

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL

SUPERIOR COURT
(Commercial Division)

No. :

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

JAVA-U GROUP INC., a corporation incorporated under the *Canada Business Corporation Act*, having its principal place of business at 400-4098 Sainte-Catherine Street West, Montreal, Québec, H3Z 1P2;

- and -

JAVA-U FOOD SERVICES INC., a corporation incorporated under the *Canada Business Corporation Act*, having its principal place of business at 205-5473 av. Royalmount Mont-Royal (Québec) H4P 1J3;

- and -

CAFÉ JAVA-U INC., a corporation incorporated under the *Quebec Business Corporation Act*, having its principal place of business at 220-5473 av. Royalmount, Mont-Royal (Québec) H4P 1J3;

- and -

JAVA-U RTA INC., a corporation incorporated under the *Canada Business Corporation Act*, having its principal place of business at 1092 Queen Street West, Toronto, Ontario M6J 1H9;

Applicants/Debtors

- and -

RAYMOND CHABOT INC., a legal person under the laws of Canada, having a place of business at 600 De La Gauchetière Street West, Suite 2000, Montréal, Québec H3B 4L8;

Proposed Monitor

**APPLICATION FOR THE ISSUANCE OF
AN INITIAL ORDER AND A CLAIMS PROCEDURE ORDER
(Sections 9, 11, 11.2, 11.51 and 11.52 of the
Companies' Creditors Arrangement Act)**

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN
COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTREAL,
THE APPLICANTS RESPECTFULLY SUBMITS THE FOLLOWING:

1. INTRODUCTION

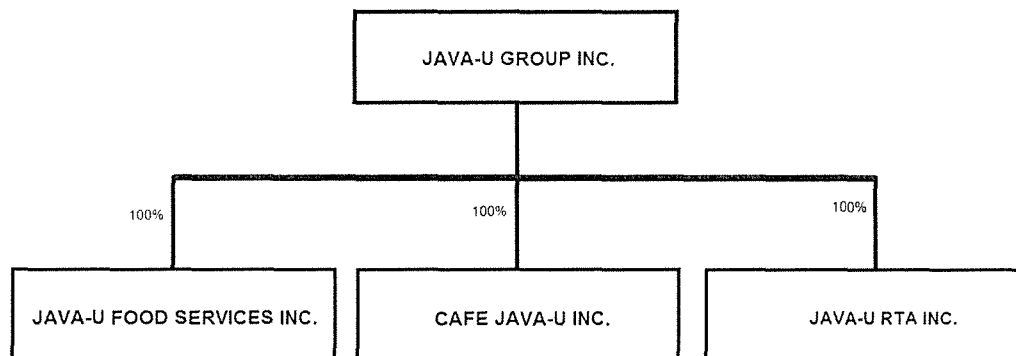
1. The Applicants, Java-U Group Inc. ("**Java-U Group**"), Java-U Food Services Inc. ("**Java-U Food**"), Café Java-U Inc. ("**Café Java-U**") and Java-U RTA Inc. ("**Java-U RTA**", together with Java-U Group and Java-U Food, the "**Company**") hereby seek, pursuant the *Companies' Creditors Arrangement Act* (the "**CCAA**"), the issuance by this Court of:
 - (a) an initial order in the form of the draft order communicated herewith, as **Exhibit R-1** (the "**Initial Order**");
 - (i) staying all proceedings against the Company, its assets (collectively, the "**Assets**") and its directors and officers;
 - (ii) appointing Raymond Chabot Inc. ("**Raymond Chabot**" or the "**Monitor**") as monitor to these proceedings;
 - (iii) authorizing the Company to initiate, with the assistance of the Monitor and under the supervision of this Court, a solicitation process as contemplated hereunder (the "**Solicitation Process**"), the purpose of which will be to secure one or several offer(s) to either finance the operations of the Company going forward or purchase its Assets, as a going concern;
 - (iv) authorizing the Company to enter into a debtor-in-possession financing agreement (the "**DIP Financing**") intended to finance its operations during the pendency of these proceedings and the Solicitation Process, as well as the charge over the Assets guaranteeing the reimbursement by the Company of its indebtedness under such DIP Financing (the "**DIP Charge**");
 - (v) approving a charge over the Assets guaranteeing the payment by the Company of the fees which are expected to be incurred by the professionals which will be involved in this present matter (the "**Administration Charge**");

