

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” or the  
“Debtors”

-and-

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

Hereinafter referred to as the “Monitor”

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

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### 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 April 27, 2021

RAYMOND CHABOT INC.  
Monitor



Dominic Deslandes, CPA, CA, CIRP, LIT

**1. INTRODUCTION**

- 1.1 This report of the Monitor should be read in conjunction with the report dated February 19, 2021 (“Pre-Filing Report”) prepared by Raymond Chabot Inc. (“RCI”) then in its capacity as proposed monitor, and the First Report by Raymond Chabot in its Capacity as Monitor dated February 28, 2021, in the context of the current proceedings (the “CCAA Proceedings”).
- 1.2 On February 18, 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 as follows, 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 (“Initial Stay Period”);
  - 1.3.3 A Stay of Proceedings against the directors and officers of the debtors (the “Directors and Officers”) during the Initial 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 \$6.25 million (the “Interim Financing Facility”), together with a \$7.5 million charge;
  - 1.3.6 The approval of various charges, more specifically:
    - 1.3.6.1.1 Administration charge of \$450,000;
    - 1.3.6.1.2 Chief Restructuring Officer (“CRO”) charge of \$750,000;
    - 1.3.6.1.3 Key employee retention plan (“KERP”) charge of \$500,000;
    - 1.3.6.1.4 Directors and Officers’ charge of \$2.25 million.
- 1.4 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.
- 1.5 On March 1<sup>st</sup>, 2021, the Court issued an Amended and Restated Initial Order (the “ARIO”), which provides as follows, among other things:
  - 1.5.1 An extension of the Stay of Proceedings against the debtors and the property until April 30, 2021 (“Stay Period”);
  - 1.5.2 Approval of the Monitor’s Charge of \$1.5 million;
  - 1.5.3 The approval of the Sale and Investment Solicitation Process (the “SISP”) and its implementation in accordance with the approved SISP procedures.

- 1.6 On March 10, 2021, an Order was granted, appointing RCI as receiver for *de minimis* assets of certain entities of Atis Group, for the sole purpose of the application of the Wage Earner Protection Program Act (“WEPPA”).
- 1.7 On March 17, 2021, an application for a Safeguard Order and for the Renewal of the Insurance Policies was filed with Court and subsequently, the parties were able to agree on a temporary policy.
- 1.8 On March 25, 2021, a Claims Procedure Order was granted, establishing the procedure implemented by the Monitor to receive the claims from the Creditors.
- 1.9 The claims bar date (the “Claims Bar Date”) was set to April 26, 2021 at 4:00 p.m. (Montreal time).

## **2. ADMINISTRATION BY THE MONITOR SINCE THE FIRST REPORT**

- 2.1 On March 3, 2021, the Monitor posted a copy of the ARIO on its website.
- 2.2 On March 3, 2021, the Monitor commenced the SISP, set up a virtual data room (the “Data Room”) and reached out to potential buyers as explicitly detailed in section 5 of this report.
- 2.3 On March 5, 2021, the Monitor posted a copy of its first report on its website.
- 2.4 On April 1<sup>st</sup>, 2021, following its appointment as Receiver, RCI (as receiver) sent proof of claim forms and necessary documents to terminated employees for registration with Service Canada.
- 2.5 To date, the registration of the terminated employees under the Wage Earner Protection Program is well underway and 221 employees have filed their proof of claim forms so far.
- 2.6 In compliance with the Claims Procedure Order, on April 1<sup>st</sup>, 2021, the Monitor sent a copy of the Instruction Letter, the Proof of Claim form, and the Claims Procedure Order, in both English and French, to all known creditors.
- 2.7 The Monitor published a notice of the claims process and Claim Bar Date in the Designated Newspapers at the earliest possible dates, being:
  - 2.7.1 La Presse+: March 30, 2021 edition;
  - 2.7.2 The Globe and Mail (National Edition): April 1<sup>st</sup>, 2021 edition;
  - 2.7.3 The New York Times (National Edition): April 2<sup>nd</sup>, 2021 edition.
- 2.8 Moreover, on April 1<sup>st</sup>, 2021 the Monitor published the Claims Procedure Order, along with the Proof of Claim form and the Instruction Letter, on its website.
- 2.9 The Monitor continued to oversee 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.

2.10 Since the issuance of the ARIO and in accordance with same, the Monitor issued certificates in order to secure orders and maintain operations. At the date of this report, orders for an amount of \$1,326,564 are secured by such certificates.

2.11 The Monitor also held numerous meetings with the secured lenders, shareholders and other stakeholders regarding the operations and status of the CCAA proceedings.

