Raymond Chabot Inc.

An affiliate of
Raymond Chabot Grant Thornton
LLP

CANADA
DISTRICT OF QUEBEC
DIVISION NO.: 01-MONTREAL
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., (SR0163)
Dominic Deslandes, CPA, CA, CIRP, LIT

Hereinafter referred to as the "Monitor"

FIFTH REPORT OF THE 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 as part of the Application for the Issuance of an Approval, Assignment and Vesting Order, a Second Claims Procedure Order and a Fourth Extension Order (the "Application")

Signed in Montréal on August 26, 2021.

RAYMOND CHABOT INC.
Monitor

Dominic Deslandes, CPA, CA, CIRP, SAI

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, as well as the First, Second, Third and Fourth reports by Raymond Chabot in its Capacity as Monitor respectively dated February 28, April 27, May 25 and June 2, 2021 in the context of the current proceedings (the "CCAA Proceedings"). Capitalized terms not otherwise defined herein shall have the meaning that is ascribed to them in the previous reports, as applicable.

2. PROCEDURAL BACKGROUNDS

2.1. On February 18, 2021, Atis Group filed an application for an initial order and an amended and restated initial order.

2.2. 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, ordering inter alia the following relief:

2.2.1. A Stay of Proceedings against the Debtors and the property (the "Stay Period") until March 1, 2021;

2.2.2. A Stay of Proceedings against the directors and officers of the Debtors (the "Directors and Officers") during the Initial Stay Period;

2.2.3. The appointment of RCI as the Monitor;

2.2.4. 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; and

2.2.5. The approval of various charges.

2.3. On February 22, 2021, Atis Group requested an urgent hearing to obtain a Safeguard Order against Energi Fenestrations Solutions Ltd., 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.

2.4. On March 1, 2021, the Court issued an Amended and Restated Initial Order (the "ARIO"), which provides as follows, among other things:

2.4.1. An extension of the Stay Period against the Debtors and the property until April 30, 2021;

2.4.2. Approval of the Monitor's Charge of $1.5 million;

2.4.3. The approval of the Sale and Investment Solicitation Process (the "SISP") and its implementation in accordance with the approved SISP procedures.

2.5. 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 triggering the application of the Wage Earner Protection Program.

2.6. On March 17, 2021, an application for a Safeguard Order and for the Renewal of the Insurance Policies was filed with the Court and, subsequently, Atis Group and its insurers were able to agree on a temporary insurance policy.

2.7. On March 25, 2021, a Claims Procedure Order was granted, establishing the procedure implemented by the Monitor to receive the claims from the Creditors.

2.8. The claims bar date (the "Claims Bar Date") was set to April 26, 2021 at 4:00 p.m. (Montreal time).

2.9. On April 27, 2021 Atis Group filed an application for a second extension of the stay period and for ancillary relief.

2.10. On April 28, 2021 pursuant to the application, an Order was granted, which provides as follows, among other things:

2.10.1. An extension of the Stay Period against the debtors and the property until June 30, 2021;

2.10.2. An increase in the Interim Financing Facility up to $9 million and an increase in the Interim Lender charge to $10.8 million;

2.10.3. A change in the rank of the CCAA Charges rankings between the Interim Lender Charge and the Senior Security of the Bank of Nova Scotia;

2.10.4. An increase in the powers of the Monitor.

2.11. On April 29, 2021 and pursuant to the Order rendered on April 28, 2021, the Monitor issued a certificate confirming that it had been informed that all of the Debtors' directors had resigned.

2.12. On May 21, 2021, Atis Group filed an application seeking permission from the Court to sell the assets of its Toronto (Vinylbilt) and Maritimes (Allsco and Alweather) divisions and the issuance of vesting orders.

2.13. On May 26, 2021, two Approval and Vesting Orders were granted, approving the sale of these assets.

2.14. On June 1, 2021, Atis Group filed an application seeking permission from the Court to sell one of its buildings located in Lévis, to assign a lease and sell some assets located at its Terrebonne plant and to issue vesting orders, in addition to requesting an extension of the Stay Period until August 31, 2021.