- (vi) approving a charge over the Assets guaranteeing the payment by the Company of the amounts which it could have to indemnify in favour directors and officers, acting in such capacity, as and from the issuance of the Initial Order (the "**D&O Charge**"); and
 - (b) an order allowing for the filing, the review and the determination of claims against the Company and its directors and officers (the "**Claims Procedure**") in the form of the draft order communicated herewith, as **Exhibit R-2** (the "**Claims Procedure Order**").
- 2. As will be further explained in greater details below, despite various attempts to scale down and restructure its operations, the Company has now reached the point where it can no longer operate in the normal course of business, unless additional cash injections are made, which its shareholders are no longer willing to do under the present circumstances.
- 3. The Company believes and submits that considering the above, the initiation of these proceedings, as well as the Solicitation Process in the context of these proceedings, constitute the best option to maximize the value of its Assets, for the benefit of not only its creditors, but also to all of its other stakeholders (including its numerous franchisees).
- 4. The Company, with the assistance of the Monitor, intends to canvass the market in order to solicit potential investors or purchasers which may be interested in either providing the Company with the necessary financing to continue its operations or purchase its Assets, as a going concern.
- 5. Without the protection of this Court, it is anticipated, that the Company may need to abruptly shut-down its operations and proceed with the liquidation of its Assets on a piece-meal basis, which would not only deplete any meaningful value which its Assets could have, but would also leave all of its franchisees in disarray, as will be further discussed below.
- 6. Depending on the results of the Solicitation Process, the Company will consider, in due course, the possibility of filing a plan of arrangement and/or compromise.

2. THE COMPANY'S CORPORATE STRUCTURE

2.1. Organizational Chart

7. For ease of reference, the Company's organizational chart is as follows:



2.2. Java-U Group

8. Java-U Group is a private corporation constituted under the *Canada Business Corporations Act* (R.S.C., 1985, c. C-44) (the "**CBCA**"), with its head office located in Montreal, Quebec. A copy of the relevant extracts of *Corporation Canada's* website and of the *Registraire des entreprises* (Quebec)'s website are communicated herewith, *en liasse*, as **Exhibit R-3**.

9. As at the date of this Application, the shareholders of Java-U Group include the following persons and corporate entities:

<u>Shareholder</u>	<u>Ownership</u>
(a) Brian Cytrynbaum :	23%
(b) Allan Cytrynbaum	12%
(c) 3070352 Canada Inc.	31%
(d) J. Caird :	20%
(e) 126217 Canada Inc. :	10%
(f) 9055-2290 Quebec Inc. :	2%
(g) Adam Zoia :	2%

10. Java-U Group is a holding company which, in addition to holding the totality of the shares of Java-U Foods, Café Java-U and Java-U RTA, also operates the two (2) corporate Java-U coffee shops, and acts as franchisor, lessee and sub-lessor under various franchise agreement, lease agreements and sub-lease agreements for several of the Locations (as defined hereunder).

2.3. Java-U Food

11. Java-U Food is a private corporation constituted under the CBCA, with its head office located in Montreal, Quebec. A copy of the relevant extracts of *Corporation Canada's* website and of the *Registraire des entreprises* (Quebec)'s website are communicated herewith, *en liasse*, as **Exhibit R-4**.
12. As previously mentioned, as at the date of this Application, the sole shareholder of Java-U Food is Java-U Group.
13. Java-U Food acts as franchisor, lessee and sub-lessor under various franchise agreement, lease agreements and sub-lease agreements for several of the Locations (as defined hereunder).

2.4. Café Java-U

14. Café Java-U is a private corporation constituted under the CBCA, with its head office located in Montreal, Quebec. A copy of the relevant extracts of the *Registraire des entreprises* (Quebec)'s website are communicated herewith as **Exhibit R-5**.
15. As previously mentioned, as at the date of this Application, the sole shareholder of Café Java-U is Java-U Group.
16. Café Java-U's operations mainly consist in purchasing, processing and distributing coffee and foods to the various Java-U coffee shops in Canada, whether they are operated by Java-U Group itself or by franchisees.

