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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"

REPORT TO THE CREDITORS ON THE PLAN OF ARRANGEMENT AND COMPROMISE AND ON JAVA-U'S BUSINESS AND FINANCIAL AFFAIRS

PREAMBLE

On March 15, 2018, the Court issued a *Meeting Procedure Order* (the "**Meeting Order**"), which authorized the Debtors to file their *Plan of Arrangement and Compromise* dated March 9, 2018 (the "**Initial Plan**"). This report of the Monitor (this "**Report**") addresses the state of the affairs and finances of the Debtors as well as the terms of the *Amended Plan of Arrangement and Compromise* dated March 21, 2018 (the "**Plan**"), which will be submitted to Creditors at the Creditors' Meeting authorized pursuant to the Meeting Order. The Monitor recommends that Creditors vote in favour of the Plan for the reasons provided below.

Signed in Montréal on March 22, 2018.

RAYMOND CHABOT INC.
Monitor

for: Jean Gagnon, CPA, CA, CIRP, LIT

1. INTRODUCTION

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

This Report addresses the following topics:

- Context (Section 2);
- Summary Analysis of Financials (Section 3);
- Restructuring Activities (Section 4);
- Claims Received (Section 5);
- Summary of the Plan (Section 6);
- Estimated Realization in the Context of a Bankruptcy (Section 7);
- Preferences and Transfers at Undervalue (Section 8);
- Conflicts of Interest (Section 9);
- Conclusion and Recommendations (Section 10);
- Instructions for Voting on the Plan (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.

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.

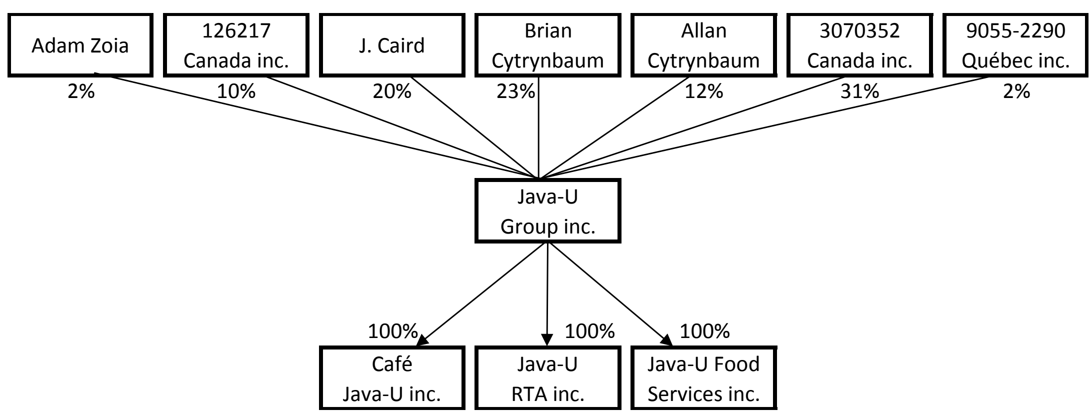
Java-U's revenues are mainly derived from franchise royalties and the sale of coffee and food to each of the Canadian franchisees.

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.

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



Causes of financial difficulties

Java-U's management ("**Management**") attributes the Debtors' 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).

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 Plan are aimed at putting an end to this litigation as part of Java-U's restructuring efforts.

In this context, Java-U obtained the Initial Order under the CCAA and Raymond Chabot inc. was appointed Monitor. The Initial Order, as amended, was extended four (4) times, on November 6, 2017, December 21st, 2017, February 23, and March 15, 2018.

3. SUMMARY ANALYSIS OF FINANCIALS

We have analyzed the latest audited consolidated financial statements of the Java-U group, which comprise the financial results and balance sheets of Java-U Group, Java-U Food, Café Java-U as well as of nine (9) inactive numbered companies.

Our analysis essentially consisted of enquiry, analytical procedures and discussions 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.

