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CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

SUPERIOR COURT
(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act,
R.S.C., c. C-36, as amended)

DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-053313-173

**IN THE MATTER OF THE PLAN OF
ARRANGEMENT OR COMPROMISE OF:**

**JAVA-U GROUP INC., JAVA-U FOOD
SERVICES INC., CAFÉ JAVA-U INC., JAVA-U
RTA INC.**

Legal persons incorporated under the laws of
Canada, having their principal executive offices at
400-4098 Ste-Catherine Street West, in the city of
Westmount, in the province of Québec, H3Z 1P2.

Hereinafter referred to as “Java-U”, the “Debtors”
or the “Company”

-and-

RAYMOND CHABOT INC.,
Jean Gagnon, CPA, CA, CIRP, LIT

Hereinafter referred to as the “Monitor”

FOURTH REPORT OF THE MONITOR ON JAVA-U'S BUSINESS AND FINANCIAL AFFAIRS

PREAMBLE

Following the issuance of the Initial Order dated October 6, 2017, we respectfully submit to this Court our fourth report on the state of affairs and finances of the Debtors. This report is made in the context of the Debtors' *Application for the Issuance of an Order Calling a Meeting of Creditors to Vote on a Plan of Arrangement and Compromise, Amending the Initial Order so as to Increase the Dip Charge, and Extending the Stay of Proceedings* dated March 9, 2018 (the “**Application**”), pursuant to which the Debtors seek, *inter alia*, authorizing of the Court to file their joint plan of compromise and arrangement dated March 9, 2018 (the “**Joint Plan**”) and to convene a creditors' meeting to vote on the Joint Plan.

Signed in Montréal on March 12, 2018.

RAYMOND CHABOT INC.
Monitor

Jean Gagnon, CPA, CA, CIRP, LIT

All capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Joint Plan.

1. INTRODUCTION

Raymond Chabot inc., in its capacity as Monitor of the Debtors, hereby submits its fourth report to the Court regarding the business and financial affairs of the Debtors and on the proposed filing of the Joint Plan (this "**Report**").

This Report addresses the following topics:

- Context (Section 2)
- Solicitation Process (Section 3);
- Inquiries Conducted by the Monitor (Section 4);
- Preferences and Transfers at Undervalue (Section 5);
- The Joint Plan (Section 6);
- Claims Received (Section 7);
- Estimated Realization in the Context of a Bankruptcy (Section 8);
- Analysis of the Statement of Cashflow (Section 9);
- Projected Cashflow (Section 10);
- Conclusion (Section 11);

2. CONTEXT

The Debtor Companies

Java-U is a Montreal-based coffee chain, serving coffee and light meals and offering catering services through franchised restaurants in Canada, the UK and the Middle East. It also operates a coffee and food distribution and food processing center located in Montreal, Quebec through its wholly owned subsidiary, which prepares the food served in the various Canadian restaurants forming part of the chain.

The first Java-U coffee shop was opened in 1996 in Montreal, at the corner of Guy and de Maisonneuve streets (at the time, it operated under another corporate entity). Given its success, two additional locations were opened under the same corporate entity in the following years. In 2002, the current shareholders purchased a majority interest in Java-U and continued to develop the coffee chain. Starting in 2007, Java-U began the process of converting its business model into that of a franchise company, as it is today.

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As at the date hereof, the Java-U chain includes the following locations:

- Ten (10) coffee shops in the greater Montreal area, which are operated by franchisees;
- One (1) coffee shop in Vancouver, which is operated by a franchisee;
- One (1) coffee shop in London, United Kingdom, which is operated by a master franchisee;
- Nineteen (19) coffee shops in the Middle East, which are operated by a master franchisee.

Java-U's revenues are mainly derived from franchise royalties and the sale of coffee and food to each of the Canadian franchisees.

As of the date of this Report, the Company employs approximately 30 employees. According to Java-U's management ("**Management**"), all salaries, deductions at source and employee remittances are up to date.

Below is a description of the currently active entities forming part of the Java-U group:

- Java-U Group is a holding company, which holds 100% of the shares of Java-U Food, Café Java-U and Java-U RTA. It acts as franchisor, lessee and sub-lessor under various franchise agreements, lease agreements and sub-lease agreements for some of the chain's locations. It was incorporated on April 16, 2004 under the Canada Business Corporations Act ("**CBCA**").
- Java-U Food is wholly owned by Java-U Group and acts as franchisor, lessee and sub-lessor under various franchise agreements, lease agreements and sub-lease agreements for some of the chain's locations. It owns the equipment of the food distribution and processing facility. It was incorporated on September 30, 2004 under the CBCA.
- Café Java-U is wholly owned by Java-U Group and acts as lessee and sub-lessor under various lease agreements and sub-lease agreements for some of the chain's locations. It is the entity that employs the employees working at the food processing facility and the Java-U offices. It was incorporated on July 22, 1996 under provincial legislation.
- Java-U RTA is wholly owned by Java-U Group and acts as lessee under a lease agreement for a location in Toronto, which recently closed. It was incorporated on February 23, 2016 under the CBCA.

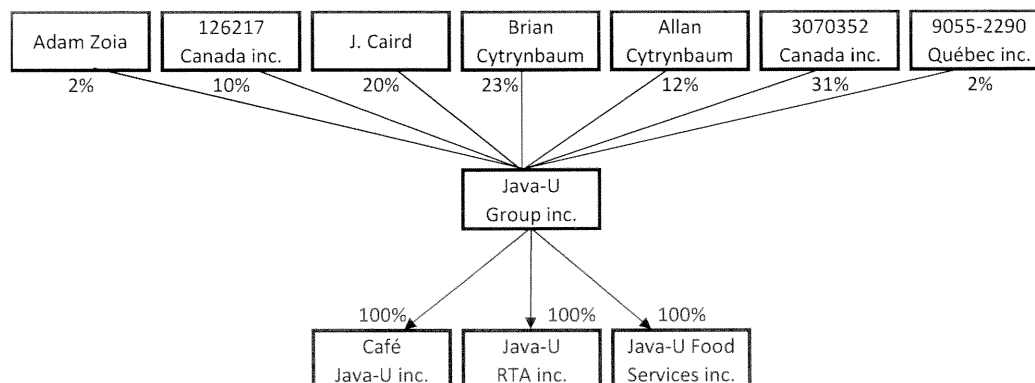
Java-U Group also holds the shares of various numbered companies, all of which are inactive at this time and are thus excluded from the table below.

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The Debtors' shareholders and the group's active entities are the following:



Franchisees

As at the date hereof, the following are relevant considerations with respect to Java-U's franchisees:

- There are eleven (11) franchised locations in Canada, most of them being run by independent entrepreneurs.
- For seven (7) of these locations, the applicable leases have been entered into between the landlords and the Debtors. Consequently, in the event of a bankruptcy, the landlords could terminate these leases, which would be highly prejudicial to the franchisees.
- It is estimated by Management that the Canadian franchisees employ a total of between 150 and 200 employees, being between eight (8) and twenty-five (25) employees per location

Causes of financial difficulties

Management attributes Java-U's financial difficulties namely to the following:

- Significant increase in competition in the retail coffee-market;
- Significant increase in costs, namely in light of the rise in the value of the US dollar in comparison with the Canadian dollar;
- Failed attempts to diversify its product offering; and
- The purchase by the group of underperforming franchises, for which substantial financial resources were deployed in order to restore operations.