2.5. Java-U RTA

17. Java-U RTA is a private corporation constituted under the CBCA, with its head office located in Toronto, Ontario. A copy of the relevant extracts of *Corporation Canada's* website is communicated herewith as **Exhibit R-6**.
18. As previously mentioned, as at the date of this Application, the sole shareholder of Java-U RTA is Java-U Group.
19. Up until recently, Java-U RTA operated a corporate-owned coffee shop in Toronto, Ontario, which, as of recently, has closed.

3. THE COMPANY'S BUSINESS AND AFFAIRS

3.1. The Company's History

20. Founded in 1996, the Company, then operating under another corporate entity, first began its operations as a coffee shop located in Montreal, at the corner of Guy and Maisonneuve, close to Concordia University.
21. In the following years, given its success, the Company opened two (2) additional coffee shops in other locations in Montreal, both of which were also initially operated by the same corporate entity.
22. In 2002, the majority of the shares of the Company were purchased by some of its current shareholders, who began exploring the possibilities of changing its business model, as it then was.
23. In 2007 and in 2008, the Company took the business decision to, *inter alia*, to convert its business model in that of a franchise company, such that most of the Java-U coffee shops around the world, save exception, are currently operated by franchisees.

3.2. Description of the Company's Operations

24. Today, the Company operates a total of thirty-seven (37) coffee shops and stores in Canada, the United Kingdom and in the Middle East, in the following locations (collectively, the "**Locations**"), either through its corporate entities or through its franchisees (collectively, the "**Franchisees**"):
 - (a) Fourteen (14) coffee shops in Montreal, of which:
 - (i) two (2) of them are operated by the Company; and
 - (ii) twelve (12) of them are operated by franchisees;
 - (b) One (1) coffee shop in Vancouver, which is operated by a franchisee;
 - (c) Three (3) coffee shops in London, which are operated by franchisees; and
 - (d) Nineteen (19) coffee shops in the Middle East, which are operated by franchisees.
25. The Company's principle sources of revenues originate from the following:
 - (a) Royalties and other fees charged to franchisees;
 - (b) Sales from corporate-owned Locations; and
 - (c) Sale of coffee and food to each Java-U coffee shops located in Canada.

3.3. Employees

26. As of the date of this Application, the Company employs a total of fifty-one (51) non-unionized employees, of which thirty-two (32) are at the Company's head office, whereas nineteen (19) are at located at the store level.¹ Of these employees located at the store level, ten (10) are employed full time and nine (9) are employed part time.
27. The Company's employees are paid on a bi-weekly basis, and the Company has been and will continues to remain current in the payment of salaries to its employees.
28. In addition, deductions from employee salaries are made, as required, and these deductions are remitted to the appropriate governmental authorities, where applicable, and are also current.

4. ASSETS

29. As at September 29, 2017, the principle tangible Assets of the Company, on a consolidated basis, were as follows:

Nature	Approximate Value
Cash	\$65,000
Inventory	\$60,000
Accounts Receivables	\$294,000
Property and Equipment	\$86,000
Total:	\$505,000

30. In addition to the above, the Company's Assets also include intangible property, such as its intellectual property, its goodwill, and its rights under the various franchise agreement or lease agreement for several of the Locations.

¹ These employees exclude the employees of the Franchisees.

5. **INDEBTEDNESS**

31. As at September 29, 2017, the principal outstanding indebtedness of the Company, on a consolidated basis, were as follows:

Creditors	Approximate Amount of Indebtedness
Trade Payables	\$775,000
Shareholder or intercompany loans	\$9,360,000
Contingent/Litigious Claims	\$4,000,000
Total:	\$14,135,000

