



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"

SIXTH 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 Approval and Vesting Orders and an Order (i) Authorizing a Distribution, (ii) Discharging the CRO, (iii) Releasing Certain CCAA Charges, (iv) Releasing the Beneficiaries, the CRO and the Directors and Officers and (v) Extending the Stay Period (the "Application").

Signed in Montréal on October 25, 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, Fourth and Fifth reports by RCI in its Capacity as Monitor respectively dated February 28, April 27, May 25, June 2 and August 26, 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 ranking of CCAA Charges 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.
- 2.16. On August 24, 2021, Atis Group filed an application seeking permission from the Court to sell the assets of its Quebec operations, obtain the issuance of a Vesting order, perform a Second Claims Process and be granted an extension of the Stay Period until November 5, 2021.
- 2.17. On August 30, 2021, the Court granted the Approval and Vesting Orders for the sale of the Quebec Operations, the Second Claims Procedure Order with a claims bar date of October 12, 2021 and the Fourth extension order, extending the Stay Period to November 5, 2021.

3. ADMINISTRATION BY THE MONITOR SINCE THE FIFTH REPORT

- 3.1. On September 2 and 9, 2021, the Monitor posted a copy of the following documents on its website:
 - 3.1.1. Application for the issuance of an Approval Assignment and Vesting order, a claim process order and a fourth extension order;
 - 3.1.2. Fifth report of the Monitor;
 - 3.1.3. Fourth extension order;
 - 3.1.4. Second Claims Procedure Order;
 - 3.1.5. Approval and Vesting orders for the Quebec operations;

- 3.1.6. The Monitor's certificate in regards to the sale of the Quebec Operations;
 - 3.1.7. Notice of the Second Claims Procedure, proof of claim form and a guide on how to properly complete the proof of claim form.
- 3.2. The Monitor published a notice of the Second Claims Procedure in the designated newspapers on September 8 and 9, 2021;
- 3.3. Moreover, the Monitor:
- 3.3.1. continued to oversee receipts and disbursements on a daily basis and discussed Atis Group's residual assets, namely a commercial building and vacant land, with potential buyers;
 - 3.3.2. prepared the closing documents required by the buyer of the Quebec Operations;
 - 3.3.3. held numerous meetings with the secured lenders, shareholders and other stakeholders regarding the operations and status of the CCAA proceedings;
 - 3.3.4. Analyzed and processed the proofs of claim that were received pursuant to the Second Claims Order.

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

- 4.1. Since the Fifth Report, and pursuant to the Approval and Vesting Order rendered regarding the Quebec operations, management worked with the buyers to close the transactions with an effective date of August 31, 2021.
- 4.2. Most of the employees were retained and transferred to the buyer of the Quebec operations, although 32 were terminated.

5. ACTUAL RECEIPTS AND DISBURSEMENTS

- 5.1. In accordance with the CCAA, we exercised oversight over the business and financial affairs of the Debtors and obtained all the necessary collaboration.
- 5.2. 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.

- 5.3. Below is a comparison of actual and projected changes in cash for the 9-week period ended October 15, 2021:

(in thousands of \$ - unaudited)	9-week period ended October 16, 2021		
	Actual	Budget	Differences
Receipts			
Accounts receivable and subsequent sales	5,283	4,394	889
Net collected amount to reimburse (Quebec/Toronto AR that were sold)	176	-	176
Fenplast transaction	16,000	20,226	(4,226)
Prior transactions funds released (held in trust by RCI)	301	515	(214)
CEWS	3,023	-	3,023
Other items	215	-	215
	24,998	25,135	(353)
Disbursements			
Salary, employee benefits and KERP	2,185	1,728	(457)
Raw Material and monitor certificate	666	984	318
Installation	294	117	(177)
Other fixed costs	521	492	(29)
Professional fees - CRO, Legal and Restructuring fees	1,596	1,032	(564)
Sales taxes	622	500	(122)
Interest and bank fees	68	289	220
CAPEX	-	28	28
	5,953	5,169	(784)
Change in cash	19,045	19,967	(922)
Cash (Bank advances) - Beginning balance	(21,541)	(21,541)	-
Cash (Bank advances) - Ending balance	(2,496)	(1,574)	(922)

- 5.4. The analysis of the differences leads to the following findings:
- 5.4.1. Accounts receivable and subsequent sales were \$889,000 higher than forecasted due to timing differences;
 - 5.4.2. Proceeds from the Fenplast transaction were \$4.2 million lower than forecasted as a higher than initially determined reserve was held in trust to be conservative. As of the date of this report, adjustments to the purchase price should be minimal and most of the balance held in trust by the Monitor should be transferred to Atis;
 - 5.4.3. Canada Emergency Wage Subsidy receipts totaled \$3 million during the period (March to August period). These subsidies were not forecasted as management was not able to determine the amount that could be received from the government at the time the cash flow projections were prepared;
 - 5.4.4. Salary and employee benefits were \$457,000 higher than forecasted due to higher than forecasted payroll at the end of August and unplanned source deduction payments which were not all accounted for by management at the time the cash flow projections were prepared;
 - 5.4.5. Raw material purchases were lower than forecasted, mostly due to management's efforts to reduce inventory movement in the days prior to the transaction as the physical inventory count was performed during the week ended August 27, 2021;
 - 5.4.6. Professional fees paid were higher than forecasted because the level of involvement of the various professionals was greater than anticipated to close the Fenplast transaction.