As a result of the above, the Company has incurred significant losses over the past few years. In particular, between 2013 and 2015, Java-U's audited consolidated financial statements show a total net loss of \$1.8 million. The 2016 audited consolidated financial statements also show a net loss of \$1.6 million.

In order to restore Java-U's profitability, Management has attempted to diversify its product offering by partnering with certain well-known companies such as Natrel, and to minimize its costs by down-

sizing and rationalizing its business operations, including reducing the number of corporate-owned locations and its workforce.

Up until now, the Company's operations have been financed primarily through advances from its shareholders and related parties, including Brian Cytrynbaum and 3070352 Canada inc. ("**307**") (i.e. without any financing from a bank or other third-party lender). Such shareholders and related parties are not prepared to make any further advances, given the Company's present financial situation, unless and until the Joint Plan is approved by Java-U's creditors and the Court.

The Monitor further understands that in addition to the above, Java-U and its directors have been involved in various time consuming and expensive litigation proceedings in recent years, which may have served to shift Management's focus away from Java-U's operations, thus compounding the latter's financial difficulties. The releases provided for in the Joint Plan are aimed at putting an end to this litigation as part of Java-U's restructuring efforts.

3. SOLICITATION PROCESS

As specified in the Debtors' Application for the Issuance of an Initial Order and a Claims Procedure Order and in accordance with the Initial Order, the Monitor, in conjunction with the Debtors, initiated a public solicitation process in respect of the Property before October 10, 2017 (the "**Solicitation Process**"). As part of the Solicitation Process, a bid deadline was established on December 1, 2017, at 10:00AM (the "**Bid Deadline**").

In particular, the Monitor, in consultation with the Debtors, identified 48 parties that were considered capable of proceeding with an investment in the Business or an acquisition of all or part of the Property (the "**Prospective Investors and Purchasers**"). These potential investors or purchasers were selected from across Canada on the basis of their presence in the coffee market and/or their participation as a franchisor in the catering sector and are identified on the list attached hereto as **Appendix I**.

On October 20, 2017, concurrently with the establishment of a dataroom to share business and financial documentation with the parties targeted by the Solicitation Process, a teaser prepared as part of the Solicitation Process (the "**Teaser**") was sent to the 48 Prospective Investors and Purchasers as well as to 126217 Canada inc. ("**126**"), a shareholder of Java-U Group and the holder of a litigious Claim, which is described more fully below. In addition to the Prospective Investors and Purchasers, eight (8) other interested parties contacted the Monitor directly to obtain copies of the Teaser as well as additional information regarding the Business and the Property.

On October 23, 2017, the Teaser, along with a terms and conditions document were posted on the Monitor's website in the "Assets for sale" section. That same day, a notification was sent to the 3,894 subscribers to the Monitor's distribution list informing them about the Solicitation Process.

At the Bid Deadline, despite the initial indications of interest made in respect of the Business or the Property, only one offer was submitted to the Monitor, being an offer by 307, Brian Cytrynbaum and Allan Cytrynbaum (collectively, the "**Sponsors**") to sponsor a joint plan of compromise and arrangement in respect of the Debtors which would allow Java-U to continue its operations as a going concern, for the benefit of its franchisees, nearly 200 Canadian employees and other stakeholders, while providing for certain recovery to its creditors (the "**Sponsors' Offer**").

Two (2) other offers were also submitted after the Bid Deadline (the “**Other Offers**”), by parties dealing at arm's length with Java-U namely:

- 9292-8167 Québec inc, which submitted an offer on December 1, 2017 to purchase part of the Property, namely that related to five (5) of the locations operated by the Debtors; and
- an importer of coffee that contacted the Monitor on December 28, 2017 (the “**Third Offeror**”), prompting the Monitor to take the following steps, notwithstanding that the Bid Deadline had expired:
 - On January 12, 2018, a non-disclosure agreement was signed and the process of communicating documents relevant to the Solicitation Process to the Third Offeror was commenced.
 - On January 30, 2018, the Third Offeror met with the Monitor to obtain further information about the sale process and the activities of the Debtors;
 - On February 9, 2018, the Third Offeror submitted a duly signed Letter of Intent to purchase substantially all of the Property.

A summary of the offers received as well as copies of the offers themselves are annexed hereto *en liasse* as **Appendix II** (Under seal).

Despite having received the Other Offers after the Bid Deadline, the Monitor, together with the Debtors, reviewed same and determined that the Sponsors' Offer remained the best available offer for Java-U's creditors and stakeholders in the circumstances. Accordingly, the Joint Plan is based on the Sponsors' Offer.

4. INQUIRIES CONDUCTED BY THE MONITOR

Following the issuance of the Initial Order, the Monitor reviewed the *Application for Oppression Remedy* filed by 126 against Java-U Group, Brian Cytrynbaum and Allan Cytrynbaum (together with Brian Cytrynbaum, the “**Directors**”) in court file number 500-11-053313-173 (the “**Oppression Application**”). The Monitor then obtained and reviewed the exhibits filed in support of the Oppression Application, including an expert report prepared by 126's accountant, Steve Harrar of Nexia Friedman (the “**126 Report**”).

Shortly after the filing of a Proof of Claim by 126 on the basis of the Oppression Application, asserting a Claim against Java-U Group and against its directors and officers (the “**126 Claim**”), a meeting was scheduled between the Monitor and 126's principal, Claude Helwani (“**Mr. Helwani**”) as well as the latter's counsel and accountant.

Prior to the meeting, the Monitor informed 126's counsel of its initial position that the 126 Claim was an “equity claim” within the meaning of the CCAA and requested that Mr. Helwani provide the Monitor with copies of any documents he may have reviewed as part of his due diligence prior to making an investment in Java U Group. In his response to this request, counsel for 126 alleged that assets in excess of \$ 9,000,000 had “disappeared from Java-U's balance sheet”, the whole as appears from a copy of an email exchange between M^{es} Tardif and Stein, annexed hereto as **Appendix III**.

A meeting was held on December 18, 2017 between the Monitor, Mr. Helwani and the parties' respective advisors, during which Mr. Helwani, his counsel and his accountant were unable to substantiate the allegation that any of the Debtors' assets had disappeared. 126's counsel instead

highlighted certain discrepancies in the Debtors' unaudited financial statements and the financial statements prepared by Java-U's auditors, Richter LLP ("**Richter**"), in 2017.