2.12 The Monitor sent seven notices of stay of proceedings.

### **3. RESTRUCTURING MEASURES AND UPDATE REGARDING ATIS GROUP OPERATIONS**

3.1 Following the shutdown of the Terrebonne plant, Atis Group moved some equipment from that location to two of its other plants, namely Laflamme (St-Apollinaire) and Altek (St-Joseph), where this equipment will be used to manufacture doors as well as increase production and efficiency at these sites.

3.2 Management also reallocated some equipment from its Laflamme plant to the Altek facility to optimize production lines and render both plants fully independent.

3.3 With respect to the 18 Québec stores for which a disclaimer notice was sent by the end of February, as well as the company's head office, the Debtors removed the valuable assets from these premises and remitted the keys to their landlords.

3.4 Since the First Report, Atis Group has laid off 31 additional employees, for a total of 306 terminated employees since the beginning of its restructuring process, and has continued to pay its remaining employees in the normal course of business.

3.5 Also, as part of the restructuring measures, five (5) service contracts were disclaimed under section 32 of the CCAA.

3.6 Finally, Atis Group's management continued to hold several meetings with suppliers. The Monitor's representatives took part in many of these meetings in order to further explain the CCAA Proceedings and secure adequate procurement necessary to keep the plants/production operational.

**4. CLAIMS PROCEDURE**

- 4.1 Of the 1,084 known creditors indicated on the list of creditors, for a total of \$94,144,035:
- 4.1.1 388 creditors have filed a Proof of Claim, for a total amount claimed of \$27,401,997, with the Monitor before the Claims Bar Date.
- 4.2 The Claims Procedure Order requested that each creditor completes the Proof of Claim by including, in addition to any claim it may hold against Atis Group, any claim it may hold against:
- 4.2.1 The directors and officers;
- 4.2.2 The Chief Restructuring Officer;
- 4.2.3 The Bank of Nova Scotia in its capacity as interim lender, Raymond Chabot Inc., in its capacity as Receiver and/or Monitor, the Receiver's counsel, the Monitor's counsel and the Debtors' counsel (collectively the "Beneficiaries") of the Debtor Companies.
- 4.3 On a preliminary basis and subject to review, the following claims have been made againsts :
- 4.3.1 The directors and officers: 45 claims amounting to \$2,468,973.01;
- 4.3.2 The Chief Restructuring Officer: 24 claims amounting to \$236,824.68;
- 4.3.3 The Beneficiaries: 26 claims amounting to \$267,603.77.
- 4.4 At the time of this report, the Monitor has not had the opportunity to begin its review of the Proofs of Claim submitted by the Creditors, and is not in a position to comment on the validity of any of these claims. As such, the information above is presented on a "without prejudice" basis.

**5. SALE AND INVESTMENT SOLICITATION PROCESS**

- 5.1 The SISP mainly consisted of two mandatory phases:
- 5.1.1 Phase 1: a non-binding letter of intent ("LOI") phase to qualify Prospective Bidders as Qualified Bidders, with March 26, 2021 as the deadline to submit said LOI, and;
- 5.1.2 Phase 2: a binding offer phase where Qualified Bidders had to submit binding Qualified Bids no later than April 21, 2021.
- 5.2 With respect to Phase 1:
- 5.2.1 The Monitor identified and targeted 108 prospective investors and/or purchasers both in Canada (84) and in the United States (24); the Monitor was able to make direct initial contact with 106 of these prospective investors. The identified companies were retained for being either of sufficient size to acquire the entire group or only a specific division of the group, or being an investment fund having interests in similar operations or being devoted to distressed assets;

- 5.2.2 95 teasers were sent to those prospective investors;
  - 5.2.3 56 non-disclosure agreements have been signed;
  - 5.2.4 54 prospective investors have accessed a data room put in place by the Monitor with the assistance of management;
  - 5.2.5 14 potential investors and/or purchasers made site visits to the different plants;
  - 5.2.6 14 potential investors and/or purchasers have submitted a letter of intent.
- 5.3 With respect to Phase 2:
- 5.3.1 More confidential information was shared through the data room, and a significant amount of time was spent by the Monitor and management to answer the multiple questions raised by the prospective bidders;
  - 5.3.2 On April 21, 2021, 14 bidding offers had been received from Qualified Bidders.
- 5.4 The Monitor and the Senior Lender are in the process of evaluating the different offers and determining which offers should qualify as the successful bids. Once an agreement in respect of successful bids has been finalized, the Monitor will apply to the Court for an order approving any transaction(s) contemplated in respect of such Successful Bids.

