan Locations. The proposed Initial Order provides that the

Company is authorized to honour its obligations in respect of gift cards issued prior to or after the granting of the Initial Order. The McEwan Group intends to continue selling gift cards following the commencement of these CCAA proceedings.

(iv) Employees

29. The McEwan Group currently employs approximately 268 employees across eight McEwan Locations (not including ONE Restaurant), with 213 on a full-time basis and 55 on a part-time basis. An additional 128 employees are employed at ONE Restaurant and are employees of the ONE Restaurant Partnership. A significant majority of the Company's employees are paid on an hourly basis, and the Company from time to time supplements its workforce with part-time and seasonal employees at peak times. None of the Company's employees are unionized.

30. During the COVID-19 pandemic, in aggregate approximately 200 employees, including 130 employees at ONE Restaurant and 70 employees at other McEwan Locations, were laid off as government mandated restaurant closures significantly reduced the operations of the Business over an extended period of time. To date, approximately 173 employees, including 118 employees at the ONE Restaurant and 55 employees at other McEwan Locations, have been re-hired as outdoor and dine-in services began to re-open in the GTA in June and July 2021, respectively.

31. The Company uses the services of Desjardins Employer Solutions, a payroll services provider, to manage payroll functions on behalf of the McEwan Group, including payroll processing and the collection and remittance of all related source deductions. The Company is current with respect to the remittance of employee source deductions.

32. The Company sponsors an employee benefit plan (including medical, dental and vision care and other benefits) for eligible employees. The benefit plan is administered by Manulife Financial. The McEwan Group does not maintain any pension plans.

33. The proposed Initial Order authorizes the Company to make all outstanding and future employee compensation and benefit payments in the ordinary course of business and consistent with existing compensation policies and arrangements.

(B) Corporate Structure

34. MEI is a private company incorporated under the laws of Ontario and is headquartered in Toronto with its registered and head office located at 38 Karl Fraser Road, Toronto, Ontario.

35. MEI is owned by Fairfax Financial Holdings Limited (“**Fairfax**”), through one of its subsidiaries, which holds a 55% equity interest in MEI, and by McEwan Holdco Inc. (“**McEwan Holdco**”), which owns a 45% equity interest in MEI. I am the sole shareholder of McEwan Holdco. Fairfax initially purchased a 45% equity interest in the McEwan Group in 2015, and has subsequently increased its ownership interest to 55%.

36. MEI was formed by the amalgamation of the following corporations on October 1, 2017 to continue as MEI: 2456570 Ontario Inc., 2004995 Ontario Limited, McEwan One Mark Inc., 2220223 Ontario Inc., 2416668 Ontario Inc.; 2481520 Ontario Inc., North 44 Inc. (which had previously amalgamated with 1285788 Ontario Limited on July 31, 2015, to continue as North 44 Inc.) and McEwan Enterprises Inc. (which had previously amalgamated with McEwan Restaurant Consultants Inc. on January 1, 2017, to continue as McEwan Enterprises Inc.).

37. MEI has one wholly-owned subsidiary, 2860117 Ontario Limited (the “**McEwan Subsidiary**”), whose sole assets are comprised of partnership interests in The Hazleton Food Services Partnership (the “**ONE Restaurant Partnership**”), a joint-venture established pursuant to a Partnership Agreement dated June 1, 2005 (the “**ONE Restaurant Partnership Agreement**”), for the purposes of providing food and beverage services at The Hazelton Hotel in Yorkville, and the McEwan Subsidiary’s sole obligations are those relating to the ONE Restaurant Partnership. The McEwan Subsidiary holds a 50% interest in the ONE Restaurant Partnership and the other 50% interest is owned by Dawsco (Food Services) Limited, Starwood (Food Services) Limited and Yorkset (Food Services) Limited carrying on business under the firm name of DSY Food Services Partnership (the “**ONE Restaurant Partner**”). The McEwan Subsidiary assumed its interest in the ONE Restaurant Partnership from MEI in August 2021 with the consent of the ONE Restaurant Partner.

38. The McEwan Subsidiary is not an applicant in these proceedings. The Company is requesting that this Court exercise its discretion to extend the requested stay of proceedings (discussed further below) in favour of the McEwan Subsidiary pursuant to the proposed Initial Order.

(C) **Financial Position of the Company**

39. Copies of the Company’s audited financial statements for the year ended December 31, 2020 (the “**2020 Year-End Financials**”) and unaudited financial statements for the six-month period ended June 30, 2021 (the “**2021 6-Month Financials**”) are attached hereto as Exhibits “A” and “B” respectively.

40. Based on the Company's 2020 Year-End Financials, its assets as at December 31, 2020, had a stated book value of approximately \$24.3 million, including (all amounts approximate): \$0.5 million cash; \$0.7 million of trade and other receivables; \$0.2 million of prepaid expenses; \$1.2 million of inventory; \$2.2 million of deferred tax assets; \$6.7 million of property and equipment; \$11.8 million of right-of-use assets; and \$1.0 million of investment in joint venture.

41. Based on the Company's 2020 Year-End Financials, as at December 31, 2020, the Company had total liabilities of approximately \$25.1 million, comprised of (all amounts approximate): (a) \$7.7 million of current liabilities, including: \$3.1 million of trade and other payables; \$0.5 million of deferred revenue; \$1.8 million of borrowings; and \$2.4 million of lease liabilities (including capital and real property lease obligations); and (b) \$17.4 million of long-term liabilities, including: \$1.1 million of borrowings and \$16.3 million of lease liabilities (including capital and real property lease obligations). The aggregate lease liabilities of \$18.7 million are comprised of \$1.9 million of capital lease liabilities and \$16.7 million of real property lease obligations.

42. The Company's 2020 Year-End Financials included a going concern note by the auditor, noting the "existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern." The 2020 Year-End Financials note that:

In March 2020, the outbreak of the novel coronavirus, COVID-19, resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, lockdowns and social distancing, have caused material disruption to businesses globally, including the Company, resulting in an economic slowdown. Due to these recent developments, the Company temporary suspended operations for restaurants and catering services on March 18, 2020.

As a result of these developments, there are material uncertainties associated with the resolution of the liquidity challenges currently facing the Company that may cause significant doubt as to the ability of the Company to meet its obligations as they come due. Currently, the impact on the restaurant, food retail and food service industries if COVID-19 persists for an extend period is unknown. The Company's ability to continue as a going concern is dependent on its ability to return to normal operations, to generate positive cash flows from operations and to obtain financing...

The Company's audited financial statements for the year ended December 31, 2019, also included a similar note.

43. Based on the Company's 2021 6-Month Financials, its assets as at June 30, 2021, had a stated book value of approximately \$22.5 million, including (all amounts approximate): \$0.3 million of cash; \$0.4 million of trade and other receivables; \$0.1 million of prepaid expenses; \$1.2 million of inventory; \$2.4 million of deferred tax assets; \$6.1 million of property and equipment; \$10.9 million of right-of-use assets; and \$1.0 million of investment in joint venture.

44. Based on the Company's 2021 6-Month Financials, as at June 30, 2021, the Company had total liabilities of approximately \$25.4 million, comprised of (all amounts approximate): \$8.3 million of current liabilities, including \$3.6 million of trade and other payables; \$0.5 million of deferred revenue; \$2.5 million of borrowings and \$1.7 million of lease liabilities (including capital and real property lease obligations); and (b) \$17.1 million of long-term liabilities, including: \$1.3 million of borrowings and \$15.9 million of lease liabilities (including capital and real property lease obligations). The aggregate lease liabilities of \$17.6 million are comprised of \$1.7 million of capital lease liabilities and \$15.9 million of real property lease obligations.

(D) Liabilities and Obligations

45. The Company's principal liabilities and obligations are summarized and described in the section below.

46. As at December 31, 2020, based on the Company's audited 2020 Year-End Financials, MEI had (all amounts approximate) \$4.7 million of total borrowings on the balance sheet categorized as either current or long-term liabilities, which included: (a) the RBC Mortgages (as defined below) of \$1.0 million, comprised of the current liability portion of \$0.1 million and the long-term liability portion of \$0.9 million; (b) Fairfax Loans (as defined below) of \$1.6 million; (c) the Don Mills Fixtures Loan (as defined below) of \$0.24 million, comprised of the current liability portion of \$0.06 million and the long-term liability portion of \$0.19 million; (d) the CEBA Loan (as defined below) of \$0.04 million; and (e) \$1.9 million of lease liabilities related to the RBC Equipment Leases (as defined below), which were included in total borrowings (as set forth in Note 12 of the 2020 Year-End Financials). The balance of the Company's aggregate short and long-term lease liabilities were comprised of rental lease liabilities, excluded from total borrowings.

47. In aggregate, as at August 31, 2021, the Company had the following liabilities outstanding (all amounts approximate) as discussed in further detail below:

Type of Liabilities	Approximate Amount Outstanding as date hereof	Paragraph reference below
<u>Secured Loans:</u>		
Secured Credit Facilities (including the revolving facilities and credit cards, but excluding undrawn letter of credit) (with RBC)	\$239,000	Paragraph 53
Secured Capital Lease Obligations (with RBC)	\$1,726,000	Paragraph 64
Don Mills Fixtures Loan	\$198,000	Paragraph 61
HASCAP Loan (with RBC)	\$250,000	Paragraph 73
<u>Unsecured Loans:</u>		
RBC Mortgages	\$899,000	Paragraph 55
Fairfax Loans	\$2,314,000	Paragraph 71
CEBA Loan	\$60,000	Paragraph 72
<u>Operating/Other Liabilities:</u>		
Overdue and/or Deferred Rent	\$539,000	Paragraph 67
Trade Accounts	\$2,330,000	Paragraph 76
Customer Gift Cards	\$488,000	Paragraph 76
Accruals and vacation payable	\$1,207,000	Paragraph 77

48. As discussed herein, the proposed Transaction provides for the assumption of substantially all of the liabilities and obligations of the Company, with the exception of certain

liabilities or agreements excluded pursuant to the Purchase Agreement (as defined below), as discussed further below. It is currently estimated that approximately \$11 million of outstanding liabilities would be assumed pursuant to the proposed Transaction (calculated based on amounts outstanding as at August 31, 2021, and taking into account additional amounts expected to be incurred and additional funding requirements anticipated until the closing of the Transaction, based on a closing date of October 31, 2021).

(i) Secured Credit Facility

49. The Company has obtained financing from Royal Bank of Canada (“**RBC**”) under certain senior secured revolving credit facilities (collectively, the “**Secured Credit Facilities**”) for the working capital and general corporate requirements of the Business. The Secured Credit Facilities are provided pursuant to a Loan Agreement dated August 28, 2018 and entered into on October 2, 2018 among RBC, as lender (in such capacity, the “**Secured Lender**”), and MEI, as borrower, as amended pursuant to an amending agreement dated December 24, 2018 and entered into on February 26, 2019, between the Secured Lender and MEI, and an amending agreement dated August 27, 2020 and entered into on September 1, 2020, between the Secured Lender and MEI (as may be further amended from time to time, the “**Secured Loan Agreement**”).

50. The outstanding Secured Credit Facilities are currently comprised of: (a) eight revolving demand facilities with cumulative maximum availability of \$850,000; (b) a \$90,000 letter of credit; and (c) credit cards with cumulative maximum availability of \$360,000. As at the date hereof, the Company is not in compliance with certain covenants under the Secured Loan Agreement, which may impact its ability to access the Secured Credit Facilities.

51. Pursuant to the terms of the Secured Loan Agreement, the Company maintains a general bank account at RBC in respect of each Secured Credit Facility that is a revolving demand facility.

52. The Company's obligations under the Secured Credit Facilities are secured by a security interest granted in favour of the Secured Lender over all of the present and after-acquired personal property of the Company.

53. The total outstanding obligations under the Secured Credit Facilities, not including accrued and unpaid interest, are currently approximately \$239,000 (not including the \$90,000 undrawn letter of credit). RBC has advised the Company that the Secured Credit Facilities would remain available to the Company notwithstanding the commencement of these CCAA proceedings.

54. In addition to the Secured Credit Facilities, the Company also obtained from RBC the \$250,000 secured HASCAP Loan (as defined below) as part of the government programs made available during the COVID-19 pandemic, as well as the RBC Equipment Leases (as defined below), each discussed further below.

55. Furthermore, in 2012, certain previously outstanding equipment loans of the Company were refinanced with RBC. In order to obtain such refinancing, I mortgaged certain real property I personally own pursuant to three separate mortgage agreements (the "**RBC Mortgages**"). Currently, there is approximately \$0.9 million in principal amount outstanding under the RBC Mortgages, one of which bears an interest rate of 2.94% per annum and matures in August 2022, and two which bear an interest of 1.84% per annum and mature in September

2023. While secured against my property, these obligations are those of the Company, and payments due under the RBC Mortgages are made by the Company.

56. It is my understanding that pursuant to priority agreements entered into from time to time by RBC and the applicable Cadillac Fairview Entities (as defined below), the parties agreed that the security granted by the Company and me in favour of RBC would rank in priority to any security granted in favour of the applicable Cadillac Fairview Entities.

57. The Company intends to continue making its scheduled payments to RBC during the course of the CCAA proceedings, as contemplated pursuant to the proposed Initial Order, and for its obligations to RBC to be generally unaffected as part of these CCAA proceedings. As discussed further below, it is proposed that the Company's obligations to RBC would be assumed in full pursuant to the proposed Transaction.

(ii) Don Mills Fixtures Loan

58. The Company obtained a loan (the **"Don Mills Fixtures Loan"**) from its landlord (one of the Cadillac Fairview Entities) in respect of the McEwan Grocery Location at Don Mills pursuant to a loan agreement dated August 6, 2008, as amended pursuant to an amending agreement entered into as of December 15, 2008 (as may be further amended from time to time, the **"Don Mills Fixtures Loan Agreement"**), to finance the leasehold improvements and fixtures at such location. The Don Mills Fixtures Loan has an interest rate of prime plus 2% and matures upon the end of the term of the lease for McEwan Don Mills, currently July 31, 2023.

59. MEI's obligations pursuant to the Don Mills Fixtures Loan are secured over the assets of the Company pursuant to general security agreements, subject to the prior ranking security granted in favour of the Secured Lender.

60. Pursuant to an indemnity agreement dated as of June 28, 2007, and the Don Mills Fixtures Loan Agreement, I also agreed to be personally liable for the Don Mills Fixtures Loan until such loan is fully repaid. My indemnity obligations in respect of the Don Mills Fixtures Loan are secured over my property pursuant to a general security agreement.

61. Currently, there is approximately \$198,000 of principal outstanding under the Don Mills Fixtures Loan.

(iii) Secured Equipment Lease Obligations

62. The other secured creditors of the Company include lessors of various restaurant and catering equipment, office equipment and motor vehicles.

63. The Company's restaurant and catering equipment leasing arrangements are with RBC, governed pursuant to a commitment letter dated November 28, 2018, under which the following lease agreements have been entered into by the Company and RBC:

- a) lease agreement between the Company and RBC dated October 18, 2017, as amended by an amending agreement dated April 21, 2021 (the "**Bymark Equipment Lease**"). The equipment leased pursuant to the Bymark Equipment Lease has a carrying value of approximately \$206,000 as at June 30, 2021, and the Company has the option to acquire the leased equipment for \$1.00 on the day prior to expiry of the lease, being October 24, 2022. The Company's obligations

under the Bymark Equipment Lease are secured obligations and bear interest at approximately 4.5% per annum;

- b) lease agreement between the Company and RBC dated as of June 1, 2018, as amended by an amending agreement dated April 21, 2021 (the “**Fabbrica Equipment Lease**”). The equipment leased pursuant to the Fabbrica Equipment Lease has a carrying value of approximately \$159,000 as at June 30, 2021, and the Company has the option to acquire the leased equipment for \$1.00 on the day prior to expiry of the lease, being May 31, 2023. The Company’s obligations under the Fabbrica Equipment Lease are secured obligations and bear interest at approximately 4.0% per annum; and
- c) a lease agreement between the Company and RBC dated January 28, 2019, as amended by an amending agreement dated April 21, 2021 (the “**McEwan Yonge & Bloor Equipment Lease**”, and collectively with the Bymark Equipment Lease and the Fabbrica Equipment Lease, the “**RBC Equipment Leases**”). The equipment leased pursuant to the McEwan Yonge & Bloor Equipment Lease has a carrying value of approximately \$1.35 million as at June 30, 2021, and the Company has the option to acquire the leased equipment for \$1.00 on the day prior to expiry of the lease, being January 27, 2024. The Company’s obligations under the McEwan Yonge & Bloor Equipment Lease are secured obligations and bear interest at approximately 4.61% per annum.

64. In aggregate, there is currently approximately \$1.7 million of secured obligations outstanding under the RBC Equipment Leases, and the Company’s equipment lease payment

obligations are approximately \$52,000 per month. As at the date hereof, the Company is current on all such obligations, subject to agreements entered into with RBC to defer the payment of the principal portions of such obligations for the six-month period between May and October 2021.

65. The Company also has certain limited lease obligations with respect to photocopiers and certain motor vehicles used in connection with the Business.

(iv) Real Property Lease Obligations

66. MEI does not own any real property and all of its locations are leased. MEI is currently party to seven leases in respect of its McEwan Locations, including: (i) five leases with certain related landlord parties (the “**Cadillac Fairview Entities**”) in respect of Bymark, Fabbrica TD, McEwan TD, Fabbrica Don Mills and McEwan Don Mills (collectively, the “**Cadillac Fairview Leases**”); (ii) one lease with one landlord party in respect of Fabbrica Thornbury (the “**Fabbrica Thornbury Lease**”); and (iii) one lease with one landlord party in respect of the McEwan Yonge & Bloor (the “**Yonge & Bloor Lease**”). The lease agreement in respect of the ONE Restaurant is entered into by the ONE Restaurant Partnership, as tenant, and there is no lease arrangement or rent charged by the Aga Khan Museum in respect of Diwan.

67. The Company’s real property lease obligations form a substantial part of the operating costs of the Business. As discussed in further below, the Company obtained certain concessions to the payment terms under its leases during the COVID-19 pandemic. As at August 31, 2021, the Company’s aggregate arrears and deferrals under its leases are estimated at approximately \$0.5 million, based on the Company’s financial statements and taking into account certain amended terms (discussed further below), which amount may vary based on discussions and arrangements with the applicable landlords.

68. The Company has entered into general security agreements in respect of certain of the Cadillac Fairview Leases. The obligations under the Fabbica Thornbury Lease and the Yonge & Bloor Lease are unsecured.

(v) Fairfax Loans

69. The Company obtained a \$400,000 unsecured loan from a subsidiary of Fairfax pursuant to a debenture issued on October 31, 2018 (as amended, the “**2018 Fairfax Loan**”). The 2018 Fairfax Loan has an interest rate of 5% per annum and matures on the earlier of December 31, 2021, on demand by the holder or the occurrence of an event of default pursuant to the terms of the debenture.

70. During the COVID-19 pandemic, as a result of the requirement for additional funding for its operations, the Company obtained additional loans of approximately \$1.72 million from the Fairfax subsidiary pursuant to debentures dated March 18, 2020, August 5, 2020, and March 22, 2021 (collectively, the “**Additional Fairfax Loans**”, in each case as may have been amended, and together with the 2018 Fairfax Loan, the “**Fairfax Loans**”). The Additional Fairfax Loans have an interest rate of either 5% or 9% per annum, with interest accrued and compounded on an annual basis. The first Additional Fairfax Loan matures on the earlier of March 18, 2022, on demand by the holder or the occurrence of an event of default pursuant to the terms of the debenture; the second Additional Fairfax Loan matures on the earlier of December 31, 2021, on demand by the holder or the occurrence of an event of default pursuant to the terms of the debenture; and the third Additional Fairfax Loan matures on the earlier of March 22, 2022, on demand by the holder or the occurrence of an event of default pursuant to the terms of the debenture.

71. As at August 31, 2021, the aggregate amount outstanding under the Fairfax Loans, including accrued interest, is approximately \$2.3 million.

(vi) **Government / Government-Assisted Loans**

(a) CEBA Loan

72. On April 24, 2020, the Company received a \$40,000 unsecured loan (the “**CEBA Loan**”) from the Canada Emergency Benefit Account (“**CEBA**”) program funded by the Government of Canada. The CEBA Loan is interest-free until January 2023, and thereafter has an interest rate of 5% per annum. On January 4, 2021, the Company received an additional \$20,000 under its CEBA Loan. The CEBA Loan matures on December 31, 2025, provided that repaying the balance of the CEBA Loan on or before December 31, 2022, will result in a loan forgiveness of 33% (up to \$20,000).

(b) HASCAP Loan

73. Pursuant to a loan agreement entered into on March 30, 2021, by the Company and the Secured Lender, the Company obtained a \$250,000 non-revolving term loan (the “**HASCAP Loan**”) from the Secured Lender under the Business Development Bank of Canada’s (“**BDC**”) Highly Affected Sectors Credit Availability Program (“**HASCAP**”). The HASCAP Loan has an interest rate of 4% per annum, and has a five-year term expiring on or about March 31, 2026.

74. The Company’s obligations under the HASCAP Loan are secured by the security interest granted in favour of the Secured Lender over all personal property of the Company, and a specific security interest granted in favour of the Secured Lender in the equipment financed.

(vii) Employee, Trade and Customer Obligations

75. As at the date hereof, the Company remains current on its employee wage and salary obligations, as well as all related source deductions.

76. As at August 31, 2021, the Company had approximately \$2.3 million of trade obligations outstanding with respect to its various suppliers and service providers, and approximately \$488,000 of issued and outstanding customer gift cards. The Company also has nominal obligations in respect of its Customer Program of approximately \$9,500.

77. In addition, the Company has approximately \$1.2 million of accruals and vacation payable accrued on its balance sheet.

78. To the extent permitted under the proposed Initial Order, the Company intends to honour its obligations in respect of its employees, suppliers and service providers, as well as in respect of its customer gift cards and the Customer Program. Pursuant to the proposed Transaction, any and all outstanding amounts owing in respect of the Company's employee, trade or customer obligations will be assumed by the Purchaser (as defined below) upon implementation of the Transaction, if approved.

(viii) Litigation

79. The Company is aware of one litigation action commenced against it in December 2016, alleging wrongful termination, which the Company believes is without merit and in respect of which the Company served its Statement of Defence in 2017. No steps have been taken or communication exchanged by the parties in respect of this matter since 2017.

IV. INDUSTRY, BUSINESS AND FINANCIAL CHALLENGES

(A) Challenges Prior to the COVID-19 Pandemic

80. Prior to the COVID-19 pandemic, a number of the McEwan Locations were successful and generated positive financial results for an extended period of time. However, as a result of certain unprofitable and operationally expensive McEwan Locations, the McEwan Group as a whole has not been profitable since 2017 (prior to taking into account the recent additional challenges caused by the COVID-19 pandemic).

81. Specifically, Fabbrica Don Mills and McEwan Don Mills have been significantly underperforming over an extended period of time, and even prior to the COVID-19 pandemic were not generating a positive EBITDA. While during the COVID-19 pandemic, McEwan Don Mills has seen some improved performance from pre-pandemic levels, this location has not been generating an annual profit without the benefit of government subsidies.

82. More recently, following the opening of the McEwan Grocery Location at Yonge and Bloor in 2019, this location has created significant strain on the Company's liquidity. With an extensive footprint and significant lease and operational costs, combined with disappointing sales results, McEwan Yonge & Bloor has had the most detrimental impact on the Company's overall financial performance. With the benefit of hindsight, the Company would not have entered into operations at this location based on the existing lease terms. McEwan Yonge & Bloor has been a significant challenge since its opening and currently remains a material issue for the Company.

83. As a result of these underperforming locations, even prior to taking into account the impacts of the COVID-19 pandemic, the McEwan Group was facing financial challenges and a need to improve its financial performance and liquidity position.

(B) Additional Challenges Due to the COVID-19 Pandemic

84. The implementation of COVID-19-related lockdown measures commencing in March 2020 in the GTA resulted in immediate and significant negative impacts on the financial performance of the Business, and resulted in significant losses throughout 2020 and 2021.

85. On or about March 17, 2020, the Government of Ontario declared a provincial state of emergency under the *Emergency Management and Civil Protection Act*, and all restaurants were ordered to close for an undetermined period of time, with a limited carve-out to allow restaurants to provide takeout and delivery services (the “**March Shutdown Order**”).

86. Pursuant to the March Shutdown Order, MEI closed all six McEwan Restaurants on March 17, 2020. The McEwan Grocery Locations (other than McEwan TD which temporarily closed from March to the end of May 2020) remained open as grocery stores were deemed an essential service pursuant to the March Shutdown Order and were permitted to remain open. Notwithstanding remaining open, the McEwan Grocery Locations nonetheless experienced a significant reduction in revenues at the outset of the pandemic given the government-mandated closure of all non-essential businesses and encouragement of individuals to stay home, resulting in a significant reduction of in-store shopping, particularly in high-traffic areas such as the Shops at Don Mills, Yonge and Bloor, and Toronto’s financial district. In addition, the McEwan Catering sales were effectively entirely eliminated since the commencement of the pandemic.

87. From March 2020 to late June 2020, MEI's restaurant operations were restricted to a limited takeout and delivery business operated out of two of the six McEwan Restaurants (namely ONE Restaurant commencing in March and Fabbrica Thornbury commencing in April). The McEwan Group's takeout and delivery business did not generate significant revenue.

88. As part of Ontario's first reopening plan that commenced in June 2020, restaurants were permitted to open for outdoor dining on patios in late June 2020, and for limited dine-in service, subject to limitations on capacity, at the end of July 2020. With these reduced restrictions, the McEwan Group was able to open five of the six McEwan Restaurants for outdoor and/or dine-in service. Fabbrica Don Mills has remained closed during this time as a result of the poor financial performance of the restaurant even prior to the COVID-19 pandemic.

89. On or about October 10, 2020, due to a surge in COVID-19 pandemic cases, the Government of Ontario re-implemented a general ban on dine-in service in the GTA.

90. On November 3, 2021, the Government of Ontario announced a new response framework (the "**Response Framework**"), a five-tier system of public health measures designed to adjust and tighten or loosen public health measures depending on the status of public health indicators. By November 23, 2020, the Government of Ontario placed the GTA under lockdown, the highest level of the Response Framework (the "**Lockdown**"). Pursuant to the Lockdown, all restaurants and bars in the GTA were forced to cease outdoor dining service. During the Lockdown, the ONE Restaurant and Fabbrica Thornbury continued their takeout services, and Bymark began offering takeout services in February 2021.

91. The Lockdown continued in the GTA until Ontario entered Step 1 in the Province's Roadmap to Reopen on June 11, 2021, which allowed for the resumption of outdoor dining with

limited capacity. On June 30, 2021, Ontario entered Step 2 in the Roadmap to Reopen, allowing for slightly increased capacity for outdoor dining, and on July 16, 2021, Ontario entered Step 3 in the Roadmap to Reopen, permitting restaurants and bars to offer dine-in service at a limited capacity.

92. As at the date hereof, five of the McEwan Restaurants are open for outdoor and/or indoor dining. As noted above, Fabbrika Don Mills has remained closed due to the poor financial performance of the restaurant. Unfortunately, the ongoing COVID-19 pandemic continues to negatively impact the McEwan Group given that, among other things, the McEwan Restaurants that have re-opened continue to operate at limited capacity, the McEwan Grocery Locations (with the exception of the Don Mills location) continue to have significantly reduced sales compared to the pre-pandemic period due to lessened foot-traffic in the previously high-traffic areas, and the McEwan Restaurants located in the financial district continue to suffer from the slow rollout of back-to-office plans and limited occupancy in the office towers of the financial district. In addition, McEwan Catering has not yet rebounded with limited sales at this time.

93. As noted above, there remains much uncertainty with respect to the ongoing COVID-19 pandemic and its continued impact on the McEwan Group and the restaurant industry as a whole. The Company expects that the Business will continue to face negative impacts of the COVID-19 pandemic for an extended period of time, and will require additional funding to continue operating until the COVID-19 related factors cease negatively impacting the Business and revenues improve more significantly.

