

CANADA  
DISTRICT OF QUÉBEC  
DIVISION NO.: 01-MONTRÉAL  
COURT NO.: 500-11-059536-215

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

IN THE MATTER OF THE ARRANGEMENT OR  
COMPROMISE OF:

**ATIS GROUP INC.**, a legal person domiciled at 1000 de  
La Gauchetière Street West, Suite 2500, in the city of  
Montréal, in the province of Québec, H3B 0A2.

-and-

**ITS SUBSIDIARIES : 10422916 CANADA INC.,  
8528853 CANADA INC. (D.B.A. PORTES ET  
FENÊTRES ALTEK INC.), 9060642 CANADA INC.,  
9092455 CANADA INC. (D.B.A. ALWEATHER  
WINDOWS & DOORS), DISTRIBUTEUR VITRO  
CLAIR INC., SOLARCAN ARCHITECTURAL  
HOLDING LIMITED, VITRERIE LÉVIS INC.,  
VITROTEC PORTES & FENÊTRES INC. AND  
ATIS LP**

Hereinafter collectively referred to as “Atis Group”

-and-

**RAYMOND CHABOT INC.**,  
Dominic Deslandes, CPA, CA, CIRP, LIT

Hereinafter referred to as the “Monitor”

---

## **FIRST REPORT BY RAYMOND CHABOT INC. IN ITS CAPACITY AS MONITOR**

---

### PREAMBLE

To one of the Honourable judges of the Superior Court, sitting in commercial division, in and for the  
judicial district of Montréal, we respectfully submit this report of the Monitor.

Signed in Montréal on February 28, 2021

RAYMOND CHABOT INC.  
Monitor



Dominic Deslandes, CPA, CA, CIRP, LIT

**1. INTRODUCTION**

- 1.1 This report of the Monitor is intended to complement the report dated February 19, 2021 (“Pre-Filing Report”) prepared by Raymond Chabot Inc. (“RCI”), then in its capacity as proposed monitor, in the context of the current proceedings (the “CCAA Proceedings”), and should be read in conjunction with the Pre-Filing Report.
- 1.2 On February 19, 2021, Atis Group filed an application for an initial order and an amended and restated initial order (the “Application”).
- 1.3 On February 19, 2021, the Superior Court of the Province of Québec for the district of Montréal (the “Court”) granted the Application and issued an initial order (the “Initial Order”) which provides, among other things:
  - 1.3.1 The applicants are debtor companies to which the CCAA applies;
  - 1.3.2 A Stay of Proceedings against the debtors and the property until March 1<sup>st</sup>, 2021 (“Stay Period”);
  - 1.3.3 A Stay of Proceedings against the directors and officers of the debtors (the “Directors and Officers”) during the Stay Period;
  - 1.3.4 The appointment of RCI as the monitor (the “Monitor”);
  - 1.3.5 The approval of interim financing up to a maximum principal amount of \$2.5 million (the “Interim Financing Facility”), together with a \$3 million charge;
  - 1.3.6 The approval of various charges, more specifically:
    - 1.3.6.1 Administration charge of \$450,000;
    - 1.3.6.2 Chief restructuring officer (“CRO”) charge of \$750,000;
    - 1.3.6.3 Key employee retention plan (“KERP”) charge of \$500,000;
    - 1.3.6.4 Directors and Officers’ charge of \$2.25 million;
- 1.4 The Court ordered that the come-back hearing shall take place on March 1, 2021 at 9:15 a.m.

**2. ADMINISTRATION BY THE MONITOR**

- 2.1 On February 22 and 26, 2021, the Monitor filed Forms 1 and 2 with the Office of the Superintendent of Bankruptcy.
- 2.2 On February 24, 2021, the Monitor posted documents in regards to the CCAA Proceedings described herein on its website at <https://www.raymondchabot.com/en/companies/public-records/atis/> (the “Monitor’s Website”).

