Court File No. CV-25-00743485-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N:

ARBAT CAPITAL GROUP LTD.

Applicant

and

THE SECOND CUP COFFEE COMPANY INC.

Respondent

PRE-FILING REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED IN ITS CAPACITY AS PROPOSED MONITOR

May 21, 2025

Doane Grant Thornton

Grant Thornton Limited,
200 King Street West, Floor 11,
Toronto, ON M5H 3T4

TABLE OF CONTENTS

APPENDICES

Appendix A – Proposed Monitor's Consent to Act

Appendix B – Cash Flow Forecast

INTRODUCTION

1. Grant Thornton Limited ("**GTL**" or the "**Proposed Monitor**") understands that Arbat Capital Group Ltd. (the "**Applicant**" or "**Arbat Capital**") will be making an application to the Superior Court of Justice (Commercial List) in Ontario ("**Court**") under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an initial order (the "**Initial Order**") granting, *inter alia*, a stay of proceedings in favour of The Second Cup Coffee Company Inc. ("**Second Cup**" or the "**Debtor**"). The proceedings to be commenced by the Applicant under the CCAA will be referred to herein as the "**CCAA Proceedings**".

2. This pre-filing report of the Proposed Monitor (the "**Pre-Filing Report**") has been prepared, prior to and in contemplation of GTL's appointment as Court-appointed monitor in these CCAA Proceedings (the "**Monitor**"), to provide information to this Court for its consideration in respect of the relief sought by the Applicant in the Initial Order.

3. Should the Initial Order be granted, the Proposed Monitor understands that the Applicant intends to return to the Court within ten (10) days (the "**Comeback Hearing**") to seek the Court's approval of an Amended and Restated Initial Order (an "**ARIO**"), granting certain broader relief as part of the Debtor's restructuring plan. If appointed, GTL intends to file a further report in advance of the Comeback Hearing to provide GTL's views on the relief sought in the ARIO.

PURPOSE OF THE PRE-FILING REPORT

4. The purpose of this Pre-Filing Report is to provide the Court and the Debtor's stakeholders with the Proposed Monitor's understanding and views with regards to:

   (a) The qualifications of GTL to act as Monitor and an overview of the involvement to date of GTL with the Debtor;

   (b) The business and affairs of the Debtor and the causes of their financial difficulty leading to a decision to commence these CCAA Proceedings;

   (c) The Proposed Monitor's understanding of Second Cup's assets and liabilities, current financial position, and recent financial performance;

(d) The cash flow forecast for the two-week period of May 18, 2025 to May 31, 2025 (the "**Cash Flow Forecast**");

(e) The appointment of Maxim Lojevsky ("**Mr. Lojevsky**"), the current chairman of the Board, as Chief Restructuring Officer ("**CRO**") over and in respect of Second Cup and the engagement letter between the CRO and the Debtor;

(f) The Applicant's request for approval of an initial charge in the amount of $275,000 (the "**Administration Charge**") securing the fees and expenses of the Proposed Monitor, legal counsel to the Proposed Monitor, Cassels Brock & Blackwell LLP, (the "**Monitor's Counsel**"), legal counsel of the Applicant (the "**Applicant's Counsel**"), and the CRO;

(g) The Applicant's request and the Proposed Monitor's recommendation thereon, for:

i. Approval of the Debtor-in-Possession Facility Loan Agreement (the "**DIP Financing Agreement**") dated May 22, 2025, between the Debtor, as borrower and the Applicant, as lender (in such capacity, the "**DIP Lender**"), pursuant to which the DIP Lender has agreed to advance up to $200,000 (the "**DIP Facility**") to the Debtor, subject to the terms and conditions of the DIP Financing Agreement; and,

ii. A priority charge in favour of the DIP Lender on the assets, properties and undertakings of the Debtor in order to secure the obligations under the DIP Financing Agreement, in the maximum amount of $200,000 plus interest, fees, and expenses (the "**DIP Lender's Charge**").

