

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**"); and
 - (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 Procedure**").
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. For the reasons further described below, the Company hereby seeks from this Court the issuance of an order extending the Stay Period until February 28, 2018.

2. THE RESTRUCTURING EFFORTS

2.1. The Solicitation Process

4. 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 described below:

<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 " <i>teaser</i> ", a confidential information memorandum and non-disclosure agreement to each prospective investors and	Within 2 week of the issuance of an Initial Order

<u>Milestones</u>	<u>Expected Timing</u>
purchasers:	
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

5. 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.
6. 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**").
7. 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**").

8. 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.
9. 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.
10. 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 Monitor¹, 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**").
11. More specifically, the Sponsor's Offer namely provides that the Sponsor shall contribute to a plan of arrangement as follows:
 - (a) The Sponsors will provide forgive a portion or the totality of their debt as against the Company;
 - (b) The Sponsors will provide a cash contribution to be distributed to the creditors of the Company; and
 - (c) The Sponsors will provide an exit financing to the Company to ensure that it is able to continue its operations upon emergence of these proceedings, for the benefit of all of its creditors and stakeholders.
12. As things currently stand, the Company is currently in the process of preparing a plan of arrangement and compromise on the basis of the Sponsors' Offer, which it intends to submit to its creditors in short order.

2.2. The Claims Procedure

13. 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.
14. 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

¹ On December 1, 2017 at 7:30PM, the Monitor received a second offer to purchase a portion of the Company's assets. In addition to being invalid on the basis that such offer was submitted *after* the Bid Deadline, this offer provided a consideration which was substantially less than what was offered in the Sponsors' Offer.

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**").

15. On October 14, 2017, the Monitor published in The Globe and Mail the notices relating to the Initial Order and the Claims Procedure Order.
16. As at the Claims Bar Date, a total of forty-two (42) proofs of claim were filed with the Monitor prior to the Claims Bar Date, including four (4) claims which were filed after such date.
17. These claims include, *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 \$3,200,000², 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**").
18. The Monitor, in consultation with its legal counsels and the Company is currently in the process of reviewing and analyzing each of these claims, and, in certain cases, will also meet with some of their claimants, in order to assess the validity and quantum of their claims.
19. The Company has been advised by the Monitor that expects to complete its review within the next few weeks.

3. THE EXTENSION OF THE STAY PERIOD

20. As previously mentioned, the Company is currently in the process of preparing a plan of arrangement and compromise on the basis of the Sponsors' Offer, which it intends to submit to its creditors in short order.
21. Before it does so, and requests a meeting order from this Court, it requires the Monitor to complete its review and assessment of all claims filed against the Company as part of the Claims Procedure.

² One of these claims has been filed twice.

22. Accordingly, at this stage, the Company requires an extension of the Stay Period until February 28, 2018.
23. The Company expects, however, to file a plan of arrangement and compromise to its creditors and return before the court to request a meeting order before such date.
24. 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 is the view that no creditor will suffer any undue and material prejudice from the reliefs sought herein, which, the Company submits, are appropriate in the circumstances.
26. The Company understands that the Monitor supports this Application, and shall file, in advance of the hearing on same, a report setting forth its observations and recommendations.

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 February 28, 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, December 18, 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:

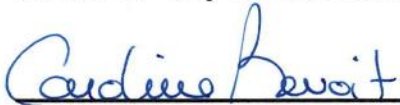
1. I am the President and Chief Executive Officer of Java-U Global;
2. All the facts alleged in the *Application for the Issuance of an Order Extending the Stay of Proceedings* are true.

AND I HAVE SIGNED



LOU VAROUTSOS

Solemnly declared before me at Montreal,
on the 18th day of December, 2017



**Commissioner of Oaths for the Province
of Quebec**



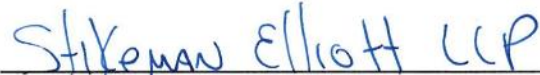
NOTICE OF PRESENTATION

TO: the Service List

TAKE NOTICE that the *Application for the Issuance of an 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 December 21st, 2017, at a time and in a room to be confirmed by the Court, and announced to the Service List.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, December 18, 2017



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Proposed Monitor

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