32. Throughout the years, most of the Company's working capital has been funded either via shareholder or intercompany loans.
33. On February 19, 2016, 3070352 entered into a *Memorandum of Agreement of Loan* (the "**3070352 Loan Agreement**") with Café Java-U, as borrower, and Java-U Group and Java-U Food, as guarantors, whereby 3070352 confirmed its agreement to make available to Café Java-U a revolving credit loan in the maximum amount of \$7,000,000, bearing interest at an annual rate of eight percent (8%). A copy of the 307352 Loan Agreement is communicated herewith as **Exhibit R-7**.
34. On the same date, each of Café Java-U, Java-U Group and Java-U Food executed a *Hypothec on Movable Property (General)* (collectively, the "**Hypothecs**") in favour of 3070352 the purpose of which was to guarantee all of their respective indebtedness, liabilities and obligations towards 3070352, including pursuant to the 3070352 Loan Agreement). A copy of each of the Hypothecs executed by Café Java-U, Java-U Group and Java-U Food, respectively, in favour of 3070352 are communicated herewith as **Exhibit R-8**, **Exhibit R-9** and **Exhibit R-10**.
35. As appears from the relevant extracts of the *Register of Personal Movable Real Rights* (the "**RPMRR**") communicated herewith, *en liasse*, as **Exhibit R-11**, each of the Hypothecs have been duly registered in favour of 3070352.
36. As of the date hereof, 3070352 is the only secured creditor of the Company.
37. Although other hypothecs in favour of other parties remain to this day registered at the RPMRR, mostly in favour of landlords, all debts previously owing to such parties by the Company have been paid in full, and such hypothecs are in the process of being discharged.
38. Finally, it should also be noted that as of the date of this Application, the Company is currently a party to various litigation proceedings in which, an aggregate amount of more than 4 million dollars is being claimed from it.
39. Although the above-mentioned claims are currently being vigorously contested, given the Company's inability to continue to operate in the ordinary course of

business, it respectfully submits that it is in the interest of all interested parties to have these claims stayed and determined as part of the Claims Procedure, once the Solicitation Process shall have been completed, and the value of the Company's Assets shall have been assessed.

6. FINANCIAL DIFFICULTIES

40. These proceedings are filed in a context where for the Company has recorded significant losses for the past several years, relying significantly, if not in totality, on intercompany or shareholder loans to maintain its operations.
41. For the fiscal year ended October 31, 2015 and 2016, the Company recorded, on a consolidated basis, a total net loss of approximately \$960,000 and \$1,450,000, respectively.
42. As at October 31, 2016, the financial losses accumulated by the Company in prior years resulted in an accumulated net deficit of \$8.8 million.
43. These losses have been caused by the fact that, *inter alia*, for the past few years:
 - (a) The Company has seen a significant increase in competition due to the arrival or accrued presence, mostly in the Canadian market, of several coffee shops and coffee distributors, both independently owned and operating under large banners;
 - (b) The costs of goods for the Company has also significantly increased over the last few years, namely due to certain drought which have occurred, as well as to the significant rise of the US dollar in comparison with the Canadian dollar, which has had an impact on the Company's profitability as some of the Company's goods are imported from the United States;
 - (c) In 2015, the Company attempted to diversify its product offering by partnering with Natrel, to offer to its customers "*milk bars*", both in Montreal and in Toronto, which ultimately was not a success and negatively impacted the Company's brand; and
 - (d) Due to various underperforming and delinquent franchisee-owned stores, the Company was at time forced to "*take over*" these store-locations and operate them itself despite the negative cash-flow generated by them, due in part to the fact that it remained the principal lessee under the applicable lease.
44. Faced with the above, the Company has attempted to, *inter alia*, look at ways to change and improve its food and pastry offering in order to drive sales for its franchisee and corporate-owned stores, look for new franchisees to continue to grow its brand and maximize revenues, while at the same time attempting to minimize its costs by right-sizing and streamlining its business operations, including by reducing the number of corporate-owned Locations and reducing its workforce.

45. Ultimately, the Company's goal will be to transfer its corporate-owned stores so that all Java-U coffee shops be operated by franchisees.
46. In the meantime, the Company continues to require significant cash-inflows to allow it to simply keep its business operations afloat. It is currently expected that unless additional funds are injected into the Company, the Company will quickly run out of cash, which will prevent it to continue its restructuring efforts, to the detriment of all of its creditors and other stakeholders, including its employees and its franchisees.
47. Since the Company's shareholders are no longer prepared to finance its operations under the present circumstances and without any additional security, the Company respectfully submits that the initiation of these proceedings constitute the best course of action as it will allow it to maximize the value of its Assets via the Solicitation Process.

7. THE PROPOSED RESTRUCTURING

7.1. The Operational Restructuring

48. During the pendency of these proceedings, the Company shall maintain its ongoing operations in order to continue to generate revenues and maximize the chances of either finding a party willing to finance its operations going forward, or to purchase its Assets as a going concern, as part of the Solicitation Process further described below.
49. At the same time, the Company also intends to implement several costs-cutting measures by right-sizing its expenses both at the head office and at the store level, including by either shutting down some of its corporate-owned coffee shops or reducing their operations, and/or terminating, assigning or renegotiating some of the lease agreements entered into for some of the Locations.

