

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTREAL

No. : 500-11-053313-173

SUPERIOR COURT  
(Commercial Division)

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

JAVA-U GROUP INC.

- and -

JAVA-U FOOD SERVICES INC.

- and -

CAFÉ JAVA-U INC.

- and -

JAVA-U RTA INC.

**Applicants/Debtors**

- and -

RAYMOND CHABOT INC.

**Monitor**

**APPLICATION FOR THE ISSUANCE OF AN ORDER  
EXTENDING THE STAY OF PROCEEDINGS**  
(Section 11 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 SUBMIT THE FOLLOWING:

1. **INTRODUCTION**

1. On October 6, 2017, this Court rendered the following orders pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**") in respect of 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, Java-U Food and Café Java-U, the "**Company**"), as appears from the Court record:

- (a) an initial order (the "**Initial Order**") approving, *inter alia*:
    - (i) a stay of all proceedings against the Company until November 6, 2017 (the "**Stay Period**");
    - (ii) the appointment of Raymond Chabot Inc., as monitor to the Company (the "**Monitor**");
    - (iii) the terms and conditions of an interim financing (the "**DIP Financing**") offered by 3070352 Canada Inc. to the Company, as part of these proceedings initiated under the CCAA (the "**CCAA Proceedings**"); and
    - (iv) a solicitation process to be conducted in respect of the Company's assets (the "**Solicitation Process**");
  - (b) a claims procedure order (the "**Claims Procedure Order**") providing for, *inter alia*, the procedure for the filing, review, determination and adjudication, if necessary, of all claims against the Company (the "**Claims Process**").
2. On November 6, 2017, this Court rendered another order in the context of the CCAA Proceedings extending the Stay Period until December 22, 2017, and amending the Initial Order so to authorize the Company to increase the amount which it can borrow from 3070352 Canada Inc., from time to time, as part of the DIP Financing.
  3. On December 21, 2017, this Court extended the Stay Period until February 28, 2018.
  4. For the reasons further described below, the Company hereby seeks from this Court the issuance of an order extending the Stay Period until March 16, 2018.

## **2. RESTRUCTURING EFFORTS**

### **2.1. The Solicitation Process**

5. Pursuant to the Initial Order, the Company was authorized by this Court to conduct a solicitation process (the "**Solicitation Process**") in order 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, substantially in accordance with the process further described in the Company's *Application for the Issuance of an Initial Order and a Claims Procedure Order* dated October 4, 2017.
6. By October 13, 2017, the Monitor, with the assistance of the Company, prepared a list of approximately forty-eight (48) prospective investors and/or purchasers across Canada, each of which were identified and selected for their involvement in the coffee market, and/or their experience as franchisors in the catering business.

7. On October 20, 2017, after having established a virtual data room (the "**Dataroom**") allowing all potentially interested parties willing to sign a non-disclosure agreement (each an "**NDA**") to have access to the Company's business and financial documents, the Monitor officially launched the Solicitation Process, and sent to all Prospective Investors and Purchasers a copy of the "*teaser*" (the "**Teaser**"). The Teaser was also posted on the Monitor's website, and transmitted by email, on October 23, 2017, to 3,894 potential interested parties, all of whom were found on Raymond Chabot Inc.'s standard list of potential purchasers (together with the forty-eight (48) prospective investors and/or purchasers identified by the Company and the Monitor, the "**Prospective Investors and Purchasers**").
8. Pursuant to the Teaser, all Prospective Investor or Purchaser were invited to submit an offer in respect of the financing of the operations of the Company or the purchase of its assets by no later than December 1, 2017, at 10:00AM (the "**Bid Deadline**").
9. In addition to the Prospective Investors and Purchasers to whom the Monitor initially sent the Teaser, eight (8) additional interested parties also communicated directly with the Monitor to obtain a copy of the Teaser, as well as additional information regarding the Company's business and assets.
10. In total, fifteen (15) Prospective Investors and Purchasers signed an NDA and gained access to the Dataroom, with each of whom the Company and/or the Monitor followed up with to inquire about their potential interest in the Company or its assets.
11. At the Bid Deadline, despite the initial indications of interest made in respect of the Company or its assets, only one offer was submitted to the Monitor, being an offer by 3070352 Canada Inc., Bryan Cytrynbaum and Allan Cytrynbaum (the "**Sponsors**") to sponsor a plan of arrangement and compromise in respect of the Company, which would allow it to continue its operations as a going concern while providing certain recoveries to its creditors (the "**Sponsors' Offer**").
12. No other offer was submitted to the Company in the context of the Solicitation Process, except two (2) other offers which were submitted *after* the Bid Deadline.
13. Despite having received such offers *after* the Bid Deadline, the Monitor, together with the Company, reviewed these offers, but nonetheless came to the conclusion that the Sponsors' Offer remained, under the circumstances, the best offer to the Company's creditors and stakeholders.
14. The terms and conditions of the Sponsors' Offer will be reflected in the Plan of arrangement which the Company is currently finalizing and which it intends to file before March 16, 2018.