Subsequent to this meeting, the Monitor held discussions with Management as well as with representatives of Richter in order to clarify the purported inconsistencies in Java-U's financial statements. Further to these inquiries, the Monitor was advised that such discrepancies were caused primarily by the improper valuation of certain assets, failure to perform write-offs where necessary and generally poor bookkeeping practices adopted by Java-U's past management. In fact, it appears that since the beginning of its operations and up until 2011, Java-U's management never had its financial statements audited and it only obtained "Notice to Reader" statements in consolidated and non-consolidated form.

Based on the Monitor's inquiries, it is satisfied that any inconsistencies in the financial statements of the Debtors are attributable to errors and deficiencies in Java-U's past accounting practices and are not indicative of any illicit transfers or dilapidation of the Debtors' assets by its directors and officers.

5. PREFERENCES AND TRANSFERS AT UNDERVALUE

The Monitor has reviewed and analyzed the Debtors' bank statements for the period beginning 12 months prior to the filing of the Initial Order, as well as the available audited and unaudited financial statements. This analysis by the Monitor did not reveal the existence of any potential preferences or transfers at undervalue.

6. THE JOINT PLAN

The material terms of the Joint Plan are described below. In the event of any discrepancy between the description contained herein and the Joint Plan, the text of the Joint Plan will prevail.

The Sponsor's Contribution

The Joint Plan will be financed by the Sponsors. In exchange for, in particular, 100% of the equity of the recapitalized Java-U Group and the releases provided for in the Joint Plan, the Sponsors would make the following contributions (the "**Sponsors' Total Contribution**"):

- Cash Contribution

The Sponsors will make a cash contribution of \$ 50,000 to be distributed to Creditors (the "**Sponsors Cash Contribution**").

- Release or Postponement of Claims

The Sponsors would release their respective unsecured Claims up to the following amounts:

- 3070352 Canada inc.: \$ 6,137,758
- Brian Cytrynbaum: \$ 853,025
- Allan Cytrynbaum: \$ 170,000

The Sponsors would postpone their remaining Claims, including any Claims under the DIP Facility, which are to be deemed Excluded Claims and unaffected by the Joint Plan.

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- Litigation Funding

The Sponsors will continue to pursue all claims that the Debtors may have against third parties and will distribute 50% of the net proceeds realized from the prosecution of such claims that are collected before December 31, 2018, after the repayment of reasonable professional fees and expenses, to Creditors. (the “**Litigation Proceeds**”)

- Waiver of Distribution

The Sponsors would waive any rights to participate in the Sponsors' Cash Contribution and the Litigation Proceeds.

- Exit Financing

The Sponsors would commit to fund the Debtors' operations following the implementation of the Joint Plan by providing exit financing to the Debtors for a period of at least 12 months following the Plan Implementation Date, up to an amount of at least \$500,000. (the “**Exit Financing**”)

Distribution of Sponsors' Cash Contribution and Litigation Proceeds

The Sponsors' Cash Contribution and Litigation Proceeds will be remitted to the Monitor and distributed to Creditors as follows:

- First, to pay in full the Employee Priority Claims and the Government Priority Claims.
- Second, to pay on a pro-rata basis all Proven Claims.

Releases

The Joint Plan would provide for full and final releases of all Claims, including any Claims arising out of the Oppression Application (as defined below), against the Debtors, the Sponsors and their respective directors and officers.

Joint Plan and Single Class of Creditors

The Debtors request that the Court authorize the filing of the Joint Plan to be submitted to Creditors and order that all Affected Creditors form part of a single class for voting and distribution purposes.

The Monitor supports this request, in particular, for the following reasons:

- The Debtors' activities are interrelated, at the financial and operational levels, and are the responsibility of the same management team.
- The Debtors are owned by the same parties;
- Consolidated financial statements have been issued with respect to the Debtors;
- Each of the Debtors, except Java-U RTA, provided cross-guarantees for indebtedness owed to the Debtors' principal secured creditor, 307;
- The filing of the Joint Plan classifying creditors in one class will facilitate the administration, implementation and execution of the Joint Plan.

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- The interests and rights of the Affected Creditors are sufficiently similar to give them a commonality of interest in that:
 - The vast majority of Creditors that have filed Proofs of Claim have asserted unsecured Claims against the Debtors.
 - The Debtors' principal and first ranking secured creditor is 307 and its secured Claim, which greatly exceeds the realizable value of the Property, would be unaffected by the Joint Plan.
 - If the Joint Plan is not approved and the Debtors make an assignment into bankruptcy, no recovery is estimated for any Creditors with secured or unsecured Claims, other than 307.

The Monitor therefore supports the calling of a Creditors' Meeting on April 25, 2018, the whole in accordance with the Meeting Procedure Order sought pursuant to the Application.

The Joint Plan is Fair and Reasonable

The Monitor is of the view that the Joint Plan is fair and reasonable and that it represents the best available alternative to the Debtors' stakeholders, for the following reasons:

- The Monitor did not receive any offer pursuant to the Solicitation Process that would have provided for a superior recovery to Creditors than that provided for under the Sponsors' Offer, which forms the basis of the Joint Plan.
- The approval of the Joint Plan would permit the continuation of Java-U's operations for the benefit of nearly 200 Canadian employees and its thirteen (13) Franchisees. The Sponsors, which have for many years financed the operations of Java-U, are no longer willing to do so and there appears to be no solution other than the Joint Plan to save Java-U's business.
- The Joint Plan provides for a superior recovery to Creditors than would be possible in a bankruptcy scenario, given that any such recovery is contingent on the release and postponement of the Sponsors' Claims, which are by far the Debtors' largest secured and unsecured Creditors. Furthermore, the Sponsors' Cash Contribution and Litigation Proceeds would not be made available to Creditors in the context of a bankruptcy.
- The releases provided for in the Joint Plan will increase the prospect of Java-U emerging from the CCAA Proceedings as a viable business and are rationally related to the restructuring given the importance of the Sponsors' Total Contribution in the circumstances. It is noteworthy that the effects of such releases are less pronounced given the Monitor's determinations with respect to the various litigious Claims and particularly, the 126 Claim, the whole as set out more fully below.

For these reasons, the Monitor will recommend that the Joint Plan be approved by Creditors at the Creditors' Meeting and will support its sanction by the Court.

7. CLAIMS RECEIVED

As of the date of this Report, the Monitor has received 41 claims pursuant to the *Claims Procedure Order* dated October 6, 2017 (the “CPO”), which can be classified as follows:

Summary of Claims Received and Accepted

	Number of claims	Amount claimed	Accepted claims
Secured creditors	4	8 926 692	3 074 042
Unsecured creditors	22	483 200	483 200
Unsecured creditors - Related parties	3	1 023 025	7 412 823
Litigious claims	5	7 195 191	102 067
Late claims	7	49 257	To be determined
Total	41	17 677 365	11 072 132

Secured creditors:

The Monitor has received Proofs of Claim from, in particular, the following Creditors alleging secured claims:

- 307 (\$3,013,778)

307 filed a secured Claim against the Debtors in the approximate amount of \$8.7 million (excluding the sums advanced by 307 pursuant to the DIP Facility, which were also claimed) (the “307 Claim”).