(C) **Cash Conservation Efforts and Additional Sources of Funding**

94. To minimize the detrimental effects caused by the COVID-19 pandemic on the Business, including the severe impact of the government mandated measures on the Business' ability to generate revenue, the McEwan Group undertook a number of measures to conserve cash and limit overhead and operating expenses. Among other things, the McEwan Group:

- a) temporarily laid off 200 employees, including 130 employees at the ONE Restaurant and 70 employees at other McEwan Locations (173 of whom have since been re-hired to date, including 118 employees at the ONE Restaurant and 55 employees at other McEwan Locations);
- b) negotiated, where possible, rent abatements, deferrals and other accommodations from landlords in respect of certain of the Company's existing lease arrangements;
- c) negotiated deferrals of principal payments under its equipment lease obligations in 2020 and 2021;
- d) pivoted certain of its restaurant and food-hall operations to a takeout and delivery model, preserving employment where possible and creating some new revenue streams in an effort to partially offset otherwise drastically reduced revenues; and
- e) increased its efforts to promote its e-commerce sites for catering and grocery, and launched grocery delivery in July 2020, in further efforts to mitigate lost revenues and create some additional revenue streams.

95. The McEwan Group also obtained the benefit of certain government subsidies and support programs during the COVID-19 pandemic to subsidize rent and wage costs and provide the Business with some additional liquidity, including:

- a) Canada Emergency Rent Subsidy (“**CERS**”): The Company has received approximately \$300,000 in subsidies under CERS (for certainty, not taking into account subsidies received in respect of the ONE Restaurant), used to subsidize its rent obligations.
- b) Canada Emergency Wage Subsidy (“**CEWS**”): The Company has received approximately \$3.3 million in subsidies under CEWS (for certainty, not taking into account subsidies received in respect of the ONE Restaurant), used to subsidize employee wages and salaries.
- c) CEBA: As discussed above, MEI received a small business loan as part of CEBA program in the amount of \$60,000.
- d) HASCAP: As discussed above, MEI received a HASCAP Loan in the amount of \$250,000.

96. Unfortunately, the cost saving measures instituted by the Company, the landlord concessions, the government support, the Company’s existing Secured Credit Facilities and the equity financing provided by the Company’s shareholders in early 2020 remained insufficient to address the Company’s financial challenges and to fund its cash requirements during the pandemic. As such, in order to meet the Company’s urgent cash needs during the ongoing pandemic, the McEwan Group also obtained debt financing from Fairfax in the aggregate

amount of \$1.72 million pursuant to the Fairfax Loans (discussed above). The additional debt incurred pursuant to the Fairfax Loans, while necessary to address the Company's liquidity needs, has resulted in an increase of borrowings by approximately 87% over the course of the COVID-19 pandemic. The Company also believes that it will need further funding in order to continue operations while the negative effects of the COVID-19 pandemic on the Business persist.

(D) Discussions with Landlords

97. As discussed above, at the outset of the COVID-19 pandemic, the McEwan Group was required to close all of its McEwan Restaurants in late March 2020, pursuant to applicable local government lock-down measures for an extended period of time, resulting in a cessation or significant reduction of revenues during the shut-down period at such leased locations, and was facing dramatically reduced sales at its McEwan Grocery Locations. As noted above, the Company's lease obligations are one of its primary operating expenses and uses of cash. Accordingly, the Company engaged in discussions with its landlords in the early stages of the COVID-19 pandemic in connection with its significant lease obligations.

98. Pursuant to consensual written lease amending agreements entered into with its landlords, the Company obtained various lease concessions, including rent abatements, rate deferrals and/or reduced minimum rent amounts. The Company has continued to honour its lease payment obligations, on the amended terms, pursuant to such lease amendments. Certain of such written lease amending agreements have expired pursuant to their terms, and the Company has continued to make payments in respect of such leases pursuant to the amended terms. As at August 31, 2021, the Company had approximately \$0.5 million of estimated rent arrears and deferrals

outstanding (based on the Company's current financial statements, which amount may vary based on discussions and arrangements with the applicable landlords, as noted above).

99. Throughout the COVID-19 pandemic period, the Company has continued to engage with its landlords to seek arrangements on a consensual basis that would allow the Business to continue until the effects of the COVID-19 pandemic pass and the Company can seek to return the Business to pre-pandemic performance. In addition, recognizing that certain of the McEwan Locations are not sustainable, without taking into account the negative impacts of the COVID-19 pandemic, the Company has also engaged in discussions with its landlords in respect of such locations to seek amended terms or to otherwise seek to exit such locations on a consensual, mutually agreeable basis. Over a period of several months, the Company engaged in discussions with its landlords and presented proposed amendments and revised terms to certain lease arrangements.

100. Following such efforts and discussions with its landlords over an extended period of time, the Company has not been able to reach satisfactory agreements with its landlords that would allow the Business to continue on a sustainable basis going forward. At this time, the Company is continuing ongoing discussions with the Cadillac Fairview Entities with respect to amended terms for the Cadillac Fairview Leases and the parties are working to finalize satisfactory arrangements on a consensual basis.

(E) Strategic Review Efforts and the Transaction

101. In the summer of 2021, the Company engaged legal counsel to assist it in reviewing and assessing its various potential options and alternatives, in light of the financial difficulties facing the Company, including its liquidity issues and the ongoing challenges and impacts of the

COVID-19 pandemic. The Company reviewed and considered various potential alternatives with the assistance of its legal counsel, including, among others, negotiations with landlords, additional financing (debt or equity), reducing the size of the Business, a sale of the Business, and combinations thereof.

102. After extensive review and consideration of its circumstances, and its options and alternatives, and following efforts to reach consensual arrangements with landlords (discussed above), the Company determined that the best available alternative that could be implemented in the circumstances that would preserve the value of the Business for the benefit of the Company's many stakeholders, would be a sale of substantially all of the McEwan Group's assets and the Business (the "**Transaction**") to 2864785 Ontario Corp. (the "**Purchaser**"), a newly formed company owned by the Company's current shareholders, and the continuation of the Business with a reduced number of McEwan Locations, to result in a right-sizing of the Business on a sustainable basis going forward.

103. On September 27, 2021, the Company entered into an asset purchase agreement with the Purchaser, pursuant to which, subject to Court approval, the parties would complete the Transaction (the "**Purchase Agreement**"), a copy of which is attached hereto as Exhibit "C".

104. The Transaction includes, among other things:

- a) the transfer of substantially all of the assets of the Company to the Purchaser;
- b) the assumption by the Purchaser of substantially all of the Company's obligations, excluding the Excluded Liabilities (as defined and described below), currently estimated to total approximately \$11 million, resulting in, among other things, all

secured and unsecured loans, all trade payables and go-forward supply arrangements, and five of the Company's seven leased locations being assumed by the Purchaser;

- c) an offer of employment by the Purchaser to all of the Company's approximately 268 employees; and
- d) a cash reserve in an amount as may be agreed to by the Company and the Purchaser, with the consent of the Monitor (the "**Cash Reserve**") to remain with the Company following the closing of the Transaction, to fund the costs of completing these CCAA proceedings, with any remaining balance of the Cash Reserve upon completion of the CCAA proceedings to be returned to the Purchaser.

105. Under the Transaction, the Purchaser will not assume certain limited obligations of the Company (the "**Excluded Liabilities**"), comprised of: (a) lease obligations relating to those locations not being assumed by the Purchaser as part of the Transaction (the "**Excluded Locations**"), and (b) the expenses incurred by the Company in connection with these CCAA proceedings, to be funded out of the Cash Reserve. At this time, the Excluded Locations are comprised of Fabbrica Don Mills and McEwan Yonge & Bloor.

106. Pursuant to the Transaction, the Purchaser may, at any time up to the day prior to the closing of the Transaction, elect to acquire any additional assets, properties, and rights of the Company (and any such additional assets, properties, and rights shall be Purchased Assets (as defined in the Purchase Agreement)) or to not acquire any assets, properties, and rights of the

Company (and any such assets, properties, and rights shall be Purchased Assets shall be Excluded Assets (as defined in the Purchase Agreement)).

107. The aggregate consideration for the Purchased Assets pursuant to the Transaction is: (a) the assumption of the Assumed Obligations (as defined in the Purchase Agreement) by the Purchaser and/or, as applicable, one or more designees of the Purchaser, which as at the date hereof are estimated to be approximately \$11 million (calculated based on amounts outstanding as at August 31, 2021, and taking into account additional amounts expected to be incurred and additional funding requirements anticipated until the closing of the Transaction, based on a closing date of October 31, 2021), and (b) a cash payment in an amount equal to the sum of (i) \$520,000 (the “**Base Purchase Price**”), and (ii) an amount equal to the Cure Costs (as defined in the Purchase Agreement).

108. I am advised by counsel to the Company that the Base Purchase Price was calculated based on an amount equal to the damages in respect of the lease relating to the McEwan Yonge & Bloor Excluded Location as determined pursuant to the formula set forth in section 136(1)(f) of the *Bankruptcy and Insolvency Act* (the “**BIA**”). As discussed above, the Company and the Cadillac Fairview Entities are continuing their ongoing discussions to reach mutually satisfactory arrangements in respect of the Cadillac Fairview Leases, and thus there is no claim amount included in respect of the Fabbria Don Mills Excluded Location as part of the purchase price under the proposed Transaction.

109. Pursuant to the Purchase Agreement, the Purchaser has also agreed to fund a deposit of up to \$2.25 million (the “**Transaction Deposit**”) to the Company, to be provided in multiple tranches for use by the Company to fund its operations and the costs incurred in connection with

these CCAA proceedings until the closing of the Transaction. The funding of the Transaction Deposit by the Purchaser is subject to obtaining Court approval of the Transaction and a Court-ordered charge to secure the repayment of the Transaction Deposit to the Purchaser in the event the Transaction is not completed. If the Transaction is completed, the obligation to repay the Transaction Deposit would be assumed by the Purchaser pursuant to the 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.

110. The Company believes that the Purchase Agreement provides fair and reasonable consideration for the Purchased Assets in the circumstances. After due consideration of the circumstances of the McEwan Group, the status of the Business and the benefits of the Transaction to the McEwan Group's stakeholders, the Company determined that proceeding with the Transaction under the terms and conditions of the Purchase Agreement is in the best interests of the McEwan Group and its stakeholders.

111. The Company did not complete a third-party sale process to canvass potential interest from third parties in respect of acquiring the Company or the Business, and believes there is no prejudice to stakeholders from not having completed a third-party sale process based on all of the current circumstances. As discussed above, the Purchaser is acquiring and assuming substantially all of the assets and liabilities of the Company, with the exception of the Excluded Locations, and the Base Purchase Price provides for a cash amount in respect of the non-terminated Excluded Location based on the formula provided under the BIA.

112. I believe that there would be a significant benefit to the stakeholders of the Business from the completion of the proposed Transaction as outlined in the Purchase Agreement as, without

the support of myself, the Company's management team and Fairfax, there is a significant risk that many parties could be negatively impacted both on a financial and overall business basis. The Business, without the support of myself, the Company's management team and Fairfax, would not be the same business and the interests of, and recoveries to, stakeholders could be materially negatively affected.

113. As noted above, my continued involvement as chef and operator of the Business, which I believe to be fundamental to the success of the Business going forward, is premised on a continuation of my partnership with Fairfax as co-owners of the McEwan Group. I do not anticipate that I would remain with the Business if it were to be sold to a third party purchaser. The Company and its shareholders do not believe that a third party purchaser would be in a position to acquire the assets of the Business, without my continued involvement in the Business, for a similar or higher price.

114. The Transaction represents a transaction that will right-size the Company's Business, reduce the Company's material and unsustainable lease obligations and provide stability to the McEwan Group in a process that is fair and reasonable to all stakeholders. The Company believes that the implementation of the Transaction will result in a sustainable Business going forward for the benefit of the Company's many stakeholders, including its 268 employees whose jobs will be preserved, its secured creditors whose obligations will be unaffected and assumed by the Purchaser, and its many suppliers and service providers whose contracts and obligations will also all be assumed.

115. The Transaction is subject to customary conditions and receipt of requisite approvals, including approval by this Court.

116. As noted above, the Company intends to seek approval of the Transaction at the Sale Approval Motion. Additional details with respect to the Transaction will be set out in the materials filed in support of the Sale Approval Motion.

V. CCAA PROCEEDINGS

117. MEI is the sole applicant in these CCAA proceedings. For the reasons discussed in this Affidavit, the Company believes that it is appropriate for this Court to exercise its jurisdiction to grant the Initial Order in respect of the Company.

(A) The Company is Insolvent for the Purposes of the CCAA

118. Despite the Company's efforts to address its financial difficulties and the challenges relating to its unsustainable lease obligations on a consensual basis, MEI has been unable to find an out-of-court solution that would enable it to sufficiently restructure and right-size its business operations.

119. As discussed above, the challenges resulting from closures of and/or operating limitations on the McEwan Locations over an extended period of time due to the COVID-19 pandemic and the corresponding loss of revenues, have resulted in significant additional liquidity challenges for the Business, and have further exacerbated the financial challenges already being faced by the McEwan Group prior to the COVID-19 pandemic.

120. The Company has significant secured debt outstanding compared to its negative EBITDA for the twelve-month period ended December 31, 2020, and for the six-month period ended June 30, 2021, as well as significant unsecured obligations, including the Fairfax Loans provided in 2020 and 2021 that were required primarily to fund the Company's operations during the

challenging times over the course of the COVID-19 pandemic. The Company has also accumulated extensive rent arrears and deferral obligations over the course of the COVID-19 pandemic.

121. While the Business has begun to experience some improved performance following the recent permitted re-openings of restaurants in Toronto, a number of the McEwan Locations remain unsustainable based on the costs of operating such locations and their poor sales results. Such locations have continued to place increased liquidity pressure on the remaining Business.

122. Absent additional funding and the reduction of its unsustainable lease obligations, the Company is facing an imminent liquidity crisis and will be unable to satisfy its liabilities as they become due, and there is no reasonable expectation that the Company's financial condition will improve absent these restructuring proceedings. The Company is insolvent.

123. MEI has thoroughly considered the circumstances and the alternatives available to the Company in the present circumstances. In the exercise of its business judgment and with the assistance of the Company's legal advisors, MEI determined that it is in the best interests of the Company and its stakeholders for the Company to file for protection under the CCAA in order to preserve the value of the Business and continue as a going concern while seeking to implement a restructuring of the Business, including the proposed Transaction. By pursuing the implementation of the Transaction under the CCAA at this time, the Company can continue as a going concern while substantially all of the Company's assets and many of its obligations are transferred to and assumed by the Purchaser.

(B) Stay of Proceedings under the CCAA

124. The Company is concerned that in light of its financial circumstances, there could be an erosion of value to the detriment of all stakeholders. In particular, the Company is concerned about the following risks:

- a) secured creditors trying to take steps to enforce on their security;
- b) potential termination of contracts by key suppliers and service providers; and
- c) potential termination of leases and related enforcement steps that could be taken by landlords.

125. Having regard to the circumstances, and in an effort to preserve the value of the Business, the commencement of the within CCAA proceedings and the granting of a stay of proceedings in order to permit the Company to restructure its affairs and implement the Transaction are in the best interests of the Company and its stakeholders.

126. I am advised by Goodmans LLP, counsel to the Company, that the maximum stay period that may be granted on an initial application under the CCAA is ten days. The Company anticipates seeking an extension of the initial ten-day stay period to and including December 17, 2021, at the Comeback Hearing (as defined below).

127. The Company is also requesting that this Court exercise its discretion to extend the stay of proceedings in respect of the personal guarantees, indemnities and security that I granted in my personal capacity in connection with certain of MEI's obligations, discussed above, as well as in favour of the McEwan Subsidiary.

(C) **The Monitor**

128. Alvarez & Marsal Canada ULC was retained to, among other things, prepare for the role of proposed monitor in these CCAA proceedings. Alvarez & Marsal Canada Inc. (“**A&M**”), an affiliate of Alvarez & Marsal Canada ULC, has consented to act as the monitor of the Company in the within proceedings (in such capacity, the “**Monitor**”), subject to Court approval. A copy of A&M’s consent is to be attached as Tab “5” to the Application Record.

129. The professionals of A&M who have carriage of this matter, and who will have carriage of this matter for A&M if it is appointed as the Monitor, have acquired considerable knowledge of the Company and its business. A&M is in a position to immediately assist the Company with its restructuring process.

130. In connection with A&M’s appointment as the Monitor, it is contemplated that a Court-ordered charge over the assets and property of the Company would be granted in favour of the Monitor, its counsel and the Company’s counsel in respect of their fees and disbursements incurred prior to and following the commencement of these proceeding at their standard rates and charges (the “**Administration Charge**”). The Company is seeking an Administration Charge in an aggregate amount of \$225,000 at this time, which reflects approximately the costs of these proceedings incurred and not paid to date and the estimated costs to be incurred in the period up to the next hearing to be scheduled in these CCAA proceedings (the “**Comeback Hearing**”), as set out in the Cash Flow Forecast (as defined below). The Company anticipates requesting at the Comeback Hearing that the Administration Charge be increased to \$350,000.

131. The Administration Charge is to have the priority described in Section V(G) of this Affidavit.

132. All of the beneficiaries of the Administration Charge have contributed, and continue to contribute, to the restructuring efforts of the Company.

133. The proposed Monitor and counsel to the proposed Monitor each hold a retainer provided by the Company prior to the commencement of these proceedings, with such retainers totalling \$100,000.

(D) Funding of the Company

(i) Cash Flow Forecast

134. As at August 31, 2021, the Company had a cash balance of approximately \$1.0 million. A copy of the cash flow forecast prepared by the Company with the assistance of the proposed Monitor is attached hereto as Exhibit “D” (the “**Cash Flow Forecast**”).

135. As set out in the Cash Flow Forecast, with the remaining availability under the Secured Credit Facilities and the funding from the Transaction Deposit (if approved by the Court), the Company is expected to have sufficient funding through the period of the Cash Flow Forecast. The principal uses of cash during the next 13-week period will consist of ongoing payments made in the ordinary course in respect of employee compensation, rent, suppliers, inventory and other ordinary course business obligations (as discussed further below), and professional fees, expenses and disbursements incurred in connection with these CCAA proceedings.

136. As noted above, upon completion of the Transaction, which remains subject to, among other things, approval by this Court, substantially all of the assets of the Company, including the Company’s cash, will be transferred to the Purchaser. Under the Purchase Agreement, the parties have agreed to the Cash Reserve to remain with the Company, with any remaining funds

to be provided to the Purchaser on the earlier of six months from the completion of the Transaction or the wind-down of the Company.

(ii) Cash Management System

137. The Company has a banking relationship with RBC, and its cash management system (the “**Cash Management System**”) is operated through the various accounts held by the Company at RBC in Toronto. The Company has 10 bank accounts and maintains 11 business credit cards with RBC pursuant to the Secured Credit Facilities.

138. As discussed above, pursuant to the terms of the Secured Loan Agreement, the Company is required to maintain a general bank account at RBC in respect of each Secured Credit Facility that is a revolving demand facility, making up eight of the 10 bank accounts at RBC. The Company also has one bank account in respect of its “brand” business and one bank account for payments received from the ONE Restaurant Partnership.

139. The Company is seeking the authority to continue to use the existing Cash Management System and to maintain the banking arrangements already in place. The continued operation of the existing Cash Management System will minimize disruption to the Company’s operations and avoid the need to negotiate and implement alternative banking arrangements. The current Cash Management System includes the necessary accounting controls to enable the Company and the proposed Monitor to trace funds and ensure that all transactions are adequately ascertainable. As such, the proposed Initial Order authorizes a continuation of the current Cash Management System.

(E) **Payments during the CCAA Proceedings**

140. During the course of these CCAA proceedings, the Company also intends to pay all reasonable post-filing expenses incurred by it in carrying on the Business in the ordinary course including, without limitation, its rent obligations pursuant to the terms of the proposed Initial Order, all expenses and capital expenditures reasonably necessary for the preservation of its property and the Business, and payment for goods or services actually supplied to the Company post-filing.

141. The Company is also seeking authority to make ongoing payments in respect of certain obligations, whether such obligations are incurred pre-filing or post-filing, including:

- a) all employee obligations owing to employees in the ordinary course;
- b) advisor fees and disbursements incurred at their standard rates and charges;
- c) all outstanding and future amounts related to honouring gift cards and the Customer Program;
- d) amounts owing to providers of credit, debit, gift card or other payment process services; and
- e) with the consent of the Monitor, amounts owing for goods or services supplied to the Company prior to the Initial Order if, in the opinion of the Company, such supplier is a critical supplier of the Business or such payment is otherwise necessary to maintain the uninterrupted operations of the Business or the Company during the CCAA proceedings.

142. The authority to make the foregoing payments is necessary for the continued operation of the Business and in connection with these CCAA proceedings, the completion of the Transaction and the restructuring of the McEwan Group. The Company believes that it is in the best interests of its stakeholders that it have the authority to continue to pay these expenses in the normal course, regardless of whether such expenses were incurred prior to, on or after the date of the Initial Order. The Company is concerned that in the absence of these parties being paid in the ordinary course, they may discontinue providing ongoing goods or services to the detriment of the Company. Preserving these goods and services on an uninterrupted basis is essential to the Company's ongoing operations, as discontinuance could have an adverse impact on the operation of the Company's Business.

(F) Director and Officer Protections

143. The director and officers of the Company (collectively, the "**Directors and Officers**") have been actively involved in efforts to address the current circumstances of the Company, including the review and consideration of the Company's financial circumstances, efforts to manage and address the Company's challenging liquidity position, overseeing the Company's negotiations with landlords, the pursuit of restructuring alternatives, including the proposed Transaction, and the preparation for and commencement of these CCAA proceedings. The Directors and Officers have been mindful of their duties with respect to their supervision and guidance of the Company in advance of these CCAA proceedings.

144. It is my understanding, as advised by Goodmans LLP, counsel to the Company, that in certain circumstances, directors and officers can be held personally liable for certain of a company's obligations to the federal and provincial governments, including in connection with

payroll remittances, harmonized sales taxes, goods and services taxes, workers compensation remittances, among others. Furthermore, I understand it may be possible for directors and officers of a company to be held personally liable for certain wage-related obligations to employees.

145. The Company maintains a directors and officers insurance policy with Northbridge Insurance (the “**D&O Policy**”) for the Directors and Officers which currently expires on December 31, 2021. The D&O Policy provides \$3 million of coverage. The D&O Policy also includes certain additional coverage for the Directors and Officers of up to \$1 million in excess of coverage otherwise provided by the D&O Policy.

146. The D&O Policy insures the Directors and Officers for certain claims that may arise against them in their capacity as directors and/or officers of the Company. However, the D&O Policy contains several exclusions and limitations to the coverage provided. Further, there is the potential for coverage limits to be exhausted and for there to be insufficient coverage in respect of the potential directors’ and officers’ liabilities for which the Directors and/or Officers may be found to be responsible.

147. The Company requires the active and committed involvement of the Directors and Officers during the CCAA proceedings as it seeks to complete a successful restructuring, including the Transaction, for the benefit of the Company and its stakeholders.

148. Accordingly, the Company is requesting a Court-ordered charge (the “**Directors’ Charge**”) over the assets and property of the Company to secure the indemnity of the Directors and Officers pursuant to the proposed Initial Order in respect of liabilities they may incur during the CCAA proceedings in their capacities as directors and officers.

149. The Company is requesting the Directors' Charge in an amount of \$600,000 at this time, and anticipates requesting at the Comeback Hearing that the Directors' Charge be increased to \$1.45 million. The proposed amounts of the Directors' Charge have been calculated by the Company based on the estimated potential exposure of the Directors and Officers and have been reviewed with the proposed Monitor.

150. The proposed Directors' Charge would apply only to the extent that the Directors and Officers do not have coverage under the D&O Policy. The Directors' Charge is to have the priority described in Section V(G) of this Affidavit.

(G) **Priorities of Charges**

151. It is contemplated that the priorities of the Court-ordered charges discussed above (collectively, the "**Charges**"), as among them, would be as follows:

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

152. Pursuant to the proposed Initial Order, the Charges on the assets and property of the Company would rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any person, notwithstanding the order of perfection or attachment, except for any secured creditor of the Company who does not receive notice of the application for the Initial Order. The proposed Initial Order authorizes the Company to seek an Order granting priority of the Charges ahead of all or certain additional Encumbrances on a subsequent motion on notice to those persons likely to be affected thereby. At the Comeback

Hearing, the Company intends to seek an Order granting priority of the Charges ahead of all Encumbrances of those secured creditors given notice of the Comeback Hearing, other than the Encumbrances granted by the Company in favour of RBC.

153. The Company believes the amounts of the Charges are fair and reasonable in the circumstances for the period until the Comeback Hearing. As noted above, the Company expects to seek to increase the amounts of the Administration Charge and the Directors' Charge at the Comeback Hearing.

VI. CONCLUSION

154. The Company, with the assistance of its advisors, has reviewed and considered its potential options and alternatives that may be available in the circumstances, taking into account the Company's unsustainable locations, liquidity issues and the ongoing challenges and impacts of the COVID-19 pandemic.

155. The Company is not able to continue in the status quo with its significant fixed obligations and based on the financial performance of the Business. There is no reasonable expectation that the Company's financial condition will improve absent these restructuring proceedings.

156. Despite the Company's efforts to address its financial difficulties and the challenges relating to its unsustainable lease obligations on a consensual basis, it has been unable to find an out-of-court solution that would enable it to sufficiently restructure and right-size its business operations.

157. After extensive review and consideration of its circumstances, and its options and alternatives, and following efforts to reach consensual arrangements with its landlords, the Company determined that the best available alternative that could be implemented in the circumstances that would preserve the value of the Business for the benefit of the Company's many stakeholders, would be a sale of substantially all of the assets of the Business pursuant to the proposed Transaction, and the continuation of the Business with a reduced number of McEwan Locations, to result in a right-sizing of the Business on a sustainable basis going forward.

158. The Transaction represents a transaction that will right-size the Company's Business, reduce the Company's material and unsustainable lease obligations and provide stability to the McEwan Group in a process that is fair and reasonable to all stakeholders. The Company believes that the implementation of the Transaction will result in a sustainable Business going forward for the benefit of the Company's many stakeholders, including its 268 employees whose jobs will be preserved, its secured creditors whose obligations will be unaffected and assumed by the Purchaser, and its many suppliers and service providers whose contracts and obligations will also all be assumed.

159. The Company believes that it is necessary and important to commence these CCAA proceedings at this time in order to protect and provide stability to the Business for the benefit of the Company's numerous stakeholders, while the Company pursues its restructuring efforts.

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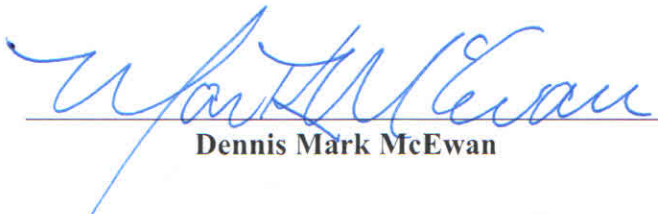
160. The Company believes that the relief sought pursuant to the proposed Initial Order is appropriate and necessary in the circumstances, and respectfully request that the Court grant the proposed Initial Order.

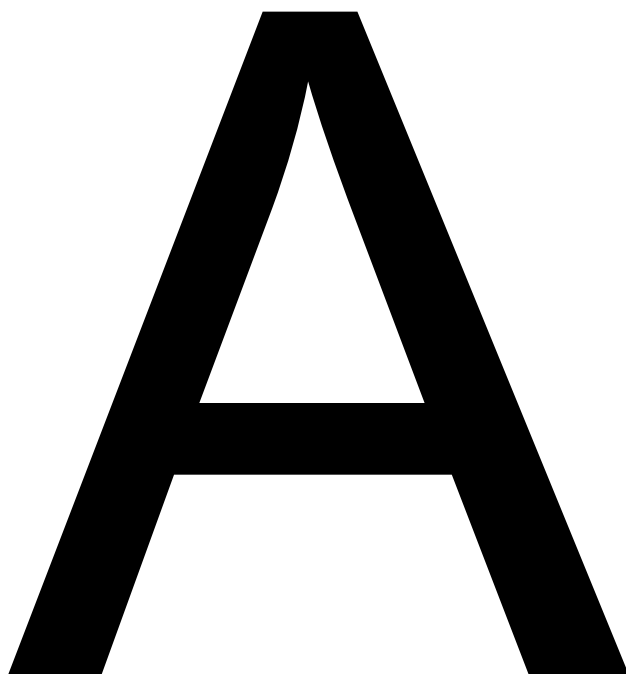
SWORN before me over
videoconference by Dennis Mark
McEwan stated as being located in the
City of Toronto in the Province of
Ontario, before me at the City of
Toronto in the Province of Ontario, on
September 27, 2021, in accordance with
O. Reg 431/20, Administering Oath or
Declaration Remotely

Caroline Descours

A Commissioner for taking affidavits

Caroline Descours LSO#: 58251A


Dennis Mark McEwan



THIS IS EXHIBIT "A"
TO THE AFFIDAVIT OF DENNIS MARK MCEWAN
SWORN BEFORE ME BY TWO-WAY VIDEOCONFERENCE
THIS 27th DAY OF SEPTEMBER, 2021

Caroline Descours

Commissioner for Taking Affidavits

McEwan Enterprises Inc.
(formerly 2456570 Ontario Inc.)

