Raymond Chabot Inc.

An affiliate of
Raymond Chabot Grant Thornton LLP

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"

FOURTH 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 an application for the extension of the stay of proceedings and seeking permission from the Court to sell some of the Debtors' assets and the issuance of approval and vesting orders (the "Application").

Signed in Montréal on June 3rd, 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, as well as the First, Second and Third reports by RCI in its Capacity as Monitor respectively dated February 28, 2021 April 27, 2021 and May 25, 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"), ordering inter alia the following relief:

1.3.1 A Stay of Proceedings against the debtors and the property until March 1st, 2021;

1.3.2 A Stay of Proceedings against the directors and officers of the debtors (the "Directors and Officers") during the Initial Stay Period;

1.3.3 The appointment of RCI as the monitor (the "Monitor");

1.3.4 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

1.3.5 The approval of various charges.

1.4 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.

1.5 On March 1, 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 The 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 triggering 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 the Court and, subsequently, the parties were able to agree on an extension of the policy.

1.8 On March 25, 2021, a Claims Procedure Order was granted, establishing the procedure to be 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).

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

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

1.11.1 An extension of the Stay of Proceedings against the Debtors and the property until June 30, 2021 ("Stay Period");

1.11.2 An increase in the interim Financing up to $9,000,000 and an increase in the Interim Lender charge to $10,800,000;

1.11.3 A change in the CCAA Charges rankings between the Interim Lender Charge and the Senior Security;

1.11.4 An increase in the powers of the Monitor.

1.12 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 have resigned.

1.13 On May 21, 2021, Atis Group filed an application seeking permission from the Court to sell the assets of its Toronto and Maritimes divisions and the issuance of approval and vesting orders.

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

2 ADMINISTRATION BY THE MONITOR SINCE THE FIRST REPORT

2.1 The Monitor posted a copy of the following documents on its website:

- Second report of the Monitor;
- Application for a second extension of the stay period and for ancillary relief;
- Order extending the stay period;
- Third report of the Monitor;

- Application for the issuance of an Approval and Vesting Order;
- The Approval and Vesting Orders for the sale of the Toronto and the Maritimes divisions.

2.2 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.

2.3 Since the issuance of the ARIO and in accordance with same, the Monitor issued certificates in order to secure orders and maintain operations. As at the date of this report, orders for an amount of $1,157,001 are secured by such certificates.

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

3 RESTRUCTURING MEASURES AND UPDATE REGARDING ATIS GROUP'S OPERATIONS

3.1 Since the Second Report, management has completed the relocation of the door production line to St-Apollinaire and started using its Terrebonne liquidation center as a warehouse/logistics center for Montreal area sales and installations.

3.2 Pursuant to the vesting orders rendered on May 26, 2021, management has been actively working with the buyers to close both transactions for its Toronto and Maritimes divisions.

3.3 Atis Group has laid off 26 additional employees, for a total of 332 terminated employees since the beginning of its restructuring process and has continued to pay its remaining employees in the normal course of business.

3.4 Also, as part of the restructuring measures, several service contracts were disclaimed under section 32 of the CCAA.

4 SALE AND INVESTMENT SOLICITATION PROCESS

4.1 As described in our previous report, the SISP mainly consisted of two mandatory phases:

4.1.1 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

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

4.2 With respect to Phase 1:

4.2.1 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 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;

4.2.2 95 teasers were sent to those prospective investors;

4.2.3 56 non-disclosure agreements have been signed;

4.2.4 54 prospective investors have accessed a data room put in place by the Monitor with the assistance of management;

4.2.5 14 potential investors and/or purchasers made site visits to the different plants;

4.2.6 14 potential investors and/or purchasers have submitted a letter of intent;

4.2.7 12 of these 14 potential investors and/or purchasers were selected as qualified bidders.

4.3 With respect to Phase 2:

4.3.1 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;

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

4.4 Two (2) offers were received by the Monitor in the context of the SISP, which were not from qualified bidders as no LOI had previously been filed, including notably the offer from Lefebvre & Benoit. In accordance with the SISP Procedures, the Monitor, with the approval of the Secured Lender, accepted Lefebvre & Benoit' offer as it was determined that it was advantageous for the restructuring of Atis Group.

4.5 The Debtors and the bidders, with the consent of the Senior Lender and the shareholders, have reached agreements with respect to two (2) offers that were received on April 21, 2021 as part of the SISP, in addition to the two (2) offers that were previously approved by this Court.