307 is a shareholder of Java-U Group and is controlled by Brian Cytrynbaum, the principal of the Debtors. 307 is one of the Sponsors and the Joint Plan contemplates the release or postponement of the 307 Claim as an integral part of Sponsors’ Total Contribution. 307 is also one of the Released Parties.

Given the importance of the 307 Claim to Java-U’s contemplated restructuring as provided for in the Joint Plan, the Monitor obtained an independent opinion from its legal advisors on the nature and validity of the 307 Claim, which concluded, *inter alia*, that:

- The advances made to Java-U by 307 after February 19, 2016 (the “Post-2016 Advances”) as well as those made under the DIP Facility are secured Claims.
- The remaining advances claimed pursuant to the 307 Claim are unsecured Claims.

As of the date hereof, the Debtors are indebted to 307 under the DIP Facility in the amount of \$383,300.

The Monitor has determined that, as of the date hereof, the Post-2016 Advances amount to \$2,613,777.88, inclusive of interest.

The Monitor has received certain accounting evidence from Management substantiating the valuation of the unsecured portion of the 307 Claim in the amount of \$6,389,798 but has not independently validated said amount. The Monitor is of the view that:

- Such an exercise would be unnecessarily costly given that the 307 Claim may not be voted in favor of the Joint Plan.
- Such Claim is being released or postponed pursuant to Joint Plan.
- 307 has waived its right to receive any portion of the Sponsors’ Cash Contribution or the Litigation Proceeds.

- Royal Bank of Canada (\$108,545)

Royal Bank of Canada (“**RBC**”) has filed a secured Claim (the “**RBC Claim**”) against Java-U Food and Java-U Group in the amount of \$108,544.83 relating to certain assets acquired by Java-U from an ex-franchisee, 9317-7517 Québec inc. (“**9317**”), which were encumbered in favor of the Royal Bank of Canada pursuant to a hypothec granted to RBC by said franchisee (the “**9317 Hypothec**”).

None of the Debtors are party to the loan agreement filed in support of the RBC Claim and there is no indication that any of them assumed any of 9317's obligations thereunder. The indebtedness forming the basis of the RBC Claim is thus owed by 9317 and not any of the Debtors.

With respect to RBC's rights under the 9317 Hypothec, the Monitor has consulted the Quebec Register of Personal and Moveable Real Rights and notes that no rights have been registered against the Debtors in favor of RBC, notwithstanding that Java-U Food acquired certain assets of 9317 outside the ordinary course of business in March 2016, the whole subject to the rights of RBC. The Monitor is in the process of determining if and when RBC was informed in writing of this transfer to determine if the 9317 Hypothec has been duly preserved.

Unsecured creditors:

The majority of the unsecured Claims filed against the Debtors relate to trade payables. The amounts claimed are, for the most part, consistent with those identified on the Creditors' List (as defined in the CPO) and Management has reviewed, and agrees with such amounts.

The Debtors' unsecured Claims also include those of the Sponsors totalling \$ 7,412,823, namely the unsecured portion of the 307 Claim (\$ 6,389,798) as well as the Claims of Brian and Allan Cytrynbaum (\$1,023,025). These Claims may not be voted in favor of the Joint Plan and are not entitled to any share of the Sponsors' Cash Contribution or the Litigation Proceeds.

Litigious claims:

The Monitor has received eight (8) Proofs of Claim that disclose Claims that can be characterized as litigious and/or unliquidated:

- 126217 Canada inc. (\$2,500,000)

The 126 Claim is grounded in the Oppression Application against Java-U Group and the Directors seeking the reimbursement of the \$ 2,500,000 equity investment made by 126 in Java-U Group in 2006.

The Monitor has determined that the 126 Claim is an “equity claim” within the meaning of the CCAA. Consequently, no payment can be made with respect to the 126 Claim until all Claims that are not Equity Claims are paid in full.

126 was issued a Notice of Revision or Disallowance (as defined in the CPO) to that effect.

- Montreal International Trading and Mohamed Aidibe (\$1,542,434.36)¹

This Claim is based on an action in damages brought by 9213-0922 Québec Inc., also known as Montreal International Trading, (“MIT”) and Mohamed Aidibe against Java-U Food relating to a franchise dispute.

The Monitor has obtained an independent legal opinion which concluded that this Claim should be revised in the amount of \$51,842.61.

MIT and Mr. Aidibe were issued Notices of Revision or Disallowance to that effect.

- Nicola Spaccucci and Luciano Rossi (\$77,809.53)²

This Claim is based on a counter-claim for damages filed by Nicola Spaccucci and Luciano Rossi against Java-U Food relating to a franchise dispute.

The Monitor has determined that this Claim should be disallowed in full.

M. Spaccucci and Mr. Rossi will be issued Notices of Revision or Disallowance to that effect.

- 1092 QSW Inc. (\$1,242,465)

This Claim is for alleged damages arising out of the termination of a lease between 1092 QSW Inc. (“1092”) and Java-U RTA for a location operated by the Debtors in Toronto, Ontario (the “Toronto Premises”). 1092 is claiming \$43,541.78 for arrears in rent as well as \$1,242,465 for anticipated rent payments until the expiry of the lease in June 2026 (the “1092 Claim”).

The Monitor, in consultation with the Debtors, is in the process of reviewing and determining this Claim.

- 9078-7672 Québec inc. (\$85,914)

This is a Claim for alleged damages arising out of the termination of a lease between 9078-7672 Québec inc. (“9078”) and Java-U Food for a location operated by the Debtors in Montreal Quebec. Java-U Group allegedly guaranteed certain obligations of Java-U Food under the applicable lease.

The Monitor has revised this claim in the amount of \$ 50,224.

9078 has received a Notice of Revision or Disallowance to that effect.

Claims against directors and officers

The Monitor has received no Proofs of Claim asserting any Claims against the directors and officers of the Debtors from any Tax Authority or any other governmental entity.

The only Claim against the Debtors' directors and officers is the 126 Claim, which, as noted above, includes a Claim against the Directors on the basis of the Oppression Application.

The Monitor has determined that insofar as this Claim is asserted in the CCAA Proceedings, it is an “equity claim” within the meaning of the CCAA and no payment can be made in respect thereof until all Claims that are not Equity Claims are paid in full. Nevertheless and given that the releases provided for in the Joint Plan would affect the 126 Claim, the Monitor has conducted a careful review thereof.

¹ Two distinct Proofs of Claim were filed with respect to the same indebtedness of the Debtors. As such one of the Proofs of Claim has been disallowed in its entirety.

² Two distinct Proofs of Claim were filed with respect to the same indebtedness of the Debtors. As such one of the Proofs of Claim has been disallowed in its entirety.