Such documents include, namely, the following :

- 2.2.1 The Application;
  - 2.2.2 The Pre-Filing Report of the Proposed Monitor;
  - 2.2.3 Initial Order.
- 2.3 On February 25, 2021, the Monitor requested that a notice with respect to the Initial Order be published in La Presse+ (March 1st and 8th, 2021) and in The Globe and Mail (March 3rd and 10th, 2021).
  - 2.4 On February 26, 2021, the Monitor sent a notice to suppliers, which was also posted on the Monitor’s Website.
  - 2.5 The Monitor assisted Atis Group in its discussions with its suppliers.
  - 2.6 The Monitor supervised receipts and disbursements on a daily basis and held daily meetings with management to discuss operations, the restructuring measures and various key performance indicators including headcount, sales, orders on hand and productivity at various plants.

**3. RESTRUCTURING MEASURES AND UPDATE REGARDING ATIS GROUP'S OPERATION**

- 3.1 On February 22, 2021, management organized multiple videoconference and live meetings with groups of Atis Group's employees at the different locations.
- 3.2 During these meetings, management announced to the employees that the operations at the Terrebonne plant would be reduced significantly, only consisting of door production for an interim period.
- 3.3 Management also announced that all of the Québec-based stores would not reopen since it was not possible to make them profitable, despite the many restructuring scenarios analyzed.
- 3.4 With respect to such stores, 18 disclaimer notices were sent on February 25, 2021, and one additional disclaimer notice was sent to the head office.
- 3.5 Considering the above, approximately 300 employees were effectively laid off as of February 26, 2021.
- 3.6 Atis Group's management held several discussions with suppliers. The Monitor's representatives took part in many of these discussions in order to explain the CCAA Proceedings and secure adequate procurement necessary to keep the plants / production operational.
- 3.7 On February 22, 2021, Atis Group requested an urgent hearing to obtain a Safeguard Order against Energi Fenestrations Solutions Ltd. ("Energi"), a supplier of extrusion products and patio doors that had interrupted its supply of goods after its management was made aware of the CCAA Proceedings.
- 3.8 On February 23, 2021, the Court acknowledged Atis Group's acceptance of an undertaking by Energi to supply goods to Atis Group on a "COA" (cash on advance) basis until the comeback hearing scheduled for March 1, 2021 (the "Energi Undertaking", and purchases resumed in the following days. The Monitor has been informed that Energi is not complying with the Energi Undertaking, and understands that Energi now insists on being paid in full before commencing production of the goods for future orders. The Monitor has also been informed that Energi has now modified other terms of its dealing with Atis Group beyond payment including but not limited to de-scheduling Atis Group's orders and unilaterally increasing the previously established minimum order quantity for same. The Monitor has also been informed that Energi intends to contest certain aspects of the Amended and Restated Initial Order being sought by Atis Group at the comeback hearing scheduled for March 1, 2021.

**4. CASH FLOW**

- 4.1 Atis Group has not yet required the use of the Interim Financing Facility as forecasted in the Cash Flow that was presented in the Pre-Filing Report (Schedule A).

**5. CRITICAL SUPPLIERS**

- 5.1 Since the issuance of the Initial Order and as mentioned previously, the Monitor has taken part in many meetings and conversations with management and suppliers. During these meetings, many suppliers mentioned that they refuse to start production of goods if they do not have an assurance that they will ultimately get paid.
- 5.2 Some suppliers, depending on the product, have manufacturing procedures for specific components used by Atis Group for door and window assembly that require a series of steps that can lengthen production time for the supplier and require significant production activities to minimize costs, making just-in-time production impossible. Some suppliers are required to incur significant costs ahead of time to produce goods that, often, can only be sold to Atis Group. We were advised that these suppliers are not prepared to assume any risks related to manufacturing components for Atis Group products without the certainty that they will at least be able to recover the cost of these components.
- 5.3 Finding new suppliers to manufacture these products will take several months given the specifications (moulds, production capacity, energy features, product security, etc.). Thus, if Atis Group is unable to acquire these product components from its existing suppliers, production and operations will be halted, meaning that the likelihood of successfully restructuring Atis Group would be almost nil.
- 5.4 In this context, the Monitor believes that the granting of a charge of \$1.5 million to secure its obligations contracted in the context of its mandate, including but not limited to dealings with Atis Group's suppliers, is justified. The Monitor's dealings relating to any such contracted obligation will be conducted in consultation with the CRO and conditional upon the approval of the Bank of Nova-Scotia (the "Secured Lender"). This charge is necessary in order to cover the value of goods being produced by such suppliers, and would be progressively cancelled when Atis Group pays the supplier for the goods upon delivery.