(h) The Applicant's request for approval of a charge in the amount of $100,000 (the "**Directors' Charge**") securing the indemnification by the Debtor of its directors and officers against the obligations and liabilities that they may incur as directors or officers of the Debtor after the commencement of the CCAA Proceedings, except to the extent that, with respect to any individual, the obligation or liability was incurred as a result of the individual's gross negligence or willful misconduct, and the Proposed Monitor's recommendation thereon.

TERMS OF REFERENCE

5. In preparing this Pre-Filing Report, the Proposed Monitor has relied upon unaudited internal financial statements, certain other financial information and financial projections of the Debtor, discussions with the management and shareholders of the Debtor (“**Management**”), discussion with the Applicant’s Counsel, and financial information provided by other stakeholders (collectively, the “**Information**”). While the Proposed Monitor reviewed the Information for reasonableness and believes that the information herein provides a fair summary of the transactions as reflected in the documents of the Debtor, the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Canadian Generally Accepted Auditing Standards.

6. Some of the information used in preparing this Pre-Filing Report consists of financial projections, including the Cash Flow Forecast. The Proposed Monitor cautions that these projections are based upon assumptions about future events and conditions that are not ascertainable. The Debtor’s actual results may vary from the Cash Flow Forecast, even if the hypothetical and probable assumptions contained therein materialize, and the variations could be significant.

7. Over the course of its mandate, the Proposed Monitor has assumed the integrity and truthfulness of the information and explanations presented to it by the Debtor and its Management, within the context in which such Information was presented. To date, nothing has come to the Proposed Monitor’s attention that would cause it to question the reasonableness of these assumptions. The Proposed Monitor has requested that Management bring to its attention any significant matters which were not addressed during the Proposed Monitor’s specific inquiries. Accordingly, this Pre-Filing Report is based solely on the information (financial or otherwise) made available to the Proposed Monitor by the Applicant, the Debtor, Management, and respective counsellors involved in these CCAA Proceedings.

8. This Pre-Filing Report has been prepared for the use of this Court and the Debtor’s stakeholders as general information relating to the Debtor and to assist the Court in determining whether to grant the relief sought by the Applicant. Accordingly, the reader is cautioned that this Pre-Filing Report may not be appropriate for any other purpose. The Proposed Monitor will not assume responsibility or liability for losses incurred by the reader

as a result of the circulation, publication, reproduction or use of this Pre-Filing Report contrary to the provisions of this paragraph.

9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meaning given to them in the Affidavit of Alexey Golubovich, director of Arbat Capital (a 40% shareholder of Second Cup), sworn May 19, 2025, sworn in support of the Initial Application (the "**Golubovich Affidavit**").

QUALIFICATIONS TO ACT AS MONITOR

10. GTL is a licensed insolvency trustee within the meaning of section 2(1) of the *Bankruptcy and Insolvency Act* (Canada). In addition, GTL is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

11. GTL has consented to act as Monitor should the Court grant the Applicant's request for relief in the CCAA Proceedings. A copy of the Proposed Monitor's consent to act is attached hereto as **Appendix "A"**.

12. The senior GTL representative with carriage of these matters is an experienced Chartered Insolvency and Restructuring Professional and a Licensed Insolvency Trustee, who has acted in restructurings and CCAA matters across various provinces in Canada.

INVOLVEMENT TO DATE OF GTL WITH THE DEBTOR

13. Pursuant to an engagement letter dated December 9, 2024 (the "**GTL Engagement Letter**") GTL was engaged as financial advisor to the Applicant and other shareholders of Second Cup and has been active in assisting and advising the Applicant from that time. GTL's initial role as financial advisor was to understand and assess the current financial and operational status of the Debtor as well to provide restructuring advice to the Applicant. Notwithstanding the same, GTL did not take any steps that would bring consideration as GTL controlling and/or managing the Debtor's operations.

14. GTL has provided no accounting or auditing advice to the Debtor. Fees payable to GTL pursuant to the GTL Engagement Letter are based on hours worked multiplied by normal hourly rates. GTL is not entitled to any success-based or other contingency-based fee.