Financial Statements
December 31, 2020



Independent auditor's report

To the Board of Directors of McEwan Enterprises Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of McEwan Enterprises Inc. (the Company) as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's financial statements comprise:

- the balance sheet as at December 31, 2020;
- the statement of loss and comprehensive loss for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
200 Apple Mill Road, Vaughan, Ontario, Canada L4K 0J8
T: +1 905 326 6800, F: +1 905 326 5339

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Ontario
June 30, 2021

McEwan Enterprises Inc.

Balance Sheet

As at December 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash	458,769	1,306,888
Trade and other receivables (note 6)	698,482	1,055,779
Prepaid expenses	177,495	160,878
Inventory (note 7)	1,230,965	1,360,918
	2,565,711	3,884,463
Deferred tax assets (note 15)	2,235,521	1,593,880
Property and equipment (note 8(a))	6,665,271	8,253,386
Right-of-use assets (note 8(b))	11,834,640	13,627,644
Investment in joint venture (note 9)	999,736	910,570
	24,300,879	28,269,943
Liabilities		
Current liabilities		
Trade and other payables (note 10)	3,074,837	4,320,797
Deferred revenue	473,460	526,485
Borrowings (note 12)	1,813,024	692,174
Lease liabilities (note 12)	2,351,406	2,132,836
	7,712,727	7,672,292
Borrowings (note 12)	1,104,480	1,290,609
Lease liabilities (note 12)	16,280,874	18,391,115
	25,098,081	27,354,016
Shareholders' (Deficiency) Equity		
Share capital (note 13)	3,813,203	2,702,203
Deficit	(4,610,405)	(1,786,276)
	(797,202)	915,927
	24,300,879	28,269,943
Going concern (note 2)		
Contingencies (note 19)		

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements.

McEwan Enterprises Inc.

Statement of Loss and Comprehensive Loss

For the year ended December 31, 2020

	2020 \$	2019 \$
Revenue (note 16)	30,081,611	45,331,048
Cost of sales (note 14)	16,654,367	22,538,900
Gross profit	13,427,244	22,792,148
Expenses		
Selling, general and administrative (notes 14 and 16)	11,892,370	20,356,764
Depreciation (note 8)	3,570,856	3,347,924
	15,463,226	23,704,688
Loss before the undernoted	(2,035,982)	(912,540)
Interest expense	(1,593,954)	(1,734,388)
Share of net income of joint venture (note 9)	164,166	732,234
Loss before income taxes	(3,465,770)	(1,914,694)
Income taxes (recovery) (note 15)		
Current	-	8,409
Deferred	(641,641)	(650,905)
	(641,641)	(642,496)
Net loss and comprehensive loss for the year	(2,824,129)	(1,272,198)

The accompanying notes are an integral part of these financial statements.

McEwan Enterprises Inc.

Statement of Changes in Equity

For the year ended December 31, 2020

	Share capital \$	Deficit \$	Other reserves \$	Total deficiency \$
Balance – December 31, 2019	2,702,203	(1,786,276)	-	915,927
Share issuance (note 13)	1,111,000	-	-	1,111,000
Dividends (note 13)	-	-	-	-
Net loss for the year	-	(2,824,129)	-	(2,824,129)
Balance – December 31, 2020	3,813,203	(4,610,405)	-	(797,202)
	Share capital \$	Deficit \$	Other reserves \$	Total equity \$
Balance – December 31, 2018	1,502,203	(389,078)	-	1,113,125
Share issuance (note 13)	1,200,000	-	-	1,200,000
Dividends (note 13)	-	(125,000)	-	(125,000)
Net loss for the year	-	(1,272,198)	-	(1,272,198)
Balance – December 31, 2019	2,702,203	(1,786,276)	-	915,927

The accompanying notes are an integral part of these financial statements.

McEwan Enterprises Inc.

Statement of Cash Flows

For the year ended December 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the year	(2,824,129)	(1,272,198)
Items not involving cash		
Depreciation	3,570,856	3,347,924
Share of net income of joint venture	(164,166)	(732,234)
Deferred income taxes	(641,641)	(650,905)
Finance expense	1,593,954	1,734,388
Net changes in non-cash working capital		
Trade and other receivables	357,297	203,425
Trade and other payables	(1,245,960)	401,923
Prepaid expenses	(16,617)	(33,407)
Inventory	129,953	(160,557)
Deferred revenue	(53,025)	32,594
Interest paid	(1,593,954)	(1,734,388)
	<u>(887,432)</u>	<u>1,136,565</u>
Investing activities		
Additions to property and equipment, net (note 8)	(189,737)	(851,485)
Distribution of share of net income by joint venture	75,000	575,000
	<u>(114,737)</u>	<u>(276,485)</u>
Financing activities		
Issuance of common shares	1,111,000	1,200,000
Dividends paid	-	(125,000)
Additions (repayment) of borrowings – net	934,721	(388,639)
Repayments of leases	(1,891,671)	(1,580,505)
Additions to lease inducements	-	344,560
	<u>154,050</u>	<u>(549,584)</u>
Change in cash during the year	(848,119)	310,496
Cash – Beginning of year	<u>1,306,888</u>	<u>996,392</u>
Cash – End of year	<u>458,769</u>	<u>1,306,888</u>
Supplementary information		
Income taxes paid	-	-

The accompanying notes are an integral part of these financial statements.

McEwan Enterprises Inc.

Notes to Financial Statements

December 31, 2020

1 General information

Nature of operations

2456570 Ontario Inc. was incorporated on July 31, 2015 as a private company under the laws of Ontario. The address of its registered office is 38 Karl Fraser Road, Toronto, Ontario, Canada.

On October 1, 2017, 2456570 Ontario Inc. amalgamated with its wholly owned subsidiaries, McEwan Restaurants Consultants Inc., McEwan Enterprises Inc., North 44 Inc., 2004995 Ontario Limited (Bymark), McEwan One Mark Inc., 2220223 Ontario Inc. (Fabbrica), 2416668 Ontario Inc. (McEwan Foodhall) and 2481520 Ontario Inc. (Diwan), to continue as McEwan Enterprises Inc. (the Company).

The Company operates a chain of restaurants, grocery stores and a food hall under the brand name of McEwan. The Company also provides consulting services to the hospitality sector. The Company is ultimately controlled by Fairfax Financial Holdings Limited as at December 31, 2020. Prior to conversion of the preference shares into common shares, it was controlled by an individual.

These financial statements have been prepared by management and were approved by the Board of Directors for issue on June 30, 2021. The shareholders have the power to amend the financial statements after issue.

2 Basis of preparation and going concern

The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

In March 2020, the outbreak of the novel coronavirus, COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, lockdowns and social distancing, have caused material disruption to businesses globally, including the Company, resulting in an economic slowdown. Due to these recent developments, the Company temporarily suspended operations for restaurants and catering services on March 18, 2020.

As a result of these developments, there are material uncertainties associated with the resolution of the liquidity challenges currently facing the Company that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Currently, the impact on the restaurant, food retail and food service industries if COVID-19 persists for an extended period is unknown. The Company's ability to continue as a going concern is dependent on its ability to return to normal operations, to generate positive cash flows from operations and to obtain financing, as discussed in note 18.

Management continues to assess the impact as conditions change and governments revise their guidance to organizations. However, the extent to which COVID-19 will impact future financial results is dependent on future developments that cannot be quantified at this time.

McEwan Enterprises Inc.

Notes to Financial Statements

December 31, 2020

In the context above, management continues to take certain actions in order to continue operations on a going concern basis. The Company continues to employ its staff, although at reduced capacity, having temporarily laid off 200 hourly employees. The Company is receiving wage subsidies (Canada Emergency Wage Subsidy) and rent subsidies (Canada Emergency Rent Subsidy) provided by the federal government (note 14) to support its continued employment of staff and operational costs. The Company monitors its cash flow position on a daily basis. Furthermore, the Company has received \$1,111,000 of equity injection in 2020. In June 2020, the Company entered into an arrangement with its landlord resulting in rent reductions during 2020 for five of its locations (note 5). The Company is in negotiation with and has received in principle approval from its landlords for rent abatements and rent deferrals for five of its locations in 2021. In addition, the Company received loan arrangements from a related party, by virtue of common control, totalling \$1,220,000 during the year and another \$500,000 subsequent to year-end. These related party loans are repayable at the earlier of due on demand or one year from the dates of issuance. The Company received a loan of \$250,000 under the Highly Affected Sectors Credit Availability Program (HASCAP) for the utilization by one of its restaurants in 2021. Further, the Company's lender has approved a deferral of all principal payments of its equipment leases for 6 months subsequent to year-end. As the situation continues to evolve, management will continue to make adjustments to its response to the pandemic. There can be no assurance that the steps management is taking will be successful.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. Management does not expect that such adjustments will be necessary due to current cost rationalizing initiatives, new low cost borrowings and assuming its shareholders would agree to provide additional equity injections.

3 Summary of significant accounting policies

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates, and it also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in the assumptions may have a significant impact on the financial statements in the period in which the assumptions have changed. Management believes the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Investment in joint venture

Joint ventures are contractual arrangements that establish joint control and where the Company has rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for by applying the equity method. Under the equity method of accounting, the investments are initially recognized at cost and are adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements of the investee in other comprehensive income (OCI). Distributions received or receivable from an investee reduce the carrying amount of the investment.

McEwan Enterprises Inc.

Notes to Financial Statements

December 31, 2020

Foreign currency translation

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which each entity operates (the functional currency). The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of loss and comprehensive loss.

Cash

Cash includes cash on hand and cash balances with major financial institutions. Bank overdrafts are shown in current liabilities in the balance sheet.

Trade and other receivables

Trade receivables comprise customer balances and credit card receivables and are recognized initially at fair value and subsequently are measured at amortized cost using the effective interest method, less provision for impairment. Other receivables comprise miscellaneous receivables.

The Company uses the simplified approach, where the loss allowance is equal to the lifetime expected credit losses of the trade receivables. The loss allowance matrix takes account of all components of receivables that are exposed to a credit risk, except where they are subject to an individual loss allowance. The matrix has a two-step structure. Components of receivables that are not exposed to credit losses are disregarded when calculating the loss allowance. In the first step, for all receivables deemed to be at risk, the expected credit loss is determined for all customers on the basis of the customer risk category. In a second step, an additional allowance is calculated on the basis of a past due analysis. The expected loss ratios are based on the payment profiles for sales in the past five years and the corresponding defaults in the same period. The historical loss ratios are adjusted to reflect current and future oriented information on macroeconomic factors that affect the ability of customers to settle receivables.

Inventory

Inventory consists of grocery, produce, meat, delicatessen foods and alcohol and is valued at the lower of cost and net realizable value. Costs consist of the cost to purchase and other costs incurred in bringing the inventory to its present location. Cost is determined using the first-in, first-out method, except for certain grocery items, which are determined using the retail method. These items comprise cheese, deli, produce, floral, magazines and books. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices.

McEwan Enterprises Inc.

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December 31, 2020

Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the reporting period in which they are incurred. Ongoing expenditures to retain or restore the original expected benefit are treated as expenses when incurred.

Depreciation is calculated using the declining balance method, net of the assets' estimated residual values and over the estimated useful lives as follows:

Kitchen equipment, furniture and fixtures	20% declining balance basis
Computer equipment	55% declining balance basis
Vehicles	30% declining balance basis
Leasehold improvements	straight-line over remaining lease term

Residual values, depreciation methods and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount. These gains and losses are included in the statement of loss and comprehensive loss.

Impairment of non-financial assets

Property and equipment are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (which is the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year, which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently are measured at amortized cost using the effective interest method.

McEwan Enterprises Inc.

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Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of loss and comprehensive loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of the borrowings are recognized as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Leases

On January 1, 2019, the Company adopted IFRS 16, using the modified retrospective approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules were therefore recognized in the opening balance sheet on January 1, 2019. The impact to retained earnings in the opening balance sheet on January 1, 2019 was \$nil.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of International Accounting Standard (IAS) 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.50%.

For leases previously classified as finance leases, the Company recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2020. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Right-of-use assets included in property and equipment (note 5) consist of the following leases: The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2020. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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The composition of the right-of-use assets as at December 31, 2020 is highlighted in note 8(b).

Government assistance

Government grants and subsidies are recognized at fair value when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grants. To the extent that government grants are earned under the conditions of the grant prior to receipt of funds, the Company records a government grants receivable. Government grants related to operating expenses are reflected as a reduction of such expenses in the year when they are incurred.

Financial instruments

- Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (FVTPL), at fair value through other comprehensive income (FVOCI) or at amortized cost. The Company determines the classification of financial assets and liabilities at initial recognition. The classification of the Company's financial assets and liabilities is disclosed in note 18.

- Measurement

- Amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value (except for trade receivables that do not contain a significant financing component, which are measured at the transaction price) plus or minus transaction costs and subsequently are carried at amortized cost less any impairment.

- Fair value through profit or loss

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Derivatives are included in this category unless designated as hedges. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of loss and comprehensive loss within other gains and losses in the period in which they arise.

- Fair value through other comprehensive income

Financial assets carried at FVOCI are measured at fair value. Interest, dividends and impairment gains and losses are recognized in the statement of loss and comprehensive loss on the same basis as for amortized cost assets. Changes in fair value are recognized initially in other comprehensive income (loss). When the assets are derecognized or reclassified, the cumulative changes in fair value are reclassified to the statement of loss and comprehensive loss (except where they relate to investments in equity instruments). The Company has no financial instruments measured at fair value through other comprehensive loss.

McEwan Enterprises Inc.

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- Impairment of financial assets at amortized cost

For trade receivables, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, Financial Instruments (IFRS 9), which requires the use of the lifetime expected loss provision for all trade receivables based on the Company's historical default rates over the expected life of the trade receivables adjusted for forward-looking estimates.

- Derecognition

- Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statement of loss and comprehensive loss.

- Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of loss and comprehensive loss.

Preference shares

Preference shares, which are redeemable at the option of the holder, are classified as liabilities. The dividends on these preference shares are recognized in profit or loss as finance costs.

Revenue recognition

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue from Contracts with Customers. Amounts disclosed as revenue are net of sales taxes, estimated returns and discounts. Revenue derived from the sale of goods and catering services is recognized at a point in time when the performance obligation is fulfilled. The performance obligation is deemed fulfilled when control of the products has transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Provisions for returns are accrued based on historical experience.

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Income taxes

The income tax expense for the period comprises current and deferred taxes.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income taxes are also not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting or taxable profit or loss. Deferred income taxes are determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income taxes are recognized in the statement of loss and comprehensive loss, except to the extent that they relate to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

McEwan Enterprises Inc.

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4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The Company makes estimates and assumptions concerning the future that affect current estimates. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Depreciation

The Company's property and equipment are depreciated on a declining balance basis. Management uses judgment in determining the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net income (loss) and comprehensive income (loss) in future periods.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate income tax determination is uncertain. The Company recognizes liabilities for anticipated income tax audit issues based on estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

Preference shares

The fair value of the preference shares is determined using valuation techniques. The Company uses its judgment to select from a variety of methods and make assumptions that are mainly based on market conditions existing at the balance sheet date. For details of the key assumptions used in determining the fair value of preference shares, see note 18.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, defined as the higher of an asset's fair value less costs to sell and value in use. Management uses the discounted cash flow method to estimate value in use. The model includes assumptions relating to the discount rate and future cash flows.

Inventory costing

The Company records inventory at the lower of cost and net realizable value. Management uses judgment in determining the net realizable value of slow moving and obsolete inventory. In addition, management makes assumptions in gross margin when determining the cost of inventory at its retail locations.

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Notes to Financial Statements

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5 Accounting changes

The Company has applied the following amendments for the first time for their annual reporting period commencing January 1, 2020:

- **Covid-19 related rent concessions – amendments to IFRS 16**

In May 2020, the IASB issued an amendment to IFRS 16, which added a practical expedient to provide relief for lessees from lease modification accounting for rent concessions related to COVID-19. The practical expedient is only applicable to rent concessions provided as a direct result of the COVID-19 pandemic. In order to apply the practical expedient, all of the following conditions must be met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the rent concession is for relief for payments that were originally due on or before June 30, 2021. Any subsequent rental increases of amounts deferred can extend beyond June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

The practical expedient relieves lessees from assessing whether rent concessions are lease modifications and applying the lease modification requirements to those concessions. A lessee applying the practical expedient would generally account for forgiveness or waiver of lease payments as a variable lease payment, which is recognized on the statement of loss and comprehensive loss as a gain or loss with a corresponding adjustment to derecognize the portion of lease liability which has been waived or forgiven. Lease payments that are deferred to other periods would result in a remeasurement of the lease obligation using the original incremental borrowing rate with any difference related to the change in timing of payments being recognized in gain or loss. Rent concessions can also incorporate both a forgiveness or waiver of payments and a change in the timing of payments.

The Company has applied the practical expedient to lease concessions. During the year-ended December 31, 2020, the Company recorded rent concessions in the amount of \$1,423,615, which have been offset in selling, general and administrative expenses, within the category 'Facilities' (note 14).

Management of the Company reviews all changes to IFRS when issued. The IASB has issued the following standard, which has not yet been adopted by the Company. The following is a description of the new standard:

- **IAS 1, Presentation of Financial Statements – Amendment**

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current, which amended IAS 1, Presentation of Financial Statements, and clarified how to classify debt and other financial liabilities as current or non-current in particular circumstances. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

Under the new amendment, an entity shall classify a liability as current when: (a) it expects to settle the liability in its normal operating cycle; (b) it holds the liability primarily for the purpose of trading; (c) the liability is due to be settled within twelve months after the reporting period; or (d) it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

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If the Company were to early adopt the amendment to IAS 1, the application would not result in any material impact in the December 31, 2020 balance sheet.

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

6 Trade and other receivables

	2020 \$	2019 \$
Trade receivables	697,730	1,052,504
Other receivables	752	3,275
	<u>698,482</u>	<u>1,055,779</u>

As at December 31, 2020, there were no impaired trade receivables (2019 – \$nil).

As at December 31, 2020, trade receivables of \$295,246 (2019 – \$438,205) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	2020 \$	2019 \$
Up to 30 days past due	167,510	303,071
31 to 60 days past due	35,963	80,857
61 to 90 days past due	12,272	23,071
More than 90 days past due	79,501	31,206
	<u>295,246</u>	<u>438,205</u>

7 Inventory

	2020 \$	2019 \$
Inventory	1,230,965	1,360,918
Provision for obsolescence	-	-
	<u>1,230,965</u>	<u>1,360,918</u>

Inventories recognized as an expense during the year amounted to \$16,654,367 (2019 – \$22,538,900).

McEwan Enterprises Inc.

Notes to Financial Statements

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8 Property and equipment and right-of-use assets

a) Property and equipment

						2020
	Kitchen equipment \$	Furniture and fixtures \$	Computer equipment \$	Vehicles \$	Leasehold improvements \$	Total \$
As at January 1, 2020						
Cost	6,447,980	3,201,979	1,197,516	70,373	12,351,462	23,269,310
Accumulated depreciation	(5,429,732)	(2,008,180)	(801,703)	(69,832)	(6,706,477)	(15,015,924)
Net book value	1,018,248	1,193,799	395,813	541	5,644,985	8,253,386
Year-ended December 31, 2020						
Opening net book value	1,018,248	1,193,799	395,813	541	5,644,985	8,253,386
Additions, net	41,773	36,653	64,160	-	47,151	189,737
Reclassification to right-of-use assets, net	(243,605)	-	-	-	-	(243,605)
Depreciation	(272,869)	(231,344)	(204,078)	(541)	(825,415)	(1,534,247)
Closing net book value	543,547	999,108	255,895	-	4,866,721	6,665,271
December 31, 2020						
Cost	6,879,588	3,238,632	1,261,676	70,373	12,398,613	23,848,882
Accumulated depreciation	(6,336,041)	(2,239,524)	(1,005,781)	(70,373)	(7,531,892)	(17,183,611)
Net book value	543,547	999,108	255,895	-	4,866,721	6,665,271
						2019
	Kitchen equipment \$	Furniture and fixtures \$	Computer equipment \$	Vehicles \$	Leasehold improvements \$	Total \$
As at January 1, 2018						
Cost	8,982,169	3,136,947	1,033,263	70,373	12,461,406	25,684,158
Accumulated depreciation	(5,460,402)	(1,786,742)	(616,377)	(69,832)	(6,381,407)	(14,314,760)
Net book value	3,521,767	1,350,205	416,886	541	6,079,999	11,369,398
Year-ended December 31, 2018						
Opening net book value	3,521,767	1,350,205	416,886	541	6,079,999	11,369,398
Transfer of leased assets to the right-of-use assets on IFRS 16 adoption (notes 5 and 8(b))	(2,700,048)	-	-	-	-	(2,700,048)
Additions, net	732,144	65,032	164,253	-	(109,944)	851,485
Depreciation	(535,615)	(221,438)	(185,326)	-	(325,070)	(1,267,449)
Closing net book value	1,018,248	1,193,799	395,813	541	5,644,985	8,253,386
December 31, 2019						
Cost	6,447,980	3,201,979	1,197,516	70,373	12,351,462	23,269,310
Accumulated depreciation	(5,429,732)	(2,008,180)	(801,703)	(69,832)	(6,706,477)	(15,015,924)
Net book value	1,018,248	1,193,799	395,813	541	5,644,985	8,253,386

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b) Right-of-use assets

	Buildings \$	Equipment \$	Total \$
Cost			
As at January 1, 2020	13,008,071	3,266,333	16,274,404
Additions	-	-	-
Reclassification from property and equipment	-	877,045	877,045
As at December 31, 2020	13,008,071	4,143,378	17,151,449
Accumulated depreciation			
As at January 31, 2020	(1,540,465)	(1,106,295)	(2,646,760)
Reclassification from property and equipment	-	(633,440)	(633,440)
Depreciation	(1,540,466)	(496,143)	(2,036,609)
As at December 31, 2020	(3,080,931)	(2,235,878)	(5,316,809)
Net book value – December 31, 2020	9,927,140	1,907,500	11,834,640
	Buildings \$	Equipment \$	Total \$
Cost			
As at January 1, 2019			
Transfer of the leased assets to the right-of-use assets	-	3,266,333	3,266,333
Leases previously recognized as operating	13,352,631	-	13,352,631
Lease inducements received	(344,560)	-	(344,560)
Additions	-	-	-
As at December 31, 2019	13,008,071	3,266,333	16,274,404
Accumulated depreciation			
As at January 31, 2019			
Opening balance from the transfer of leased assets to the right-of-use assets	-	(566,285)	(566,285)
Depreciation	(1,540,465)	(540,010)	(2,080,475)
As at December 31, 2019	(1,540,465)	(1,106,295)	(2,646,760)
Net book value – December 31, 2019	11,467,606	2,160,038	13,627,644

Following the loss of revenue due to COVID-19, management has recalculated the recoverable amount of certain stores and restaurants as at December 31, 2020. No impairment loss was recognized (2019 – \$nil). The recoverable amounts were determined by reference to the assets' value in use. The main valuation inputs used were a WACC of 12% and estimated cash flows projections.

McEwan Enterprises Inc.

Notes to Financial Statements

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9 Investment in joint venture

	2020 \$	2019 \$
Balance – Beginning of year	910,570	753,336
Share of net income of joint venture	164,166	732,234
Distribution of share of net income by joint venture	(75,000)	(575,000)
Balance – End of year	999,736	910,570

10 Trade and other payables

	2020 \$	2019 \$
Trade and other payables	2,232,575	3,551,525
Accruals	842,262	769,272
	3,074,837	4,320,797

11 Credit facility

The Royal Bank of Canada has made available to the Company overdraft facilities totalling \$850,000 consisting of lines of credit.

The balance of the overdraft facility, in the form of a line of credit, can be used for the general operating needs of the Company at the rate of the bank's prime rate plus 1%. The operating lines are secured by general security agreements over all assets, excluding the properties, which serve as securities for the borrowings in note 12.

A letter of guarantee amounting to \$90,000 (2019 – \$90,000) is available to secure produce purchases. As at December 31, 2020, a letter of guarantee for \$90,000 (2019 – \$90,000) was outstanding.

12 Borrowings and lease liabilities

	2020 \$	2019 \$
Current portion		
Bank term loans (i)	-	99,149
RBC mortgages payable (ii)	137,194	137,195
Lease liabilities (iii)	2,351,406	2,132,836
Fixture loan (iv)	55,830	55,830
Related party loan (v)	1,620,000	400,000
	4,164,430	2,825,010

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	2020 \$	2019 \$
Non-current portion		
Bank term loans (i)	-	-
RBC mortgages payable (ii)	875,799	1,035,067
Lease liabilities (iii)	16,280,874	18,391,115
Fixture loan (iv)	188,681	255,542
Related party loan (v)	-	-
CEBA account (vi)	40,000	-
	<u>17,385,354</u>	<u>19,681,724</u>
	<u>21,549,784</u>	<u>22,506,734</u>

i) Bank term loans

The Company paid off one and renewed one term loan in 2018. The loan carries interest at the bank's prime rate plus 1.60%. The loan is repayable in monthly instalments and is due in 2020. The loans are collateralized by a general security agreement covering assets of the Company and a personal guarantee of the shareholder.

	2020 \$	2019 \$
As at January 1, 2020	99,149	269,153
Repayments during the year	(99,149)	(170,004)
Drawdowns during the year	-	-
As at December 31, 2020	<u>-</u>	<u>99,149</u>

Loans are payable as follows:

	2020 \$	2019 \$
Within one year	-	99,149
Between two and five years	-	-
As at December 31, 2020	<u>-</u>	<u>99,149</u>

ii) RBC mortgages payable

	2020 \$	2019 \$
As at January 1, 2020	1,172,262	1,326,815
Repayments during the year	(159,269)	(154,553)
As at December 31, 2020	<u>1,012,993</u>	<u>1,172,262</u>

Mortgages are secured by the properties to which they relate and bear interest at a fixed rate of 2.94% for one property and 3.09% for the remaining two properties. They mature between 2026 and 2027.

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Mortgages are payable as follows:

	2020 \$	2019 \$
Within one year	137,194	137,195
Between two and five years	708,155	689,430
After five years	167,644	345,637
Non-current portion	875,799	1,035,067
Total mortgages payable	1,012,993	1,172,262

iii) Lease liabilities

The Company leases some of its equipment with a carrying value of \$1,907,500 (2019 – \$2,160,038) expiring within five years. Under the terms of the leases, the Company has the option to acquire the leased assets for \$1 on expiry of the leases. Leases are secured by the properties to which they relate and bear interest at fixed rates ranging from 4.4% to 4.8% per annum.

The Company also leases facilities with a carrying value of \$9,927,142 (2019 – \$11,467,606) expiring within five to 15 years.

The present value of lease liabilities is as follows:

	2020 \$	2019 \$
Within one year	2,351,406	2,132,836
Between two and five years	6,716,640	8,826,881
After five years	9,564,234	9,564,234
Total lease liability	18,632,280	20,523,951

Interest expense recognized on lease liabilities in the year-ended December 31, 2020 was \$1,404,752 (2019 – \$1,518,529).

McEwan Enterprises Inc.

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iv) Fixture loan

One of the Company's landlords provided a loan for financing the leasehold improvements and fixtures. The loan carries interest at 4.25% per annum. The loan is repayable in 114 monthly instalments.

	2020 \$	2019 \$
As at January 1, 2020	311,371	375,454
Repayment during the year	(66,860)	(64,083)
Drawdown during the year	-	-
	<hr/>	<hr/>
As at December 31, 2020	244,511	311,371

The loan is payable as follows:

	2020 \$	2019 \$
Within one year	55,830	55,830
Between two and five years	188,681	255,541
After five years	-	-
	<hr/>	<hr/>
Non-current fixture loan	188,681	255,541
	<hr/>	<hr/>
Total fixture loan	244,511	311,371

v) Related party loan

One of the Company's related parties provided a loan for financing the leasehold improvements and fixtures. The loan carries interest at 5% per annum. The loan is fully repayable on maturity on demand.