**6. KERP**

- 6.1 Since the filing of the Application on February 19, 2021, certain employees considered for the KERP charge have unfortunately preferred to leave Atis Group. However, management and the CRO have identified other employees who should be included in the KERP. This has no impact on the \$500,000 charge; only the beneficiary's name has changed. The Monitor considers that the employees added to this list are justified and recommends that the \$500,000 charge be maintained. This revised list of KERP beneficiaries is attached hereto as Schedule A (under seal).

**7. SALE AND INVESTMENT SOLICITATION PROCESS**

- 7.1 Atis Group's management, in consultation with the Monitor, the CRO and the Secured Lender has revised the sale and investment solicitation process to be conducted in respect of the business and certain assets of Atis LP (the "SISP"). The SISP procedures are as follows (defined terms being defined in the SISP procedures):
- 7.1.1 The SISP will be conducted by the Monitor in collaboration with the Secured Lender;
  - 7.1.2 The Monitor will identify prospective investors and purchasers and provide such Prospective Bidders with a Teaser Letter;
  - 7.1.3 There will be two mandatory phases to identify a successful bid : (i) a non-binding LOI phase to qualify Prospective Bidders as Qualified Bidders ending on March 26, 2021 and (ii) a binding offer phase where Qualified Bidders submit binding Qualified Bids before April 21, 2021;
  - 7.1.4 Once an agreement in respect of a Successful Bid has been finalized, the Monitor will apply to the Court for an order approving any transaction(s) contemplated in such Successful Bid.
- 7.2 The Monitor is of the opinion that the proposed SISP is fair, reasonable and necessary in order to proceed with the restructuring process for the benefit of all of Atis Group's stakeholders.

**8. RECEIVERSHIP**

- 8.1 The current cash situation of Atis Group, as reflected in the Cash Flow presented in Schedule A of the Pre-Filing Report, does not allow for the payment of vacation accruals, termination notices and severance for laid-off employees, which total an amount of approximately \$4 million.
- 8.2 Considering the above and to avoid prejudice to these employees, an application for the appointment of RCI as receiver to *de minimis* assets of certain entities of Atis Group will be presented, for the sole purpose of the application of the Wage Earner Protection Program Act ("WEPPA").
- 8.3 The Monitor is of the opinion that the appointment of RCI as receiver, only for the implementation of the WEPPA, is beneficial to the restructuring of Atis Group and its former employees.

**9. CONCLUSIONS**

- 9.1 Based on the information presented previously in this report as well as the work performed to this date, the Monitor has no reason to question Atis Group's diligence, good faith and proper intentions in pursuing the current restructuring proceedings.
- 9.2 Considering the above, the Monitor recommends that the Court grant the requested extension to the Stay Period and other relief provided for in the Amended and Restated Initial Order, including but not limited to the approval of the KERP and the SISP.
- 9.3 The Monitor supports the increase of the Interim Facility and Interim Lender Charge (as these terms are defined in the Initial Order) for an additional \$4.5 million, for a total amount of \$7.5 million.
- 9.4 Also, the Monitor believes that it would be beneficial to the restructuring of Atis Group that the Court grant the charge for a total amount of \$1.5 million for the reasons set out in paragraph 5.4 herein.