2.15. On June 4, 2021, the Approval and Vesting Orders were granted, approving the sale of these assets, and the Third extension order was granted, extending the Stay Period to August 31, 2021.

3. ADMINISTRATION BY THE MONITOR SINCE THE FOURTH REPORT

3.1. On June 14, 2021, the Monitor posted a copy of the following documents on its website:

3.1.1. Application for the issuance of Approval and Vesting orders and third extension;

3.1.2. Fourth report of the Monitor;

3.1.3. Third extension order;

3.1.4. Approval and Vesting orders for the Lévis and Terrebonne assets;

3.2. On June 18, 2021, the Monitor relaunched the SISP, as further explained in section 7.

3.3. On July 7, 2021, the Monitor posted the certificates related to the Maritimes and Toronto transactions.

3.4. 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.

3.5. Since the issuance of the ARIO and in accordance with same, the Monitor issued certificates to secure orders and maintain operations. As of August 20, 2021, orders for an amount of $682,472 are secured by such certificates.

3.6. The Monitor also:

3.6.1. held numerous meetings with the secured lenders, shareholders and other stakeholders regarding the operations and status of the CCAA proceedings;

3.6.2. continued to analyze and process the proofs of claim received as part of the claims process;

3.6.3. assisted the management of Atis Group in the closing of the Toronto, Maritimes, Lévis and Terrebonne transactions; and

3.6.4. held and participated in several discussions and meetings with potential buyers regarding the assets related to Québec operations.

4. RESTRUCTURING MEASURES AND UPDATE REGARDING ATIS GROUP'S OPERATIONS SINCE THE FOURTH REPORT

4.1. Since the Fourth Report, management has relocated its offices to a smaller area within its Terrebonne premises following the assignment of the lease, and now occupies part of those premises rent free until November 30, 2021.

4.2. Pursuant to the vesting orders previously rendered, management worked with the buyers to close the Toronto, Maritimes, Lévis and Terrebonne transactions.

4.3. Atis Group has laid off 35 additional employees, for a total of 367 terminated employees since the beginning of its restructuring process. Of those 35 employees, 24 are related to the layoff of employees not retained by the acquirers of its former Toronto and Maritimes divisions. Atis Group has continued to pay its remaining employees in the normal course of business.

4.4. As part of the restructuring measures, several service contracts were disclaimed under section 32 of the CCAA.

5. CONSOLIDATED FINANCIAL RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

5.1. The consolidated earning statement for Atis Group for the six-month period ended June 30, 2021 reads as follows:

(In thousands of $)	FY21	FY20	Variances
Gross sales	**47 071**	**46 532**	**539**
Discounts	703	843	140
Net sales	**46 368**	**45 689**	**679**
Raw materials	18 900	19 741	841
Margin on raw materials	**27 468**	**25 948**	**1 520**
%	58,4%	55,8%	2,6%
Direct Labor	6 961	6 921	(40)
Productivity Gain - Direct Labor	3	1	(2)
Installation labor	2 391	1 890	(501)
Installation subcontractors and other fees	1 666	1 589	(78)
Margin on direct costs	**16 446**	**15 547**	**900**
%	34,9%	33,4%	1,5%
Manufacturing fees	5 090	5 875	786
Gross margin	**11 357**	**9 671**	**1 685**
%	24,1%	20,8%	3,3%
Operating expenses	13 658	19 207	5 549
Other costs (revenues)	(139)	(9)	131
EBITDA	**(2 162)**	**(9 527)**	**7 364**
Interest and financing costs	2 583	2 979	396
Depreciation and amortization	1 670	2 089	419
Non-recurring costs	4 625	-	(4 625)
Income taxes	(18)	(677)	(660)
Net earnings (loss)	**(11 022)**	**(13 918)**	**2 896**

5.2. After six months, Atis Group achieved gross sales of $47 million, similar to prior year sales as the impact of the sale of the Toronto and Maritimes divisions (no sales in June 2021 vs $4.8 million in June 2020) was offset by higher than prior year sales in April 2021, considering most plants were shut down in April 2020 due to the COVID-19 pandemic-related government restrictions.