7.2. The Solicitation Process

50. In parallel with the above, the Company also intends, with the assistance of the Monitor, to initiate the following Solicitation Process and achieve the following milestones with a view of soliciting one or several offer(s) to either finance the operations of the Company going forward, or to purchase its Assets as a going concern for the best price possible in order to maximize the recovery of its creditors:

<u>Milestones</u>	<u>Expected Timing</u>
A. Finalization of a list of prospective investors and purchasers:	Within 1 week of the issuance of an Initial Order
B. Transmission of a "teaser", a confidential information memorandum and non-disclosure agreement to each prospective investors and purchasers:	Within 2 week of the issuance of an Initial Order
C. Establishment of an electronic data room:	Within 2 week of the issuance of an Initial Order
D. Due Diligence Period:	Within 8 week of the issuance of an Initial Order
E. Deadline for the filing of the offers:	Within 8 week of the issuance of an Initial Order
F. Determination of successful offer(s) (if any), and negotiation with potential purchaser(s)	Within 9 week of the issuance of an Initial Order
G. Filing and presentation of a motion seeking the approval of the selected offer(s):	Within 10 week of the issuance of an Initial Order
H. Closing of the transaction contemplated in the selected offer(s)	Within 11 week of the issuance of an Initial Order

51. Once the Solicitation Process shall have been completed, and depending on the offer(s) submitted in the context thereof, the Company shall review and determine, with the assistance of its advisors and of the Monitor, the possibility of preparing and submitting to its creditors a plan of arrangement and/or compromise.
52. The Company expects to report back to the Court on the progress accomplished in respect with the foregoing on its first stay extension request.

8. RELIEF SOUGHT

8.1. The Initial Order

8.1.1 The Stay of Proceedings

53. The present proceedings have been filed because the Company currently finds itself in dire financial circumstances and requires a stay of proceedings (the "**Stay**") in order to protect its Assets while it conducts the Solicitation Process.
54. Indeed, at this stage, the protection of this Court is necessary to preserve the value of the Company's business and Assets as a whole by minimizing any disruption while completing the Solicitation Process.
55. The Stay will preserve the status quo during the completion of the Solicitation Process and prevent creditors and other parties from taking any steps to try and better their positions in comparison to other creditors. All stakeholders generally, including the Company's creditors, will benefit from these proceedings.
56. In the event of a liquidation under a bankruptcy scenario where all operations would be terminated, the value of the Assets would be substantially reduced. It is expected that the Solicitation Process in the context of the present proceedings will yield better results than any conceivable "*go-dark*" scenario.

8.1.2 The Solicitation Process

57. The Solicitation Process and milestones described in paragraph 7.2.50 above are the result of extensive discussions between the Company, its advisors and the Monitor, the purpose of which is to find a way to maximize the value of its Assets under the present circumstances, and preserve, to the extent possible, the employment of its employees and the continued operations of its franchisees under the "*Java-U*" banner.
58. Although the CCAA does not require an insolvent debtor to have a Solicitation Process approved by the Court, the Company wishes nevertheless to be transparent with this Court, as well as with its creditors and stakeholders, so that the path going forward is made clear to all interested or potentially interested party.
59. Given the nature of its Assets, its limited liquidities, the Company believes and submits that the proposed Solicitation Process is reasonable under the circumstances, and should therefore be approved by this Court.

8.1.3 The DIP Financing and the DIP Charge

60. Prior to the filing of the present proceedings, the Company executed a commitment letter (the "**DIP Commitment Letter**") with 3070352 (the "**DIP Lender**") whereby the DIP Lender agreed to provide interim financing to the Company in an amount of up to \$300,000 (the "**DIP Facility**") in order to allow it to: (i) to fund the Company's on-going working capital expenditure during these proceedings and the Solicitation Process, and (ii) pay professional fees incurred

in respect of these proceedings. A copy of the DIP Commitment Letter is communicated herewith as **Exhibit R-12**.