Moreover, the reader should be aware that additional transactions and/or balances may require adjustment for the purposes of consolidating the financial statements.

The following table shows Java-U's consolidated statement of operations for the years ended October 31, 2014, 2015 and 2016.

For the year ended October 31 :	2016	2015	2014
	(Audited)	(Audited)	(Audited)
Revenues	3 150	3 734	4 116
Cost of sales	1 811	2 297	2 535
Gross margin	1 339	1 437	1 581
Operating expenses			
Selling	412	310	113
General and administrative	2 030	1 758	1 304
Financial	488	331	384
	2 930	2 399	1 801
Net loss	**(1 591)**	**(962)**	**(220)**

The Monitor understands that:

- Java-U has seen its revenues decrease year after year, as a result of increased competition in the market, the closure of multiple locations due to disappointing sales, and failed attempts to rationalize its operations.
- Selling expenses included the salaries of the employees of the corporate-owned stores as well as marketing and delivery expenses.
- General and administrative expenses included, among others, the salaries of office employees, rent (including those of the corporate stores), professional fees and significant bad debt expenses. These considerable expenses are explained in part by the rent Java-U had to assume after buying back some underperforming franchises, as well as significant legal fees resulting from various lawsuits.
- Financial expenses are significant in comparison to revenues, due to the Company's substantial debt.

The following table presents Java-U Group's consolidated balance sheet as at October 31, 2014, 2015 and 2016.

As at october 31 :	2016	2015	2014
	(Audited)	(Audited)	(Audited)
Assets			
Accounts receivable	477	389	399
Inventory	53	53	70
Prepaid expenses	27	-	2
	557	442	471
Property and equipment	100	125	245
Balance of sale receivable	-	59	-
	100	184	245
	657	**626**	**716**
Liabilities			
Bank indebtedness	23	27	226
Accounts payable	897	716	621
Deferred revenue	-	-	11
	920	743	858
Deferred revenue	99	132	-
Contribution to leasehold improvements	110		
Loans payable, shareholders and company controlled by a shareholder	5 962	5 709	5 455
Loans payable, a shareholder and companies controlled by a shareholder	2 336	1 221	620
Loan payable, a shareholder	118	118	118
	9 545	7 923	7 051
Shareholders' deficiency			
Deficit	(8 888)	(7 297)	(6 335)
	657	**626**	**716**

The Monitor understands that:

- Short term assets do not suffice to cover short-term liabilities.
- Accounts receivable relate to the royalties paid by the franchises to Java-U monthly, as well as the food purchases they make.
- Since 2015, Java-U has not had access to bank loans to support its activities.
- Accounts payable are mostly comprised of food and coffee suppliers, as well as general office suppliers.
- As a result of Java-U's losses over the years, the shareholders and related companies have funded activities through loans, which have increased significantly since 2014.
- The financial losses recorded in prior periods have contributed to Java-U's net deficit of $8.9 million as at October 31, 2016.

4. RESTRUCTURING ACTIVITIES

Since the Initial Order, the Debtors' restructuring activities have included the following:

- Operations have been streamlined and improved controls have been introduced to reduce operating losses in the short term;
- Better purchasing policies have been implemented in order to reduce the cost of sales;
- Underperforming stores were closed, and corporate-owned stores were transferred to franchisees;
- Two leases with unfavourable economic terms and conditions were identified and disclaimer notices were sent pursuant to the CCAA, with the Monitor's approval;
- The Monitor, in conjunction with the Debtors, conducted the Solicitation Process in order to secure one or several offers to either finance the Business going forward or to purchase all or part of the Property (as defined in the Initial Order), which has culminated in the filing of the Plan based on the Sponsors' Offer. Two additional offers were received pursuant to the Solicitation Process that were determined by the Debtors and the Monitor to be less advantageous to the Debtors' stakeholders than the Plan.
- The Initial Plan was developed by the Debtors, in consultation with the Monitor, and thereafter amended to provide for a more favorable offer to be presented to Creditors at the Creditors' Meeting in the form of the Plan, which is described below.