15. GTL is aware that in the past, Raymond Chabot Grant Thornton LLP ("**RCGT**") was engaged by Second Cup to complete an audit however, no accounting nor assurances services were able to be provided due to, amongst other things, the lack of payment provided to RCGT, insufficient information being provided by the Debtor and RCGT's internal management of risk. RCGT previously resigned as auditor, notwithstanding that no assurance report or work product was provided.

16. GTL notes that RCGT and GTL are members of the Grant Thornton International network, however, they are two separate organizations and are under separate control and management.

THE DEBTOR'S BUSINESS & AFFAIRS AND CAUSES OF INSOLVENCY

17. The business and affairs of the Debtor and the causes of their insolvency are described in the Golubovich Affidavit. The Proposed Monitor has reviewed the Golubovich Affidavit and discussed the business affairs of the Debtor and causes of its insolvency with the Applicant. The Proposed Monitor is of the view that, based on the Information provided, the Golubovich Affidavit provides a fair summary thereof.

18. Similarly, the assets and liabilities of Second Cup, including the charges, security interests and encumbrances registered against Second Cup are also described in the Golubovich Affidavit.

19. The Proposed Monitor has reviewed the financial information in the Golubovich Affidavit and is of the view that the Debtor is insolvent, and these CCAA Proceedings are critical and necessary to assist the Debtor in its restructuring.

CASH FLOW FORECAST

20. Second Cup has not been able to assist in the preparation of a cash flow, for amongst other things, the reasons set out in the Golubovich Affidavit and limited information being provided by the Debtor, primarily due to the resignation of their Director of Finance.

21. As a result, the Proposed Monitor, prepared the Cash Flow Forecast based on limited information and with no input from Management but primarily relying on historical banks statements provided by Management. Attached hereto as **Appendix "B"**, is the Cash Flow Forecast which covers the two-week period from May 18, 2025 to May 31, 2025 (the

"**Cash Flow Period**"). The Cash Flow Forecast was prepared on the assumption that the Debtor's franchise operations will continue in the ordinary course.

22. Below is a summary of the Cash Flow Forecast, reflecting the projected receipts and disbursements over the Cash Flow Period:

Two-Week Cash Flow Forecast Summary For the week beginning In CAD	2025-May-18 Week 1	2025-May-25 Week 2	TOTAL
RECEIPTS			
Cash Receipts	2,600	2,600	5,200
Total Receipts	**2,600**	**2,600**	**5,200**
DISBURSEMENTS			
Operating Disbursements	37,800	32,200	70,000
Financing Disbursements	-	5,444	5,444
Professional Fees	120,000	145,000	265,000
Total Disbursements	**157,800**	**182,644**	**340,444**
Net Cash Flows	**(155,200)**	**(180,044)**	**(335,244)**
DIP Financing	**200,000**	**-**	**200,000**
Opening Cash Balance	-	44,800	-
Closing Cash Balance	44,800	(135,244)	(135,244)

23. If the Proposed Monitor is appointed, it intends to work with Management and the CRO to prepare and review a cashflow forecast that meets the standard of a Court-appointed monitor under s. 23(1)(b) of the CCAA.

24. The Proposed Monitor understands that there is immaterial cash being held by the Debtor. As a result, the Debtor will require usage of the DIP Facility to fund its cash shortfall during the Cash Flow Period. The Debtor is projecting total disbursements of approximately $340,444 over the Cash Flow Period.

25. The Proposed Monitor makes the following general comments on the Cash Flow Forecast:

(a) cash receipts arise from the collection of accounts receivable from the Debtor's global franchise partners;

(b) cash disbursements appear to be consistent with the level of operations recently being experienced and as contemplated by Management;

(c) the Cash Flow Forecast contemplates paying employee wages and other employee obligations as well as post-filing related source deductions in the ordinary course;

(d) the Cash Flow Forecast contemplates paying vendors in accordance with existing and/or modified credit terms;

(e) disbursements include fees and interest that relate to the DIP Facility; and,

(f) disbursements include forecasted payments to the Debtor’s legal counsel, the Proposed Monitor and its legal counsel, the Applicant’s Counsel, and the CRO.