6. THE PROPOSED TRANSACTIONS

Sale of the Vacant Lot located behind 110 Boul. Industrielle

- 6.1. As described in detail in our previous reports, through the SISP, 106 prospective investors and/or purchasers, both in Canada (84) and in the United States (24), were contacted in regard to the assets of Atis Group.
- 6.2. Subsequently, 56 NDAs were signed, 14 bidders submitted letters of intent during Phase 1 and 13 binding offers were received during Phase 2.
- 6.3. However, in regards to the assets located in the province of Quebec, the amounts offered and the potential conditions imposed by the bidder(s) were considered unacceptable by the Monitor, the CRO and the Senior Lender. It was therefore 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 offers.
- 6.4. 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.
- 6.5. The Relaunched SISP had a bid deadline set to July 9, 2021 at 5:00 p.m.;
- 6.6. On July 9, 2021, six (6) binding offers and an LOI were submitted to the Monitor.
- 6.7. Two of these offers received were for the Vacant lot and the offer made by Les Peintures Caméléon Inc. was selected as the successful offeror, who ultimately designated Gestion Pamaca Inc. as the purchaser. The offer had no conditions and its financial terms are summarized in **Schedule A** (under seal).
- 6.8. A copy of the asset purchase agreement was filed in support of the Application as Exhibit P-6 (under seal).
- 6.9. The Monitor recommends the acceptance of the retained offer for the following reasons:
 - 6.9.1. The contemplated offer is the highest offer received following a large, public and transparent solicitation process;
 - 6.9.2. The amount offered is higher than the most recent municipal assessment for the lot and is fair and reasonable in the circumstances;
 - 6.9.3. The sale or disposition of this asset under a bankruptcy would not result in a better outcome for Atis Group’s stakeholders.

Sale of the Building located at 2780 Henri-Bourassa, Québec

- 6.10. Despite the many parties contacted through the SISP, no offer or any expression of interest was received regarding the building located at 2780 Henri-Bourassa.
- 6.11. However, through the realtor mandated by Atis, a promise to purchase from 12709899 Canada Inc. was received and selected. Its financial terms are summarized in **Schedule B** (under seal).
- 6.12. The only condition in the offer was a satisfactory due diligence by the buyer. This condition was met on October 5, 2021.
- 6.13. A copy of the asset purchase agreement was filed in support of the Application as Exhibit P-5 (under seal).

- 6.14. The Monitor recommends the acceptance of the retained offer for the following reasons:
- 6.14.1. No offer was received through a large, public and transparent solicitation process;
 - 6.14.2. The amount offered is higher than the most recent municipal assessment and is fair and reasonable in the circumstances;
 - 6.14.3. The sale or disposition of this asset under a bankruptcy would not result in a better outcome for Atis Group's stakeholders.

7. FINANCIAL IMPACT OF THE CONTEMPLATED TRANSACTIONS

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

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 D** (under seal).

9. SECOND CLAIMS PROCESS AND RELEASE OF CHARGES

- 9.1. Following the issuance of the Second Claims Procedure Order (the "Second CPO"), the monitor has:
- 9.1.1. Published the notice of the Second CPO in La Presse, The Globe and Mail and the New York Times;
 - 9.1.2. Published the aforementioned notice on its website;
- 9.2. The Claims Bar Date of the Second CPO was October 12, 2021.
- 9.3. As part of the Second CPO, four claims were received. Of those, two claims have already been settled.
- 9.4. Including both the first and second CPO, 6 claims which were filed against either the Directors and Officers, the CRO and/or the Beneficiaries are still under review (the "Outstanding Claims"). The Monitor has not yet sent a notice of revision or disallowance. The amount related to the Outstanding Claims is of \$432,837.
- 9.5. Considering the above, the Monitor will constitute a reserve in the amount of \$450,000, sufficient to satisfy the Outstanding Claims which are at the moment secured by the CRO Charge and/or the Directors' Charge.
- 9.6. Also, the professional fees from the restructuring professionals, which were secured by the Administration Charge, have been paid from the cash flow since the issuance of the initial order. It is expected that this will continue in the same way until the termination of the CCAA Proceedings, such that the Administration Charge is no longer required. In its place, the Monitor will set aside an amount of \$250,000 for the purpose of securing the professional fees and disbursement.
- 9.7. Consequently, the Monitor is of the opinion that the charges affecting the assets of the Debtors may be released, as they no longer serve any useful purpose.

10. DISTRIBUTION

- 10.1. Pursuant to the Application, Atis Group is seeking an order authorizing the Monitor to perform an interim distribution of \$6,850,000 to the Bank of Nova Scotia, i) first, in its capacity as Interim Lender and (ii) second, in its capacity as Secured Creditor.
- 10.2. The Monitor has received an opinion from its legal counsel confirming the validity of the security held by the Bank of Nova Scotia.
- 10.3. For this reason as well as those set in the Application, the Monitor recommends that the Court grant the orders sought with respect to the proposed distribution.

11. EXTENSION SOUGHT

- 11.1. An extension of the Stay period until December 17, 2021 would be required, in order to:
 - 11.1.1. Conclude the transactions described in section 6;
 - 11.1.2. Collect some outstanding accounts receivable that may be more difficult to collect in a bankruptcy context;
 - 11.1.3. Continue to track the deposits from customers with the information provided by the purchasers of the assets and reduce the amounts held in trust accordingly;
 - 11.1.4. Finalize the administration of monitor certificates, some of which have a delivery deadline of November 15, 2021;
 - 11.1.5. Proceed with the final remittances to the Senior Lender.

12. CONCLUSION

- 12.1. Considering the above, the Monitor recommends that the Court grant the requested extension to the Stay Period until December 17, 2021.
- 12.2. Moreover, the Monitor recommends that the Court grant the contemplated vesting orders for the Proposed Pamaca Transaction and the Proposed 127 Transaction (as these terms are defined in the Application).