5. CLAIMS RECEIVED

As of the date of this Report, the Monitor has received 41 Proofs of Claim 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	29	532 457	532 457
Unsecured creditors - Related parties	3	1 023 025	7 412 823
Litigious claims	5	7 195 191	268 420
Total	**41**	**17 677 365**	**11 287 742**

Secured Creditors:

307 filed a Proof of Claim with the Monitor asserting 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 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 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; and
- 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 $408,300.

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 307, being a party related to the Debtors, may not vote the 307 Claim in favor of the Plan;
- The 307 Claim is being released or postponed pursuant to Plan; and
- 307 has waived its right to receive any portion of the Sponsors' Cash Contribution or the Litigation Proceeds.

While certain other Creditors filed Proofs of Claim alleging secured Claims, the Monitor has determined, based on searches conducted at the Quebec Register of Personal and Moveable Real Rights, that 307, the holder of a secured claim in the amount of $3,013,778, is the Debtors' first ranking secured Creditor.

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 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:

- <u>126217 Canada inc. ($2,500,000)</u>

  The 126 Claim is grounded in an *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**") seeking the reimbursement of a $ 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; and

  - The 126 Claim cannot be voted at the Creditors' Meeting.

- 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.

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

  This Claim is based on a counterclaim 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.

- 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.

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 Taxing Authority or any other governmental entity.

The only Claim asserted 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. As noted above, no payment can be made in respect of the 126 Claim until all Claims that are not Equity Claims are paid in full and the 126 Claim cannot be voted at the Creditors' Meeting.

[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.

6. SUMMARY OF THE PLAN

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

The Sponsors' Contribution

The Plan shall 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 Plan, the Sponsors shall make the following contributions (the Sponsors' Total Contribution):

- Cash Contribution

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

- Release or Postponement of Claims

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

- Litigation Funding

  The Sponsors shall continue to pursue all claims that the Debtors may have against third parties (Litigation Claims) and will distribute to Creditors 50% of the net proceeds realized from the prosecution of the Litigation Claims that are collected before December 31, 2019, after the repayment of reasonable professional fees and expenses and up to maximum amount of $250,000. (the Litigation Proceeds)

  The Initial Plan was amended to extend the deadline for the net proceeds of any Litigation Claims to be collected in order for such proceeds to form part of the Litigation Proceeds. The amendments also included a cap on the Litigation Proceeds, as noted above.

  The Monitor is advised that the most significant Litigation Claim is a lawsuit being prosecuted by the Debtors in Jordan claiming approximately USD $2,000,000 from a franchisee for royalties owed and other damages arising out of a franchise agreement. The Jordanian attorney responsible for the file has advised the Monitor that he is confident that the claim will succeed and that a judgment could potentially be obtained in 2019. However, the Monitor was also informed that there are risks associated with the solvency of the defendants as well as rights of appeal that, if exercised, could serve to significantly delay any final judgment in this matter.

- Waiver of Distribution

  The Sponsors shall waive any of their rights to receive a share of the Sponsors' Cash Contribution and the Litigation Proceeds.

- Exit Financing

  The Sponsors shall commit to fund the Debtors' operations following the implementation of the 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 shall 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.

The Monitor is advised that as of the date of this Report, there should be no Employee Priority Claims or Government Priority Claims to be paid by the Debtors.

Releases

The Plan provides for full and final releases of all Claims, including any Claims arising out of the Oppression Application, against the Debtors, the Sponsors and their respective directors and officers.

Estimated Recovery for Creditors under the Plan

Based on the amount of Proven Claims estimated by the Monitor as at the date of this Report, other than those held by parties related to the Debtors, the Monitor estimates the following distribution to be provided to Creditors pursuant to the Plan:

(In $'000)	Excluding Litigation Proceeds	Including Litigation Proceeds
Amount offered	50	300
Less :		
Employee Priority Claims	Should be nil	Should be nil
Government Priority Claims	Should be nil	Should be nil
	50	300
Estimated Proven Claims (Excluding any related party, such as the Sponsors)	861	861
Estimated dividend per the terms of the Plan	**5,8%**	**34,8%**

The Monitor notes that in the event that any of its determinations with respect to the litigious Claims discussed above are reversed or varied by the Court, the estimated distribution to Creditors could be materially reduced by as much as half.