61. As appears from the DIP Commitment Letter, the advance of the DIP Facility to the Company is conditional upon the approval by this Court of a super-priority charge in favour of the DIP Lender the amount of \$360,000 (i.e. the DIP Charge), as security for the payment of the DIP Facility.
62. Effectively, the DIP Facility constitutes a "*life-line*" to the Company as it will enable it to continue its operations during these proceedings, including by continuing to service its franchisees, while it restructures its business operations and seeks to find, as part of the Solicitation Process, parties interested in either investing in such business or purchasing its Assets, as a going concern.
63. The proposed DIP Charge is *not* intended to include or cover any indebtedness currently owed by the Company to the DIP Lender.

8.1.4 The Administration Charge

64. The Company respectfully submits that a \$100,000 administration charge should order as part of the Initial Order (the "**Administration Charge**").
65. During these proceedings, including during the Solicitation Process, the Company will require the continued assistance of the following professionals:
 - a) The Company's legal counsels: the undersigned counsels have been retained to assist The Company in the conduct of these proceedings, including the Solicitation Process;
 - b) The Monitor and its legal counsels: Raymond Chabot has agreed to act as Monitor to the Company and to assist it both in the context of the Solicitation Process and in the review of the claims to be submitted as part of the Claims Procedure. Raymond Chabot has valuable insights into the Company's business and is in a position to perform its monitoring duties as well as to assist the Company in its Solicitation Process without further delay.
66. In this context, the Company respectfully submits that the Administration Charge sought is necessary and appropriate, as well as reasonable, under the circumstances and that, accordingly, it should be granted as part of the Initial Order.

8.1.5 The D&O Charge

67. In order to continue to carry on business during these proceedings and in order to complete the Solicitation Process, the Company requires the active and committed involvement and continued participation of each and every one of its directors and officers (collectively, the "**Directors**" and each a "**Director**"), who each contribute in the management of the business, commercial activities and internal affairs of the Company and who are each is mindful of the risks associated with acting in such capacity during these proceedings.
68. Although the Company intends to comply with all applicable laws and regulations, including the timely remittance of deductions at source and federal and provincial sales taxes, the Directors are nevertheless concerned about the possibility for their personal liability in the context of the present proceedings given the Company's insolvency.
69. The Company does *not* currently maintain any directors' and officers' liability insurance (the "**D&O Insurance**"), which ultimately creates a degree of uncertainty for the Directors.
70. The Company therefore requests a Court-ordered charge (the "**D&O Charge**") in the amount of \$125,000 over its Assets, property and undertaking to indemnify the Directors in respect of any liability which they may incur, from and after the commencement of these proceedings.
71. The Company submits that the requested D&O Charge is reasonable and adequate given, notably, the nature of its business and operations, its current workforce and the corresponding potential exposure of the Directors, especially under a scenario where the Company would not be able to secure satisfactory offers in respect of its business and/or Assets.
72. Absent the protections sought in the conclusions of the present Application, the Company is concerned that the Directors will be forced to resign, which would, in all likelihood, jeopardize the continuation of the Company's operations, as well as the completion of the Solicitation Process, the whole to the detriment of the Company's creditors and stakeholders.
73. In addition, the Company further submits that the D&O Charge will provide assurances to the Company's employees that its obligations towards them for accrued wages, termination and severance pay shall be satisfied.
74. Indeed, while the insolvency of the Company and its non-payment of various employee obligations may trigger the personal liability of the Company's Directors, any recourse initiated by the Company's employees against them does not guarantee them any recovery. Therefore, the creation of a security in favour of the Company's Directors for sums for which they may be held liable to employees (but for which the Company is ultimately liable given its obligation to indemnify the Directors) enhances such employees' chances of recovery by, in effect, creating a security for their claims.

8.2. The Claims Procedure Order

75. In order to proceed with the review and determine the number and quantum of all claims, actual and contingent, against the Company, the Company seeks the issuance of an order approving the procedure for the filing of such claims, as further set forth in the draft Claims Procedure Order (Exhibit R-2), the terms of which are summarized below.