26. The Cash Flow Forecast has been prepared for indicative purposes only, during the period until the Comeback Hearing. The Proposed Monitor cautions that given that this Cash Flow Forecast was prepared without the assistance of Management, there could be material variances in the actual results.

27. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy or completeness of any financial information presented in this Pre-Filing Report or relied upon by the Proposed Monitor in preparing this Pre-Filing Report. Readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

PROPOSED CHIEF RESTRUCTURING OFFICER

28. The Applicant is seeking the appointment of Mr. Lojevsky as CRO over and in respect of Second Cup. The Proposed Monitor has reviewed the terms of the CRO Engagement (as defined below).

29. Early in May 2025 the Debtor’s Director of Finance resigned, and the position has not been filled. Additionally, the CEO is in need of support throughout these CCAA Proceedings. The Proposed Monitor is of the view that the appointment of a CRO is necessary to provide the Debtor with stable and independent oversight during the CCAA Proceedings. Mr. Lojevsky has agreed to act as the CRO in these CCAA Proceedings.

30. Considering the above, and reasons outlined in the Golubovich Affidavit, the Proposed Monitor supports the engagement of Mr. Lojevsky as CRO, pursuant to the terms of the engagement letter between the Proposed Monitor and Mr. Lojevsky (the “**CRO**

Engagement”). Furthermore, the Proposed Monitor is of the view that the terms of the CRO Engagement are fair and reasonable, including the proposed CRO’s success fee of 2% of the implied Enterprise Value resulting from a successful outcome in a future sale or investment solicitation process, to be paid upon a successful restructuring or sale of Second Cup in a Court-supervised process. The proposed services are also tailored to the needs of the Debtor in this restructuring.

PROPOSED DEBTOR-IN-POSSESSION FINANCING

31. Unless otherwise defined, capitalized terms used in this section of this Pre-Filing Report are as defined in the DIP Financing Agreement. A copy of the DIP Financing Agreement is attached as Exhibit A to the Golubovich Affidavit.

32. As outlined in the Golubovich Affidavit, the Debtor is facing a liquidity crisis and will require financing to pursue a restructuring of the business in the proposed CCAA Proceedings. The Cash Flow Forecast prepared by the Proposed Monitor indicates the Debtor will need approximately $350,000 during the Cash Flow Period. Notwithstanding that accounts for professional costs may be paid under the proposed Initial Order, the professionals involved in this CCAA Proceedings have agreed to rely on the Administration Charge until the Comeback Hearing.

33. Resultantly the purpose of the DIP Facility will be solely for the Debtor’s working capital needs, including payroll; and such other costs and expenses of the Debtor as may be agreed to by the Applicant and the Proposed Monitor, in writing.

34. The DIP Facility is summarized below:

   a) Loan Amount: $200,000 advanced on the granting of the proposed Initial Order through to the Comeback Hearing. The Applicant may seek an increase to the DIP Facility amount at the Comeback Hearing, if the Proposed Monitor determines such funds are needed.

   b) Termination: The maturity of the DIP Facility shall be the earliest of:

      i. November 22, 2025;

      ii. the closing of a Court-approved sale or investment transaction;

iii. the implementation of a plan of compromise or arrangement within these CCAA Proceedings;

iv. the date on which these CCAA Proceedings are terminated for any reason; and

v. the occurrence of an Event of Default (as defined in the DIP Financing Agreement) subject to a three-day cure period, (the "**Maturity Date**");

c) Interest Rate: 9% per annum, calculated daily on the outstanding balance owing under the DIP Facility, not in advance, and accruing and paid on the Maturity Date;