	\$	\$
As at January 1, 2020	400,000	400,000
Repayment during the year	-	-
Drawdown during the year	1,220,000	-
	<hr/>	<hr/>
As at December 31, 2020	1,620,000	400,000

vi) CEBA account

The Company borrowed a \$40,000 interest free loan from the Canada Emergency Benefit Account program. A further \$20,000 was borrowed in January 2021.

Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of 33 percent (up to \$20,000).

McEwan Enterprises Inc.

Notes to Financial Statements

December 31, 2020

13 Share capital

Authorized

Unlimited common shares, without par value

Issued and fully paid

	2020 \$	2019 \$
12,911 (2019 – 11,800) common shares	3,813,203	2,702,203

In 2020, the Company issued 1,111 (2019 – 1,000) common shares for cash consideration of \$1,111,000 (2019 – \$1,200,000). No preference shares were converted into common shares on December 31, 2020 (2019 – \$nil). During the year, the Company issued an additional 900 common shares at the aggregate subscription price of \$1,111,000 (note 2).

During 2020, the Company declared and paid dividends of \$nil (2019 – \$125,000).

14 Expenses by nature

The following expenses are included in cost of sales and general and administrative expenses:

	2020 \$	2019 \$
Raw materials consumed	16,654,367	22,538,900
Wages and employee benefits	6,132,393	12,141,549
Head office salaries and benefits	1,118,468	855,843
Facilities	(371,277)	1,304,275
Supplies	1,422,163	1,938,674
General, office and restaurants and other	848,250	955,820
Utilities	1,078,857	1,092,466
Credit card commissions	449,713	620,319
Repairs and maintenance	629,238	664,228
Laundry and uniforms	119,644	247,739
Advertising and promotion	209,601	304,859
Automotive expenses	255,320	230,992
	<u>28,546,737</u>	<u>42,895,664</u>

During the year-ended December 31, 2020, the Company received funding under the Government of Canada's Canada Employment Wage Subsidy program amounting to \$2,400,645, used to reduce wages and head office salaries, on the statement of loss and comprehensive loss.

During the year-ended December 31, 2020, the Company received funding under the Government of Canada's Canada Emergency Rent Subsidy program amounting to \$142,822, used to reduce facilities expenses, on the statement of loss and comprehensive loss.

McEwan Enterprises Inc.

Notes to Financial Statements

December 31, 2020

15 Income taxes

The major components of income tax recovery for the year are as follows:

	2020 \$	2019 \$
Current income tax expense	-	8,409
Deferred income tax recovery	(641,641)	(650,905)
Recovery of income taxes	(641,641)	(642,496)

Income tax recovery varies from the amount that would be computed by applying the combined federal and provincial statutory income tax rates as a result of the following:

	2020 \$	2019 \$
Loss before income taxes	(3,465,770)	(1,914,694)
Income tax recovery at combined statutory rate of 26.5%	(918,429)	(507,394)
Permanent differences	(18,076)	352,289
Transfer from property and equipment to right-of-use assets	232,417	(715,513)
Operating leases capitalized under IFRS 16	-	136,054
Other adjustment	62,447	92,068
	(641,641)	(642,496)

Deferred income tax assets and liabilities arise on the timing differences between the accounting and tax treatment of intangible assets, property and equipment, right-of-use assets/lease liabilities and non-capital loss.

Deferred income tax assets are recognized as assets to the extent that the realization of the related tax benefit through future taxable profits is probable.

Deferred income tax assets and liabilities recognized are as follows:

	2020 \$	2019 \$
Deferred income tax assets		
Non-capital losses carried forward	1,376,151	798,934
Donations	1,488	-
Reserves	60,747	-
Right-of-use assets/lease liabilities	1,801,375	1,827,521
	3,239,761	2,626,455
Deferred income tax liabilities		
Property and equipment	1,004,240	1,032,575
	2,235,521	1,593,880

The Company has Canadian based non-capital loss carry-forwards as at December 31, 2020 of \$5,193,022 (2019 – \$3,089,340) on a pre-tax basis.

McEwan Enterprises Inc.

Notes to Financial Statements

December 31, 2020

16 Related party balances and transactions

Parties are generally considered related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Company had the following related party transactions during the year:

- The Company has sold certain inventory in the normal course of operations to The Hazelton Food Services Partnership, the joint venture, in the amount of \$279,009 (2019 – \$486,774). The Company has also provided management consulting services to The Hazelton Food Services Partnership for \$100,000 (2019 – \$100,000). There were no balances outstanding as at year-end.
- The Company purchased insurance from Federated Insurance, an affiliated company, in the amount of \$178,439 (2019 – \$164,471).

The above related party transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key management includes the members of the senior management team of the Company and the shareholders. The compensation paid or payable to key management for employee services is shown below:

	2020 \$	2019 \$
Salaries and other short-term employee benefits	1,146,500	804,498

17 Preference shares

On December 31, 2018, the redeemable preference shares representing 5,483 fully paid redeemable preference shares were converted into common shares on a 1:1 ratio by a related party, Fairfax. Prior to the conversion, the shares were redeemable for \$1,000 per share at any time after the tenth anniversary of the date of issuance at the option of the holder or by the Company. The shares were entitled to a non-cumulative dividend at the rate of 2% per annum. The shares participated in a winding up of the Company only to the extent of the redemption price. On redemption, the Company would have been contractually required to pay \$5,843,000.

Since the shares were redeemable at a specified price, they were recognized as liabilities and were carried at fair value.

The fair value of preference shares was based on the discounted cash flows and a discount rate of 22.80%. During the year, there was a \$nil (2019 – \$nil) change in fair value, which was determined through a fair value valuation utilizing a discounted cash flow model.

The fair value of the preference shares prior to conversion was increased by that fair value change, and subsequently transferred to equity with no gain or loss. The fair value of these preference shares after conversion is \$nil (2019 – \$nil).

McEwan Enterprises Inc.

Notes to Financial Statements

December 31, 2020

18 Financial instrument fair value and risk management

Measurement of categories

Financial instruments are classified under IFRS 9 into one of the following measurement categories: financial assets at FVTPL, financial liabilities at FVTPL, financial assets at amortized cost, financial liabilities at amortized cost and financial assets at FVOCI. The following table summarizes information regarding the measurement category of the Company's financial instruments under IFRS 9 (and where different, the previous measurement category under IAS 39, Financial Instruments: Recognition and Measurement) and their carrying amounts (which did not change as a result of the adoption of IFRS 9):

	2020 \$	2019 \$
Financial assets		
Amortized cost		
Trade and other receivables	698,482	1,055,779
Cash	458,769	1,306,888
Financial liabilities		
Amortized cost		
Trade and other payables	3,074,837	4,320,797
Borrowings	2,917,504	1,982,783
Lease liabilities	18,632,280	20,523,951

Fair value of financial instruments

Fair value measurements recognized in the balance sheet must be categorized in accordance with the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has not transferred any financial instruments between Levels 1, 2 or 3 of the fair value hierarchy during the year-ended December 31, 2020.

The fair value of borrowings has been calculated by discounting the expected cash flows of each loan using a discount rate specific to each individual loan. The discount rate is determined using the bond yield for similar instruments of similar maturity adjusted for each individual project's specific credit risk. The fair value of borrowings as at December 31, 2020 was \$2,673,861 (2019 – \$1,786,519) compared to their carrying value of \$2,917,504 (2019 – \$1,982,783). The fair value of borrowings is classified as Level 2 fair values in the fair value hierarchy.

The carrying value of cash, trade and other receivables and trade and other payables approximates their fair value given their short-term nature.

McEwan Enterprises Inc.

Notes to Financial Statements

December 31, 2020

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company is exposed to this risk mainly in respect of its trade and other payables and borrowings.

The Company's objective is to ensure it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. This entails maintaining sufficient room within its credit facility and sufficient levels of working capital to settle financial liabilities. Cash flow projections are prepared and reviewed monthly to ensure sufficient continuity of funding.

Notwithstanding the above, there are uncertainties related to the Company's future operations that include, but are not limited to, changes in customer behaviours and volume of sales. These uncertainties could impact the Company's financial results, timing of cash resources and its ability to meet obligations. Management feels it has access to sufficient resources available to meet its ongoing obligations in the ordinary course of business.

The impact of COVID-19 to date has resulted in the temporary closure of the restaurants and catering services, and a reduction in the volume of sales from grocery stores. The Company may incur reductions in revenue relating to such events outside of its control, which could have a material adverse impact on the Company's business, operating results, sales and financial condition. A sustained period of market declines and weak sales could become a triggering event for the Company's ability to meet its financial obligations.

Management continues to assess the impact of COVID-19; however, given the fluidity and significant volatility of the situation, it is not possible to quantify the impact at this stage. As the situation continues to change, management will continue to make adjustments to its response to the pandemic.

No adjustments have been reflected in the financial statements at this time.

The amounts disclosed in the table below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts on the balance sheet, as the impact of discounting is not significant.

				2020
	Due in less than 1 year \$	Due in 2 to 5 years \$	Due in over 5 years \$	Total \$
As at December 31, 2020				
Trade and other payables	3,074,837	-	-	3,074,837
Borrowings	1,813,024	936,836	167,644	2,917,504
Lease liabilities	2,351,406	6,716,640	9,564,234	18,632,280
	7,239,267	7,653,476	9,731,878	24,624,621

McEwan Enterprises Inc.

Notes to Financial Statements

December 31, 2020

	2019		
	Due in less than 1 year \$	Due in 2 to 5 years \$	Due in over 5 years \$
As at December 31, 2019			
Trade and other payables	4,320,797	-	-
Borrowings	692,174	944,972	345,637
Lease liabilities	2,132,836	7,211,992	11,179,123
	7,145,807	8,156,964	11,524,760
			26,827,531

Credit risk

The Company's exposure to credit risk arises from the possibility its customers may fail to meet their obligations. The Company's financial instruments exposed to concentrations of credit risk consist primarily of accounts receivable. Management believes there is no unusual exposure associated with the collection of its accounts receivable. The Company's maximum exposure to credit risk equals the carrying amount of the financial assets. The credit quality of trade and other receivables is discussed in note 6.

The cash balances are maintained with a financial institution with a credit rating of AA-.

Interest rate risk

Interest on the Company's borrowings is variable based on the lender's prime rate. This exposes the Company to the risk of changing interest rates that may have an effect on its earnings in future periods. The Company does not use derivative financial instruments to reduce its exposure to interest rate risk. As at December 31, 2020, a 1% change in the interest rate, with all other variables held constant, would have resulted in net (loss) income being higher or lower by \$215,000 (2019 – \$225,000).

Capital risk management

The Company manages its capital in such a way as to ensure resources are sufficient for regular operations, planned maintenance, capital expenditure and debt repayment obligations.

In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

The Company's capital is composed of debt and shareholders' equity as follows:

	2020 \$	2019 \$
Shareholders' equity	3,813,203	2,702,203
Borrowings and lease liabilities	21,549,784	22,506,734
Total	25,362,987	25,208,937
Less: Cash	458,769	1,306,888
Total capital employed	24,904,218	23,902,049

McEwan Enterprises Inc.

Notes to Financial Statements

December 31, 2020

19 Contingencies

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. At present, the outcome of these cases is not determinable. The Company believes these claims are without merit and will vigorously defend itself in each of these actions. It is not anticipated that any material liabilities will arise from the contingent liabilities, other than those provided for.

B

**THIS IS EXHIBIT “B”
TO THE AFFIDAVIT OF DENNIS MARK MCEWAN
SWORN BEFORE ME BY TWO-WAY VIDEOCONFERENCE
THIS 27th DAY OF SEPTEMBER, 2021**

Caroline Descours

Commissioner for Taking Affidavits

McEwan Enterprises Inc.**Financial Statements****For the 6 Months Ending June 30, 2021**

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McEwan Enterprises Inc.**Balance Sheet**

As of	30-Jun-21
	Interim
	\$
ASSETS	
	Page #
Current Assets	2
Cash	3
Trade and other receivables	4
Prepaid expenses	145,430
Inventory	1,219,679
	<u>1,365,116</u>
Deferred Tax Assets	2,413,940
Property and equipment	6,135,861
Right of Use Assets	10,861,438
Investment in Joint Venture	999,736
	<u>21,776,091</u>
LIABILITIES	
Current Liabilities	
Trade and other payables (Note 3)	3,567,086
Deferred revenue	475,392
Borrowings (Note 1)	2,544,155
Lease Liabilities (Note 2)	1,725,996
	<u>8,312,629</u>
Borrowings (Note 1)	1,258,545
Lease Liabilities (Note 2)	15,866,758
	<u>25,437,932</u>
Shareholders' Equity	
Share capital	3,813,203
Deficit	(4,610,405)
Loss as per Income Statement	(2,158,392)
	<u>(2,955,594)</u>
	<u>22,482,338</u>

McEwan Enterprises Inc.
Statement of Loss and Comprehensive Loss

	30-Jun-21
	Interim
	\$
Revenue	13,146,653
	Page #
	2
Cost of Sales	3
	4
Gross Profit	13,146,650
Expenses	
Selling, general and administrative	5,329,679
Depreciation on property and equipment	1,667,068
	6,996,747
Loss before the undernoted	6,149,903
Interest Expense	(801,923)
Loss before income taxes	5,347,980
Income taxes	
Current	
Deferred	
	-
Net income and comprehensive income for the year	5,347,980

McEwan Enterprises Inc.**As of****30-Jun-21**

	Interim
Note 1	\$
Borrowings	
Bank Term Loan	
	Page #
Loan - Fairfax	2
Fixtures loan (CF)	3
RBC Mortgages Payable	4
RBC Credit Line	105,000
RBC Visa Cards	126,131
	231,140
Long Term Borrowings	2,313,015
Loan - HASCAP	250,000
Bank Term Loan (CEBA)	60,000
Fixtures loan (CF)	154,193
RBC Mortgages Payable	794,352
	1,258,545
Total Borrowings	1,489,685
	(2,313,015)
Note 2	
Capital Lease Obligation (RBC)	1,725,996
Rent Lease Liability	15,866,758
	17,592,754
Note 3	-
Accounts Payable Trade	2,573,940
Accruals, vacation payable and gov't remittances	993,146
	3,567,086
	-

C

**THIS IS EXHIBIT “C”
TO THE AFFIDAVIT OF DENNIS MARK MCEWAN
SWORN BEFORE ME BY TWO-WAY VIDEOCONFERENCE
THIS 27th DAY OF SEPTEMBER, 2021**

Caroline Descours

Commissioner for Taking Affidavits

PURCHASE AGREEMENT

MCEWAN ENTERPRISES INC.

as the Seller

- and -

2864785 ONTARIO CORP.

as the Buyer

Made as of September 27, 2021

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PURCHASE AGREEMENT

THIS AGREEMENT is made as of September **27**, 2021

B E T W E E N:

MCEWAN ENTERPRISES INC., a corporation organized under the laws of the Province of Ontario (the “**Seller**”)

- and -

2864785 ONTARIO CORP., a corporation organized under the laws of the Province of Ontario (the “**Buyer**”)

RECITALS:

- A. The Seller owns and operates restaurants, catering, gourmet grocery and an events company in Canada.
- B. The Seller has agreed to sell, convey, assign, transfer and deliver to the Buyer, and the Buyer has agreed to purchase, acquire, assume and accept from the Seller, substantially all of Seller’s assets used in connection with, and certain liabilities and obligations of, the Business, on the terms and subject to the conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged and confirmed), the Parties agree as follows:

ARTICLE 1– INTERPRETATION

1.1 Definitions

In this Agreement,

- (a) “**2860117**” means 2860117 Ontario Limited, a wholly-owned subsidiary of the Seller;
- (b) “**Additional Indemnitees**” means, with respect to any Party, its directors, officers and employees;
- (c) “**affiliate**” has the same meaning as “**affiliate**” under National Instrument 45-106 – *Registration and Prospectus Exemptions*;
- (d) “**Agreement**” means this purchase agreement and all Exhibits and Schedules attached hereto, in each case as the same may be supplemented, amended, restated or replaced from time to time; and the expressions “**Article**”, “**Section**”, “**Schedule**” and “**Exhibit**” followed by a number or letter mean and refer to the specified Article, Section, Schedule or Exhibit of this Agreement;
- (e) “**Applicable Law**” means any Canadian statute, law (including the common law), ordinance, rule, regulation, restriction, by-law (zoning or otherwise), order, or any consent, exemption, approval or licence of any Governmental Authority, that applies in whole or in part to the Transaction, the Seller, the Buyer or any of the Purchased Assets;
- (f) “**Assumed Contracts**” has the meaning given to it in Section 2.1(c);

- (g) **“Assumed Liabilities”** means those Assumed Obligations that are amounts owing or accrued by the Seller as at the Closing Date;
- (h) **“Assumed Obligations”** has the meaning given to it in Section 3.1;
- (i) **“Assumed Real Property Leases”** has the meaning given to it in Section 2.1(a);
- (j) **“Authorizations”** means, with respect to any Person, any order, permit, approval, waiver, license or similar authorization of any Governmental Authority having jurisdiction over the Person;
- (k) **“Base Purchase Price”** has the meaning given to it in Section 2.7(a);
- (l) **“Business”** means the Seller’s business of owning and operating restaurants, catering, gourmet grocery and an events company in Canada.
- (m) **“Business Day”** means any day of the year on which national banking institutions in Toronto, Ontario are open to the public for conducting business and are not required or authorized by Applicable Law to close;
- (n) **“Buyer”** has the meaning given to it in the preamble to this Agreement;
- (o) **“Buyer Designee”** means one or more affiliates of the Buyer designated by the Buyer to the Seller prior to the Closing;
- (p) **“Cash and Cash Equivalents”** means all of the Seller’s cash and cash equivalents (including petty cash and cheques received prior to the close of business on the Closing Date), bank balances, monies in possession of banks and other depositories and other similar cash property, marketable securities, certificates of deposits, time deposits, bankers’ acceptances, commercial paper and government securities and other cash equivalents.
- (q) **“Cash Reserve”** means cash in such amount as may be agreed to by the Parties with the consent of the Monitor prior to the Closing Date.
- (r) **“CCAA”** means the *Companies’ Creditors Arrangement Act* (Canada);
- (s) **“CCAA Approval and Vesting Order”** means an order of the CCAA Court, among other things, authorizing and approving this Agreement, the Transaction and granting a court-ordered charge to secure the obligation of the Seller to repay to the Buyer the Transaction Deposit pursuant to the terms hereof in the event the Agreement is terminated in accordance with the terms of this Agreement, in form and substance acceptable to the Parties, acting reasonably;
- (t) **“CCAA Assignment Order”** means an order or orders of the CCAA Court pursuant to Section 11.3 and other applicable provisions of the CCAA authorizing and approving the assignment of any Assumed Contract for which a consent, approval or waiver necessary for the assignment of such Assumed Contract has not been obtained, in form and substance acceptable to the Parties, acting reasonably;
- (u) **“CCAA Court”** means the Ontario Superior Court of Justice (Commercial List);
- (v) **“CCAA Initial Order”** means an order that may be granted or issued by the CCAA Court granting protection to the Seller pursuant to the CCAA;
- (w) **“CCAA Proceedings”** means proceedings that may be commenced by the Seller under the CCAA pursuant to the CCAA Initial Order;
- (x) **“CF Loan Agreement”** means the loan agreement entered into on August 6, 2008 between C/F Realty Holdings Inc., as lender, and the Seller, as borrower, as amended

pursuant to an amending agreement entered into as of December 15, 2008, as may be further amended, modified, restated, replaced and supplemented from time to time;

- (y) **“Closing”** means the completion of the Transaction pursuant to the terms and conditions of this Agreement at the time set forth in Section 7.1 (including, as applicable, pursuant to the CCAA Proceedings) and of all other transactions contemplated by this Agreement (or, as applicable, the CCAA Proceedings) that are to occur concurrently with the sale and purchase of the Purchased Assets;
- (z) **“Closing Date”** means the first Business Day that is at least five (5) Business Days following the first date by which all of the conditions in Section 6.8 have been satisfied or waived, or such other date as may be agreed upon by the Parties hereto;
- (aa) **“Commercially Reasonable Efforts”** means the efforts that a reasonably prudent Person who desires to complete the Transaction on commercially reasonable terms would use in similar circumstances without the necessity of, directly or indirectly, assuming or incurring any material obligations or paying or committing to pay any material amounts to an unrelated Person;
- (bb) **“Confidential Information”** means information concerning the Seller, its affiliates and/or its and their respective businesses, operations, finances and affairs that is or has been disclosed by the Seller, its affiliates or any of their respective Representatives to the Buyer, its affiliates or any of their respective Representatives in connection with the Transaction, the proposed transactions of the Seller and its affiliates concerning their assets, business, properties and/or operations outside Canada, this Agreement, including the existence of, the terms and conditions of, or the status of the Transaction, any such other proposed transaction, this Agreement, or any other facts pertaining to any of them, any information about identifiable individuals or any other information relating to the Seller, its affiliates and/or its and their respective businesses, operations, finances and affairs, associates, customers, suppliers, partners, investors, employees and consultants, and includes all data, reports, analyses, compilations, forecasts, records and other material (in whatever form maintained) that contain or otherwise reflect any such information, as well as all notes, analyses, compilations, studies, interpretations or other documents prepared by the Buyer, its affiliates or any of their respective Representatives that contain, reflect or are based upon, in whole or in part, any such information. Notwithstanding the foregoing, **“Confidential Information”** does not include information that the Buyer can demonstrate that: (A) is or becomes readily available to the public other than as a result of disclosure by the Buyer, its affiliates or any of their respective Representatives; (B) is received by the Buyer from an independent third party that obtained it lawfully and was under no duty of confidentiality; (C) has been in the possession of the Buyer on a non-confidential basis prior to the disclosure of such information by the Seller or its Representatives; (D) was independently developed by the Buyer without use or reference of any Confidential Information; or (E) is disclosed pursuant to Applicable Laws or a valid and enforceable order of a court or other Governmental Authority having jurisdiction over the Buyer provided that (other than in respect of disclosure by the Seller pursuant to applicable securities laws) the Buyer shall, to the extent possible, first promptly notify the Seller in writing of such requirement and fully cooperate with respect to any reasonable steps possible to further protect Confidential Information;
- (cc) **“Contract”** means any contract, agreement, lease, sublease, license, sublicense, sales order, purchase order, instrument, or other commitment, whether written or oral, that is binding on any Person or any part of its property under Applicable Law;

- (dd) **“Court Approvals”** means the issuance of the CCAA Initial Order, the CCAA Approval and Vesting Order and, as applicable, CCAA Assignment Orders by the CCAA Court in respect of one or more Assumed Contracts in the CCAA Proceedings, each such order in form and substance satisfactory to the Buyer and the Seller acting reasonably;
- (ee) **“Cure Costs”** means, in respect of any Assumed Contract, all amounts owing as at the Closing Date by the Seller or an affiliate thereof pursuant to such Assumed Contract and all amounts required to be paid to cure any monetary defaults thereunder, if any, required to effect an assignment thereof from the Seller to the Buyer and/or, as applicable, one or more Buyer Designees, and/or to obtain any Third Party Consent and/or, as applicable, pursuant to any CCAA Assignment Order, and any fees required to be paid to obtain such Third Party Consent or CCAA Assignment Order, as agreed upon by the Parties in writing;
- (ff) **“Deposit Amount”** has the meaning given to it in Section 2.6(b);
- (gg) **“Designation Deadline”** has the meaning given to it in Section 2.4;
- (hh) **“Disclosed Personal Information”** has the meaning given to it in Section 10.5(b);
- (ii) **“Employee Plans”** means all oral and written employee benefit, welfare, supplemental unemployment benefit, bonus, pension, profit sharing, executive compensation, current or deferred compensation, incentive or performance compensation, savings, severance or termination pay, retirement, supplementary retirement, registered or unregistered retirement savings, hospitalization insurance, salary continuation, legal, health or other medical, dental, life, disability or other insurance (whether insured or self-insured) plan, program, policy, agreement, practice, undertaking or arrangement, and every other oral or written benefit plan, program, policy, agreement, practice, undertaking or arrangement sponsored, maintained or contributed to or required to be contributed to by the Seller for the benefit of the current or former directors, officers, employees, contractors, consultants of the Seller in respect of the Business and/or their respective dependants or beneficiaries, by which the Seller is bound or with respect to which the Seller participates or has any actual or potential liability, other than statutory benefit plans which the Seller is required to participate in or comply with, including the Canada Pension Plans and plans administered pursuant to applicable health tax, workplace safety insurance and employment insurance legislation;
- (jj) **“Encumbrance”** means any and all right, title, interest, priorities, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, assignments, judgments, options, levies, charges, other financial or monetary claims or encumbrances, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, by or of any and all persons or entities of any kind whatsoever;
- (kk) **“Environmental Laws”** means all Applicable Laws relating to the protection, preservation and remediation of the environment (including the *Canadian Environmental Protection Act, 1999*) or health and safety;
- (ll) **“Excluded Assets”** has the meaning given to it in Section 2.2;
- (mm) **“Excluded Contracts”** has the meaning given to it in Section 2.2(a);
- (nn) **“Excluded Encumbrances”** means the Encumbrances set out on Schedule 1.1(nn);
- (oo) **“Excluded Obligations”** has the meaning given to it in Section 3.2;

- (pp) **“Governmental Authority”** means: (i) any federal, provincial, municipal, local or other governmental or public department, court, commission, board, bureau, agency or instrumentality; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of or in lieu of any of the above;
- (qq) **“HST”** means harmonized sales tax payable under the HST Legislation;
- (rr) **“HST Legislation”** means the *Excise Tax Act* (Canada) and other Applicable Laws in Canada (or any province thereof) giving rise to the requirement to pay harmonized sales tax;
- (ss) **“Improvements”** means all plants, buildings, structures, systems, fixtures, erections and improvements located on, over, under or upon, the Leased Locations;
- (tt) **“Indemnified Losses”** means all claims, liabilities, obligations, damages, awards, assessments, settlement amounts, penalties, fines, judgments, losses, costs, charges and expenses, but for greater certainty, excluding in all cases any and all indirect, incidental, consequential, punitive, exemplary and special damages (including, as exclusions, loss of future revenue or income, business interruption, cost of capital or loss of business reputation or opportunity or diminution in value);
- (uu) **“Intellectual Property”** means any domestic and foreign (i) registered and unregistered trademarks, trade names, business names, brand names, designs, logos, indicia, distinguishing guises, trade dress, service marks, copyrights, trade secrets, industrial designs, inventions, patents, formulas, processes, know-how, technology and related goodwill, (ii) issued patents, continuations in part, divisional applications or analogous rights therefor, (iii) telephone and facsimile numbers, domain name registrations, website names, world wide web addresses and social media accounts, (iv) all right, title and benefit to any and all consents, whether express or implied, granted in accordance with or pursuant to *An Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act (Canada)* (commonly known as **“Canada’s Anti-Spam Law”** or **“CASL”**), and (v) any applications or registrations of any of the foregoing, in each case whether registered or not, as well as all other intellectual property rights in the foregoing;
- (vv) **“Interim Period”** means the period between the date hereof and the Closing Date;
- (ww) **“Inventory and Supplies”** has the meaning given to it in Section 2.1(d);
- (xx) **“Leased Locations”** means those premises occupied by the Business that are listed in Schedule 2.1(a) by reference to their respective municipal addresses;
- (yy) **“Loan Agreements”** means, collectively, (A) the loan agreement entered into on October 2, 2018 between the Seller, as borrower and Royal Bank of Canada, as lender, as amended pursuant to an amending agreement entered into as of February 26, 2019, (B) the CF Loan Agreement, (C) the debentures dated October 31, 2018 (as amended), March 18, 2020, August 5, 2020, and March 22, 2021 between the Seller and Northbridge Financial Corporation, (D) the loan received from the Canada Emergency Benefit Account, and (E) the loan agreement entered into on March 30, 2021 between the Seller, as borrower and Royal Bank of Canada, as lender under the Highly Affected Sectors

Credit Availability Program, in each case as amended, modified, restated, replaced and supplemented from time to time;