**6. FINANCIAL RESULTS**

**Consolidated Financial Results for the 3-month period ended April 3, 2021**

(In thousands of \$, unaudited)	FY21	FY20	Variances
<b>Gross sales</b>	<b>24 772</b>	<b>23 974</b>	<b>799</b>
Discounts	387	445	58
<b>Net sales</b>	<b>24 385</b>	<b>23 529</b>	<b>857</b>
Raw materials	10 261	10 354	92
<b>Margin on raw materials</b>	<b>14 124</b>	<b>13 175</b>	<b>949</b>
%	57,0%	55,0%	2,1%
Direct Labor	4 090	3 480	(610)
Installation labor	1 285	1 107	(179)
Installation subcontractors and other fees	839	972	133
<b>Margin on direct costs</b>	<b>7 909</b>	<b>7 616</b>	<b>293</b>
%	31,9%	31,8%	0,2%
Manufacturing fees	2 883	2 947	64
<b>Gross margin</b>	<b>5 025</b>	<b>4 668</b>	<b>357</b>
%	20,3%	19,5%	0,8%
Operating expenses	7 846	10 206	2 361
Other costs (revenues)	(129)	270	399
<b>EBITDA</b>	<b>(2 691)</b>	<b>(5 809)</b>	<b>3 117</b>
Interest and financing costs	1 197	1 473	276
Depreciation and amortization	864	1 027	162
Income taxes	(18)	(768)	(750)
<b>Net earnings (loss) before non-recurring costs</b>	<b>(4 736)</b>	<b>(7 540)</b>	<b>3 430</b>
Non-recurring costs	2 382	-	(2 382)
<b>Net earnings (loss)</b>	<b>(7 118)</b>	<b>(7 540)</b>	<b>422</b>

- 6.1 After three months, Atis Group achieved gross sales of \$24.8 million and a gross margin of \$5 million, slightly above the comparative period of FY20.
- 6.2 However, given the restructuring measures put in place and summarized in our First Report and in section 3 of this report to significantly reduce fixed costs (rent, utilities, operating salaries etc.), the company generated a negative EBITDA of \$2.7 million, which represents a \$3.1 million favorable variance versus the comparative period of FY20.
- 6.3 After non-recurring costs, which mainly consist of professional fees incurred as part of the restructuring, Atis Group suffered a \$7.1 million loss.

**Balance Sheet as at December 31, 2020 and March 31, 2021**

(In thousands of \$ - unaudited)	March 31, 2021	Dec 31, 2020	Variance
<b>Current assets</b>			
Accounts receivable	19 173	23 404	(4 231)
Other receivable	1 042	953	89
Inventories	16 600	17 546	(946)
Prepaid expenses	756	605	151
Income taxes recoverable	746	701	45
Future income taxes	308	308	-
	<b>38 625</b>	<b>43 517</b>	<b>(4 892)</b>
Sales price receivable and other assets	517	517	-
Property, plant and equipment	16 938	17 304	(366)
Intangible assets	22 791	23 067	(276)
Future income taxes	6 583	6 583	-
<b>Total assets</b>	<b>85 455</b>	<b>90 989</b>	<b>(5 534)</b>
<b>Current liabilities</b>			
Bank advances (overdraft and revolver)	19 288	13 690	(5 598)
Accounts payable and accrued liabilities	15 782	16 926	1 144
Customer deposits	4 099	4 727	628
Sales tax payable	686	830	144
	<b>39 856</b>	<b>36 174</b>	<b>(3 682)</b>
Long - term debt	57 659	57 257	(401)
Future income taxes	3 403	3 403	-
<b>Total liabilities</b>	<b>100 918</b>	<b>96 834</b>	<b>(4 084)</b>
<b>Equity</b>			
Capital stock	79 975	79 975	-
Contributed surplus	(326)	(326)	-
Retained earnings	(95 112)	(85 494)	9 618
<b>Total Equity</b>	<b>(15 463)</b>	<b>(5 845)</b>	<b>9 618</b>
<b>Total liabilities and equity</b>	<b>85 455</b>	<b>90 989</b>	<b>5 534</b>

6.4 The Debtors have put a lot of effort towards collection and reducing purchases, leading to a decrease of \$4.2 million and \$946,000 of accounts receivable and inventory respectively over the first quarter of FY20.

6.5 Notwithstanding the foregoing, bank advances increased by \$5.6 million during the first quarter, an amount that is almost equivalent to the interim financing that was granted as part of the CCAA procedures by ScotiaBank (\$4.5 million) and a direct result of the losses presented on the previous page.

**7. ACTUAL RECEIPTS AND DISBURSEMENTS**

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

7.2 Below is a comparison of actual and projected changes in cash for the nine-week period ending April 16, 2021

- 7.3 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.