4.6 Therefore, Atis Group is now seeking approval by this Court for the contemplated transactions, which are further described in section 5.

5 THE PROPOSED TRANSACTIONS

5.1 The Monitor, the CRO, the senior lender and their legal advisors have studied the different offers and have identified those that are the most advantageous not only for the creditors but for all stakeholders of Atis Group.

5.2 A summary of the offers received as part of the SISP is presented in Schedule A (**under seal**).

Sale of the Building located at 12-18 du Terroir, Lévis

5.3 Following the SISP procedure, three (3) offers were received for the building located at 12-18 du Terroir, in Lévis. The building was also advertised by a realtor.

5.4 The offer made by 9346-5755 Québec inc. is the most advantageous offer received and was selected as the successful offer. Its terms are summarized in Schedule B (**under seal**).

5.5 The main conditions are:

5.5.1 Satisfactory Phase II environmental study; and

5.5.2 No other tenants except the bidder itself or a related entity.

5.6 As at the date of this report, both conditions have been met.

5.7 A copy of the asset purchase agreement was filed in support of the Application as Exhibit P-5 (**under seal**).

5.8 The Monitor recommends the acceptance of the retained offer for the following reasons:

5.8.1 The contemplated offer is the highest offer received following a large, public and transparent solicitation process;

5.8.2 The amount offered is higher than the most recent available appraisals of the building and is fair and reasonable in the circumstances;

5.8.3 The sale or disposition of this asset under a bankruptcy would not result in a better outcome for Atis Group's stakeholders; and

5.8.4 All the conditions have been met.

Assignment of lease at 2225 des Entreprises Blvd. and sale of related assets

5.9 As part of the restructuring efforts, as mentioned in our previous reports, the door and window production plant in Terrebonne has been shut down, and part of the production equipment was moved to the Laflamme and Altek divisions. These measures left the Terrebonne facility and its equipment largely unused, and a portion of the Terrebonne plant is still used as a warehouse for the installation of windows and doors.

5.10 In this context, the Monitor received as part of the SISP an offer from Lefebvre & Benoit for the residual assets, but more importantly for the assignment of the lease for the Terrebonne premises. Its terms are summarized in Schedule C (**<u>under seal</u>**).

5.11 The Monitor approves the assignment of the lease and is of the view that Lefebvre & Benoit will be able to perform the obligations of Atis Group under same.

5.12 The offer is not conditional upon financing.

5.13 The main conditions of the offer are as follows:

- 5.13.1 Approval by the purchaser's board of directors;
- 5.13.2 Carrying a Phase I and II site assessment, the costs of which are to be borne by purchaser; and
- 5.13.3 The inspection of the building and of the contemplated assets.

5.14 As at the time of this report, all conditions have been met according to discussions with representatives of Lefebvre & Benoit, including the approval from its board of directors.

5.15 A copy of the asset purchase agreement is filed in support of the Application as Exhibit P-6 (**<u>under seal</u>**).

5.16 The Monitor recommends the acceptance of the offer for the following reasons:

- 5.16.1 It allows for the monetization of the lease, while allowing the continued use of the premises up to November 30, 2021, free of rent and other expenses;
- 5.16.2 The amount of the consideration is fair and reasonable in the circumstances; and
- 5.16.3 It allows for the sale of the remaining assets located in Terrebonne for an amount similar to their liquidation value, when considering the cost of the rent as well as the time, expenses, fees related to the launch of a new solicitation process, disposal of the remaining assets and restoration of the premises.

6 FINANCIAL IMPACT OF THE CONTEMPLATED TRANSACTION

6.1 The financial impact of the contemplated transaction is presented in Schedule D **(<u>under seal</u>)**.

7 FINANCIAL RESULTS

Consolidated financial results for the four-month period ended May 1st, 2021

(In thousands of $)	FY21	FY20	Variances
Gross sales	**32,596**	**25,731**	**6,864**
Discounts	517	464	(52)
Net sales	**32,079**	**25,267**	**6,812**
Raw materials	13,128	11,168	(1,960)
Margin on raw materials	**18,951**	**14,099**	**4,852**
%	58.1%	54.8%	3.3%
Direct Labor	5,196	3,831	(1,365)
Installation labor	1,655	1,167	(488)
Installation subcontractors and other fees	1,087	984	(102)
Margin on direct costs	**11,014**	**8,117**	**2,897**
%	33.8%	31.5%	2.2%
Manufacturing fees	3,743	3,564	(179)
Gross margin	**7,271**	**4,553**	**2,718**
%	22.3%	17.7%	4.6%
Operating expenses	9,742	12,283	2,541
Other costs (revenues)	(218)	176	394
EBITDA	**(2,254)**	**(7,906)**	**5,653**
Interest and financing costs	1,621	2,105	485
Depreciation and amortization	1,259	1,377	119
Non-recurring costs	3,387	-	(3,387)
Income taxes	(18)	(783)	(765)
Net earnings (loss)	**(8,502)**	**(10,606)**	**2,104**