d) Commitment Fee: $4,000.00, equal to 2% of the aggregate availability under the DIP Facility loan as security for the high risk and speculative DIP Facility loan;

e) Expenses: The Debtor shall pay all fees and expenses incurred by the Applicant in connection with the preparation, registration and ongoing administration of the DIP Financing Agreement, the DIP Facility, the Initial Order, the ARIO, any other orders issued in the CCAA Proceedings, the DIP Lender's Charge, and with the enforcement of the DIP Lender's rights and remedies hereunder and thereunder, at law or in equity, including, without limitation all reasonable legal fees and disbursements incurred by the Applicant (the "**Recoverable Expenses**"). For greater certainty, the Recoverable Expenses will only apply to the Applicant's fees and expenses related to and arising from its capacity as DIP Lender under the DIP Financing Agreement and not in its capacity as applicant in these proceedings generally; and

f) DIP Facility Charge and Court Approval: The DIP Facility loan is to be secured by a court-ordered priority charge in the maximum amount of $200,000 plus all accrued interest and fees, over all present and future properties, assets, and undertakings of the Debtor, real and personal, tangible and intangible, whether now owned or hereafter acquired, and the proceeds thereof, subject only to the Bank of Montreal's ("**BMO**") security interest, the Administration Charge and the Directors' Charge. The DIP Facility loan will be available to the Debtor upon the issuance of the proposed Initial Order.

35. When reviewing the reasonableness of the DIP Financing Agreement, the Proposed Monitor considered the factors set out in Section 11.2 of the CCAA and notes the following:

a) the Debtor have a critical and immediate need for interim financing. Without access to the DIP Facility, the Debtor will be unable to maintain their operations and advance the restructuring process. The DIP Lender's Charge will allow the Debtor to continue to operate and complete an orderly restructuring;

b) the Proposed Monitor believes that approval of the DIP Facility is in the best interest of the Debtor's stakeholders and will advance the Debtor's restructuring process. The Proposed Monitor does not believe that creditors of the Debtor will be prejudiced because of the approval of the DIP Facility – to the contrary, they will benefit from it as it will allow the business to continue to operate, which will enhance value versus the alternative, which is the discontinuation of operations and the potential liquidation of the Debtor's assets;

c) on the application for the proposed Initial Order, the Applicant is seeking approval for the Debtor to borrow only the amounts funded under the DIP Facility, which are those amounts required to sustain the business until the Comeback Hearing; and

d) based on the Proposed Monitor's review, the cost of the proposed DIP Facility is within the ranges of similar facilities approved by the Court and other Canadian courts in CCAA Proceedings.

36. Based on the foregoing, the Proposed Monitor believes that the terms of the DIP Facility are reasonable and appropriate in the circumstances.

37. As outlined in the Golubovich Affidavit, the Debtor is facing a liquidity crisis and will require interim financing to pursue a restructuring of the business in the proposed CCAA Proceedings. The Cash Flow Forecast prepared by the Proposed Monitor indicates that Second Cup will require at least $200,000 of interim financing until the Comeback Hearing and the Proposed Monitor understands this quantum is limited to what is reasonably necessary for the continued operations of the Debtor in the ordinary course of business during that 10- day period. The Proposed Monitor understands that the secured creditors have been served with the Applicant's materials.

PROPOSED COURT ORDERED CHARGES

38. The proposed Initial Order provides for three charges that rank as follows:

(a) first – the Administration Charge;

(b) second – the DIP Lender's Charge; and,

(c) third – the Directors' Charge.

(collectively, the "**Charges**"). The Initial Order states that the Charges are to rank ahead of all security, interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise in favour of any Person (as defined in the proposed Initial Order), however does not prime any secured creditor not served with the initial application. The Charges will also not prime BMO's first-ranking secured interest in the Debtor.

ADMINISTRATION CHARGE

39. The Initial Order contemplates that the Proposed Monitor, the Monitor's Counsel, the Applicant's Counsel, and the CRO be granted a Court-ordered charge on the assets of Debtor as security for professional fees and disbursements relating to services rendered in respect of the Debtor (whether incurred prior to or after the commencement of the CCAA Proceedings) at the standard rates and charges in an initial amount not to exceed $275,000.