- (zz) **“Material Contracts”** means the Assumed Contracts listed in Schedule 1.1(zz) (as may be amended by the Buyer by adding or deleting any Contract therefrom pursuant to and in accordance with Section 2.4);
- (aaa) **“Monitor”** means the monitor appointed pursuant to the CCAA Proceedings;
- (bbb) **“Monitor’s Certificate”** means the certificate of the Monitor contemplated by the CCAA Approval and Vesting Order certifying that the Monitor has received written confirmation in form and substance satisfactory to the Monitor from the Parties that all of the conditions of Closing have been satisfied or waived by the applicable Parties;
- (ccc) **“Ordinary Course”** means, with respect to an action taken or omitted to be taken by a Person, that such action is reasonably practicable and generally consistent with the past practices of the Person having regard to the transactions contemplated by this Agreement and, as applicable, the CCAA Proceedings;
- (ddd) **“Parties”** means the Seller and the Buyer, and **“Party”** means any of them;
- (eee) **“Permitted Encumbrances”** means the following, but, for greater certainty, in each case excluding the Excluded Encumbrances and any and all Encumbrances granted under, pursuant to or in connection with any Excluded Contracts or other Excluded Assets, and also excluding any and all Encumbrances granted in connection with or in respect of, or otherwise securing, any Excluded Obligations:
 - (i) Encumbrances or privileges reserved to, vested in or in favour of any Person by (a) any Applicable Law or (b) the terms of any Authorization, that affects any lands or premises, to amend or terminate any such Authorization or to require annual or other periodic payments or other requirements as a condition to the continuance or effect thereof;
 - (ii) Encumbrances for Taxes, assessments or governmental charges and Encumbrances in favour of a Governmental Authority arising by (a) Applicable Law or (b) operation of Applicable Law and which relate to or secure obligations of the Seller;
 - (iii) covenants, conditions, restrictions, easements and other imperfections or irregularities or similar matters affecting title to the Leased Locations;
 - (iv) any subsisting reservations, limitations, provisions and conditions contained in any original grants from the Crown of any land or interests therein, reservations of undersurface rights to mines and minerals of any kind including rights to coal, petroleum and minerals of any kind, including rights to enter, prospect and remove the same, and statutory exceptions, qualifications or limitations to the title;
 - (v) Encumbrances associated with, and financing statements evidencing, the rights of equipment or other capital lessors under equipment contracts or other capital lease arrangements forming part of the Purchased Assets in and to the equipment or other capital assets which are subject to such Assumed Contracts;
 - (vi) permits, licenses, zoning, entitlement and other land use regulations, agreements, arrangements, easements, restrictions, reservations, restrictive covenants, conditions, rights-of-way, public ways, rights in the nature of an easement and other similar rights in land of, granted to or reserved by other Persons (including,

without in any way limiting the generality of the foregoing, permits, licenses, agreements, easements, subdivisions, development, site plan, zoning, rights-of-way, sidewalks, public ways, as well as rights in the nature of easements or servitudes for sewers, drains, gas and water mains or electric light and power or telephone and telegraph conduits, poles, wires and cables);

- (vii) all matters that are disclosed (whether or not subsequently endorsed over) in any title policies issued in connection with the Leased Locations to the extent such policies have been made available to the Buyer and any plans or surveys to the extent such policies and copies of such surveys and exception documents have been made available to Buyer;
 - (viii) all matters as would be disclosed on current title reports or surveys and that would not reasonably be expected to have a material adverse effect on a Leased Location;
 - (ix) any Encumbrances against the interest of the landlord or sub-landlord at a Leased Location;
 - (x) any Encumbrances granted under the Assumed Contracts including any leases or subleases;
 - (xi) any Encumbrance to be released on or prior to the Closing;
 - (xii) any Encumbrance set out in Schedule 1.1(eee); and
 - (xiii) any amendment, supplement, replacement, extension or renewal of any of the foregoing from time to time;
- (fff) **“Person”** means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, co-operative, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted;
- (ggg) **“Personal Property Leases”** means a personal or movable property lease, equipment lease, conditional or instalment sale contract and other similar agreement relating to any Purchased Equipment to which the Seller is a party or under which it has rights to use any Purchased Equipment;
- (hhh) **“Prepaid Expenses”** has the meaning given to it in Section 2.1(k);
- (iii) **“Purchased Assets”** has the meaning given to it in Section 2.1;
- (jjj) **“Purchased Equipment”** has the meaning given to it in Section 2.1(b);
- (kkk) **“Representatives”** means, in respect of any Party, their respective affiliates, directors, officers, employees, agents and advisors (including financial advisors and legal counsel) of that Party and its affiliates, as well as the directors, officers and employees of any such Party’s agents or advisors;
- (lll) **“Seller”** has the meaning given to it in the preamble to this Agreement;
- (mmm) **“Seller’s Employees”** means the employees of the Seller (full-time or part-time and including those on leave or on disability) and employed for or in the Business on the Closing Date;
- (nnn) **“Specified Insurance Proceeds”** has the meaning given to it in Section 2.1(i);
- (ooo) **“Sunset Date”** has the meaning given to it in Section 9.1(b);

- (ppp) **“Tax”** and **“Taxes”** means all taxes, duties, fees, premiums, assessments, levies and other charges of any kind whatsoever imposed by any Governmental Authority, together with all interest, penalties and fines in respect thereof.
- (qqq) **“Tax Act”** means the *Income Tax Act* (Canada), as amended from time to time;
- (rrr) **“Third Party Consents”** means the consents, approvals and/or authorizations of the contracting parties to the Transaction or any part thereof, including the assignment, novation or other similar arrangement of the Authorizations, the Personal Property Leases, the Assumed Real Property Leases and the other Assumed Contracts, as may be required by the terms thereof;
- (sss) **“Transaction”** means the purchase of assets and assumption of liabilities of the Business by the Buyer contemplated by this Agreement (including pursuant to the CCAA Proceedings, as applicable);
- (ttt) **“Transaction Deposit”** has the meaning given to it in Section 2.6(a);
- (uuu) **“Transfer Taxes”** means any HST or any other federal, provincial, state or local or foreign value-added, sale, use, consumption, multi-staged, ad valorem, personal property, customs, excise, stamp, documentary, filing, transfer, land or real property transfer, or similar Taxes, duties, or charges, or any recording or filing fees or similar charges; and
- (vvv) **“Transferred Employees”** means those Seller’s Employees who accept the offer of employment made by the Buyer or its affiliate(s) pursuant to Section 8.1.

1.2 Schedules

The following Schedules form part of this Agreement:

Schedule 1.1(nn)	Excluded Encumbrances
Schedule 1.1(zz)	Material Contracts
Schedule 1.1(eee)	Permitted Encumbrances
Schedule 2.1(a)	Leased Locations / Assumed Real Property Leases
Schedule 2.1(c)	Assumed Contracts
Schedule 2.1(f)	Intellectual Property
Schedule 2.1(l)	Securities
Schedule 2.2(a)	Excluded Contracts
Schedule 4.10	Environmental Matters
Schedule 6.2(a)	Insurance Policies

1.3 Statutes

Unless specified otherwise, reference in this Agreement to a statute refers to that statute as it may be amended, or to any restated or successor legislation of comparable effect.

1.4 Headings and Table of Contents

The inclusion of headings and a table of contents in this Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof.

1.5 Interpretations

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders. In addition, every use of the words “including” or “includes” in this Agreement is to be construed as meaning “**including, without limitation**” or “**includes, without limitation**”, respectively.

1.6 Currency

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in Canadian dollars.

1.7 Knowledge

Any reference to the “**knowledge**” or awareness of the Seller, will mean the actual knowledge, information and belief of the Seller’s senior executive officers, without inquiry, in their respective capacity as senior executive officers of the Seller only and not in their personal capacity or in any other capacity, and without personal liability, as of the date of this Agreement.

1.8 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

1.9 Entire Agreement

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions and agreements between the Parties in connection with the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

1.10 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by each of the Parties hereto. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

1.11 Governing Law, Jurisdiction and Venue

This Agreement, the rights and obligations of the Parties under this Agreement, and any claim or controversy directly or indirectly based upon or arising out of this Agreement or the Transaction (including for the CCAA Proceedings or any part thereof, and in each case whether based on contract, tort, or any other theory), including all matters of construction, validity and performance, as well as the rights and obligations of the Parties hereunder or thereunder, shall in all respects be governed by, and

interpreted, construed and determined in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein (including, as applicable, the CCAA), without regard to the conflicts of law principles thereof. The Parties consent to the jurisdiction and venue of the courts of the Province of Ontario (including, as applicable, the CCAA Court) for the resolution of any such disputes arising under this Agreement or any other arrangement between the Parties (including the CCAA Proceedings or any part thereof). Each Party agrees that service of process on such Party as provided in Section 10.11 shall be deemed effective service of process on such Party.

ARTICLE 2– PURCHASE AND SALE

2.1 Purchased Assets

Subject to the terms and conditions of this Agreement, at the Closing and effective as at 12:01 am (EST) on the Closing Date, the Seller agrees to sell, assign, transfer and convey to the Buyer and/or, as applicable, one or more Buyer Designees, and the Buyer agrees to or to cause one or more Buyer Designees to purchase, assume and accept from the Seller, all of the Seller's respective right, title and interest in and to, and the Buyer agrees to assume and perform all of the Seller's obligations in and under, the assets and properties of the Seller used, maintained, owned or operated for, in respect of or in connection with the Business, in each case free and clear of all Encumbrances other than the Permitted Encumbrances, excluding the Excluded Assets (including, for greater certainty, the Excluded Contracts listed on Schedule 2.2(a) hereof) (all of such assets and property hereinafter collectively referred to as the "**Purchased Assets**"), including the following:

- (a) **Assumed Real Property Leases.** All of the Seller's respective leasehold interest (subject to the burdens, obligations, restrictions and conditions therein) in the Contracts listed in Schedule 2.1(a), as Schedule 2.1(a) may be amended pursuant to and in accordance with Section 2.4, pursuant to which the Seller uses or occupies the Leased Locations (including all related Contracts such as estoppels, subordination and non-disturbance agreements, guarantees, extensions, renewals and modifications) or rights and any amendments, extensions and restatements thereof, including all Contracts incidental thereto subject to the rights of the applicable landlord or any third party (including rights to ownership or use of such property) under such leases (the "**Assumed Real Property Leases**");
- (b) **Purchased Equipment.** All equipment, machinery, chattels, Improvements, furnishings, computer hardware and peripheral equipment and other tangible personal and movable property (other than Inventory and Supplies) owned by the Seller or the Seller's interests in any such property subject to a personal or movable property lease, equipment lease, conditional or instalment sale contract or other similar agreement to which the Seller is a party or under which the Seller has rights to use any such property (the "**Purchased Equipment**");
- (c) **Contracts.** Without duplication of the Assumed Real Property Leases, the Seller's respective benefit (in each case subject to the burdens, including restrictive covenants, termination rights and other obligations, restrictions and conditions therein) in the Loan Agreements and the other Contracts listed in Schedule 2.1(c), as Schedule 2.1(c) may be amended pursuant to and in accordance with Section 2.4 (including the Assumed Real Property Leases and the Personal Property Leases for Purchased Equipment, collectively, the "**Assumed Contracts**");
- (d) **Inventory and Supplies.** As at the Closing, all those inventories and supplies (both warehouse and retail) that are held by or on behalf of the Seller for sale, rental, lease or

other distribution for, in or of the Business, whether situated at a Leased Location or at any other location (collectively, the “**Inventory and Supplies**”);

- (e) **Motor Vehicles.** All motor vehicles owned or leased by Seller;
- (f) **Intellectual Property.** The Seller’s rights, interests and benefits (through ownership, licensing or otherwise) in the Intellectual Property used in the Business, and including the Intellectual Property listed in Schedule 2.1(f);
- (g) **Cash.** All Cash and Cash Equivalents, whether on hand, in transit to the Seller on the Closing Date or in banks or other financial institutions, and all security entitlements, securities accounts, commodity contracts and commodity accounts on hand at Closing;
- (h) **Insurance Policies.** To the extent assignable or transferable in accordance with the terms and conditions of the applicable insurance policies, Applicable Law, the CCAA Assignment Order or the CCAA Approval and Vesting Order, (i) all of the Seller’s insurance policies and rights and benefits thereunder (including (A) all rights pursuant to and proceeds, condemnation, or expropriation awards or other compensation in respect of loss or damage to any Purchased Asset from such insurance policies, and (B) all claims, demands, proceedings and causes of action asserted by the Seller under such insurance policies relating to any Purchased Asset or Assumed Obligation), and (ii) any letters of credit related thereto;
- (i) **Specified Insurance Proceeds.** The net proceeds of any insurance payable or paid in respect of any Purchased Asset, as well as the Seller’s rights in and to any such proceeds (the “**Specified Insurance Proceeds**”);
- (j) **Receivables.** All accounts receivable of the Seller that are outstanding as at the Closing Date (but excluding amounts owing or receivable in respect of any Excluded Asset), any Tax credit or attribute, HST and other Tax receivables, as well as future Tax receivables and Tax refund entitlements related to periods ending on or before the Closing Date, or in respect of a taxable period that includes but does not end on the Closing Date, the portion thereof up to and including the Closing Date, in each case of a Seller or any of its businesses (collectively, the “**Receivables**”);
- (k) **Prepaid Expenses and Deposits.** All amounts which are prepaid in respect of or in relation to the Purchased Assets, including all deposits made by the Seller or on account of the Seller for goods and services purchased, ordered or leased by the Seller in respect of the Business as well as all deposits, advances, advance payments, prepayments, deferred charges or rebates in favour of the Seller including (i) security deposits with third-party suppliers, vendors or utility or service providers, ad valorem taxes and lease and rental payments, (ii) rebates, (iii) collateral pledged for workers’ compensation and (iv) prepayments, in respect of the Assumed Real Property Leases, the Personal Property Leases for Purchased Equipment and the other Assumed Contracts, the benefit of all of which are transferable to the Buyer in accordance with the terms of this Agreement, all of which are Assumed Contracts being assigned to and assumed by the Buyer and are Assumed Obligations (the “**Prepaid Expenses**”);
- (l) **Securities.** All shares, partnership or joint venture interests and any other securities of any Person owned or held by the Seller, as set forth in Schedule 2.1(l);
- (m) **Books and Records.** All documents used by the Seller and with respect to which the Seller has possession or a right to possession of, in connection with, or relating to, the Purchased Assets, the Assumed Obligations, or the operations of the Seller’s Business, including all files, data, reports, plans, mailing lists, supplier lists, customer lists, price

lists, all books of account and other financial data and information of the Seller or the Business, employee personnel records of Transferred Employees, marketing information and procedures, advertising and promotional materials, equipment records, warranty information, environmental site assessments, building condition reports, surveys, records of operations, standard forms of documents, manuals of operations or business procedures, and other similar procedures (including all discs, tapes, and other media-storage data containing such information);

- (n) **Tax Records.** All original Tax records and books and records pertaining thereto, minute books, corporate seals, taxpayer and other identification numbers and other documents relating to the Seller and/or the Business, *provided that* the Seller shall retain the original copies of any of the records required to be provided to the Buyer hereunder (and provide the Buyer with a copy thereof) to the extent the Seller is expressly required to do so under Applicable Law;
- (o) **Employee Plans.** All (i) assets and rights under the Employee Plans other than any Employee Plan that is an employment or similar agreement between a Seller's Employee and the Seller and (ii) human resources and other employee-related files and records relating to the Transferred Employees, except to the extent prohibited by Applicable Law;
- (p) **Confidentiality Rights.** All rights of the Seller under non-disclosure or confidentiality, non-compete, or non-solicitation agreements with employees and agents of the Seller or with third parties;
- (q) **Other Rights.** All rights, claims, actions, refunds, causes of action, choses in action, suits, proceedings, rights of recovery, rights of setoff, rights of recoupment, rights of indemnity or contribution, and other similar rights (known and unknown, matured and unmatured, accrued or contingent, regardless of whether such rights are currently exercisable) against any Person, including all warranties, representations, guarantees, indemnities, and other contractual claims (express, implied, or otherwise); and
- (r) **Goodwill.** The goodwill of the Business, including the exclusive right of the Buyer to (i) represent itself as carrying on the Business in continuation of and in succession to the Seller, and (ii) use any words indicating that the Business is carried on,

but, for greater certainty, in each case excluding any Excluded Assets.

Notwithstanding anything in this Agreement to the contrary, the Buyer may, in its sole and absolute discretion, at any time on or prior to the Designation Deadline, elect to acquire any additional assets, properties, and rights of the Seller, and any asset so designated by the Buyer shall be a Purchased Asset for all purposes hereunder; *provided, however*, that, with respect to Contracts, such designation shall be made in accordance with Section 2.4.

2.2 Excluded Assets

Notwithstanding any provision of this Agreement, the Purchased Assets will not, and will not be deemed to, include any of the following assets, property, rights, benefits or undertakings of the Seller (collectively, the “**Excluded Assets**”):

- (a) all rights and interests in and to the Contracts to which the Seller is a party, other than the Assumed Contracts, as set out in Schedule 2.2(a) (the “**Excluded Contracts**”);
- (b) all of the Seller's rights and benefits under this Agreement and the Transaction;

- (c) any asset or property otherwise forming part of the Purchased Assets that is sold, conveyed, leased or otherwise consumed, utilized, transferred or disposed of in the Ordinary Course during the Interim Period, or otherwise in compliance with the terms of this Agreement; and
- (d) all director and officer insurance policies and any entitlements and any proceeds paid or payable thereunder to or on behalf of the directors and officers of the Seller.

Notwithstanding anything in this Agreement to the contrary, the Buyer may, in its sole and absolute discretion, at any time on or prior to the Designation Deadline, elect not to acquire any of the assets, properties, and rights of the Seller, and any asset so designated by the Buyer shall be an Excluded Asset for all purposes hereunder; provided, however, that, with respect to Contracts, such designation shall be made in accordance with Section 2.4.

2.3 Condition of Conveyance

Without limiting the provisions of this Agreement relating to sale, transfer, assignment, conveyance, or delivery, the Purchased Assets and the Assumed Obligations shall be sold, transferred, assigned, conveyed, and delivered by the Seller to the Buyer and/or, as applicable, one or more Buyer Designees, by appropriate instruments of transfer, bills of sale, endorsements, assignments, and deeds, in recordable form, by way of CCAA Assignment Order, as appropriate, or as otherwise acceptable to the Buyer, and free and clear of any and all Encumbrances of any and every kind, nature, and description, other than Permitted Encumbrances.

2.4 Material Contracts, Assumed Contracts and Assumed Real Property Leases Schedules

Notwithstanding anything in this Agreement to the contrary, the Buyer, in its sole discretion, shall have the right at any time and from time to time up to one (1) day prior to the Closing Date (the “**Designation Deadline**”), upon written notice to the Seller, to (a) amend and update Schedules 1.1(zz), 2.1(a), 2.1(c) and 2.2(a), as applicable, to add (or in the case of Schedule 2.2(a), delete) any one or more of the Contracts to which the Seller is party, to such schedule and upon delivery of each such notice, the Contract so added or deleted shall, for all purposes of this Agreement, be deemed to be a Material Contract, Assumed Real Property Lease and/or Assumed Contract, as the case may be, and liabilities arising at and after the Closing Date under such Contract shall be an Assumed Obligation for all purposes of this Agreement to the extent so provided herein; (b) for any particular Assumed Contract that will be assumed in whole or in part by a Buyer Designee, to identify such Buyer Designee, and (c) amend and update Schedules 1.1(zz), 2.1(a), 2.1(c) and 2.2(a) as applicable, to delete (or in the case of Schedule 2.2(a), add) any one or more Contracts therefrom, and the Contract so deleted or added shall, for all purposes of this Agreement, be deemed to have ceased to be a Material Contract and/or be an Excluded Contract, as the case may be, and in the case of the latter, all liabilities arising at any time therefrom shall be Excluded Obligations for all purposes of this Agreement to the extent so provided herein, provided, however, that if the addition of an Excluded Contract results in a material increase in the aggregate amount of Excluded Obligations, such addition of an Excluded Contract shall be subject to the consent of the Monitor. If the Buyer indicates in writing to the Seller after the Closing Date that it wishes to acquire a Contract of the Seller that was not an Assumed Contract on the Closing Date, the Seller will use its Commercially Reasonable Efforts to assign such Contract to the Buyer and/or, as applicable, one or more Buyer Designees; provided, however, that nothing herein shall be deemed or construed to obligate the Seller to retain, or refrain from rejecting or terminating, any Contract after the Designation Deadline that does not constitute an Assumed Contract; provided, further, that nothing herein shall be deemed to require the Seller to delay or otherwise alter the completion of the CCAA Proceedings or any winding-up of the Seller or any of its affiliates. Notwithstanding the foregoing or anything else contained

in this Agreement, the Closing shall not be delayed or restricted in any way as a consequence of this Section 2.4.

2.5 As is, Where is

THE BUYER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN, THE PURCHASED ASSETS AND THE BUSINESS ARE PURCHASED AND THE ASSUMED OBLIGATIONS ARE ASSUMED BY THE BUYER AND/OR, AS APPLICABLE, ONE OR MORE BUYER DESIGNEES, “**AS IS, WHERE IS**” AS THEY SHALL EXIST AT THE CLOSING DATE WITH ALL FAULTS AND WITHOUT ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, IN FACT OR BY LAW WITH RESPECT TO THE PURCHASED ASSETS, THE BUSINESS AND THE ASSUMED OBLIGATIONS, AND WITHOUT ANY RECOURSE TO THE SELLER OR ANY OF ITS DIRECTORS, OFFICERS, SHAREHOLDERS, REPRESENTATIVES OR ADVISORS, OTHER THAN FOR KNOWING AND INTENTIONAL FRAUD. THE BUYER AGREES TO ACCEPT THE PURCHASED ASSETS, THE BUSINESS AND THE ASSUMED OBLIGATIONS IN THE CONDITION, STATE AND LOCATION THEY ARE IN ON THE CLOSING DATE BASED ON THE BUYER’S OWN INSPECTION, EXAMINATION AND DETERMINATION WITH RESPECT TO ALL MATTERS AND WITHOUT RELIANCE UPON ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES OF ANY NATURE MADE BY OR ON BEHALF OF OR IMPUTED TO THE SELLER, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT. Unless specifically stated in this Agreement, the Buyer acknowledges and agrees that no representation, warranty, term or condition, understanding or collateral agreement, whether statutory, express or implied, oral or written, legal, equitable, conventional, collateral or otherwise, is being given by the Seller in this Agreement or in any instrument furnished in connection with this Agreement, as to description, fitness for purpose, sufficiency to carry on any business, merchantability, quantity, condition, quality, value, suitability, durability, environmental condition, assignability or marketability thereof, or in respect of any other matter or thing whatsoever, and all of the same are expressly excluded.

2.6 Deposit Amount

- (a) During the Interim Period, but subject to the CCAA Approval and Vesting Order having been granted by the CCAA Court, the Seller and the Buyer may enter into terms for the payment of a deposit payable in one or more installments up to a total amount of \$2,250,000, to be repaid or assumed, as the case may be, in accordance with or as otherwise contemplated by the terms of this Agreement and/or such additional terms as may be entered into between Seller and Buyer, each acting reasonably, at the time of their funding (the “**Transaction Deposit**”). The Transaction Deposit shall be used solely to finance the Seller’s working capital requirements, other general corporate purposes and capital expenditures, and the costs of the CCAA Proceedings.
- (b) Upon Closing, all interest, income and earnings on the Transaction Deposit (together with the Transaction Deposit, the “**Deposit Amount**”) will constitute an Assumed Obligation of the Buyer pursuant to Section 3.1 of this Agreement.
- (c) If this Agreement is terminated for any reason, then the Deposit Amount shall be, and become immediately due and payable in full by Seller to Buyer without any additional notice, demand or other action or otherwise to the Seller or from the Buyer, and the Buyer shall be deemed to have made a formal demand thereunder, secured as a priority Encumbrance against the Seller pursuant to the CCAA Approval and Vesting Order.

2.7 Purchase Price and Payment

- (a) The aggregate consideration for the Purchased Assets is the aggregate sum of (A) \$520,000 (the “**Base Purchase Price**”), plus (B) an amount equal to Cure Costs, plus (C) the assumption of the Assumed Obligations by Buyer or one or more Buyer Designees.
- (b) At the Closing, the Buyer shall (A) pay to the Seller the Base Purchase Price by way of wire transfer of immediately available funds to such bank account as is designated by the Seller and advised by the Seller to the Buyer no later than the Closing Date, (B) pay to the Monitor all Cure Costs, if any, as may be directed by the Monitor, and (C) assume the Assumed Obligations. For the avoidance of doubt, the consideration for the purchase by Buyer of the Purchased Assets includes the assumption of the Assumed Obligations by Buyer or one or more Buyer Designees. Notwithstanding the previous sentence, for the purposes of the Tax Act and for computing Transfer Taxes, the consideration for the Purchased Assets shall include only the Assumed Liabilities.

2.8 Purchase Price Allocation

The Buyer and the Seller agree to act in good faith to determine the allocation of the aggregate consideration for the Purchased Assets in accordance with the Tax Act and other Applicable Law. In the event that agreement cannot be reached, the Parties will jointly choose an independent accounting firm, whose decision shall be final. Half of the costs of such firm shall be paid by the Seller and the other half of such costs by the Buyer. The Parties agree to execute and file all Tax returns, declarations, reports, statements and other filings on the basis of such allocation.

2.9 Tax Matters

- (a) All amounts payable by the Buyer to the Seller pursuant to this Agreement are exclusive of Transfer Taxes arising in connection with the sale, conveyance, assignment and transfer of the Purchased Assets to the Buyer and/or, as applicable, one or more Buyer Designees. The Buyer and/or, as applicable, one or more Buyer Designees, will be solely liable and responsible for and will pay, if required by Applicable Law, all Transfer Taxes (and within the time periods required thereunder). The Parties will cooperate with each other in good faith and will use Commercially Reasonable Efforts to assist the Buyer and/or, as applicable, one or more Buyer Designees, in mitigating such taxes. If the Seller is required by any Applicable Law or by administration thereof to collect any applicable Transfer Taxes from the Buyer and/or, as applicable, one or more Buyer Designees, the Buyer and/or such Buyer Designees will pay such amounts to the Seller concurrent with the payment of any consideration payable pursuant to this Agreement or, if arising after Closing, forthwith, and Seller will pay such amounts to the applicable Governmental Authority on a timely basis and otherwise in accordance with Applicable Laws.
- (b) The Parties will use their Commercially Reasonable Efforts in good faith to minimize (or eliminate) any taxes payable under the HST Legislation in respect of the Closing by, among other things, at the specific request of the Buyer to the Seller, the Parties filing a joint election in a timely manner under Section 167 of the *Excise Tax Act* (Canada), if applicable and available). If the Buyer requests the Seller to make any such election, then in addition to any other indemnification obligation of the Buyer to the Seller, the Buyer will at all times indemnify and hold harmless the Seller and its Additional Indemnitees against and in respect of any and all Indemnified Losses, including all amounts assessed (together with any and all interests and penalties) by the Minister of

National Revenue (Canada) or the corresponding Governmental Authority in each other applicable jurisdiction (including all legal and professional fees incurred by the Seller or its shareholders, directors, officers, agents, advisors and/or employees, as a consequence of or in relation to any such assessment) as a consequence of either the Minister or any such other Governmental Authorities determining, for any reason, other than the actions or inaction of the Seller, that either election is unavailable, inapplicable, invalid or not properly made.

- (c) If requested by the Seller, the Parties shall enter into an election under Section 22 of the Tax Act.
- (d) If requested by Seller, the Seller and the Buyer will duly and timely execute an election pursuant to Subsection 20(24) of the Tax Act and any analogous provisions of any other Tax law to apply to such amount determined and paid by Seller to Buyer for assuming future obligations of Seller in respect of undertakings which arise from the operation of the corresponding business and to which Paragraph 12(1)(a) of the Tax Act or any analogous provision of other Tax law applies or applied.
- (e) Taxes (other than Transfer Taxes) imposed upon or assessed directly against the Purchased Assets (including real estate Taxes, personal property Taxes and similar Taxes), but for greater certainty, excluding Taxes imposed or assessed against the Seller in respect of Seller's income, capital gains/losses or similar Taxes, for any Tax period, including prior to the Closing, will be assumed by and shall be the sole responsibility of the Buyer.