5.3. Gross margin totaled $11.4 million, which is $1.7 million higher than in the prior year, mostly due to a higher margin on raw materials of 2.6% and a decrease in rent given the leases that were disclaimed as part of the restructuring plan ($410,000 lower than prior year).

5.4. Moreover, given all the restructuring measures put in place and summarized in our First Report to significantly reduce fixed costs (rent, utilities, operating salaries etc.), operating expenses were $5.5 million lower than a year earlier.

5.5. Considering the above, the Atis Group generated a negative EBITDA of $2.2 million, which represents a $7.4 million favorable variance versus the comparative period of FY20.

5.6. After non-recurring costs, which mainly consist of professional fees incurred as part of the restructuring, Atis Group suffered an $11.0 million loss.

6. ACTUAL RECEIPTS AND DISBURSEMENTS

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

6.2. Our analysis essentially consisted of enquiries, 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.

6.3. Below is a comparison of actual and projected changes in cash for the 11-week period ending August 13, 2021:

	11-week period ended August 13, 2021		
(in thousands of $ - unaudited)	Actual	Forecast	Differences
Receipts			
Accounts receivable and subsequent sales	13 907	14 726	(819)
Proceeds from transaction (Toronto, Maritimes, Levis, Terrebonne)	3 953	1 267	2 686
Customer deposits reimbursement	233	-	233
	18 093	15 993	2 100
Disbursements			
Salary and social benefits	4 913	5 817	904
Raw materials	5 757	4 722	(1 035)
Installation	533	441	(92)
Rent	284	473	189
Insurance	443	115	(328)
Freight on sales	441	284	(157)
Other expenses	1 049	1 078	29
Protective measures and contingency reserve	61	330	269
Professional fees - CRO, Legal and Restructuring fees	1 208	1 535	327
Sales taxes	1 072	653	(419)
Interest and bank charges	866	996	130
Post-closing adjustments - Maritimes and Toronto	(282)	-	282
	16 345	16 444	99
Change in cash	1 748	(451)	2 199
Bank advances - Beginning balance	(23 289)	(23 289)	-
Bank advances - Ending balance	**(21 541)**	**(23 740)**	**2 199**

6.4. The analysis of the differences leads to the following findings:

6.4.1. Accounts receivable and subsequent sales were lower than forecasted due to timing differences;

6.4.2. Proceeds from transactions were higher than forecasted because the transactions were completed faster than anticipated. These proceeds were used to reimburse part of the DIP financing and provide Atis Group with working capital;

6.4.3. Salary and employee benefits were lower than forecasted mostly due to timing differences regarding the payment of group insurance and deductions at source (DAS) and the delay for the forecasted hires given the current productivity and sales volume;

6.4.4. Raw material purchases were lower than forecasted mostly due to management's efforts to reduce expenditures;

6.4.5. Insurance premiums were higher than forecasted due to the ability of the Debtors to renew the D&O insurance policy;

6.4.6. Professional fees paid were lower than forecasted because various professionals agreed to be paid at a later time to help the company's cash flow.

7. SALE AND INVESTMENT SOLICITATION PROCESS

7.1. As described in the Fourth Report, the SISP mainly consisted of two mandatory phases, to which a third phase was added:

7.1.1. 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;

7.1.2. Phase 2: a binding offer phase where Qualified Bidders had to submit binding Qualified Bids no later than April 21, 2021; and

7.1.3. Phase 3: Relaunched SISP, further described below.

7.2. With respect to Phase 1:

7.2.1. The Monitor identified and targeted 106 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 all 106 of these prospective investors. The companies identified 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;

7.2.2. 95 teasers were sent to those prospective investors;

7.2.3. 56 non-disclosure agreements have been signed;

7.2.4. 54 prospective investors have accessed a data room put in place by the Monitor with the assistance of management;

7.2.5. 14 potential investors and/or purchasers made site visits to the different plants;

7.2.6. 14 potential investors and/or purchasers have submitted a letter of intent;

7.2.7. 12 of these 14 potential investors and/or purchasers were selected as Qualified Bidders.