40. The Administration Charge threshold has been established based on the various professionals' previous history and experience with restructurings of similar magnitude and complexity. If an Initial Order under the CCAA is granted, the Proposed Monitor believes that the proposed Administration Charge is required and reasonable in the circumstances.

DIP FACILITY CHARGE

41. It is a condition of the DIP Facility that it be secured by a charge over the assets of the Debtor.

42. Based on discussions with the Applicant and reviewing the Debtor's information, the Proposed Monitor is of the view that the DIP Lender's Charge is reasonable and appropriate in the circumstances.

DIRECTORS' CHARGE

43. The proposed Initial Order contemplates, that a Directors' Charge in the initial amount of $100,000 be granted in favour of the beneficiaries being the directors and officers of Second Cup for obligations and liabilities they may increase as a result of acting ad a

director or officer after the commencement of the CCAA Proceedings. It is the Proposed Monitor's view that the continued support and service of the directors and officers during the CCAA Proceedings would be beneficial to the Applicant's efforts to preserve value and maximize recoveries for stakeholders and that the quantum is appropriate.

44. The quantum of the proposed Directors' Charge is based on estimated amounts for which directors could potentially have statutory personal liability that could be outstanding during the first pay period within the CCAA Proceedings, being: wages, salaries and applicable withholdings, benefits, and accrued vacation pay.

45. The Proposed Monitor notes that the directors and officers will only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any existing insurance policy, or to the extent that such coverage is insufficient to pay amounts for which the directors and officers are entitled to be indemnified pursuant to the provisions of the proposed Initial Order.

46. Accordingly, the Proposed Monitor respectfully recommends that the Applicant's request for the Directors' Charge be granted by this Court.

NEED FOR A STAY OF PROCEEDINGS AND THE CCAA PROCEEDINGS

47. The Debtor has a viable business; however, its challenges as outlined in the Golubovich Affidavit have caused significant financial strain. The proposed CCAA Proceedings, including the stay of proceedings and DIP Facility for the initial 10 days until the Comeback Hearing, will allow the Debtor to continue its operations whilst concurrently preparing for the Comeback Hearing where it intends to seek a further stay of proceedings to allow the Debtor to seek potential financing or equity investment, or a sale of the business, through a court-approved sale and investment solicitation process which is in the interests of the Debtor and its stakeholders.

48. For the reasons set out in this Pre-Filing Report, the Proposed Monitor is of the view that the relief requested by the Applicant is reasonable and necessary and respectfully recommends that this Court make the Order granting the Applicant's requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED on this 21ST day of May 2025.

GRANT THORNTON LIMITED,
SOLELY IN ITS CAPACITY AS PROPOSED MONITOR
OF SECOND CUP, AND NOT IN ITS CORPORATE OR PERSONAL CAPACITY

Per: Jason Kanji ______________________________

Jason Kanji, CPA, CA, CIRP, LIT

Vice President

Appendix A

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N:

ARBAT CAPITAL GROUP LTD.

Applicant

and

THE SECOND CUP COFFEE COMPANY INC.

Respondent

CONSENT TO ACT AS MONITOR

Grant Thornton Limited, hereby consents to act as Monitor of The Second Cup Coffee Company Inc., pursuant to any order made by this Court under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, if so appointed by this Honourable Court.

Dated at Toronto this 13th day of May 2025

GRANT THORNTON LIMITED

Signed by:
Jason Kanji
8D583F078A634F6...