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After having analyzed the Oppression Application and the exhibits thereto, including the 126 Report, and after having met with Mr. Helwani and his advisors, the Monitor makes the following observations with respect to the 126 Claim:

- The losses suffered by 126 appear to have been caused by Java-U not being profitable and the resulting insolvency of the Debtors. As such, there does not appear to be a causal connection between such losses and the alleged misrepresentations as to Java-U's value in 2006 or the allegedly oppressive behavior of the Directors, all of which occurred after 126's investment and which essentially consisted of failures to call shareholders meetings and properly maintain the Debtors' books and records. It also appears unlikely that 126 would have, in any event, been able to withdraw its investment given, in particular, the solvency requirements for the repurchase of shares provided for under the CBCA.
- Any purported mismanagement of the Debtors by the Directors is not in and of itself oppressive and does not appear to have resulted in the Directors obtaining an advantage over 126 as shareholders of Java-U. Indeed, the Directors have lost their own equity investment as a result of the Debtors' insolvency and are also Creditors for significant sums pursuant to shareholder loans made to the Debtors throughout the relevant period.
- Mr. Helwani does not appear to have conducted any meaningful due diligence at the time of 126's \$ 2,500,000 investment in Java-U Group with respect to the latter's financial condition or profitability or to have obtained any independent advice in connection with this sizeable investment.
- The 2006 non-consolidated unaudited financial statements on which 126 appears to have principally relied for the purposes of his investment are "Notice to Reader" statements containing minimal information about the assets, liabilities and affairs of Java-U Group and its then existing subsidiaries. It does not appear reasonable that Mr. Helwani could have accepted this limited financial information in support of Java-U's purported valuation of \$ 25,000,000.

The Monitor is of the view that these are important considerations for the Court in assessing the impact of the Joint Plan on the 126 Claim.

Late claims:

The Monitor has received seven (7) Proofs of Claim that were filed after the Claims Bar Date (as defined in the CPO), which was November 15, 2017 at 5:00 PM:

Name of creditor	Date received	Reason for late filing of claim	Amount claimed
Andrew Small	November 15, 2017 6:26 PM	Did not file on time	10 740
B.E. Baron Avocats Inc	November 15, 2017 5:12 PM	Did not file on time	8 655
Euler Hermes North America Insurance Company	January 26, 2018	Not on creditors list	20 049
Marketing Buzz	November 15, 2017 7:42 PM	Did not file on time	3 211
Toronto Hydro	December 13, 2017	Did not file on time	103
Rebox Corp	January 25, 2018	Did not file on time	3 843
Orbo Récompenses	January 22, 2018	Not on creditors list	2 656
Total			49 257

The Monitor is of the view that given their amounts and in order to permit a more complete resolution of Claims, these late filed Claims should be admitted for review and determination pursuant to the CPO.

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8. ESTIMATED REALIZATION IN THE CONTEXT OF A BANKRUPTCY

The analysis below represents the Monitor's estimates of the realizable value of the Property in the context of a bankruptcy:

(In \$'000)	Book value	Liquidation value
	(Oct 31st, 2016, audited)	(Estimated)
Accounts receivable	477	Undetermined
Inventory	53	11
Prepaid expenses	27	-
Property and equipment	100	30
Intangible assets / Goodwill	-	Undetermined
Proceeds from various claims	-	Undetermined
	657	41
Secured claims		(3 074)
Estimated realization, before realization costs and professional fees		-

These estimated figures are based on the following key assumptions:

- The accounts receivable consist mostly of amounts owed by franchisees for royalty fees and for food purchases. In the context of a bankruptcy of the franchisor, which would importantly disrupt the franchisees' business, it is doubtful that these amounts could be successfully collected.
- The inventory consists in large part of food, packaging material and supplies, some of which is marked with the Java-U brand. The Monitor estimates that the liquidation value of this inventory is 20 % of its book value.
- The prepaid expenses are likely to be unrecoverable.
- The property and equipment consist mostly of kitchen equipment. The Monitor estimates that the liquidation value of this equipment is 30 % of its book value.
- The intangible assets and the goodwill of the Company are difficult to evaluate. Considering the few offers received in the context of the Solicitation Process, the Monitor is unable to determine whether any material value could be obtained for such intangible Property in a bankruptcy context.

The assets listed above are encumbered in favor of the Debtors' principal secured creditor, 307, which holds a secured claim in excess of \$3 million.

In light of the foregoing, it appears that unsecured Creditors would not receive any dividend in the context of a bankruptcy, even before taking into account the applicable realization costs and restructuring fees.

9. ANALYSIS OF THE STATEMENT OF CASHFLOW

In accordance with the Initial Order, we exercised oversight over the business and financial affairs of the Debtors and obtained all the necessary collaboration.

Below is a comparison of actual and projected changes in cash for the period of February 19 to March 4, 2018.

JAVA-U GROUP INC., JAVA-U FOOD SERVICES INC., CAFÉ JAVA-U INC., JAVA-U RTA INC.

Fourth Report of the Monitor on Java-U's Business and Financial Affairs

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Our analysis essentially consisted of enquiry, analytical procedures and discussion related to information supplied by Management. This work does not constitute an audit or review of the financial statements in accordance with generally accepted auditing standards established by CPA Canada or by the American Institute of Certified Public Accountants (AICPA). No audit work has been carried out by us and, consequently, we do not express an opinion on these financial statements.

FEBRUARY 19TH TO MARCH 4TH, 2018

Unaudited	Actual	Projected	Variation
Inflows			
Net sales	81 878	105 117	(23 239)
Temporary financing (DIP)	40 000	35 000	5 000
Balance of sale of a franchise	-	-	-
	121 878	140 117	(18 239)
Outflows			
Food purchases	49 116	41 549	7 567
Salaries	37 777	33 835	3 942
Operating expenses			
Selling	3 564	6 018	(2 454)
General and administrative	6 340	6 445	(105)
Occupation fees			
Rent	-	9 400	(9 400)
Utilities	385	2 366	(1 981)
Maintenance	1 382	928	454
Sales tax	-	-	-
Consultant fees / Accounting fees	-	-	-
Restructuring fees	-	50 000	(50 000)
Financial fees	184	5 000	(4 816)
	98 748	155 541	(56 793)
Cash - Beginning of period	(493)	(493)	-
Inflows (outflows) for the period	23 131	(15 424)	38 554
Cash - End of period	19 636	(15 917)	35 553

An analysis of these figures allows us to make the following observations:

- Sales were lower than projected.
- Cash requirements were slightly higher than anticipated and accordingly there was greater reliance on the DIP Facility than projected.
- Food purchases were higher than projected due to a build-up of inventory in anticipation of the school break.
- The rent expense difference is temporary and is expected to reverse over time.
- Restructuring fees were higher than previously estimated and result from additional work performed by the Monitor and the legal professionals due to the complexity of certain aspects of the file. Although no invoices were paid during the period under review, higher disbursements are expected in the future.
- The other disbursements were consistent with expectations.

10. PROJECTED CASHFLOW

Management prepared a projected cashflow statement for the 13-week period ending June 3, 2018, annexed hereto as **Appendix IV**.