ARTICLE 3– ASSUMED OBLIGATIONS AND EXCLUDED OBLIGATIONS

3.1 Assumed Obligations

Subject to Closing, the Buyer agrees to or to cause one or more Buyer Designees to assume, pay, discharge, perform and fulfil, and will indemnify and hold harmless the Seller and its Additional Indemnitees from and against, the following debts, commitments, claims, obligations and liabilities of the Seller with respect to the Business and the Purchased Assets, in each case whether direct or indirect, present or future, absolute, accrued or contingent (collectively, but for greater certainty excluding all Excluded Obligations, the “**Assumed Obligations**”):

- (a) all obligations and liabilities in respect of the Assumed Contracts but, for greater certainty, excluding the Excluded Obligations;
- (b) all obligations and liabilities in respect of customer loyalty programs, gift cards, food and merchandise credits and other similar customer retainer, engagement and incentive programs of the Business;
- (c) all Cure Costs;
- (d) all liabilities and obligations in respect of the Deposit Amount;
- (e) all liabilities and obligations secured by Permitted Encumbrances prescribed in the clause (xii) of such definition, but, for greater certainty, excluding the Excluded Obligations;
- (f) for greater certainty, all obligations under Applicable Law after the Closing with respect to the storage and retention of personal, financial or other records in respect of or included as the Purchased Assets;
- (g) all liabilities and obligations assumed by the Buyer as described in Section 8.2;

- (h) all liabilities and obligations with respect to Employee Plans duly assigned to, and assumed as a Purchased Asset, by the Buyer pursuant to Sections 2.1(o) and 8.1(c), respectively;
- (i) all Taxes that are specified as liabilities and obligations of the Buyer under Section 2.9; and
- (j) any other obligations and liabilities expressly assumed under this Agreement.

For greater certainty, the amount or value of the Assumed Liabilities shall not be included in determining the value of a Purchased Asset.

3.2 Excluded Obligations

Except for those arising from, due to or attributable to any violation or breach by the Buyer of any of its covenants, representations or warranties and except as expressly assumed by the Buyer and/or, as applicable, one or more Buyer Designees, pursuant to any of Sections 3.1(a) to 3.1(j) (inclusive), the Buyer and/or, as applicable, one or more Buyer Designees, will not assume and will have no obligation to discharge, perform or fulfill any of the following liabilities, debts, obligations, commitments or claims, direct or indirect, whether present or future, absolute, accrued or contingent, of the Seller (collectively, the “**Excluded Obligations**”):

- (a) all liabilities and obligations of any kind relating to the Excluded Assets (including any Contract that is not an Assumed Contract);
- (b) all obligations and liabilities of the Seller that are secured by court-ordered charges in the CCAA Proceedings and that are subject to the Cash Reserve, in an amount not less than \$100,000;
- (c) any liability with respect to any legal, accounting audit, financial advisory, and investment banking fees and any other expenses incurred by the Seller, including with respect to the transactions contemplated by this Agreement or the CCAA Proceedings; and
- (d) any other obligations or liabilities expressly excluded from the Assumed Obligations under this Agreement.

The Buyer covenants and agrees that, from and after the Closing Date, (i) it will, at no cost to the Seller, forthwith upon receipt from time to time provide the Seller with all notices, demands and other communications received by or on behalf of the Buyer and/or, as applicable, one or more Buyer Designees, in respect of any Excluded Obligations or Excluded Assets; (ii) it will, at no cost to the Seller, co-operate with the Seller in connection with all reasonable demands under any Excluded Obligations or Excluded Assets, including providing the Seller with access to all personnel, information, data, documents, agreements and instruments reasonably required by the Seller to the extent relating to Excluded Obligations or Excluded Assets; and (iii) the Seller shall be entitled to exercise any rights and remedies that the Seller or the Buyer may have in respect of any of the Excluded Obligations and Excluded Assets, either by contract, law or in equity. This ending provision of Section 3.2 shall survive and not merge on the Closing.

3.3 Assumption of Contractual and Real Property Leases Obligations

- (a) Notwithstanding anything contained in this Agreement or elsewhere, other than the obligation of the Buyer to pay all Cure Costs, the Buyer and/or, as applicable, one or more Buyer Designees, will not assume and will have no obligation to discharge any

liability or obligation under any Assumed Contract which is not assignable or assumable in whole or in part without a Third Party Consent, unless such Third Party Consent or, as applicable, a CCAA Assignment Order, has been obtained.

- (b) Without limiting the generality of the foregoing but subject to the payment by the Buyer of the applicable Cure Costs, in each case in accordance with this Agreement, if any of the Assumed Contracts cannot be assigned to or assumed by the Buyer and/or, as applicable, one or more Buyer Designees, without a Third Party Consent or by way of a novation agreement, or, if applicable, a CCAA Assignment Order (which Third Party Consent, novation agreement or CCAA Assignment Order shall not have been obtained at or prior to the Closing), then notwithstanding anything contained in this Agreement or elsewhere, this Agreement does not constitute an assignment or attempted assignment of any such Assumed Contract if the assignment or attempted assignment would constitute a breach of such Assumed Contract. For greater certainty, in respect of any Assumed Contract (other than a Material Contract), if the consent of any Person is required to assign such Assumed Contract but such consent or CCAA Assignment Order, as applicable, is not obtained prior to Closing, such Assumed Contract shall not form part of the Purchased Assets and (A) neither Party shall be in breach of this Agreement as a consequence thereof, (B) no condition to Closing shall be, or be deemed to be, unsatisfied as a consequence thereof, and (C) the Closing shall not be delayed or restricted in any way as a consequence thereof.
- (c) Each Party shall use reasonable best efforts, acting in good faith, cooperatively and in a timely manner, to obtain, or cause to be obtained, at or prior to the Closing Date, the requisite Third Party Consents or, if applicable, CCAA Assignment Orders, pursuant to the Assumed Contracts.
- (d) The Seller agrees, as required by the Buyer, to enter into any occupancy agreements on terms acceptable to the Parties, each acting reasonably, in connection with any real property lease that is not an Assumed Real Property Lease.
- (e) Without limiting the Buyer's obligations under Sections 3.3(c) and 10.1, the Buyer will forthwith provide to the Seller and, if requested by the Seller, the requisite landlords, materials suitable for presentation to landlords of the Leased Locations or any other information required by any Assumed Real Property Lease or any such landlord. Furthermore, the Buyer will execute and deliver all necessary amendments, acknowledgements or assumption agreements required by any counterparty, in form acceptable to the Parties, each acting reasonably, as a condition to the issuance of its consent and that are commercially reasonable and contemplated in the corresponding Assumed Contracts and shall provide all necessary certificates of insurance required under such Assumed Contracts.
- (f) The Buyer acknowledges that if any Third Party Consents are not obtained in respect of any such Assumed Real Property Lease and such Assumed Real Property Lease is terminated by the landlords thereunder, the Seller shall have no liability therefor to the Buyer and such Assumed Real Property Lease shall be an Excluded Asset and the liabilities thereunder shall be Excluded Obligations.
- (g) This Section 3.3 shall survive and not merge on the Closing.

ARTICLE 4– REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller represents and warrants as follows to the Buyer as of the date hereof and acknowledges and confirms that the Buyer is relying upon the following representations and warranties in completing the Transaction.

4.1 Corporate Power

- (a) The Seller is duly organized and validly existing under the laws of its jurisdiction of organization; and
- (b) The Seller has the power, authority and capacity to enter into and perform its obligations under this Agreement and to own the Purchased Assets and to carry on the Business as currently conducted.

4.2 Residence of the Seller

The Seller is not a non-resident of Canada for the purposes of the Tax Act.

4.3 Absence of Conflicts

Subject to receipt of the Court Approvals, the Seller is not a party to, bound or affected by or subject to any charter or by-law provision or Applicable Laws or Authorizations that would be violated, breached, or under which any default would occur or with notice or the passage of time would be created, as a result of the execution and delivery of, or the performance of obligations under, this Agreement or any other agreement or document to be entered into or delivered under the terms of this Agreement, except for any violations, breaches or defaults that would not have a material adverse effect on the Seller or the Business.

4.4 Due Authorization and Enforceability of Obligations

Subject to receipt of the Court Approvals, the execution and delivery of this Agreement and the consummation of the Transaction have been duly authorized by all necessary corporate action of the Seller. Subject to receipt of the Court Approvals, this Agreement has been duly and validly executed by the Seller and constitutes a valid and binding obligation of the Seller enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors generally and by general principles of equity, regardless of whether asserted in a proceeding in equity or law.

4.5 Approvals and Consents

Except for the Court Approvals and the Third Party Consents, no authorization, consent or approval of, or filing with or notice to, any Governmental Authority, court or other Person is required in connection with the execution, delivery or performance of this Agreement by the Seller and each of the agreements to be executed and delivered by the Seller hereunder or the sale of the Purchased Assets hereunder, except for any authorizations, consents, approvals, filings or notices the failure of which to receive or obtain would not have a material adverse effect on the Business and the Purchased Assets, taken as a whole.

4.6 Compliance with Laws

The Seller is conducting the Business in compliance with all Applicable Laws except where the failure to be in compliance would not reasonably be expected to result in a material adverse effect on the Business and the Purchased Assets, taken as a whole. No written notice or warning from any Governmental Authority with respect to any failure or alleged failure of, or necessity for, the Seller (solely in respect of the Purchased Assets and the Business) to comply with any Applicable Law has been received by the Seller nor, to the knowledge of the Seller, is any such notice or warning proposed or threatened except as would not reasonably be expected to result in a material adverse effect on the Business and the Purchased Assets, taken as a whole.

4.7 Title to the Purchased Assets

Except in respect of the Leased Locations (which are addressed in Section 4.8) and the leased Purchased Equipment (in which the Seller only has a leasehold interest subject to the terms of the corresponding Personal Property Leases), the Seller is the sole legal and beneficial owner of the Purchased Assets.

4.8 Assumed Real Property Leases

The Seller is not currently a party to, or under any agreement to become a party to, any leases, subleases, licenses, rights of way, easements or other occupation agreement as lessee or occupant with respect to the Leased Locations other than the Assumed Real Property Leases. With respect to each Assumed Real Property Lease, except for defaults (x) due to, arising from or caused by the CCAA Proceedings or the insolvency of the Seller or (y) otherwise disclosed to the Buyer, the Third Party Consents and other than the Cure Costs owing, (i) there are no outstanding defaults by the Seller thereunder which would reasonably be expected to have a material adverse effect on the Purchased Assets and (ii) to the knowledge of the Seller, there exists no outstanding default by the landlord which would reasonably be expected to have a material adverse effect on the Purchased Assets.

4.9 Assumed Contracts

All of the Assumed Contracts are valid and binding against the Seller. Except for defaults (x) due to, arising from or caused by the CCAA Proceedings or the insolvency of the Seller or (y) otherwise disclosed to the Buyer, the Third Party Consents and other than the Cure Costs owing, (i) there are no outstanding defaults by the Seller thereunder which would reasonably be expected to have a material adverse effect on the Purchased Assets and (ii) to the knowledge of the Seller, there exists no outstanding default by the counterparties to the Assumed Contracts which would reasonably be expected to have a material adverse effect on the Purchased Assets.

4.10 Environmental Matters

Other than as set out in Schedule 4.10 and solely with respect to the Leased Locations:

- (a) the Seller is conducting the Business in compliance (in all material respects) with Environmental Laws;
- (b) the Seller has not received any written notice or warning from any Governmental Authority with respect to any material adverse condition or any material non-compliance with any Environmental Laws that remains outstanding at this time; and

- (c) no litigation or regulatory action is pending, or, to the knowledge of the Seller, threatened against the Seller with respect to the Business alleging material non-compliance with or material liability under Environmental Laws at the Leased Locations.

Notwithstanding anything else contained in this Agreement, the representations and warranties contained in this Section 4.10 are the sole and exclusive representations and warranties of the Seller pertaining or relating to any environmental, health or safety matters, including any arising under any Environmental Laws.

4.11 Taxes

The Seller is registered for purposes of the Tax imposed under the HST Legislation.

4.12 No Other Representations and Warranties

Notwithstanding anything else contained in this Agreement, except for the representations and warranties contained in this Article 4, neither the Seller nor any other Person on behalf of the Seller makes any representation or warranty, express or implied, with respect to the Seller, the Purchased Assets, the Business, the Assumed Obligations or the Transaction.

ARTICLE 5– REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Seller as follows, and acknowledges that the Seller is relying upon the following representations and warranties in connection with its sale of the Purchased Assets:

5.1 Corporate Power

- (a) The Buyer is duly organized and validly existing under the laws of its jurisdiction of organization; and
- (b) The Buyer has the power, authority and capacity to enter into and perform its obligations under this Agreement and to own and lease real property and carry on business.

5.2 Residence of the Buyer

The Buyer:

- (a) is not a non-resident of Canada for the purposes of the Tax Act;
- (b) is a “**Canadian**” or “**WTO investor**” for the purposes of the *Investment Canada Act* (Canada); and
- (c) is not a “**state-owned enterprise**” for the purposes of the *Investment Canada Act* (Canada).

5.3 Absence of Conflicts

The Buyer is not a party to, bound or affected by or subject to any charter or by-law provision or Applicable Laws or Authorizations that would be violated, breached, or under which any default would occur or with notice or the passage of time would be created, as a result of the execution and delivery of, or the performance of obligations under, this Agreement or any other agreement or document to be

entered into or delivered under the terms of this Agreement, except for any violations, breaches or defaults that would not have a material adverse effect on the Buyer.

5.4 Due Authorization and Enforceability of Obligations

The execution and delivery of this Agreement and the consummation of the Transaction have been duly authorized by all necessary corporate action of the Buyer, if applicable or required. This Agreement has been duly and validly executed by the Buyer, and constitutes a valid and binding obligation of the Buyer enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors generally and by general principles of equity, regardless of whether asserted in a proceeding in equity or law.

5.5 Approvals and Consents

No authorization, consent or approval of, or filing with or notice to, any Governmental Authority, court or other Person is required in connection with the execution, delivery or performance of this Agreement by the Buyer and each of the agreements to be executed and delivered by the Buyer hereunder or the purchase of the Purchased Assets hereunder, except for any authorizations, consents, approvals, filings or notices that would not have a material adverse effect on the Buyer.

5.6 HST Legislation

The Buyer will be registered at Closing for purposes of the Tax imposed under the HST Legislation.

5.7 Financing and Solvency

The Buyer will, on Closing, have available in immediately-available funds on hand, from its working capital and/or currently available unrestricted credit facilities, all the cash that the Buyer shall need at the Closing to consummate the purchase of the Purchased Assets and the Transaction. As of the Closing and immediately after consummating the transactions contemplated by this Agreement, the Buyer will not (i) be insolvent (either because its financial condition is such that the sum of its debts is greater than the fair value of its assets or because the present fair value of its assets will be less than the amount required to pay its probable liability on its debts as they become absolute and matured), (ii) have unreasonably small capital with which to engage in its business or (iii) have incurred or plan to incur debts beyond its ability to repay such debts as they become absolute and matured.

5.8 Regulatory

At all relevant times, the Buyer is qualified in all respects (including under Applicable Laws), to acquire and own the Purchased Assets and operate the Business as currently conducted.

5.9 Compliance with Laws

The Buyer is conducting its business and operations in compliance, in all material respects, with all Applicable Laws of each jurisdiction in which its business and operations is carried on. No written notice or warning from any Governmental Authority with respect to any failure or alleged failure of, or necessity for, its business and operations to comply with any Applicable Law has been received by the Buyer nor, to the knowledge of the Buyer, is any such notice or warning proposed or threatened.

5.10 Informed and Sophisticated Buyer

The Buyer is an informed and sophisticated Buyer, and has engaged expert advisors and is experienced in the evaluation and purchase of property and assets and assumption of liabilities such as the Purchased Assets, the Business and the Assumed Obligations as contemplated hereunder. The Buyer has undertaken such investigations and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Agreement.

5.11 Diligence

The Buyer acknowledges and agrees that: (a) it is purchasing the Business and the Purchased Assets and assuming the Assumed Obligations on an “**as is, where is**” basis; (b) it has relied upon its own independent review, investigation and inspection of the documents and information made available by or on behalf of the Seller for the purpose of the Transaction, as well as of the Business, the Purchased Assets and the Assumed Obligations; (c) except as expressly set forth in this Agreement, it is not relying upon any written or oral statements, documents, information, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Purchased Assets, the Business and the Assumed Obligations; and (d) the obligations of the Buyer under this Agreement are not conditional upon any additional due diligence. The provisions of this Section 5.11 shall survive and not merge on Closing.

5.12 No Brokers

No agent, broker, person or firm acting on behalf of the Buyer is, or will be, entitled to any commission or brokers’ or finders’ fees from the Buyer or from any affiliate of the Buyer, in connection with any of the Transaction.

5.13 No Other Representations and Warranties.

Notwithstanding anything else contained in this Agreement, except for the representations and warranties contained in this Article 5, neither the Buyer nor any other Person on behalf of the Buyer makes any representation or warranty, express or implied, with respect to the Buyer or the Transaction.

ARTICLE 6– CONDITIONS AND OTHER AGREEMENTS

6.1 Conduct Prior to Closing

- (a) During the Interim Period, except, in each case, either (A) in furtherance of or in relation to the Transaction, (B) with the prior written consent of the Buyer (not to be unreasonably withheld, conditioned or delayed) or (C) as applicable, in connection with the CCAA Proceedings or otherwise pursuant to any orders or directions of the CCAA Court, the Seller will, in all material respects, conduct the Business and deal with the Purchased Assets in the Ordinary Course and in accordance with Applicable Law, including, as may be permitted by the CCAA Court, as applicable, paying and discharging the liabilities of the Business when due in accordance and consistent with past practice.
- (b) Without limiting the generality of Section 6.1(a), but except, in each case, either (A) in furtherance of or in relation to the Transaction, (B) with the prior written consent of the Buyer (not to be unreasonably withheld, conditioned or delayed) or (C) as applicable, in

connection with the CCAA Proceedings or otherwise pursuant to any orders or directions of the CCAA Court, during the Interim Period, the Seller will use Commercially Reasonable Efforts to:

- (i) in all material respects, keep available the services of the Seller's Employees and preserve current relations with, and the current goodwill of, suppliers, customers, landlords, Governmental Authorities and all other Persons having material business relationships with the Seller;
- (ii) not amend in any material respect or renew, extend the term or accept the surrender of any Assumed Real Property Lease;
- (iii) in all material respects, preserve, protect and maintain the Purchased Assets in the Ordinary Course;
- (iv) not make any material changes in employment terms or Employee Plan terms for any of the Seller's officers, directors and employees; and
- (v) continue and keep in full force and effect all insurance coverage currently held by the Seller.

6.2 Insurance Obligations

- (a) Prior to the Closing Date, the Seller shall use Commercially Reasonable Efforts to cause the insurance policies identified for assignment in Schedule 6.2 to be assigned to the Buyer and obtain any consents required in respect thereof. In the event the Seller is unable, despite its Commercially Reasonable Efforts, to assign one or more of such policies to the Buyer, the Seller shall use Commercially Reasonable Efforts to cause the Buyer to be named as an additional insured and loss payee on each such policy. Notwithstanding anything to the contrary contained herein, the Seller will not cancel, terminate or otherwise impair any such insurance policy (other than, in respect of any occurrence based policy with a policy period expiring after the Closing Date, a termination of any portion of the policy period occurring on or after the Closing Date), and, in the event that any such policy is so terminated, cancelled or otherwise impaired by the Seller, any liability which would have otherwise been covered under such policy shall not be an Assumed Obligation and instead shall be an Excluded Obligation.
- (b) In the event that the Seller succeeds in assigning one or more of the insurance policies identified for assignment in Section 6.2(a) hereof to the Buyer, the Buyer shall cause the Seller to be named as additional insured and loss payees on each such policy concurrently with the effectiveness of such assignment. Notwithstanding anything to the contrary contained herein, the Buyer will not cancel, terminate or otherwise impair any such transferred insurance policy (other than, in respect of any occurrence based policy with a policy period expiring after the Closing Date, a termination of any portion of the policy period occurring on or after the Closing Date), and, in the event that any such policy is so terminated, cancelled or otherwise impaired by the Buyer, any liability which would have otherwise been covered under such policy shall be treated as an Assumed Liability hereunder.

6.3 CCAA Proceedings

- (a) The Seller and the Buyer will effectuate the Transaction pursuant to the CCAA Proceedings under Applicable Laws. Acting in a timely manner and in good faith, the Parties shall amend this Agreement, if required, to effect the Transaction pursuant to the

CCAA Proceedings on or prior to the Sunset Date, including each taking or causing to be taken all such action and executing and delivering or causing to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to effect the Transaction in such other agreed-upon manner.

- (b) Without limiting the generality of Section 6.3(a):
 - (i) The Seller shall file (A) promptly following execution of this Agreement, an application for an order of the CCAA Court with respect to the CCAA Proceedings, granting the CCAA Initial Order, (B) as soon as practicable thereafter, a motion for an approval and vesting order of the CCAA Court approving this Agreement and authorizing the Seller to complete the Transaction and vesting the Purchased Assets in the Buyer in accordance with this Agreement and (C) as applicable, a motion for the CCAA Assignment Order. The Buyer and the Seller each agree that it or they will promptly take such actions as are reasonably requested by the other of them to assist in the filing of each such motion and to obtain entry of each such order, including filing affidavits. All motions brought by the Seller in respect of any such order shall be brought on notice to such parties as may be reasonably required by the Buyer, in addition to any parties to whom notice is required by the CCAA Court to be given.
 - (ii) The Buyer and the Seller shall promptly provide to the other of them all such information and assistance as may be reasonably requested to obtain entry of any Court Approval.

6.4 Possession of Purchased Assets; Expenses for Removal

- (a) On Closing, the Buyer shall take possession of the Purchased Assets *in situ* at Closing. The Buyer acknowledges that the Seller has no obligation to deliver physical possession of the Purchased Assets to the Buyer.
- (b) The Buyer shall promptly notify the Seller of any Excluded Assets that may come into the possession or control of the Buyer or its affiliates, whether before or after Closing, and thereupon shall promptly release such Excluded Assets to the Seller or its affiliates, or to such other Person as the Seller may direct in writing and, for greater certainty, no title or other license to use shall, or shall be deemed to, vest to the Buyer in respect of any Excluded Assets.
- (c) The Seller shall promptly notify the Buyer of any Purchased Assets that may come into the possession or control of the Seller or its affiliates after Closing, and thereupon shall promptly release such Purchased Assets to the Buyer or their affiliates at the cost and expense of the Buyer to pick up and transfer such Purchased Assets, or to such other Person as the Buyer may direct in writing and, for greater certainty, no title or other license to use shall, or shall be deemed to, vest to the Seller in respect of any Purchased Assets.
- (d) If the Closing occurs and the Buyer is required pursuant to Section 6.4(e), or decides in its sole and absolute discretion, to dismantle, remove, transport or otherwise move any of the Purchased Assets (there being no obligation or requirement on the Buyer to do so other than as required by Section 6.4(e)), the Seller shall provide such reasonable assistance as is requested by the Buyer with respect to any location that is not subject to an Assumed Real Property Lease, but in all cases the Buyer shall be solely responsible and liable for and pay as and when required:

- (i) any and all costs of dismantling or removing Purchased Assets from any location that is not a Leased Location or other location under the control of the Seller and/or transporting them to a new location; and
 - (ii) the cost of repairing any damage caused to the site exclusively by the dismantling or removal by the Buyer or its representatives of any of the Purchased Assets from any such Leased Location or other location, it being acknowledged that the Buyer will have no responsibility to repair any damage caused by the installation, presence, use or operation of the Purchased Asset at such location.
- (e) Within 30 days from the Closing, the Buyer shall ensure that all Purchased Assets are removed, at the Buyer's sole cost and expense, from each location currently occupied by the Business that is not subject to an Assumed Real Property Lease or other location under the control of the Seller.
- (f) During the Interim Period, if, with the consent of the Buyer, any Contract for a leased location of the Business is disclaimed or a leased location of the Business is otherwise closed, the Seller shall cause any Purchased Assets (including any Inventory and Supplies and equipment) at such Leased Location to be delivered, at the Seller's expense, to a Leased Location that is reasonably proximate to such disclaimed or closed location on or before Closing. For greater certainty, if any such Contract is disclaimed or any such location is closed at or after the Closing, the Buyer shall ensure that all Purchased Assets are removed, at the Buyer's sole cost and expense, from each such location.

6.5 Access to Information

Until the Closing Date and to the extent permitted by Applicable Law, the Seller shall give to the Buyer's personnel engaged in this transaction and their accountants, legal advisers, consultants and other Representatives during normal business hours and upon reasonable advance notice, reasonable access to their premises and shall furnish them with all such information relating to the Purchased Assets as the Buyer may reasonably request in connection with the Transaction. Notwithstanding anything in this Section 6.5 to the contrary, any such investigation shall be conducted upon reasonable advance notice and in such manner as does not disrupt the business or any of the assets of the Seller. The Buyer acknowledges and confirms its representations and warranties in Sections 5.10 and 5.11 and that access to information pursuant to this Section 6.5 is not intended to, and shall not, provide for any due diligence inquiry as a condition to the Closing or otherwise.

6.6 Conditions for the Benefit of the Buyer

The obligation of the Buyer to complete the Transaction is subject to the following conditions to be fulfilled or performed at or prior to the Closing, which conditions are for the exclusive benefit of the Buyer and may be waived, in whole or in part, by the Buyer in its sole discretion:

- (a) **Truth of Representations and Warranties.** The representations and warranties of the Seller contained in this Agreement must be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and of such date (except for those representations and warranties that are made as of a specific time or date), in each case except to the extent that the same would not result in a material adverse effect with respect to the Seller or the Business; provided that the Seller must have delivered to the Buyer a signed certificate of a senior officer to that effect.
- (b) **Performance of Covenants.** The Seller must have fulfilled or complied, in all material respects, with all covenants contained in this Agreement to be fulfilled or complied with

by it at or prior to the Closing, and the Seller must have delivered to the Buyer a signed certificate of a senior officer to that effect.

- (c) **Deliverables.** The Seller must have delivered to the Buyer the documents contemplated in Section 7.2, in each case in form and substance satisfactory to the Buyer, acting reasonably.
- (d) **Proceedings.** All proceedings to be taken in connection with the Transaction on the part of the Seller must be satisfactory in form and substance to the Buyer, acting reasonably, and the Buyer must have received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation of the Transaction and the taking of all necessary corporate proceedings in connection therewith.

6.7 Conditions for the Benefit of the Seller

The obligation of the Seller to complete the Transaction is subject to the following conditions to be fulfilled or performed at or prior to the Closing, which conditions are for the exclusive benefit of the Seller and may be waived, in whole or in part, by the Seller in its sole discretion:

- (a) **Truth of Representation and Warranties.** The representations and warranties of the Buyer contained in this Agreement must be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and of such date (except for those representations and warranties that are made as of a specific time or date), in each case except to the extent that the same would not result in a material adverse effect with respect to the Buyer; provided, that the Buyer must have delivered to the Seller a signed certificate of a senior officer to that effect.
- (b) **Performance of Covenants.** The Buyer must have fulfilled or complied, in all material respects, with all covenants contained in this Agreement to be fulfilled or complied with by it at or prior to the Closing, and the Buyer must have delivered to the Seller a signed certificate of a senior officer to that effect.
- (c) **Deliverables.** The Buyer must have delivered to the Seller the documents contemplated in Section 7.3, in each case in form and substance satisfactory to the Seller, acting reasonably.

6.8 Mutual Conditions

The obligation of the Parties to complete the Transaction is subject to the following conditions to be fulfilled or performed at or prior to the Closing, which conditions are for the exclusive benefit of each of the Seller and the Buyer and may only be waived, in whole or in part, by both the Seller and the Buyer:

- (a) **No Legal Action.** No provision of any Applicable Laws and no judgment, injunction, order or decree that prohibits the consummation of the Transaction pursuant to and in accordance with this Agreement being in effect.
- (b) **Court Approvals.** The Seller must have received the Court Approvals as required for the completion of the Transaction in accordance with the terms and conditions of this Agreement and such Court Approvals have not been stayed or varied in a manner prejudicial to the Buyer and/or the Seller, or vacated.
- (c) **Consents and Approvals.** The Buyer shall have received a Third Party Consent or a CCAA Assignment Order with respect to each Material Contract which cannot be assigned to the Buyer without such a Third Party Consent or CCAA Assignment Order.

6.9 No Frustration of Closing Condition

Neither Buyer nor Seller may rely on the failure of any condition to their respective obligations to consummate the transactions contemplated hereby set forth in Sections 6.6, 6.7 and 6.8, as the case may be, to be satisfied if such failure was caused by such Party's or its affiliates' failure to use its reasonable best efforts (or Commercially Reasonable Efforts, to the extent specifically provided) to satisfy the conditions to the consummation of the transactions contemplated hereby or by any other breach of a representation, warranty, or covenant of such Party hereunder, including to seek and obtain on reasonably satisfactory terms all requisite Third Party Consent and CCAA Assignment Orders, as applicable, as may be necessary or desirable.