The Plan is Fair and Reasonable

The Monitor is of the view that the 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 Plan.
- The approval of the 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 Plan to save the 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, the whole as set out above.

Therefore, the Monitor's recommendation is that Creditors should vote in favour of the Plan.

7. 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 disrupt the franchisees' business, it is doubtful that these receivables 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 consists 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 limited offers received pursuant to the Solicitation Process, the Monitor considers it unlikely that any material value could be obtained for such intangible Property in a bankruptcy scenario.

The assets listed above are encumbered in favor of the Debtors' principal secured creditor, 307, which holds a secured Claim in excess of $3,000,000.

In light of the foregoing, it appears that unsecured Creditors would not receive any dividend if the Property were liquidated in the context of a bankruptcy, without taking into account the applicable realization costs and restructuring fees.

8. PREFERENCES AND TRANSFERS AT UNDERVALUE

The Monitor has reviewed and analyzed the Debtors' bank statements for the period beginning twelve (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.

9. CONFLICTS OF INTEREST

Neither Raymond Chabot Inc. or Raymond Chabot Grant Thornton LLP has ever been engaged by, or provided professional services to, the Debtors. There is no conflict of interest between Raymond Chabot Inc. or Raymond Chabot Grant Thornton and any entities forming part of the Java-U group.

10. CONCLUSION AND RECOMMENDATIONS

The Monitor is of the view, in particular, that:

- The implementation of the Plan would ensure the continuity of Java-U's operations, which is in the best interest of 200 Canadian employees, the Debtors' suppliers, landlords, franchisees, clients, and Creditors as well as the communities in which the Company operates.
- In a bankruptcy context, the unsecured Creditors would recover nothing, whereas under the Plan, such Creditors would benefit from a dividend of between 5.8% and 34.8%, calculated based on the amount of Proven Claims estimated as at the date of this Report
- The Plan is fair and reasonable in the circumstances and represents the best available alternative to the Debtors' Creditors and other stakeholders.

Therefore, it is the Monitor's recommendation that Creditors **vote in favour of the Plan**

11. INSTRUCTIONS FOR VOTING ON THE PLAN

To be accepted, the Plan must be approved by a simple majority (50% + 1) in number of all Creditors having Proven Claims, representing at least two-thirds (66.67%) in value of such Proven Claims.

Creditors having Proven Claims are therefore called to a Creditors' Meeting to be held on **April 25, 2018 at 10:00 AM** at the Monitor's offices, located at **600 De La Gauchetière Street West. Suite 2000, Montréal, Quebec H3B 4L8.**

Only Creditors with Proven Claims or an authorized proxy pursuant to a duly completed proxy form filed with the Monitor before the Creditors' Meeting, in accordance with the requirements set out below, are authorized to attend and vote at the Creditors' Meeting.

The determination of whether a Creditor has a Proven Claim and of the amount of such Proven Claim shall be made in accordance with the CPO, the Meeting Order and the Plan.

Any Creditor with a Proven Claim or having received authorization from the Court to vote on the Plan may vote as follows:

- By transmitting a duly completed voting form to the Monitor, which must be received **no later than 9:00 a.m. on April 25, 2018,** (before the start of the Creditors' Meeting)
- By appointing an individual of its choice to vote at the Creditors' Meeting by completing a proxy form and sending it to the Monitor prior to the Creditors' Meeting.
- By voting in person at the Creditors' Meeting.

For any additional information, you may contact the Monitor's representatives:

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The whole, respectfully submitted by Raymond Chabot inc. in its capacity as Monitor of the Debtors