These projections have been prepared based on assumptions which reflect the general direction that Management intends to adopt given the financial and economic conditions which, in the opinion of Management, are the most probable. Our compilation was limited to presenting, in the form of a projected cashflow, information provided by Management and evaluating the support for the assumptions or other information underlying the forecast.

Given that this financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variances may be material.

The projections prepared by Management are mainly based on the following assumptions:

- Cash inflows of approximately \$847,000 from regular sales and royalties, and from the DIP Facility. Advances under the DIP Facility will be made according to cash requirements.
- Sales and food purchases are based on expected customer traffic, as well as historical revenues and expenses, and consider the recently closed locations.
- There are approximately 30 employees, to be paid on a bi-weekly basis.
- Operating expenses as well as occupation fees are based on historical figures and the existing agreements/contracts.
- Professional fees include restructuring fees as well as legal fees for continuing litigations.

The main risks associated with the projected cashflows include:

- The Debtors' capacity to maintain relationships with their franchisees and suppliers.
- Disbursements are limited to known costs and projections. Additional disbursements will be required depending on the restructuring process. It is understood that such costs, if necessary, will require additional funding.

11. CONCLUSION

For the reasons set out in this Report, the Monitor is of the view that the relief requested pursuant to the Application should be granted and that a Creditors' Meeting should be convened in order for the Joint Plan to be voted upon by the Debtors' Creditors.

The Monitor is of the view that the Joint Plan is fair and reasonable and represents the best available alternative to the Debtors' Creditors and Stakeholders in the circumstances.

Given that these essential steps in the Debtors' restructuring can only be financed by additional advances under the DIP Facility, the Monitor also supports the Debtors' request for the Court to authorize an increase in the DIP Facility and the Interim Lender Charge (as defined in the Initial order).

APPENDIX I

PROSPECTIVE INVESTORS AND PURCHASERS

Proerspective Investors and Purchasers - Java-U Group

	Name of company	Name of contact	Email	Phone	Fax	Date we sent solicitation email
	Identifiés par RCGT					
1	Second Cup	John Kazmierowski	franchising@secondcup.com	905-362-1818 x1508		2017-10-20
2	Tim Hortons	James Grégoire	jgregoire@rbi.com	514 247-7290		2017-10-20
3	Starbucks	Mary Graham	mgraham@starbucks.com			2017-10-20
	Starbucks	K. Cook	kcook@starbucks.com			2017-10-20
4	Café Vienne	Marcel Hachem	info@pressecafe.com / Mhachem@cafesvp.ca	(514) 935-5553		2017-10-20
5	A&W	Yanik Morin	ymorin@aw.ca	438 882-0709		2017-10-20
6	Aliments Olympus (Canada) (PFK, Taco Bell, Pizza Hut)	Noli Tingzon	noli.tingzon@hiflyer.ca	403 230-0297		2017-10-20
7	Bâton Rouge (Imvescor Restaurants inc.)	Frank Hennessey	fhennessey@imvescor.ca (adjointe: dlepine@imve	514 341-5544		2017-10-20
8	Boston Pizza	Patrick Foy	foyp@bostonpizza.com	450 686-5884		2017-10-20
9	Groupe MTY (Van Houtte, Café Dépôt, Muffin Plus)	Éric Lefebvre	eric@mtygroup.com	514 336-8885 ext:288		2017-10-20
10	Chocolato	Hugo Laperrière	hl@groupeblanchette.com	(418) 998-2444		2017-10-20
11	Giorgio	George Despatie	gdespatie@giorgio.ca	514 845-4221		2017-10-20
12	Cara Operations Ltd. (Harvey's)	Michelle Kogan	mkogan@cara.com	905 760-2244		2017-10-20
13	IDQ Canada / Dairy Queen	Éric Rochefort	eric.rochefort@idq.com	(514) 378-6911		2017-10-20
14	Groupe Sportscene (La Cage)	Pierre Duc	pduc@cage.ca	(450) 641-3011		2017-10-20
15	McDonald's Canada	Carl Pichette	carl.pichette@ca.mcd.com	514 421-4885		2017-10-20
16	Première Moisson	Raynald Racine	rracine@pmoisson.com	(450) 455-2827 p:3622		2017-10-20
17	Presse Café	J. St-Amour	jstamour@cafesvp.ca	514 935-5553		2017-10-20
18	Quesada Franchising of Canada Corp.	Tom O'Neill	tomoneill@quesada.ca	416 788-3858		2017-10-20
19	Les Rôtisseries St-Hubert Itée	Richard Scofield	scofieldr@st-hubert.qc.ca	450 688-4400 p.2624		2017-10-20
20	Venture Restaurant Group Inc. (Rouge Bœuf)	Terry Faulconbridge	terry@panizza.com	514 360-5228 p.120		2017-10-20
21	Coffee Culture	N/D	development@obsidiangroupinc.com / reception@	1 (905) 814-8030	(905) 814-8272	2017-10-20
22	Coffee Time (Chairmans Brands)	Dan Lepidas	dlepidas@coffeetime.ca.com	416 288 8515 ext 7121		2017-10-20
23	Country Style	N/D	info@countrystyle.com	905.764.7066		2017-10-20
24	Jumping Bean	George Murray	george.murray@jumpingbean.ca	709-754-4538		2017-10-20
25	Serious Coffee	Brian Hebbert	brian@seriouscoffee.com	250-746-6511	250-746-6552	2017-10-20
26	Threecaf Brands (Timothy's, mmmuffins)	Gail Hudgin	franchise@threecaf.com	1-877-434-3223 ext. 314		2017-10-20
27	Perkin's	N/D	sales@franchiseupdatemedia.com			2017-10-20
28	Brûlerie St-Denis	N/D	Line@brulerie.com	(514) 389-9159		2017-10-20
29	Blenz Coffee	Shawn Pattison	shawn@blenz.com	6046822995	6046842542	2017-10-20
30	Les Cafes V.P. (Green Traiteur & Café)	N/D	info@greencafe.ca	(514) 935-5553 ext.221	514-824-9998	2017-10-20
31	Moca Loca Café Co.	Sami Chakie	sami@mocalocacafe.com	819-561-5028	613.248.4738	2017-10-20
32	Café Noir	N/D	cafe@cafenoir.ca	1.514.979.8249		2017-10-20
33	Balzac's Coffee Roasters	Diana Olsen	info@balzacs.com	905-662-3500		2017-10-20
34	Bridgehead Coffee	Herrit Walker	inquire@bridgehead.ca	1.800.565.8563	613-232-2010	2017-10-20
35	SPoT Coffee	Michael Lorenzo	aayoub@spotcoffee.com	(416) 368-2220 ext: 225		2017-10-20
36	Aroma Espresso Bar	Daniel Davidzon	daniel@aroma.ca	(416) 481-2233		2017-10-20
37	Cinnzeo Bakery Cafe	N/D	franchising@cinnzeo.com	403.255.4556		2017-10-20
38	Good Earth Coffeehouse	Gerry	gerry@goodearthcoffeehouse.com	403-294-9330		2017-10-20
39	Williams Fresh Cafe (Druxy's Inc.)	Harold Druxerman	harold@druxys.com	(416) 385-9500	519-759-1119	2017-10-20
40	JJ Bean Inc	John Neate	info@jjbeancoffee.com	(604) 254-0161	604-254-0169	2017-10-20
41	Just Us! Coffee Roasters Co-Operative Limited	Mario Champignon	info@justuscoffee.com	902-542-7474		2017-10-20
42	Caffucino	Michel Lussier	info@caffucino.com	819-821-2346 / 819-572-7476	819-572-7476	2017-10-20
43	Trees coffee (Levy Enterprises Ltd)	Liam Coglin	tocoffee@treescoffee.com	604-684-5022		2017-10-20
44	Caffe Fantastico	Ryan Taylor	info@caffefantastico.com	250-385-2326		2017-10-20
45	Delany's In The Village	Jennifer Delany		604-985-3385		2017-10-20
46	Java Joes Inc	Alex Kiriakopoulos		416-599-3336		2017-10-20
47	Cosmos Café Inc	Louis McNeil	info@lecosmos.com	418-640-0606 / ste-foy: 418-652-2001		2017-10-20
48	Café Morgane	Michel Dagenais	mdagenais@cafemorgane.ca	418-955-8967		2017-10-23