## 2.2. The Claims Process

15. Pursuant to the Claims Procedure Order rendered by this Court on October 6, 2017, a procedure was established for the purpose of identifying, establishing and adjudicating all claims of any person against the Company, and their directors and officers, as appears from the Court record.
16. On October 6 and 13, 2017, respectively, the Monitor published, on its website, the Claims Procedure Order, as well as the notices, instructions and forms relating to the Claims Procedure Order, in addition to sending these to all known creditors, to advised them of the CCAA Proceedings and that this Court had established a claims bar date of November 15, 2017 (the "**Claims Bar Date**").
17. On October 14, 2017, the Monitor published in The Globe and Mail the notices relating to the Initial Order and the Claims Procedure Order.
18. As at the Claims Bar Date, a total of eighty-three (83) persons or entities filed a claim with the Monitor, all of which amount to more than \$17,000,000.
19. These claims included, *inter alia*:
  - (a) the claims of the Sponsors against the Company, which, in the aggregate, exceed \$9,000,000;
  - (b) certain claims against the Company which, in the aggregate, exceed \$3,200,000<sup>1</sup>, and which, prior to the initiation of the CCAA Proceedings, were the subject of contestation by the Company before the Superior Court of Quebec;
  - (c) a claim against the Company in the amount of more than \$1,200,000 for the lawful termination of a lease agreement following the issuance of the Initial Order; and
  - (d) a claim against the Company and its directors in an amount of \$2,500,000 by one of its shareholders, 126217 Canada Inc. for the reimbursement of its equity investment (the "**Shareholders' Claim**").
20. The Monitor, in consultation with its legal counsels and the Company, is finalizing its review of each of these claims, in order to assess the validity and quantum thereof. The Monitor intends to take a final position with respect to the above-mentioned claims shortly.

---

<sup>1</sup> One of these claims has been filed twice.

**2.3. The Company's Plan of Arrangement and Compromise**

21. As previously mentioned, the Company is currently finalizing a Plan of arrangement and compromise on the basis of the Sponsors' Offer.
22. In fact, by no later than March 16, 2018, the Company intends to:
  - (a) File its Plan of arrangement and compromise; and
  - (b) File an application seeking the issuance of a meeting procedure order which will provide for a meeting of creditors to vote upon such plan.
23. The Company is the view that an extension of the Stay Period is appropriate under the circumstances and that no creditor will suffer any undue and material prejudice from such extension.
24. Moreover, since the issuance of the Initial Order, the Company has acted, and continues to act, in good faith and with due diligence in its efforts to find a solution to ensure the continuity of its operations, and maximize the recovery of its creditors by way of a plan of arrangement.
25. The Company understands that the Monitor supports this Application and will be filing, in advance of such Application, a report recommending the issuance of an order extending the Stay Period.

**WHEREFORE, MAY THIS COURT:**

**GRANT** the present *Application for the Issuance of an Order Extending the Stay of Proceedings* (the "**Application**");

**DECLARE** that the notices given for the presentation of the Application are proper and sufficient;

**EXTEND** the Stay Period (as defined in the Demand) until March 16, 2018;

**ORDER** the provisional execution of the Order to be rendered notwithstanding any appeal and without the necessity of furnishing any security;

**WITHOUT COSTS**, save and except in case of contestation.

**Montreal, February 21, 2018**

*Stikeman Elliott LLP*

---

**STIKEMAN ELLIOTT LLP**

Me Guy P. Martel - [gmartel@stikeman.com](mailto:gmartel@stikeman.com)

Me Danny Duy Vu - [ddvu@stikeman.com](mailto:ddvu@stikeman.com)

1155, René-Lévesque West, Suite 4100

Montréal QC H3B 3V2

Phone: (514) 397-3163 / (514) 397-6495

Attorneys for the Applicants

File number: 142186-1001

## NOTICE OF PRESENTATION

TO: the Service List

**TAKE NOTICE** that the *Application for the Issuance of an Order Extending the Stay of Proceedings* will be presented for adjudication before one of the Honourable Judges of the 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 **February 23, 2018**, at **9 a.m.**, in room **16.06** of the Montreal Courthouse.

**DO GOVERN YOURSELVES ACCORDINGLY.**

Montreal, February 21, 2018

*Stikeman Elliott LLP*

---

**STIKEMAN ELLIOTT LLP**

Me Guy P. Martel - [gmartel@stikeman.com](mailto:gmartel@stikeman.com)

Me Danny Duy Vu - [ddvu@stikeman.com](mailto:ddvu@stikeman.com)

1155, René-Lévesque West, Suite 4100

Montréal QC H3B 3V2

Phone: (514) 397-3163 / (514) 397-6495

Attorneys for the Applicants

File number: 142186-1001

SUPERIOR COURT  
( Commercial Division)

---

N°. 500-11-053313-173

---

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

---

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

JAVA-U GROUP INC.M  
-and-  
JAVA-U FOOD SERVICES INC.  
-and-  
CAFÉ JAVA-U INC.  
-and-  
JAVA-U RTA INC.  
Applicants/Debtors  
  
-and-  
RAYMOND CHABOT INC.  
Proposed Monitor

BS0350

File: 142186-1001

---

APPLICATION FOR THE ISSUANCE OF AN  
ORDER EXTENDING THE STAY OF  
PROCEEDINGS (Section 11 of the Companies'  
Creditors Arrangement Act), Affidavit and Notice  
of Presentation

---

ORIGINAL

---

Mtre. Guy P. Martel

514-397-3163

[gmartel@stikeman.com](mailto:gmartel@stikeman.com)

Danny Duy Vu

514-397-6495

[ddvu@stikeman.com](mailto:ddvu@stikeman.com)

STIKEMAN ELLIOTT  
Stikeman Elliott LLP BARRISTERS & SOLICITORS  
41<sup>th</sup> Floor  
1155 René-Lévesque Blvd. West  
Montréal, Canada H3B 3V2