6.10 Change of Name

- (a) Prior to the Closing, the Seller shall take all steps required to permit the Buyer to adopt a corporate name in which the words "McEwan" or "Enterprises" are used. Such steps shall include executing any consents and acknowledgements required in order to enable the Buyer to file articles of incorporation or articles of amendment containing a corporate name in which the words "McEwan" or "Enterprises" are used.
- (b) From and after the Closing Date, the Seller shall, with respect to its business, operations and locations:
 - (i) discontinue use of any and all Intellectual Property and do all such acts and make all such filings or otherwise to change the name of itself and its business, operations and locations, if any, to another name that is not confusingly similar to any of the Intellectual Property and any variation or derivative of any one or more of them; and
 - (ii) remove all the Intellectual Property and any variation or derivative thereof from all public display and signage, and cease creation of any new documents, correspondence or communication of any kind in any format made available or delivered to any other Person or to the public that includes any of the Intellectual Property, including any of its marketing materials, social media and Internet activities.
- (c) Forthwith after Closing, Seller shall take all steps necessary to change its corporate name to one which does not include the words "McEwan" or "Enterprises".
- (d) From and after the Closing Date, at no time may Seller use any of the Intellectual Property to suggest or imply, in any manner, directly or indirectly, that the Seller or its business is in any way, from and after the Closing Date, associated, affiliated, endorsed by, licensed by or related to the Buyer or the Business.
- (e) Seller acknowledges and agrees that, from and after the Closing Date, Buyer owns all right, title and interest, in and to the Intellectual Property and any derivatives, modifications, enhancements or improvements thereto.

ARTICLE 7- CLOSING

7.1 Date, Time and Place of Closing

The completion of the Transaction will take place at the offices of Goodmans LLP at Suite 3400, Bay Adelaide Centre, 333 Bay Street, Toronto, Ontario M5H 2S7 at 10:00 a.m. (EST) on the Closing Date, or at such other place, on such other date and at such other time as may be agreed upon in writing

by the Parties. Notwithstanding the foregoing, the Parties acknowledge and agree that the Transaction will be deemed to have closed effective as at 12:01 am (EST) on the Closing Date.

7.2 Seller's Deliverables at Closing

At Closing, the Seller will deliver or cause to be delivered to the Buyer the following:

- (a) the Cash and Cash Equivalents, net of the Cash Reserve, by wire transfer of immediately available funds to such accounts as are designated by the Buyer two (2) Business Days prior to the Closing;
- (b) the executed Monitor's Certificate;
- (c) an issued copy of the CCAA Approval and Vesting Order;
- (d) one or more bills of sale executed by the Seller to convey the Purchased Assets to the Buyer and/or, as applicable, one or more Buyer Designees, free and clear of all Encumbrances other than Permitted Encumbrances, duly executed by the Seller;
- (e) an assignment of intangible property to transfer the Purchased Assets that are intangible property to the Buyer and/or, as applicable, one or more Buyer Designees, free and clear of all Encumbrances (other than Permitted Encumbrances), duly executed by the Seller;
- (f) an assignment and assumption agreement providing for the assignment by the Seller of its right, title, and interest in and to the Purchased Assets and the Buyer and/or, as applicable, one or more Buyer Designees' assumption of the Assumed Obligations executed by the Seller, as may be required by either the Seller or the counterparties thereto, and, if applicable and otherwise agreed to by the Parties, a CCAA Assignment Order in respect of the Assumed Contracts;
- (g) an employment agreement duly executed and delivered to the Buyer by Dennis Mark McEwan, substantially on the same terms as the current terms of his employment;
- (h) if applicable, the elections referred to in Section 2.9, in each case signed by the Seller;
- (i) the certificates referred to in Section 6.6(a) and Section 6.6(b);
- (j) an irrevocable share transfer power of attorney in respect of all of the shares of 2860117, duly executed in blank by the Seller; and
- (k) all other documents reasonably requested by the Buyer to be entered into or delivered by the Seller at Closing pursuant to the terms of this Agreement.

7.3 Buyer Deliverables at Closing

At Closing, the Buyer will deliver or cause to be delivered to the Seller the following:

- (a) the Base Purchase Price, in the manner set forth in Section 2.7;
- (b) certified copies of:
 - (i) the charter documents of the Buyer;
 - (ii) resolutions of the board of directors of the Buyer approving the entering into of this Agreement and the completion of the Transaction;
 - (iii) a list of the officers and directors of the Buyer authorized to sign agreements together with their specimen signatures; and

- (iv) resolutions of the board of directors of 2860117 in respect of the transfer of shares of 2860117 from the Seller to the Buyer;
- (c) a certificate of status, compliance, good standing or like certificate with respect to the Buyer issued by the appropriate governmental officials of its jurisdiction of incorporation;
- (d) evidence satisfactory to the Seller, acting reasonably, of payment by the Buyer to the Monitor of Cure Costs, if any;
- (e) one or more bills of sale executed by the Buyer and/or, as applicable, one or more Buyer Designees, to purchase the Purchased Assets from the Seller free and clear of all Encumbrances other than Permitted Encumbrances;
- (f) an assignment of intangible property to transfer the Purchased Assets that are intangible property to the Buyer and/or, as applicable, one or more Buyer Designees, free and clear of all Encumbrances (other than Permitted Encumbrances), duly executed by the Buyer;
- (g) an assignment and assumption agreement providing for the assignment by the Seller of its right, title, and interest in and to the Purchased Assets and the Buyer and/or, as applicable, one or more Buyer Designees' assumption of the Assumed Obligations executed by the Buyer, as may be required by either the Seller or the counterparties thereto, in respect of the Assumed Contracts, as well as all documentation, deliveries and assurances, in each case as may be required by the relevant counterparties in connection therewith and that have been agreed to be the Buyer;
- (h) a general security agreement delivered in connection with the CF Loan Agreement, in substantially similar form as the general security agreement delivered by the Seller in respect of the CF Loan Agreement and acceptable to the Buyer and Seller, acting reasonably, provided, for certainty, that the general security agreement delivered by the Buyer shall grant security solely with respect to the obligations with respect to the Loan (as defined under the CF Loan Agreement) and no other obligations;
- (i) if applicable, the elections referred to in Section 2.9, in each case signed by the Buyer;
- (j) the certificates referred to in Section 6.7(a) and Section 6.7(b); and
- (k) all other documents reasonably requested by the Seller to be entered into or delivered by the Buyer at Closing pursuant to the terms of this Agreement.

7.4 Cash Reserve

The Seller shall deliver to the Buyer, within three (3) Business Days by wire transfer of immediately available funds to such accounts as are designated by the Buyer, any funds remaining in the Cash Reserve on the earlier of (i) six (6) months after the Closing Date and (ii) the date the administration of the Seller's wind-down is completed.

ARTICLE 8– EMPLOYEES

8.1 Employees

- (a) At least seven (7) days prior to the Closing Date, the Buyer and/or, as applicable, one or more Buyer Designees, shall make an offer of employment, effective as of the Closing Date and contingent upon the Closing, to each of the Seller's Employees on substantially the same terms and conditions of employment as in effect immediately prior to the

Closing, subject to, for greater certainty, reasonably necessary changes on account of the fact that the Buyer is not acquiring the Excluded Assets (including some of the existing locations where certain of the Seller's Employees have been employed), which shall not be conditional (other than Closing) or include any probationary or other similar period. With respect to any Seller's Employee who is on a long-term disability leave of absence as of the Closing Date, such offer shall be contingent upon such Seller's Employee returning to active status. Each Seller's Employee who accepts such offer of employment shall be referred to hereinafter as a "Transferred Employee". Notwithstanding the foregoing, nothing herein shall be construed as to prevent the Buyer and/or, as applicable, one or more Buyer Designees, at its sole responsibility, liability and obligation, from terminating the employment of any Transferred Employee, consistent with Applicable Law, at any time following the Closing Date.

- (b) Each Transferred Employee shall be given credit for all service with the Seller, and its predecessors for all employment purposes, including under any employee benefit plans or arrangements of the Buyer and/or, as applicable, one or more Buyer Designees, maintained by the Buyer and/or, as applicable, one or more Buyer Designees, in which such Transferred Employees participate following the Closing Date, for purposes of eligibility, vesting, and entitlement to benefits, including for severance benefits and vacation entitlement (but not for accrual of pension benefits). Notwithstanding the foregoing, nothing in this Section 8.1(b) shall be construed to require crediting of service that would result in a duplication of benefits.
- (c) Prior to the Closing Date, the Seller shall (i) cause each of the Employee Plans, together with all assets and rights thereunder, to be transferred to the Buyer and/or, as applicable, one or more Buyer Designees, (ii) assign all Contracts entered into in connection with the Employee Plans to the Buyer, and (iii) obtain any consents required in respect thereof, to ensure that all Transferred Employees and their dependents continue to participate in the Employee Plans and accrue benefits thereunder through and after the Closing Date. In the event the Seller is unable to assign one or more of such plans to the Buyer, the Seller shall use Commercially Reasonable Efforts to ensure that the Transferred Employees and their dependents continue to participate in the Employee Plans and accrue benefits thereunder through and after the Closing Date. Notwithstanding anything to the contrary contained herein, the Seller will not cancel, terminate or otherwise impair any of the Employee Plans.
- (d) The Buyer shall, or shall cause the applicable Buyer Designees to, provide each Transferred Employee with credit for the same number of vacation and sickness benefit days such Transferred Employee shall have accrued but not used in the calendar year in which the Closing Date occurs. In the event that a Transferred Employee is unable to use such carried over vacation and sickness days within the calendar year in which the Closing Date occurs, the Buyer shall, or shall cause the applicable Buyer Designees to, allow such Transferred Employee to carry over such vacation and sickness days to be used in the subsequent calendar year.
- (e) The Parties agree that nothing in this Section 8.1, whether express or implied, is intended to create any third party beneficiary rights in any Transferred Employee.
- (f) Effective upon the Closing Date, the Seller hereby waives, for the benefit of the Buyer and/or, as applicable, one or more Buyer Designees only, any and all restrictions in any Employee Plan or Contract relating to (i) non-competition with the Seller, (ii) non-solicitation of the Seller's Employees or customers, or (iii) maintenance of confidentiality

of any information for the benefit of the Seller, in each case, with or covering any Transferred Employee.

8.2 Employee Liability

The Buyer and/or, as applicable, one or more Buyer Designees, will assume and be responsible for:

- (a) all liabilities for salary, wages, bonuses, commissions, vacation pay, and other compensation and benefits (including accrued vacation and sick days, retirement benefits, if any, and pay in lieu thereof, as well as any other benefits and other similar arrangements) relating to the employment of all Transferred Employees prior to and after the Closing Date;
- (b) all liabilities for vacation and sick pay and entitlement in respect of Transferred Employees accrued or payable prior to and after the Closing Date;
- (c) all severance payments, payments for notice of termination or in lieu of notice of termination, damages for wrongful dismissal and all related costs in respect of the termination by the Seller, Buyer and/or, as applicable, one or more Buyer Designees, of the employment of any employee of the Business;
- (d) all liabilities for claims for injury, disability, death or workers' compensation arising from or related to employment of the Transferred Employees prior to and after the Closing Date; and
- (e) all employment-related claims, penalties, contributions, premiums and assessments in respect of the Business arising out of matters which occur prior to and after the Closing Date.

ARTICLE 9– TERMINATION

9.1 Termination

This Agreement may be terminated at any time prior to Closing as follows:

- (a) by mutual written consent of the Seller and the Buyer, *provided however* that if this Agreement has been approved by the CCAA Court, any such termination may require approval of the CCAA Court, as applicable;
- (b) by the Seller, on the one hand, or the Buyer, on the other hand, if the Closing has not occurred on or before November 12, 2021 (the “**Sunset Date**”), *provided however* that if the Closing shall not have occurred on or before the Sunset Date due to a material breach of any representations, warranties, covenants or agreements contained in this Agreement by Buyer or Seller, then the breaching Party may not terminate this Agreement pursuant to this Section 9.1(b);
- (c) by the Seller, if there has been a material violation or breach by the Buyer of any covenant, representation or warranty which would prevent the satisfaction of any condition set forth in Section 6.7 or 6.8 by the Sunset Date and such violation or breach has not been waived by the Seller or cured within fifteen (15) days after written notice thereof from the Seller, unless the Seller is in material breach of its obligations under this Agreement; and

- (d) by the Buyer, if there has been a material violation or breach by the Seller of any covenant, representation or warranty which would prevent the satisfaction of any condition set forth in Section 6.8 by the Sunset Date and such violation or breach has not been waived by the Buyer or cured within fifteen (15) days after written notice thereof from the Buyer, unless the Buyer is in material breach of its obligations under this Agreement.

The Party (or in the case of Section 9.1(a), Parties) desiring to terminate this Agreement pursuant to this Section 9.1 shall provide the Monitor with reasonable advance notice of the termination.

9.2 Effect of Termination

In the event of termination of this Agreement pursuant to Section 9.1, this Agreement shall become void and of no further force and effect, except as contemplated in Sections 1.11, 2.6, 2.7, 3.3 and 5.11 and Article 10, each of which shall survive termination. Nothing in this Section 9.2 shall be deemed to relieve any Party from liability for any breach of this Agreement or to impair the right of any Party to compel specific performance by any other Party of its obligations under this Agreement.

ARTICLE 10– GENERAL MATTERS

10.1 Further Assurances

- (a) Each of the Parties hereto shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Parties hereto may reasonably require from time to time for the purpose of giving effect to this Agreement and shall use Commercially Reasonable Efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement. Upon and subject to the terms and conditions of this Agreement and subject to the directions of any applicable courts to the Parties, including the CCAA Court, the Parties shall use their Commercially Reasonable Efforts to take or cause to be taken all actions and to do or cause to be done all things necessary proper or advisable under Applicable Laws and within their reasonable control to consummate and make effective the Transaction, including using Commercially Reasonable Efforts to satisfy or waive the conditions precedent to the obligations of the Parties hereto.
- (b) Without limiting the generality of the foregoing, following the Closing:
 - (i) the Seller will forward and transfer to the Buyer and/or, as applicable, one or more Buyer Designees, as soon as is commercially reasonable and practicable, any payments, documents, information, communications or correspondence which the Seller or any affiliate thereof may receive from time to time that solely and directly relates to the Purchased Assets or the Assumed Obligations and which should have properly been paid, provided or delivered to the Buyer and/or, as applicable, one or more Buyer Designees, and that any payments so received by it or any affiliate thereof will be held in trust pending such transfer;
 - (ii) the Buyer will forward and transfer to the Seller, as soon as is commercially reasonable and practicable, any payments which the Buyer or any affiliate thereof may receive from time to time in respect of any Excluded Asset or Excluded Obligation which should have properly been paid, provided or delivered to the Seller, and that any payments so received by it or any affiliate thereof will be held in trust pending such transfer; and

- (iii) the Buyer and/or, as applicable, one or more Buyer Designees, shall permit the Seller and its agents reasonable access to the historical records and other documentation relating to the Purchased Assets, the Business (including the books and records), the Assumed Obligations and Seller's Employees (subject to the Seller agreeing to appropriate confidentiality requirements), where required by the Seller in connection with any legal, administrative or other similar inquiry or proceeding.

10.2 Third Party Beneficiaries

Except as otherwise provided in Sections 2.9 and 10.3 in respect of Indemnified Losses only, the Parties intend that this Agreement will not benefit or create any right or cause of action in, or on behalf of, any Person, other than the Parties to this Agreement and no Person, other than the Parties to this Agreement, will be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum. The Seller acts as trustee and agent on behalf of each of its Additional Indemnitees and holds for their benefit their rights under Section 2.9 and 10.3 in respect of Indemnified Losses only. Each Party agrees that the other Parties may enforce the indemnity for and on behalf of such Additional Indemnitees and, in such event, the indemnifying Party will not in any proceeding to enforce the indemnity by or on behalf of such Additional Indemnitees assert any defence thereto based on the absence of authority or consideration or privity of contract and irrevocably waives the benefit of any such defence. The Parties to this Agreement reserve their right to vary or rescind the rights at any time and in any way whatsoever granted by or under this Agreement to any Person who is not a Party to this Agreement, without notice to or consent of that Person, including any of its Additional Indemnitees.

10.3 Confidentiality

- (a) Until the Closing Date and, if this Agreement is terminated for any reason, for one (1) year after the date hereof, the Buyer agrees that neither it nor its affiliates nor any of their respective Representatives shall disclose to any third party and shall hold in strict confidence, and each agrees to instruct its Representatives not to disclose to any third party and to hold in strict confidence, all Confidential Information, without the prior written consent of the Seller.
- (b) Without limiting the generality of the foregoing, all press releases, notices to third parties (including public store signage) and all other publicity concerning the Transaction (including the CCAA Proceedings) or any matter contemplated or referenced by this Agreement (including the existence of, the terms and conditions of, and the status of the Transaction, all of which constitute Confidential Information), and, to the extent practicable, any announcements, notices or other communications to any employee, customer or supplier, shall be jointly planned and coordinated by the Parties and no Party shall, directly or indirectly, allow, permit or otherwise enable or assist in any such matter without the express prior written approval of the other Parties, each acting reasonably.
- (c) Notwithstanding Section 10.3(a), the Buyer shall be entitled to disclose Confidential Information to its Representatives who have a need to know for the sole purpose of the Transaction (including any requisite review and approval thereof).
- (d) Without limitation to any rights or remedies of the Seller against the Buyer, its affiliates or any of their respective Representatives, the Buyer shall be principally liable for any and all breaches of the terms of Sections 10.3 and 10.4 by its affiliates or its or their Representatives. In the event of a breach of the terms of Sections 10.3 and 10.4, the Buyer shall indemnify, defend and hold harmless the Seller and each of its Additional

Indemnitees for any and all Indemnified Losses whatsoever incurred by the Seller or its Additional Indemnitees as a result of such breach.

- (e) No Confidential Information shall be copied, reproduced in any form, or stored in a retrieval system or database by the Buyer, its affiliates or any of their respective Representatives without the prior written consent of the Seller, except for such copies and storage as may reasonably be required internally by the foregoing for the purposes herein described. In the event that the Buyer becomes aware that it or any of its affiliates or its or their Representatives has disclosed Confidential Information contrary to Sections 10.1 to 10.4 (inclusive), the Buyer shall forthwith advise the Seller in writing.

Notwithstanding the foregoing or anything to the contrary herein, if the Seller has commenced CCAA Proceedings, (i) this Agreement may be filed by the Seller with the CCAA Court; and (ii) the Transaction may be disclosed by the Seller to the CCAA Court, subject to redacting confidential or sensitive information as permitted by Applicable Law and rules, including preparation and filing of reports and other documents by the Monitor and other professional advisors and consultants of the Seller with the CCAA Court, as applicable or required, containing references to the Transaction and the terms of such Transaction as may reasonably be necessary to obtain the Court Approvals and to complete the Transaction contemplated by this Agreement or to comply with their obligations to the CCAA Court.

10.4 Return and Destruction of Confidential Information

If Closing does not occur by the Closing Date or such earlier date of termination if this Agreement is terminated in accordance with the provisions hereof, upon the written request of the Seller, the Buyer shall return to the Seller or, at the Seller's option, destroy all Confidential Information in the possession or control of the Buyer, any of its affiliates or any of their respective Representatives and shall be liable for ensuring that each of the Buyer's affiliates and its and their respective Representatives either return to the Seller or, at the Seller's option, destroy the Confidential Information in their respective control, and shall delete all Confidential Information from any retrieval system or database in its possession or control and shall be liable for ensuring that each of the Buyer's affiliates and its and their respective Representatives delete all Confidential Information from any retrieval system or database with their respective control, provided however that:

- (a) the Buyer shall not be required to expunge from its records internally generated documents (including electronic copies) containing any Confidential Information;
- (b) the Buyer shall be permitted to maintain one copy of the Confidential Information solely for audit and enforcement purposes;
- (c) the Buyer is not required to alter its normal record retention policies; and
- (d) legal counsel of the Buyer will be permitted to retain one copy of the Confidential Information,

provided further that in each of the cases in Sections 10.4(a) through 10.4(d), such Confidential Information shall be kept on a confidential basis and continue to be subject to terms and conditions contained in this Agreement, notwithstanding any expiry or termination hereof.

10.5 Privacy Laws

- (a) For the purpose of this Section 10.5, "**Personal Information**" means information about an identifiable individual but excludes an individual's name, position name or title, business telephone number, business address, business e-mail, business fax number and

other similar business information collected, used or disclosed to contact an individual in their capacity as an official or employee of an organization. For greater certainty, “**Personal Information**” shall include all health and medical information and records.

- (b) Prior to the Closing, none of the Parties will use any Personal Information of any Person (including the Seller’s Employees) disclosed to the Buyer by the Seller pursuant to or in connection with this Agreement (the “**Disclosed Personal Information**”) for any purposes other than those related to the performance of this Agreement and the completion of the Transaction.
- (c) Each of the Parties acknowledges and confirms that the disclosure of Disclosed Personal Information is necessary for the purposes of determining if the Parties will proceed with the Transaction, and that the disclosure of Disclosed Personal Information relates solely to the carrying on of the Seller’s business of owning and operating restaurants, catering, gourmet grocery and an events company in Canada and the completion of the Transaction.
- (d) The Buyer undertakes, after the Closing, to comply at all times with Applicable Laws as it pertains to privacy which govern the collection, use and disclosure of Personal Information, including in respect of the Disclosed Personal Information and all Personal Information of the Seller’s Employees.
- (e) The Buyer covenants and agrees that where the Parties do not complete or proceed with the Transaction, the Buyer will, if such information is still in the custody of or under the control of the Buyer, either, at the Buyer’s option, destroy (and promptly provide to the Seller an officer’s certificate executed by the Chief Executive Officer of the Buyer confirming same) such information or return it to the Seller.

10.6 Survival

None of the representations, warranties or covenants (except the covenants in Sections 1.11, 2.5-2.9, 3.1, 3.2, 3.3, 5.11, 6.2, 6.4(b), 6.4(c), 6.4(d), 6.4(e), 6.10, 7.4, 8.2 and 9.2, as well as Article 10, in each case to the extent they are to be performed or operate by their express terms after the Closing) of either of the Parties set forth in this Agreement shall survive Closing.

10.7 Non-Recourse

No past, present or future director, officer, employee, incorporator, member, partner, stockholder, affiliate, agent, attorney or representative of the respective Parties hereto, in such capacity, shall have any liability for any obligations or liabilities of the Buyer or the Seller, as applicable, under this Agreement or for any claim based on, in respect of, or by reason of, the Transaction. In addition, under no circumstance shall any of the Parties, their respective affiliates or theirs or their affiliates’ Representatives be liable for any special, punitive, exemplary, consequential or indirect damages (including loss of profits) that may be alleged to result, in connection with, arising out of, or relating to this Agreement or the Transaction.

10.8 Expenses

Except as otherwise specifically provided herein or in the CCAA Initial Order, each of the Seller and the Buyer shall be responsible for the expenses (including fees and expenses of legal advisers, accountants and other professional advisers) incurred by them, respectively, in connection with the negotiation and settlement of this Agreement and the completion of the Transaction.

10.9 Time of the Essence

Time will be of the essence in this Agreement.

10.10 Successors and Assigns

- (a) This Agreement will become effective when executed by each of the Parties and after that time will be binding upon and enure to the benefit of each Party and its respective successors and permitted assigns.
- (b) Except as provided herein, neither this Agreement, nor any of the rights or obligations hereunder, will be assignable or transferable by any Party without the prior written consent of the other Party, not be to unreasonably withheld, provided that the Buyer may, without the consent of the Seller, assign or transfer any or all of its right and/or obligations hereunder to one or more of its affiliates (it being understood that the Buyer nonetheless shall remain liable for the performance of all of the Buyer's obligations hereunder to the extent not performed by the assignee or any Buyer Designee); provided, further, that, after Closing, the Buyer may, without the consent of the Seller, assign or transfer any or all of its rights and/or obligations hereunder.

10.11 Access to Books and Records

For (i) a period of two (2) years from the Closing Date or (ii) for such longer period as may be reasonably required for the Seller (or any trustee in bankruptcy of the estate of the Seller) to comply with Applicable Law, provided that in the case of (ii), the Seller or such trustee in bankruptcy shall have provided the Buyer with reasonably advanced written notice prior to the expiry of the initial two (2) year period specifying the Applicable Laws requiring an extension and the length of the requested extension, the Buyer will retain, in all material respects, all original Books and Records that are transferred to the Buyer under this Agreement. So long as any such Books and Records are retained by the Buyer pursuant to this Agreement, the Seller (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of the Seller, including the Monitor) has the right (at its own cost, expense and liability) to inspect and to make copies of them upon reasonable notice and request during normal business hours and without undue interference to the business operations of the Buyer, for the sole purpose of such Person making the request complying with Applicable Laws, and strictly limited to the extent required for such compliance.

10.12 Notices

Any notice, request, demand or other communication required or permitted to be given to a Party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed given under this Agreement on the earliest of: (i) the date of personal delivery; (ii) the date of transmission by facsimile or e-mail, with confirmed transmission and receipt or the date of transmission by electronic transmission (in each case, if sent during normal business hours of the recipient, and if not, then on the next Business Day); (iii) two days after deposit with a nationally-recognized courier or overnight service such as Federal Express; or (iv) five days after mailing via certified mail, return receipt requested. All notices not delivered personally or by facsimile or e-mail will be sent with postage and other charges prepaid and properly addressed to the Party to be notified at the address set forth for such Party:

- (a) If to the Buyer at: 2864785 Ontario Corp.
38 Karl Fraser Road
Toronto, Ontario M3C 0H7

Attention: Dennis Mark McEwan
Facsimile: (416) 444-6212

(b) If to the Seller at:

McEwan Enterprises Inc.
c/o Goodmans LLP
333 Bay Street
Suite 3400
Toronto, Ontario M5H 2S7

Attention: Robert J. Chadwick/
Caroline Descours
Facsimile: (416) 979-1234
E-mail: rchadwick@goodmans.ca/
cdescours@goodmans.ca

Any Party may change its address or other information for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to such Party at its changed address or such change information.

10.13 Monitor's Certificate

The Parties acknowledge and agree that the Monitor shall be entitled to deliver to the Buyer, and file with the CCAA Court, the executed Monitor's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Monitor shall have no liability to the Parties in connection therewith.

10.14 No Liability

The Parties acknowledge and agree that the Monitor, acting in its capacity as Monitor of the Seller, shall have no liability in its personal capacity or otherwise, in connection with this Agreement.

10.15 Specific Performance

The Buyer acknowledges and agrees that the Seller and its estates would be damaged irreparably in the event the Buyer does not perform its obligations under this Agreement in accordance with its specific terms or otherwise breaches this Agreement, so that, in addition to any other remedy that the Seller may have under law or equity, the Seller shall be entitled, without the requirement of posting a bond or other security, to injunctive relief to prevent any breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof.

10.16 Counterparts, Facsimile Signatures


This Agreement may be signed in counterparts and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. Execution of this Agreement may be made by facsimile signature, by email, PDF or other electronic format or transmission which, for all purposes, shall be deemed to be an original signature.

[The remainder of this page has been left intentionally blank.]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the date first written above.

SELLER

MCEWAN ENTERPRISES INC.

Per: 
Name: Dennis Mark McEwan
Title: President

Per: _____

BUYER**2864785 ONTARIO CORP.**

Per:

A handwritten signature in blue ink, appearing to read "Dennis Mark McEwan", is written over a light blue rectangular background.

Name: Dennis Mark McEwan

Title: President

SCHEDULE 1.1(nm)
EXCLUDED ENCUMBRANCES

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

(a) McEwan Enterprises Inc., 2004995 Ontario Limited, 2416668 Ontario Inc.

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
1. Ontrea Inc. The Cadillac Fairview Corporation Limited OPB (TDC) Inc.	McEwan Enterprises Inc.	734565906 - 20171201 1657 1862 0465 (25 years)	Equipment, Other	General security agreement re inducement with respect to Unit No. 0022A in The Toronto Dominion Centre, Toronto, Ontario	
2. Toronto Dominion Centre Leaseholds Limited	McEwan Enterprises Inc.	702570006 - 20141223 1600 1862 8170 (25 years)	Inventory, Equipment, Accounts, Other		<u>Amended by 20171208 1013 1862 1106</u> Amendment to change the name of the debtor from “2004995 Ontario Limited” to “McEwan Enterprises Inc.” pursuant to an amalgamation <u>Amended by 20171208 1053 1862 1118</u> Amendment to change the name of the debtor from “2004995 Ontario Limited” to “McEwan Enterprises Inc.”