7.3. With respect to Phase 2:

7.3.1. 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 many questions raised by the prospective bidders;

7.3.2. On April 21, 2021, 13 binding offers and 1 non-binding offer were submitted to the Monitor;

7.3.3. With respect to 4 of these offers that were received on April 21, 2021 as part of the SISP, transactions were approved and subsequently completed (Toronto, Maritimes, Levis Building and Terrebonne lease and assets).

7.4. Relaunched SISP (Phase 3)

7.4.1. Considering that multiple offers were received, serious discussions were held with potential buyers and significant effort was put towards securing a transaction with the offerors identified during Phase 2 for the remaining assets (the operations in the Province of Québec);

7.4.2. However, the amounts offered and the potential conditions imposed by the bidder(s) were considered unacceptable by the Monitor, the CRO and the senior lender;

7.4.3. After discussions with the CRO, secured creditors and the shareholders, it was determined that there would be a Phase 3 of the SISP (the "Relaunched SISP") to provide an opportunity for the interested parties to submit or revise their offer for the Québec operations and the remaining assets;

7.4.4. On June 18, 2021, a letter was sent to nine (9) prospective bidders which had either previously submitted an LOI or a Bid during the previous phases or had expressed an interest in submitting a Bid;

7.4.5. The Relaunched SISP had a bid deadline set to July 9, 2021 at 5:00 p.m.;

7.4.6. On July 9, 2021, six (6) binding offers and an LOI were submitted to the Monitor, which are summarized in **Schedule A** (under seal);

7.4.7. With respect to one offer, an agreement has been reached between the Debtors and a Bidder, with the consent of the senior lender and the shareholders, which would cover most of the remaining assets of Atis Group;

7.4.8. Therefore, Atis Group is now seeking approval by this Court for the contemplated transaction, which is further described below.

8. THE PROPOSED TRANSACTION

8.1. The Monitor, the CRO, the senior lender and their legal advisors have studied the different offers and ultimately selected the offer made by Fenplast Inc. and Édificom Inc. (which ultimately designated entities for the purpose of the transaction) (together "Fenplast"), which was clarified and amended through discussions, as it is the most advantageous offer received for the Québec operations for the creditors and all stakeholders.

8.2. The offer from Fenplast (the "Fenplast Offer") can be summarized as follows:

8.2.1. The transaction is for almost all of tangible and intangible assets of the Québec division, including the buildings located at 39 Industrielle Street, St-Apollinaire (lots 3 383 303, 3 383 325 and 3 383 457) and at 110 Industrielle Street, St-Apollinaire (lot 3 383 279).

8.2.2. The amount offered, the adjustment mechanism and the main conditions of the offer are summarized in **Schedule B** (under seal);

8.2.3. It is the intention of the purchaser to retain most of the employees, thereby preserving approximately 300 employees, and the purchaser will assume the vacation liabilities with respect to the employees being retained.

8.3. As part of the closing documents to be provided, an inventory count is requested by Fenplast.

8.4. Furthermore, as detailed in paragraphs 45 to 54 of the Motion, the asset purchase agreement reflecting the Fenplast Offer provides that a portion of the purchase price will be deposited in trust with the Monitor, namely to allow for the following adjustments:

8.4.1. Where a certificate of indemnity was issued by the Monitor: if a supplier fails to deliver the merchandise ordered or if the merchandise delivered is not satisfactory, an amount equal to the value of the certificate of indemnity will be released to the purchaser; and

8.4.2. Where Atis Group prepaid certain amounts to suppliers: if the supplier fails to deliver the merchandise ordered or if the merchandise delivered is not satisfactory, the prepaid amount will be released to the purchaser.

8.5. For the reasons stated in the Motion, the Debtors are seeking an order that:

8.5.1. Outstanding certificates of indemnity issued by the Monitor pursuant to the ARIO will become null and void as of the dates indicated in Schedule "I" to the order being sought or in the event that the orders placed by Atis Group listed in such Schedule "I" are not satisfactory to the purchaser, acting reasonably, by such dates; and

8.5.2. Prepaid amounts in respect of orders placed by Atis Group which are not delivered or not satisfactory to the purchaser, acting reasonably, by the dates indicated in Schedule "J" to the proposed order are to be remitted by the suppliers to the Monitor within five (5) business days from such date.