Per: ______________________________
Name: Jason Kanji, CPA, CA, CIRP, LIT
Title: Vice President
(I have the authority to bind the corporation)

ARBAT CAPITAL GROUP LTD. and THE SECOND CUP COFFEE COMPANY INC.. Court File No.
Applicant Respondent

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

MONITOR'S CONSENT

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Lawyers for the Applicant

Appendix B

The Second Cup Coffee Company Inc.
Two Week Cash Flow Forecast
Beginning the Week of May 18, 2025

Doane Grant Thornton

For the week beginning In CAD	Notes	2025-May-18 Week 1	2025-May-25 Week 2	TOTAL
Cash Receipts				
Franchise Collections	*Note 1*	1,900	1,900	3,800
Miscellaneous Receipts	*Note 2*	700	700	1,400
Total Cash Receipts		**2,600**	**2,600**	**5,200**
Operating Disbursements				
Payroll/Expenses	*Note 3*	16,000	3,300	19,300
Suppliers	*Note 4*	18,000	18,000	36,000
Miscellaneous	*Note 5*	2,000	2,000	4,000
Freight	*Note 6*	-	900	900
Insurance	*Note 7*	500	6,700	7,200
Subscriptions	*Note 8*	500	500	1,000
Travel	*Note 9*	300	300	600
Advertising/Marketing	*Note 10*	-	500	500
Cleaning Expenses	*Note 11*	500	-	500
Total Operating Disbursements		**37,800**	**32,200**	**70,000**
Financing Disbursements				
BMO Principal		-	-	-
BMO Interest		-	5,000	5,000
DIP Interest		-	444	444
Total Financing Disbursements		**-**	**5,444**	**5,444**
Professional Fees	*Note 12*			
Company Counsel Fees		-	25,000	25,000
Monitor's Fees		30,000	30,000	60,000
Lead Creditor Counsel Fees		75,000	75,000	150,000
Monitor's Counsel Fees		15,000	15,000	30,000
Total Professional Fees		**120,000**	**145,000**	**265,000**
Total Disbursements		**157,800**	**182,644**	**340,444**
Net Cash Flows		**(155,200)**	**(180,044)**	**(335,244)**
Cash from Interim Financing				
DIP Financing	*Note 13*	**200,000**	**-**	**200,000**
Opening Cash Balance	*Note 14*	-	44,800	-
Closing Cash Balance		**44,800**	**(135,244)**	**(135,244)**

DISCLAIMERS

1. This statement of projected cash flows for The Second Cup Coffee Company Inc.(the "**Company**") has been prepared by Grant Thornton Limited, as proposed monitor (the "**Proposed Monitor**") based on historical bank transactions, for reasons outlined in the application materials and the Proposed Monitor's Pre-Filing Report.

2. The Proposed Monitor has not verified or confirmed certain expenses incurred by the Company which are reflected in this forecast.

3. The information contained in the forecast is subject to changing assumptions and/or receipt of new or additional information; actual results may significantly vary. This forecast should not be used for any other purpose than its stated purpose, and creditors are cautioned that the information provided in the cash flow could vary based on changing future circumstances.

Notes and Assumptions:

1. Normalized average of historical franchise collections, consistent with past collections.
2. Historical weekly average of miscellaneous receipts.
3. Bi-weekly payroll payments are based on historical bank statements with alternating assumed employee expenses (or other) payments based on an average historical payments.
4. Supplier payments are budgeted as a weekly average of historical payments.
5. $2K per month is budgeted for payments marked as miscellaneous in the historical bank statements.
6. Freight expenses are assumed to be bi-weekly payments, based on historical payments.
7. Monthly Manulife & Sunlife insurance payment, budgeted as per historical payments.
8. Historical weekly average of various subscription payments.
9. Historical weekly average of travel expenses.
10. Historical bi-weekly average of advertising/marketing expenses.
11. Historical bi-weekly average of historical cleaning expenses.
12. Professional fees, include legal and financial advisors costs associated with the CCAA Proceedings and are based on estimate provided by such professionals.
13. DIP Financing is pursuant to the DIP Term Sheet as described in the application materials.

14. Opening cash balance is set to zero in the absence of current bank statements.

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Applicant | Respondent

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PROCEEDING COMMENCED AT
TORONTO

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SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS PROPOSED MONITOR

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