	Name of company	Name of contact	Email	Phone	Fax	Date we sent solicitation email
	Ont contacté RCGT directement					
49	Restolotion (pour HMS Host)	Yvan Piquette	ypiquette@hotmail.com	514-261-6765		
50	Ugo Mongiat	Ugo Mongiat	ugomongiat@me.com	514-865-2000		
51	Burger Bar (Crescent)	Morris Baker	baker_morrie@gmail.com	514-708-5354		
52	C3	Stephen D. Kisber	sk@c3.com	514-386-1366		
53	Deval Investissement	Omar Meghart	omeghar@hotmail.com	514-885-4087		
54	Patrick Gilarski	Patrick Gilarski	patgilarski@gmail.com	(1) 786 606 1677		
55	Liquid Nutrition	Robert Farah	<a href="mailto:Robert.Farah<robertfarah@yahoo.com>">Robert.Farah<robertfarah@yahoo.com>	514-258-2724		
56	Café Le Gourmet	Jean-Denis Laroche	<a href="mailto:jean-denis.laroche<chefmobile@hotmail.com>">jean-denis.laroche<chefmobile@hotmail.com>			
	Autres					
	Brian Cytrynbaum	Brian Cytrynbaum	brian@majestictees.com			2017-10-20
	Claude Helwani	Neil Stein	nstein@steinandstein.com			2017-10-20

APPENDIX III

EMAIL EXCHANGE BETWEEN MES TARDIF AND STEIN

Zucker, Noah

From: Neil Stein <nstein@steinandstein.com>
Sent: Wednesday, December 13, 2017 5:41 PM
To: Tardif, Alain N.
Cc: 'gagnon.jean@rcgt.com'; Zucker, Noah; Claude Helwani; 'Steve Harrar'
Subject: RE: Java-U Group

Alain

I left you a voice mail earlier to-day and tried to reach you when I was at your office in another matter to-day at 2.00 pm but was only able to get your voicemail. I would appreciate if you would call me to-morrow morning so that I can discuss this matter with you.

It seems to me that as a shareholder that has instituted an oppression remedy against the company and its directors that the Monitor should not be avoiding us or setting pre conditions or semi-discoveries to meeting with us. There are significant assets in excess of \$9,000,000 which have disappeared from Java-U's balance sheet without proper answers and I would think that the Monitor would want to review these types of issues before issuing reports to creditors.

Yours very truly,

Neil H. Stein for
Stein & Stein Inc. Lawyers, Avocats
Professional Corporation
4101 Sherbrooke St. West
Montreal, Quebec
H3Z 1A7
Tel: (514) 866-9806 ext. 209
Fax: (514) 875-8218
E-mail: nstein@steinandstein.com



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Notice: This message is confidential and privileged. If you are not the addressee, please inform the sender by return e-mail immediately and delete this message and destroy all copies.

From: Tardif, Alain N. [mailto:atardif@MCCARTHY.CA]
Sent: Wednesday, December 13, 2017 10:22 AM
To: Neil Stein <nstein@steinandstein.com>
Cc: 'gagnon.jean@rcgt.com' <gagnon.jean@rcgt.com>; Tardif, Alain N. <atardif@MCCARTHY.CA>; Zucker, Noah <NZUCKER@mccarthy.ca>
Subject: Java-U Group

Dear Colleague :

Mr. Gagnon has informed me that yesterday you asked for a meeting to be held with him, you and Mr. Steve Harrar.

Prior to this meeting, would you be kind enough to provide with the undersigned, any and all documents or exchange between your client and representatives of Java-U Group, reviewed and received in the context of the due diligence conducted by your client prior to its investments totalling \$2,500,000.

Once we have received this information, we will be able to schedule a meeting that should take place early next week.

In advance of this meeting and in order to be able to discuss the position that would be taking the Monitor in the event that a meeting of creditors was to be held in connection with a plan to be filed by the debtor, please be informed that it is the opinion of the Monitor that your client is the holder of an equity claim, as same as defined in the *Companies' Creditors Arrangement Act*, and, therefore would not be able to vote in a meeting to be held in connection with any such plan.

We are eager to receive the documentation referred to above at your earliest convenience and will make ourselves available for a meeting early next week.

Yours truly,

mccarthy
tétrault

Alain N. Tardif
Associé | Partner
Faillite et restructuration | Bankruptcy and Restructuring
T: 514-397-4274
F: 514-875-6246
E: atardif@mccarthy.ca

McCarthy Tétrault S.E.N.C.R.L., s.r.l., LLP
Bureau 2500
1000, rue De La Gauchetière Ouest
Montréal QC H3B 0A2

SVP, pensez à l'environnement avant d'imprimer ce message.



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APPENDIX IV
PROJECTED CASH FLOW

**JAVA-U GROUP INC.
JAVA-U FOOD SERVICES INC.
CAFÉ JAVA-U INC.
JAVA-U RTA INC.**

PROJECTED CASH FLOW

FOR THE PERIOD OF MARCH 5TH TO JUNE 3RD, 2018

Report on Cash Flow Statement by the Person Applying for the Issuance of an Order Calling a Meeting of Creditors to Vote on a Plan of Arrangement and Compromise, Amending the Initial Order so as to Increase the DIP Charge, and Extending the Stay of Proceedings under the CCAA	1
Projections	
Cash flow Statement	3
Notes to the projected cash flow	4 and 5

CANADA
DISTRICT OF QUÉBEC
DIVISION NO: 01-MONTRÉAL
COURT NO: 500-11-053313-173
FILE NO.: 334612-001
IN THE MATTER OF THE PLAN OF
ARRANGEMENT OR COMPROMISE OF:

SUPERIOR COURT
« Commercial Division »

**JAVA-U GROUP INC.
JAVA-U FOOD SERVICES INC.
CAFÉ JAVA-U INC.
JAVA-U RTA INC.**

Insolvent Persons

Report on Cash Flow Statement by the Person Applying for the Issuance of an Order Calling a Meeting of Creditors to Vote on a Plan of Arrangement and Compromise, Amending the Initial Order so as to Increase the DIP Charge, and Extending the Stay of Proceedings under the CCAA

The management of Java-U Group inc., Java-U Food Services inc., Café Java-U inc. and Java-U RTA inc. (hereafter "Java-U" or the "Insolvent Persons") has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, from March 5th to June 3rd, 2018.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1, and the probable assumptions are suitably supported and consistent with the plans of the Insolvent Persons and provide a reasonable basis for the projection. All such assumptions are disclosed in Note 3.