8.2.1 Issuance of the Claims Package

76. Pursuant to the draft Claims Procedure Order, Raymond Chabot shall, if appointed as monitor, send a claims document package (the "**Claims Package**") to each known creditor of the Company as soon as possible following the issuance of the Initial Order and of the Claims Procedure Order, informing them of the filing of the present proceedings by the Company, as well as of their rights to file a claim against the latter by no later than November 15, 2017 (the "**Claims Bar Date**").
77. More specifically, the Claims Package to be sent by Raymond Chabot, if appointed as monitor, will include the following:
- (a) a copy of the Newspaper Notice to be issued by Raymond Chabot, in its capacity as monitor (Schedule "A" to the draft Claims Procedure Order);
 - (b) a copy of the form of Proof of Claim (Schedule "B" to the draft Claims Procedure Order);
 - (c) a copy of the Instruction Letter to the Company's creditors (Schedule "C" to the draft Claims Procedure Order); and
 - (d) a copy the form of Notice of Revision or Disallowance (Schedule "D" to the draft Claims Procedure Order).
78. In addition, the mailing of the Claims Package to known creditors of the Company will be supplemented by the placement, in widely distributed newspapers, of the Notice of the Claims Procedure, as well as the posting of the Claims Package on Raymond Chabot's website.

8.2.2 Claims Bar Date

79. As previously mentioned, the proposed draft Claims Procedure Order outlines a procedure for the filing of claims against the Company, its director or officers and establishes a Claims Bar Date of November 15, 2017, as well as a bar date for claims arising after the issuance of the draft Claims Procedure Order, as further detailed therein.
80. The Claims Bar Date will not apply to certain claims designated as "*Excluded Claims*" which (i) cannot be compromised under the CCAA, (ii) relate to the sale of goods or the rendering of services after the filing of these CCAA proceedings or (iii) are secured by court-authorized prior ranking charges.

8.2.3 Review and Determination of Claims

81. Pursuant to the draft Claims Procedure Order, the Company and Raymond Chabot, if appointed as monitor, shall review all claims against the Company and proceed with the determination thereof.
82. The Monitor shall send, where applicable, a Notice of Revision or Disallowance to the creditors whose claims are disallowed in whole or in part. Upon receiving a Notice of Revision or Disallowance, a creditor whose claim has been disallowed in whole or in part will have the opportunity file, within ten (10) calendar days from the receipt of the Notice of Revision or Disallowance, a motion before this Court to appeal said Notice of Revision or Disallowance, failing which, the creditor will be deemed to have accepted Raymond Chabot's determination of its claim.
83. It is submitted that the proposed Claims Procedure will allow the Company to better assess the number of claims against it, as well as their quantum, and will enable it to better determine, if circumstances permit, the terms of an eventual plan of arrangement and compromise.

9. CONCLUSIONS

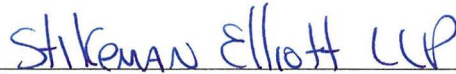
84. For the reasons set forth above, the Company believes it is both appropriate and necessary that the relief being sought be granted.
85. Raymond Chabot has advised that it is able and willing to act as Monitor in the context of these proceedings, and that it is supportive of the proposed Solicitation Process and charges requested herein, including the amount thereof.
86. In fact, the Company understands that Raymond Chabot shall be filing, in advance of the hearing on the present Application and its capacity as proposed Monitor in these proceedings, a report confirming its support of the reliefs sought herein.
87. The Company's only secured creditor, 3070352, along with the governmental authorities who could potentially assert a secured claim against the Company, have been served with the present Application.
88. Considering the urgency of the situation, the Company respectfully submits that the notices given for the presentation of this Application are proper and sufficient.
89. The Company respectfully submit that this Application should be granted in accordance with its conclusions, as it is well founded in fact and in law.

WHEREFORE, MAY THIS COURT:

90. **GRANT** this *Application for the Issuance of an Initial Order and a Claims Procedure Order* (the "**Application**").
91. **ISSUE** an order substantially in the form of the draft Initial Order communicated as Exhibit R-1 in support of the Application; and
92. **ISSUE** an order substantially in the form of the draft Claims Procedure Order communicated as Exhibit R-2 in support of the Application

THE WHOLE WITHOUT COSTS, save and except in case of contestation.

Montreal, October 4, 2017



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Attorneys for the Applicants

File number: 142186-1001

AFFIDAVIT

I, the undersigned, **LOU VAROUTSOS**, having my principal place of business at 4098 Sainte-Catherine Street West, Suite 400, Montreal, Québec H3Z 1P2;, solemnly declare the following:

1. I am the President and Chief Executive Officer of Java-U Global;
2. All the facts alleged in the *Application for the Issuance of an Initial Order and a Claims Procedure Order* are true.