7.1 After four months, Atis Group achieved gross sales of $32.6 million, which is $6.9 million higher than prior year sales, mostly due to the fact that April 2020 sales were largely impacted by the shut-down of all plants due to the Covid-19 Pandemic.

7.2 Given the positive variance in sales, the gross margin totaled $7.3 million, $2.7 million higher than the previous year.

7.3 Moreover, given 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 $2.5 million lower than the previous year.

7.4 Considering the above, the company generated a negative EBITDA of $2.3 million, which represents a $5.7 million favorable variance versus the comparative period of FY20.

7.5 After non-recurring costs, which mainly consist of professional fees incurred as part of the restructuring, Atis Group suffered a $8.5 million loss.

8 ACTUAL RECEIPTS AND DISBURSEMENTS

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

8.2 Below is a comparison of actual and projected changes in cash for the five-week period ending May 21, 2021.

8.3 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.

Actual vs forecast for the 6-week period ended May 28, 2021

	Cumulative - 6-week period ended May 28, 2021		
(in thousands of $ - unaudited)	Actual	Forecast	Differences
Receipts			
Accounts receivable and subsquent sales	13,095	12,849	246
New customer deposits	556	458	98
	13,651	13,307	344
Disbursements			
Salary and employee benefits	4,262	5,109	847
Raw Material	5,830	6,237	407
Installation	341	483	142
Rent	275	257	(18)
Insurance	146	148	2
Freight on sales	363	311	(52)
Other expenses	1,436	953	(483)
Protective measures and contingency reserve	221	618	397
Professional fees - CRO, Legal and Restructuring fees	1,517	998	(519)
Sales taxes	1,234	486	(748)
Interest and bank charges	318	322	4
FX contracts termination	-	-	-
Deposits held in trust (net amount of new deposits and new deposits used by clients)	388	509	121
	16,331	16,432	101
Change in cash	(2,680)	(3,125)	445
Bank advances (Revolver + DIP) - Beginning balance	(20,609)	(20,609)	-
Bank advances (Revolver + DIP) - Ending balance	**(23,289)**	**(23,734)**	**445**

8.4 The analysis of the differences leads to the following findings:

8.4.1 Accounts receivable and subsequent sales: higher than forecasted due to timing differences.

8.4.2 Salary and employee benefits: lower than forecasted mostly due to timing differences regarding the payment of the collective insurance and DAS, work-sharing in Toronto and the delay for the forecasted hires given the current productivity / sales volume.

8.4.3 Other expenses: higher than forecasted mostly due to the payment of 2021 realty taxes related to the Terrebonne and Moncton locations.

8.4.4 Professional fees - CRO, Legal and Restructuring fees: higher than forecasted given the significant involvement of the various professionals assisting Atis Group in its restructuring.

9 PROJECTED CASH FLOW

9.1 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 E (**<u>under seal</u>**).

10 EXTENSION SOUGHT

10.1 Considering that the contemplated transactions need to be closed, and that there are further offers that need to be pursued, an extension of the Stay Period up to and including August 31, 2021 would be required, in order to:

10.1.1 Further analyze the remaining offers received on April 21, 2021;

10.1.2 Continue discussions with certain bidders considering that their offer contains conditions that need to be clarified and/or fulfilled for the offers to become acceptable;

10.1.3 Accept one or more offers with respect to Atis Group's remaining assets, and apply to the Court for an order approving said transactions;

10.1.4 Conclude the transactions described in section 5 of the present report, subject to their approval by this Court; and

10.1.5 Evaluate the possibility of submitting a successful Plan of Arrangement to the creditors.

11 CONCLUSIONS

11.1 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.

11.2 Considering the above, the Monitor recommends that the Court grant the requested extension to the Stay Period up to and including August 31, 2021.

11.3 Moreover, the Monitor recommends that the Court grant the contemplated approval and vesting orders for the two aforementioned offers as the proposed transactions are advantageous for Atis Group, its creditors and all of its stakeholders.

11.4 The impact of not completing these transactions would have negative financial consequences on the Debtors.