(in thousands of \$ - unaudited)	Weekly cash-flow		
	Cumulative - 9-week period ended April 16, 2021		
	Actual	Forecast	Differences
<b>Receipts</b>			
Accounts receivable and subsequent sales	17 474	10 538	6 936
New customer deposits	916	595	321
	18 390	11 132	7 257
<b>Disbursements</b>			
Salary and employee benefits	7 313	6 278	(1 035)
Raw material - Prepaid	300	-	(300)
Raw Material	8 330	3 527	(4 803)
Installation	724	180	(543)
Rent	484	463	(21)
Insurance	229	227	(2)
Freight on sales	482	170	(311)
Other expenses	2 025	1 596	(429)
Conservatory measures and contingency reserve	382	880	498
Professional fees - CRO, Legal and Restructuring fees	2 093	1 053	(1 040)
Sales taxes	149	57	(92)
Interest	549	498	(51)
FX contracts termination	495	500	5
Deposits held in trust	957	595	(362)
	24 511	16 023	(8 488)
Change in cash	(6 122)	(4 891)	(1 230)
Bank advances - Beginning balance	(14 487)	(14 487)	-
<b>Bank advances - Ending balance</b>	<b>(20 609)</b>	<b>(19 378)</b>	<b>(1 230)</b>

- 7.4 The analysis of the differences leads to the following findings:
- 7.4.1 Accounts receivable and subsequent sales: mainly explained by positive timing differences, sales being higher than forecasted and collection of accounts aged over 90 days that were not forecasted.
- 7.4.2 Salary and employee benefits: mainly explained by the unforecasted salaries related to the Toronto and SP plants that were forecasted to be closed as at February 28, 2021 but are still in operation.
- 7.4.3 Raw material/installation/freight on sales: mainly explained by the higher-than-forecasted sales.
- 7.4.4 Professional fees - CRO, Legal and Restructuring fees: explained by the significant involvement of the various professionals assisting the Atis Group in its restructuring.

**8. PROJECTED CASH FLOW**

- 8.1 Atis Group's management prepared a projected cash flow statement. A copy of this cash flow statement, as well as our analysis of same, is attached hereto as Schedule "A" to be filed under seal.

**9. INTERIM FINANCING**

- 9.1 In view of the cash flow projections discussed in the preceding section, Atis Group requires additional interim financing of \$4.5, increasing the total interim financing to \$9 million in order to:
- 9.1.1 Maintain its operations for profitable locations; and
  - 9.1.2 Support restructuring costs.
- 9.2 Given that the additional interim financing would be subject to the same conditions as the initial interim financing, the Monitor is of the opinion that the financing is acceptable under the circumstances and that the increase is necessary to allow Atis Group to continue its restructuring process.

**10. RESIGNATION OF THE DIRECTORS**

- 10.1 Following the resignation of one of the two remaining board members on April 22, 2021 and the potential resignation of the last member in the near future, the draft order provides for an increase in the powers of the Monitor, as well as for the change in scope of the obligations secured by the Directors' Charge.
- 10.2 Considering the above, the Monitor is of the opinion that these modifications contemplated by the draft order are necessary for adequate governance and ultimately, the restructuring of the Atis group.

**11. EXTENSION SOUGHT**

- 11.1 Considering that the offers related to the SISP have just been received, an extension of the Stay period until June 30, 2021 would be required, in order to:
- 11.1.1 Further analyze the different offers received on April 21, 2021;
  - 11.1.2 Speak with some bidders considering that their offer contains conditions that need to be clarified and/or fulfilled for the offers to become acceptable;
  - 11.1.3 Accept one or more offers, and apply to the Court for an order approving said transactions;
  - 11.1.4 Evaluate the different options for the remaining assets, if any, and launch a sales process for those remaining assets, if necessary;
  - 11.1.5 Evaluate the possibility of submitting a successful Plan of Arrangement to the creditors.

## **12. CONCLUSIONS**

- 12.1 Based on the information presented previously in this report as well as the work performed to date, the Monitor has no reason to question Atis Group's diligence, good faith and proper intentions in pursuing the current restructuring proceedings.
- 12.2 Considering the above, the Monitor recommends that the Court grant the requested extension to the Stay Period until June 30, 2021.
- 12.3 Considering the probable resignation of the directors, the Monitor agrees with the granting of additional powers to the Monitor.
- 12.4 Finally, the Monitor supports the increase of the Interim Facility and Interim Lender Charge (as these terms are defined in the Initial Order) of \$4.5 million and \$5.4 million (total interim financing of \$9 million and charge of \$10.8 million).

**SCHEDULE A –**

**(UNDER SEAL)**