AND I HAVE SIGNED



LOU VAROUTSOS

Solemnly declared before me at Montreal,
on the 4th day of October, 2017



Commissioner of Oaths for the Province
of Quebec



NOTICE OF PRESENTATION

TO: the Service List

TAKE NOTICE that the *Application for the Issuance of an Initial Order and a Claims Procedure Order* will be presented for adjudication before one of the Registrars or Honourable Judges of Superior Court, sitting in practice in and for the District of Montreal, in the Montreal Courthouse, 1 Rue Notre-Dame Est, Montréal, QC H2Y 1B6, on **October 6, 2017**, at **10:30**, in a room to be determined by the Court and announced to the Service List.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, October 4, 2017



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Attorneys for the Applicants

File number: 142186-1001

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL

**SUPERIOR COURT
(Commercial Division)**

No. :

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

JAVA-U GROUP INC., a corporation incorporated under the *Canada Business Corporation Act*, having its principal place of business at 400-4098 Sainte-Catherine Street West, Montreal, Québec, H3Z 1P2;

- and -

JAVA-U FOOD SERVICES INC., a corporation incorporated under the *Canada Business Corporation Act*, having its principal place of business at 205-5473 av. Royalmount Mont-Royal (Québec) H4P 1J3;

- and -

CAFÉ JAVA-U INC., a corporation incorporated under the *Canada Business Corporation Act*, having its principal place of business at 220-5473 av. Royalmount, Mont-Royal (Québec) H4P 1J3;

- and -

JAVA-U RTA INC., a corporation incorporated under the *Canada Business Corporation Act*, having its principal place of business at 1092 Queen Street West, Toronto, Ontario M6J 1H9;

Applicants/Debtors

- and -

RAYMOND CHABOT INC., a legal person under the laws of Canada, having a place of business at 600 De La Gauchetière Street West, Suite 2000, Montréal, Québec H3B 4L8;

Proposed Monitor

LIST OF EXHIBITS

<u>EXHIBITS</u>	<u>DESCRIPTION</u>
Exhibit R-1 :	Copy of the draft Initial Order;
Exhibit R-2 :	Copy of the draft Claims Procedure Order;
Exhibit R-3 :	Copy of the relevant extracts of <i>Corporation Canada's</i> website and of the <i>Registraire des entreprises</i> (Quebec)'s website for Java-U Group Inc., <i>en liasse</i> ;
Exhibit R-4 :	Copy of the relevant extracts of <i>Corporation Canada's</i> website and of the <i>Registraire des entreprises</i> (Quebec)'s website for Java-U Food Services Inc., <i>en liasse</i> ;
Exhibit R-5 :	Copy of the relevant extracts of the <i>Registraire des entreprises</i> (Quebec)'s website for Café Java-U Inc;
Exhibit R-6 :	Copy of the relevant extracts of <i>Corporation Canada's</i> website for Java-U RTA Inc.;
Exhibit R-7 :	Copy of the <i>Memorandum of Agreement of Loan</i> entered into on February 19, 2017, between 307352 Canada Inc., as lender, Café Java-U Inc., as borrower, and Java-U Group Inc. and Java-U Food Services Inc., as guarantors;
Exhibit R-8 :	Copy of the <i>Hypothec on Movable Property (General)</i> entered into on February 19, 2017, between 307352 Canada Inc. and Café Java-U Inc.
Exhibit R-9 :	Copy of the <i>Hypothec on Movable Property (General)</i> entered into on February 19, 2017, between 307352 Canada Inc. and Java-U Group Inc.
Exhibit R-10 :	Copy of the <i>Hypothec on Movable Property (General)</i> entered into on February 19, 2017, between 307352 Canada Inc. and Java-U Food Services Inc.
Exhibit R-11 :	Copy of the relevant extract of the <i>Register of Personal Movable Real Rights</i> (the "RPMRR"), <i>en liasse</i> ;
Exhibit R-12 :	Copy of the DIP Commitment Letter entered into between 3070352 Canada Inc., as lender, Java-U Group Inc., Java-U Food Services Inc. and Café Java-U Inc., as borrowers

Montreal, October 4, 2017

Stikeman Elliott LLP

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