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
					pursuant to an amalgamation
3. Toronto Dominion Centre Leaseholds Limited	McEwan Enterprises Inc.	702570015 - 20141223 1600 1862 8171 (25 years)	Inventory, Equipment, Accounts, Other		<u>Amended by 20171208 1013 1862 1105</u> Amendment to change the name of the debtor from "2416668 Ontario Inc." to "McEwan Enterprises Inc." pursuant to an amalgamation
4. CF/Realty Holdings Inc.	McEwan Enterprises Inc.	657968355 - 20091203 0938 1862 1141 (25 years)	Inventory, Equipment, Accounts, Other	General security agreement re loan with respect to Unit No. Q003 in Shops at Don Mills, Toronto, Ontario	<u>Amended by 20171208 1014 1862 1108</u> Amendment to change the name of the debtor from "2220223 Ontario Inc." to "McEwan Enterprises Inc." pursuant to an amalgamation
5. CF/Realty Holdings Inc.	McEwan Enterprises Inc.	657968364 - 20091203 0938 1862 1142 (25 years)	Inventory, Equipment, Accounts, Other	General security agreement re inducement with respect to Unit No. Q003 in Shops at Don Mills, Toronto, Ontario	<u>Amended by 20171208 1014 1862 1107</u> Amendment to change the name of the debtor from "2220223 Ontario Inc." to "McEwan Enterprises Inc." pursuant to an amalgamation
6. CF/Realty Holdings Inc.	McEwan Enterprises Inc.	648858402 - 20080929 1359 1862 0147 (25 years)	Inventory, Equipment, Accounts, Other	General security agreement re loan with respect to Unit No. L002 in Shops at Don Mills, Toronto, Ontario	
7. CF/Realty Holdings Inc.	McEwan Enterprises Inc.	648858465 - 20080929 1401 1862 0150 (25 years)	Inventory, Equipment, Accounts, Other	General security agreement re inducement with respect to Unit No. L002 in Shops at Don Mills, Toronto, Ontario	

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
8. Toronto Dominion Centre Leaseholds Limited	McEwan Enterprises Inc.	883483488 - 20020523 1044 9065 0541 (22 years)	Inventory, Equipment, Accounts, Other	Please direct all correspondence to Toronto Dominion Centre Leaseholds Limited, c/o The Cadillac Fairview Corporation Limited 20 Queen St. West, 5th Floor, Toronto, Ontario M5H 3R4 Attention- Corporate Secretary	<u>Amended by 20171208 1053 1862 1117</u> Amendment to change the name of the debtor from "2004995 Ontario Limited" to "McEwan Enterprises Inc." pursuant to an amalgamation

SCHEDULE 1.1(zz)
MATERIAL CONTRACTS

1. Assumed Real Property Leases
2. Select Merchant Payment Instrument Processing Agreement dated as of October 6, 2017 between Chase Paymentech Solutions and the Seller

To be amended and updated prior to Closing pursuant to Section 2.4.

**SCHEDULE 1.1(eee)
PERMITTED ENCUMBRANCES**

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

(a) McEwan Enterprises Inc., 2004995 Ontario Limited, 2416668 Ontario Inc.

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
1. Highland Chevrolet Buick GMC Cadillac Ltd.	McEwan Enterprises Inc	771456249 - 20210412 1408 1462 0170 (5 years)	Consumer Goods, Equipment, Motor Vehicles, Amount Secured: \$75,334, Date of Maturity: 30APR2026, 2021 Ford Transit 250 1FTBR1C88MKA01283	Includes 1 reffridgeration (<i>sic</i>) system as detailed on invoice #3416 from Experts In Transportation Climate Control Ltd. Kingtec W/XTCC Insulation System, T235E bearing Serial # 110321200011A121 and all dtailed (<i>sic</i>) componets (<i>sic</i>)	
2. Highland Chevrolet Buick GMC Cadillac Ltd.	McEwan Enterprises Inc	767005776 - 20201023 1004 1462 1588 (5 years)	Consumer Goods, Equipment, Motor Vehicles, Amount Secured: \$76,549, Date of Maturity: 31OCT2025, 2020 Ford Transit 250 1FTBR1C80LKB19343	1- Kingtec Refrigeration System Serial# 0619216E0041A081	
3. Mercedes-Benz Financial Services Canada Corporation	McEwan Enterprises Inc. Dennis M. McEwan DOB: 07MAY1957	751615011 - 20190527 1622 1532 2624 (4 years)	Equipment, Other, Motor Vehicles, 2019 Mercedes-Benz GLC300 4M WDC0G4KB6KV183759		

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
Mercedes-Benz Financial					
4. Xerox Canada Ltd	McEwan Enterprises Inc.	750278826 - 20190417 1704 1462 8901 (6 years)	Equipment, Other		
5. Xerox Canada Ltd	McEwan Enterprises Inc	748565748 - 20190225 1707 1462 8478 (6 years)	Equipment, Other		
6. Royal Bank of Canada	McEwan Enterprises Inc.	746303571 - 20181128 1434 8077 2743 (6 years)	Equipment, Other	Restaurant/Take-Out Equipment and Leasehold, Refrigerator Pressure Package S/N D2018060319 as per lease 201000044268 together with all attachments, accessories, accessions, replacements, substitutions, additions and improvements thereto, and all proceeds in any form derived directly or indirectly from any dealing with the collateral or proceeds thereof, and without limitation, money, cheques, deposits in deposit-taking institutions, goods, accounts receivable, rents or other payments arising from the lease of the collateral, chattel paper, instruments, intangibles, documents of title, securities, and rights of insurance payments or any other payments as indemnity or compensation	<u>Renewed by 20210514 1028 8077 6230</u> 1 year

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
				for loss or damage to the collateral or proceeds of the collateral	
7. Royal Bank of Canada	McEwan Enterprises Inc.	740022939 - 20180601 1037 8077 4110 (10 years)	Inventory, Equipment, Accounts, Other	As per master lease agreement dated June 01 2018 together with all inventory and equipment now or hereafter acquired by the debtor and financed by the secured party together with all attachments, accessories, accessions, replacements, substitutions, additions and improvements thereto, and all proceeds in any form derived directly or indirectly from any dealing with the collateral or proceeds thereof, and without limitation, money, cheques, deposits in deposit-taking institutions, goods, accounts receivable, rents or other payments arising from the lease of the collateral, chattel paper, instruments, intangibles, documents of title, securities, and rights of insurance payments or any other payments as indemnity or compensation for loss or damage to the collateral or proceeds of the collateral.	<u>Amended by 20180601 1439 8077 4154</u> Amendment to change the address of the debtor
8. Royal Bank of Canada	McEwan Enterprises Inc.	740041893 - 20180601 1439 8077	Equipment, Other	Equipment Purchases and Leasehold Improvements as per	<u>Renewed by 20210514 1028 8077 6229</u>

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
		4141 (5 years)		lease 201000040501 together with all attachments, accessories, accessions, replacements, substitutions, additions and improvements thereto, and all proceeds in any form derived directly or indirectly from any dealing with the collateral or proceeds thereof, and without limitation, money, cheques, deposits in deposit-taking institutions, goods, accounts receivable, rents or other payments arising from the lease of the collateral, chattel paper, instruments, intangibles, documents of title, securities, and rights of insurance payments or any other payments as indemnity or compensation for loss or damage to the collateral or proceeds of the collateral	1 year
9. Royal Bank of Canada	McEwan Enterprises Inc.	737973342 - 20180405 1935 1531 6491 (5 years)	Accounts, Other	Priority agreement dated March 22, 2018 between Ontrea Inc, The Cadillac Fairview Corporation Limited and OPB (TDC) Inc. and Royal Bank of Canada, in favor of security agreement between Royal Bank of Canada and McEwan Enterprises Inc.	
10. Royal Bank	McEwan	736669647 -	Inventory, Equipment,	All present and after-acquired	

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
of Canada	Enterprises Inc.	20180222 1930 1531 4182 (5 years)	Accounts, Other, Motor Vehicles	equipment, securities, chattel paper, instruments and documents of title. Proceeds - a security interest is claimed in all present and after-acquired goods (including trade-ins), chattel paper, securities, documents of title, instruments, money and intangibles of every item or kind that may derived from the sale or other disposition of the collateral described above, all insurance proceeds and any proceeds of any of the foregoing.	
11. Royal Bank of Canada	McEwan Enterprises Inc.	735291927 - 20171229 1034 1529 5381 (5 years)	Other	Priority agreement dated November 23, 2017 between CF/Realty Holdings Inc. and Royal Bank of Canada, in favor of security agreement between Royal Bank of Canada and McEwan Enterprises Inc.	
12. Royal Bank of Canada	McEwan Enterprises Inc.	733881384 - 20171110 1037 1529 0481 (5 years)	Inventory, Equipment, Accounts, Other, Motor Vehicles		
13. Royal Bank of Canada (two addresses listed)	McEwan Enterprises Inc.	733060917 - 20171018 1035 8077 2049 (10 years)	Inventory, Equipment, Accounts, Other	As per master lease agreement dated October 18, 2017 together with all inventory and equipment now or hereafter acquired by the debtor and financed by the secured party together with all attachments, accessories, accessions,	<u>Transferred by 20180517 1039 8077 3262</u> Transferor: 2004995 Ontario Limited Transferee: McEwan Enterprises Inc.

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
				replacements, substitutions, additions and improvements thereto, and all proceeds in any form derived directly or indirectly from any dealing with the collateral or proceeds thereof, and without limitation, money, cheques, deposits in deposit-taking institutions, goods, accounts receivable, rents or other payments arising from the lease of the collateral, chattel paper, instruments, intangibles, documents of title, securities, and rights of insurance payments or any other payments as indemnity or compensation for loss or damage to the collateral or proceeds of the collateral.	
14. Royal Bank of Canada	McEwan Enterprises Inc.	717156873 - 20160531 1442 1530 4953 (5 years)	Inventory, Equipment, Accounts, Other, Motor Vehicles		<u>Amended by 20180103 1932 1531 3423</u> Amendment to change the name of the debtor from "North 44 Inc." to "McEwan Enterprises Inc." pursuant to an amalgamation <u>Renewed by 20210430 1445 1530 9664</u> 5 years
15. Royal Bank	McEwan	703429515 - 20150204 1438 8077	Inventory, Equipment,	As per master lease agreement dated January 28th, 2015.	<u>Amended by 20150709 1031</u>

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
of Canada	Enterprises Inc.	3265 (10 years)	Accounts, Other	Together with all inventory and equipment now or hereafter acquired by the debtor and financed by the secured party together with all attachments, accessories, accessions, replacements, substitutions, additions and improvements thereto, and all proceeds in any form derived directly or indirectly from any dealing with the collateral or proceeds thereof, and without limitation, money, cheques, deposits in deposit-taking institutions, goods, accounts receivable, rents or other payments arising from the lease of the collateral, chattel paper, instruments, intangibles, documents of title, securities, and rights of insurance payments or any other payments as indemnity or compensation for loss or damage to the collateral or proceeds of the collateral.	<u>8077 5867</u> Amendment to include an additional address for the debtor <u>Transferred by 20180517 1039 8077 3261</u> Transferor: 2416668 Ontario Inc. Transferee: McEwan Enterprises Inc.
16. Royal Bank of Canada	McEwan Enterprises Inc.	701721396 - 20141120 1428 8077 8038 (10 years)	Inventory, Equipment, Accounts, Other	As per master lease agreement dated November 20th, 2014. Together with all inventory and equipment now or hereafter acquired by the debtor and financed by the secured party together with all attachments, accessories, accessions,	<u>Transferred by 20180517 1039 8077 3264</u> Transferor: North 44 Inc. Transferee: McEwan Enterprises Inc.

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
				replacements, substitutions, additions and improvements thereto, and all proceeds in any form derived directly or indirectly from any dealing with the collateral or proceeds thereof, and without limitation, money, cheques, deposits in deposit-taking institutions, goods, accounts receivable, rents or other payments arising from the lease of the collateral, chattel paper, instruments, intangibles, documents of title, securities, and rights of insurance payments or any other payments as indemnity or compensation for loss or damage to the collateral or proceeds of the collateral.	
17. Royal Bank of Canada	McEwan Enterprises Inc.	697662945 - 20140703 1434 1530 5522 (5 years)	Inventory, Equipment, Accounts, Other, Motor Vehicles		<u>Amended by 20180103 1437 1530 9110</u> Amendment to change the name of the debtor from "2416668 Ontario Inc." to "McEwan Enterprises Inc." pursuant to an amalgamation <u>Renewed by 20190531 1441 1530 8680</u> 5 years
18. Royal Bank	McEwan	642899511 - 20080225 1129 6005	Equipment, Accounts,	"Master lease dated February 25, 2008 together with all	<u>Transferred by 20090511 1638</u>

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
of Canada	Enterprises Inc. McEwan	7076 (10 years)	Other	inventory and equipment now or hereafter acquired by the debtor and financed by the secured party together with all attachments, accessories, accessions, replacements, substitutions, additions and improvements thereto, and all proceeds in any form derived directly or indirectly from any dealing with the collateral or proceeds thereof, and without limitation, money, cheques, deposits in deposit-taking institutions, goods, accounts receivable, rents or other payments arising from the lease of the collateral, chattel paper, instruments, intangibles, documents of title, securities, and rights of insurance payments or any other payments as indemnity or compensation for loss or damage to the collateral or proceeds of the collateral."	<u>6005 3022</u> Transferor: McEwan Enterprises Inc. Transferee: McEwan Enterprises Inc. <i>(it appears that this amendment was filed to change the address of the debtor)</i> <u>Renewed by 20160627 1441 8077 1288</u> 10 years <u>Amended by 20160627 1441 8077 1290</u> Amendment to include a general collateral description
19. Royal Bank of Canada	McEwan Enterprises Inc.	642904551 - 20080225 1455 1530 5165 (5 years)	Inventory, Equipment, Accounts, Other, Motor Vehicles		<u>Renewed by 20130109 1047 1529 4046</u> 5 years <u>Amended by 20180103 1932 1531 3422</u> Amendment to change the

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
					name of the debtor from "McEwan Enterprises Inc." to "McEwan Enterprises Inc." pursuant to an amalgamation and to change the address of the secured party <u>Renewed by 20180119 1428 1530 6115</u> 5 years
20. Royal Bank of Canada	McEwan Enterprises Inc.	892169892 - 20030304 1835 1531 2850 (5 years)	Inventory, Equipment, Accounts, Other, Motor Vehicles		<u>Renewed by 20080227 1452 1530 8579</u> 5 years <u>Renewed by 20130111 1945 1531 6991</u> 5 years <u>Amended by 20180103 1932 1531 3419</u> Amendment to change the name of the debtor from "North 44 Inc." to "McEwan Enterprises Inc." pursuant to an amalgamation and to change the address of the secured party <u>Renewed by 20180126 1932 1531 3277</u> 5 years
21. Royal Bank	North 44 Degrees	963231255 -	Inventory, Equipment,		<u>Amended by 19890706 0901</u>

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
of Canada	McEwan Enterprises Inc.	19890525 0845 88 6360 (3 years)	Book Debts, Other, Motor Vehicles		<p><u>88 4523</u></p> <p>Amendment to include “Degrees” in the name of the business name</p> <p><u>Renewed by 19920429 1552 0004 0992</u></p> <p>5 years</p> <p><u>Renewed by 19970220 1906 1529 2013</u></p> <p>5 years</p> <p><u>Amended by 19970221 1907 1529 3883</u></p> <p>Amendment to change the address of the secured party</p> <p><u>Renewed by 20020510 1030 1533 8923</u></p> <p>5 years</p> <p><u>Amended by 20020617 1817 1531 1403</u></p> <p>Amendment to change the name of one of the debtors from “821669 Ontario Limited” to “North 44 Inc.” pursuant to an amalgamation</p> <p><u>Renewed by 20070316 1943 1531 3404</u></p> <p>5 years</p>

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
					<p><u>Amended by 20120426 1946 1531 0643</u></p> <p>Amendment to change the address of the secured party</p> <p><u>Renewed by 20120426 1946 1531 0644</u></p> <p>5 years</p> <p><u>Renewed by 20170421 1437 1530 4239</u></p> <p>5 years</p> <p><u>Amended by 20180103 1932 1531 3418</u></p> <p>Amendment to change the name of one of the debtors from "North 44 Inc." to "McEwan Enterprises Inc." pursuant to an amalgamation</p>

**(b) McEwan One Mark Inc.; and
McEwan One Mark**

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
1. Royal Bank of Canada	McEwan One Mark Inc.	701442765 - 20141110 1441 1530	Inventory, Equipment, Accounts, Other, Motor		<u>Renewed by 20191004 1436 1530 8561</u>

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
		2557 (5 years)	Vehicles		5 years

(c) **2220223 Ontario Inc.**

Secured Party(ies)	Debtor(s)	Reference File No. & Registration Number (Registration Period)	Collateral Classification	General Collateral Description	Amendments/Assignments Discharges/Renewals Transfers/Subordinations
1. Royal Bank of Canada	2220223 Ontario Inc.	663817158 - 20100819 1451 1530 6635 (5 years)	Other	Inter-company creditor agreement dated (August 4,2010)) (<i>sic</i>), between Royal Bank of Canada (CF/Realty Holdings Inc. and 2220223 Ontario Inc.)	<u>Renewed by 20150717 1945 1531 9693</u> 5 years <u>Renewed by 20200717 1442 1530 4305</u> 5 years

SCHEDULE 2.1(a)
LEASED LOCATIONS / ASSUMED REAL PROPERTY LEASES

1. Bymark – Lease dated as of October 1, 2017 between Ontrea Inc., The Cadillac Fairview Corporation Limited and OPB (TDC) Inc., as landlord, and the Seller, as tenant, as amended by the Third Tenant Assistance Agreement dated May 6, 2021 between The Cadillac Fairview Corporation Limited (as agent for Ontrea Inc., OPB (TDC) Inc. and C/F Realty Holdings Inc.), the Seller and Mark McEwan (the “TAA”)
2. Fabbrica Rustic Italian Market – Lease dated as of October 1, 2017 between Ontrea Inc., The Cadillac Fairview Corporation Limited and OPB (TDC) Inc., as landlord, and the Seller, as tenant, as amended by the TAA
3. McEwan – Lease dated as of May 2, 2014 between Toronto Dominion Centre Leaseholds Limited, as landlord, and 2416668 Ontario Inc. (a predecessor of Seller), as tenant, as amended by the TAA
4. McEwan – Lease dated as of June 28, 2007 between CF/Realty Holdings Inc., as landlord, and the Seller, as tenant, as amended by a lease and loan amending agreement dated as of December 15, 2008
5. Fabbrica Thornbury – Lease dated as of April 21, 2018, between Denyse Sterio, as landlord, and the Seller, as tenant

To be amended and updated prior to Closing pursuant to Section 2.4.

SCHEDULE 2.1(c)
ASSUMED CONTRACTS




All contracts to which the Seller is a party as of the Closing Date (other than the Excluded Contracts) including, but not limited to:


1. The Material Contracts listed in Schedule 1.1(zz)
2. The Loan Agreements
3. Master Lease Agreement dated as of October 18, 2017, between Royal Bank of Canada, as lessor, and 2004995 Ontario Limited (a predecessor of the Seller), as lessee
4. Master Lease Agreement dated as of June 1, 2018 between Royal Bank of Canada, as lessor, and the Seller, as lessee
5. Equipment Lease #201000044268 dated as of June 1, 2018 between Royal Bank of Canada, as lessor, and the Seller, as Lessee

To be amended and updated prior to Closing pursuant to Section 2.4.

SCHEDULE 2.1(f)
INTELLECTUAL PROPERTY

Trademarks

Trademark	Status	Security
McEWAN KOSHER	Registered App 1593654 App 11-SEP-2012 Reg TMA848695 Reg 17-APR-2013	None
North 44 & Design NORTH 44)°	Registered App 1579704 App 28-MAY-2012 Reg TMA852576 Reg 05-JUN-2013	None
Bymark & Design 	Registered App 1579705 App 28-MAY-2012 Reg TMA852575 Reg 05-JUN-2013	None
THE McEWAN GROUP 	Registered App 1572192 App 05-APR-2012 Reg TMA859196 Reg 04-SEP-2013	None
We Deliver... Experiences <i>We Deliver... Experiences</i>	Registered App 1572193 App 05-APR-2012 Reg TMA858174 Reg 20-AUG-2013	None
personal shopper & DESIGN personal  shopper	Registered App 1523277 App 08-APR-2011 Reg TMA832405 Reg 20-SEP-2012	None
FABBRICA	Registered App 1457215 App 28-OCT-2009 Reg TMA777529 Reg 20-SEP-2010	None

Trademark	Status	Security
	Registered App 1429860 App 24-FEB-2009 Reg TMA785167 Reg 17-DEC-2010	None
SUPPER GASTRO PUB	Registered App 1285262 App 20-DEC-2005 Reg TMA679301 Reg 11-JAN-2007	None

Business Names

Business name/style	Effective From	Effective To
McEwan Kosher	March 21, 2013	March 19, 2023
Fabbrica	October 4, 2017	October 3, 2022
North 44	October 4, 2017	October 3, 2022
Bymark	October 4, 2017	October 3, 2022
Fabbrica Italian Rustic Market	October 4, 2017	October 3, 2022
McEwan	October 4, 2017	October 3, 2022
McEwan at Aga Khan Museum	October 4, 2017	October 3, 2022
The McEwan Group	October 4, 2017	October 3, 2022
McEwan Restaurant Consultants	October 4, 2017	October 3, 2022
McEwan at TD Centre	October 4, 2017	October 3, 2022
Fabbrica Rustic Italian Market	October 4, 2017	October 3, 2022
McEwan at Bloor Yonge	October 4, 2017	October 3, 2022
McEwan One Mark	October 17, 2017	October 16, 2022
Fabbrica at Thornbury	May 14, 2018	May 13, 2023

Domain Names

bymark.ca

chefmcewan.ca
chefmcewan.com
fabbrica.ca
mcewan.catering
mcewan.properties
mcewancatering.ca
mcewancatering.com
mcewanfinefoods.ca
mcewanfinefoods.com
mcewanfoods.com
mcewangroup.ca
mcewan-group.ca
mcewan-group.com
mcewanrestaurants.ca
mcewanrestaurants.com
north44caters.com
north44restaurant.com
onehazelton.com
themcewangroup.ca
themcewangroup.com

Social Media Handles

- **Instagram:** @mcewanfoods, @chefmarkmcewan, @themcewangroup, @mcewanfoods, @fabbricarestaurant
- **Twitter:** @Chef_MarkMcEwan
- **Facebook:** The McEwan Group (<https://www.facebook.com/McEwanGroup/>)
- **LinkedIn:** The McEwan Group (<https://www.linkedin.com/company/the-mcewan-group/>)

SCHEDULE 2.1(I)
SECURITIES

Issuer	Owner	Description of Security
2860117 Ontario Limited	McEwan Enterprises Inc.	100% of the shares of the Issuer owned by the Seller

SCHEDULE 2.2(a)
EXCLUDED CONTRACTS

1. McEwan – Lease dated as of April 27, 2018, between First Capital Holdings (Ontario) Corporation, as landlord, and the Seller, as tenant, as amended by lease amending agreements dated December 21, 2018, April 22, 2019, June 7, 2019, April 3, 2020 and April 6, 2021
2. Fabbica – Lease dated as of October 9, 2009 between CF/Realty Holdings Inc., as landlord, and 2220223 Ontario Inc. (a predecessor of the Seller), as tenant, as amended by the Tenant Assistance Agreement dated February 19, 2019 between C/F Realty Holdings Inc. and the Seller and as further amended by the TAA
3. Any and all security agreements and priority agreements entered into in connection with (i) the CF Loan Agreement, (ii) the Assumed Real Property Leases and/or (iii) any other Excluded Contracts
4. Engagement letter dated as of September 10, 2021, between Alvarez & Marsal Canada ULC and the Seller

To be amended and updated prior to Closing pursuant to Section 2.4.

SCHEDULE 4.10
ENVIRONMENTAL MATTERS

Nil.

SCHEDULE 6.2(a)
INSURANCE POLICIES

1. Property, liability and fleet vehicle policy with Federated Insurance
2. Directors and officers policy with Northbridge Insurance
3. Errors and omissions policy with CFC Underwriting

D

**THIS IS EXHIBIT “D”
TO THE AFFIDAVIT OF DENNIS MARK MCEWAN
SWORN BEFORE ME BY TWO-WAY VIDEOCONFERENCE
THIS 27th DAY OF SEPTEMBER, 2021**

Caroline Descours

Commissioner for Taking Affidavits

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.

**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.**

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE-
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF DENNIS MARK MCEWAN
(sworn September 27, 2021)**

Goodmans LLP

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Fax: (416) 979-1234

Lawyers for the Applicant

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

**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
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Applicant

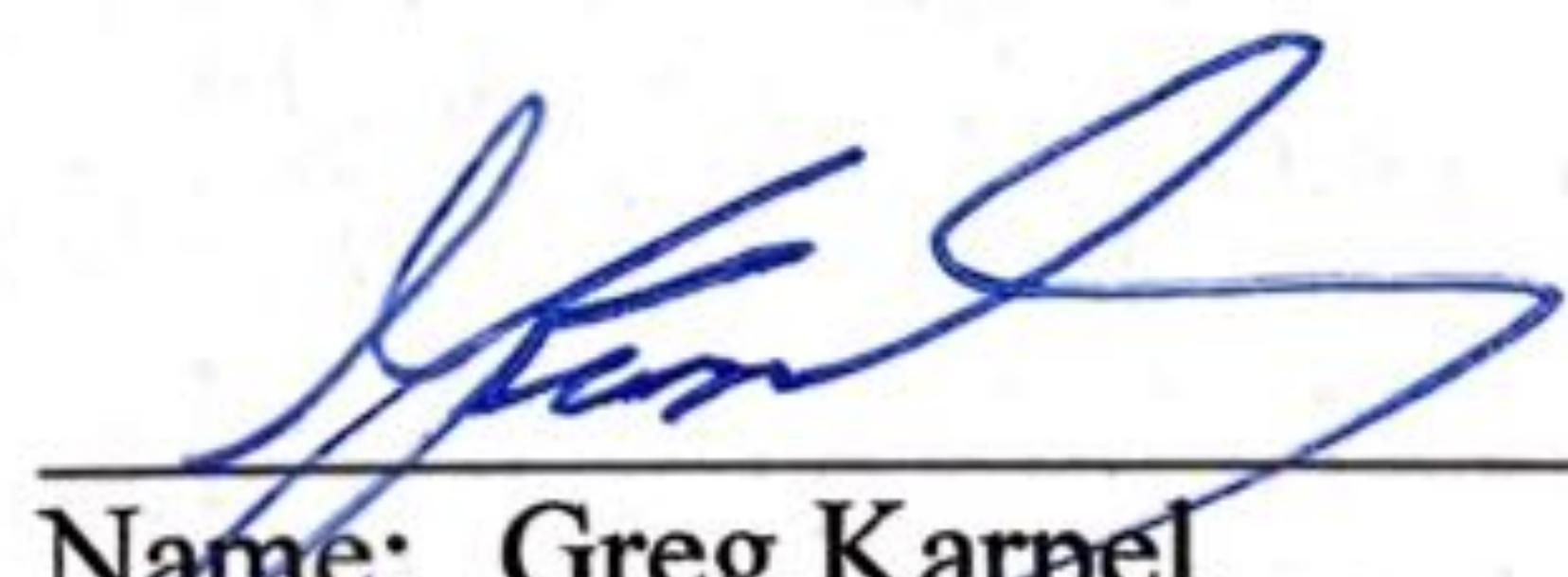
CONSENT OF THE PROPOSED MONITOR

Alvarez & Marsal Canada Inc. hereby consents to act as the Court-appointed monitor of McEwan Enterprises Inc. (the "**Applicant**"), pursuant to the terms of the initial order contained in the Applicant's Application Record and the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, in respect of these proceedings.

Dated: September 27, 2021

Alvarez & Marsal Canada Inc.

Per:



Name: Greg Karpel
Title: Senior Vice-President

**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.**

Applicant

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

**APPLICATION RECORD
(Returnable September 28, 2021)**

GOODMANS LLP

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