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

The projections have been prepared solely for the purpose described in Note 1, using a set of probable and hypothetical assumptions set out in Notes 3. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Montreal this 12th day of March 2018.

JAVA-U GROUP INC.
JAVA-U FOOD SERVICES INC.
CAFÉ JAVA-U INC.
JAVA-U RTA INC.



Louis Varoutsos
President

**JAVA-U GROUP INC.
 JAVA-U FOOD SERVICES INC.
 CAFÉ JAVA-U INC.
 JAVA-U RTA INC.
 CASH FLOW STATEMENT
 FOR THE PERIOD OF MARCH 5TH TO JUNE 3RD, 2018
 (Unaudited)**

Week number	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
For the week ending	11-Mar-18	18-Mar-18	25-Mar-18	1-Apr-18	8-Apr-18	15-Apr-18	22-Apr-18	29-Apr-18	6-May-18	13-May-18	20-May-18	27-May-18	3-Jun-18	
Inflows														
Net Sales	75 307	29 810	29 810	29 810	75 307	29 810	29 810	29 810	75 307	29 810	29 810	29 810	75 307	589 518
Temporary financing (DIP)	-	75 000	-	100 000	-	50 000	-	-	-	-	50 000	-	-	275 000
Balance of sale of a franchise	-	658	-	-	-	858	-	-	-	-	858	-	-	2 574
	75 307	105 668	29 810	129 810	75 307	80 668	29 810	29 810	75 307	29 810	80 668	29 810	75 307	847 092
Outflows														
Food purchases	20 830	23 945	19 545	20 719	22 505	19 545	19 545	20 719	20 830	23 945	19 545	20 719	20 830	273 222
Salaries	33 835	-	33 835	-	33 835	-	33 835	-	33 835	-	33 835	-	33 835	236 845
Operating expenses														
Selling	6 018	-	-	-	6 018	-	-	-	6 018	-	-	-	6 018	24 072
General and administrative	6 445	-	-	-	6 445	-	-	-	6 445	-	-	-	6 445	25 780
Occupation fees														
Rent	9 400	-	-	-	9 400	-	-	-	9 400	-	-	-	9 400	37 600
Utilities	2 366	-	-	-	2 366	-	-	-	2 366	-	-	-	2 366	9 462
Maintenance	909	19	19	19	909	19	19	19	909	19	19	19	909	3 807
Sales tax	-	-	5 000	-	-	-	5 000	-	-	-	-	-	-	10 000
Consultant fees / Accounting fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring fees	-	50 000	25 000	50 000	25 000	50 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	235 000
Financial fees	-	-	-	2 313	-	-	-	-	2 521	-	-	-	-	7 563
	79 803	73 964	83 399	73 051	106 476	69 564	63 399	25 738	87 323	28 964	58 399	25 738	87 532	863 351
Cash - Beginning of period	19 636	16 140	46 844	(6 745)	50 014	18 844	29 948	(3 641)	431	(11 586)	(10 740)	11 529	15 601	19 636
inflows (outflows) for the period	(4 496)	31 704	(53 589)	58 760	(31 171)	11 104	(33 589)	4 072	(12 016)	846	22 269	4 072	(12 225)	(16 269)
Cash - End of period	15 140	46 844	(6 745)	50 014	18 844	29 948	(3 641)	431	(11 586)	(10 740)	11 529	15 601	3 376	3 376

JAVA-U GROUP INC.
 JAVA-U FOOD SERVICES INC.
 CAFÉ JAVA-U INC.
 JAVA-U RTA INC.

Louis Varoutzos
 President

JAVA-U GROUP INC.
JAVA-U FOOD SERVICES INC.
CAFÉ JAVA-U INC.
JAVA-U RTA INC.
NOTES TO THE PROJECTED CASH FLOW STATEMENT
FOR THE PERIOD OF MARCH 5TH TO JUNE 3RD, 2018

(Unaudited)

1. PURPOSE OF THE PROJECTED CASH FLOW STATEMENT

The Insolvent Persons' management prepared the cash flow statement on March 6th, 2018 from pertinent information.

The purpose of this projected cash flow statement is to present relevant prospective financial information within the scope of the filing of a Plan of Arrangement. This financial information may not be relevant for other purposes.

These projections have been prepared based on assumptions which reflect the general direction that the Insolvent Persons' management shall be adopting given the financial and economic conditions which in the opinion of the Insolvent Persons' management is the most probable.

Since this projected cash flow statement is based on assumptions regarding future events, actual results for the period covered will vary from the information presented, and the variations may be material.

2. CONTINUATION OF OPERATIONS

The projections are based on the fact that the company continues its operations in the normal course of business. The projections do not reflect any adjustments that should be required if some assets were sold outside the normal course of affairs.

3. HYPOTHETICAL AND PROBABLE ASSUMPTIONS

The projected cash flow statement is mostly based on hypothetical assumptions listed below:

3.1. **Inflows**

Sales

Management has estimated the expected royalties, food and coffee sales to the franchisees. These are based on the restaurants that management expects to keep open, and takes into consideration the restaurants that were closed as part of the restructuring process.

DIP

The Debtor-in-possession advances will be made based on the cash requirements of the Insolvent Persons.

3.2. Outflows

Food purchases

Food purchases are based on management's best estimates, based on the coffee shops it expects to keep open through the restructuring process and the anticipated customer traffic.

Salaries

Salaries are based on the staff assessment required by management and are paid on a bi-weekly basis.

Operating expenses

The operating expenses are based on the recent history and the existing agreements and/or contracts. They will be paid upon reception of the invoice.

Occupation fees

The operating expenses are based on the recent history and the existing lease agreements and/or contracts. They will be paid upon reception of the invoice or per the terms of the agreements.

Sales tax

Sales taxes are estimated based on the volume of taxable sales and purchases for the period.

Professional fees

Professional fees include restructuring fees as well as legal fees for continuing litigations and accounting fees. They are estimated based on experience and payable upon receipt of the invoice.

4. RISK RELATED TO THE ACHIEVEMENT OF THE PROJECTIONS

- The capacity to maintain relationships with the franchisees and suppliers;
- The disbursements are limited to known costs and projections. Additional disbursements will be required depending on the restructuring process. It is understood that such costs, if necessary, will require additional funding.