8.6. On August 24, 2021, the Monitor sent out letters to all the suppliers potentially affected by such declarations. Such letters were filed under seal in support of the Motion as Exhibit P-7.

8.7. The Monitor supports the relief sought with respect to same. Absent these declarations, Atis Group's stakeholders could be penalized for the failure of a supplier to comply with its obligations which would result in a reduction of the purchase price payable by Fenplast and the Monitor would be unable to determine with certainty when its obligation to indemnify a supplier under a certificate of indemnity would come to an end, particularly in a context where the transaction would close.

8.8. A copy of the asset purchase agreement and accessory deed of sale relating to the Fenplast Offer have been filed under seal in support of the Motion as Exhibit P-5 and Exhibit P-6.

8.9. The Monitor recommends the acceptance of the transaction with Fenplast for the following reasons:

8.9.1. The Fenplast Offer is the best offer received following a large, public and transparent solicitation process;

8.9.2. The Fenplast offer contains the most favorable closing conditions;

8.9.3. Based on the Monitor's estimates and the independent appraisals of the assets, the transaction amount exceeds the orderly liquidation value of the assets and would be more beneficial than the proceeds of realization of such assets in a bankruptcy;

8.9.4. The purchaser intends to honour most of the existing customer contracts; and

8.9.5. Approximately 300 employees will retain their jobs.

9. FINANCIAL IMPACT OF THE CONTEMPLATED TRANSACTION

9.1. The financial impact of the contemplated transaction is presented in **Schedule C** (under seal).

10. PROJECTED CASH FLOW

10.1. 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 D** (under seal).

11. CLAIMS PROCESS

11.1. Considering the Court-ordered charges in place affecting the assets of the Debtors, the Monitor recommends proceeding with a new claims process, in order to better assess the claims that could affect the charges in place as a result, inter alia, of the multiple restructuring measures that took place since the initial claims process (leases and contracts disclaimed, ongoing business, employee layoffs, etc.).

11.2. As a reminder, the different Court-ordered charges affecting the assets of the Debtors are:

- The Administration Charge;
- The CRO Charge;
- The KERP;
- The Directors & Officers Charge (now merged with the CRO Charge);
- The Monitor's Charge;
- The Interim Lender Charge.

11.3. The Monitor is of the opinion that a claims bar date set to October 12, 2021 would grant sufficient time for the creditors to file such claims.

11.4. At the conclusion of the claims process, the Monitor would then be in a position to release the funds held in trust that currently secure the different charges, after having established and settled the claims, if any.

12. EXTENSION SOUGHT

12.1. Considering that the transaction with Fenplast needs to be closed, and that there is a claim process to conduct in order to release the different charges, an extension of the Stay period until October 31, 2021 would be required, in order to:

12.1.1. Conclude the transaction described in Section 8 of the present report;

12.1.2. Proceed with a claims process to release the different charges;

12.1.3. Continue to seek acquirers for the remaining assets of Atis Group, which mainly consist of vacant land located in St-Apollinaire and a commercial building located in Québec City, and seek the approval of the Court for such transactions.

13. CONCLUSION

13.1. Based on the information presented in this Firth 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.

13.2. Considering the above, the Monitor recommends that the Court grant the requested extension to the Stay Period until October 31, 2021.

13.3. Moreover, the Monitor recommends that the Court grant the contemplated vesting orders for the transaction with Fenplast as the proposed transaction is advantageous for Atis Group and its creditors.

13.4. The consequence of not completing the transaction would cause further negative financial consequences to the Debtors.

SCHEDULE A – SUMMARY OF THE OFFERS/LOI RECEIVED

(UNDER SEAL)

SCHEDULE B – SUMMARY OF THE AMOUNT OFFERED AND ADJUSTMENT MECHANISM BY FENPLAST

<u>(UNDER SEAL)</u>

SCHEDULE C -
FINANCIAL IMPACT OF THE CONTEMPLATED TRANSACTION

(UNDER SEAL)

SCHEDULE D - PROJECTED CASH FLOW

(UNDER SEAL)