

COURT N°: 500-11-063575-241

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**IN THE MATTER OF THE ARRANGEMENT OF:**

**ANFIS ENTERPRISES INC.**

Legal person incorporated under the *Canada Business Corporations Act*, having its place of business at 97a Granby Street, Toronto, Ontario, Canada, M5B 1H9.

**“Anfis”**

**9407-5173 QUÉBEC INC.**

Legal person incorporated under the *Québec Business Corporations Act*, having its place of business at 5-1270 rue Montcalm, Montréal, Québec, Canada, H2L 3G7.

**“9407”**

Collectively the **“Debtors”**

- AND -

**RAYMOND CHABOT INC.,**

Legal person having its place of business at 600, rue de La Gauchetière Ouest, #2000, Montréal, Québec, H3B 4L8.

Hereinafter referred to as the **“Monitor”**

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**FIRST REPORT OF THE MONITOR**

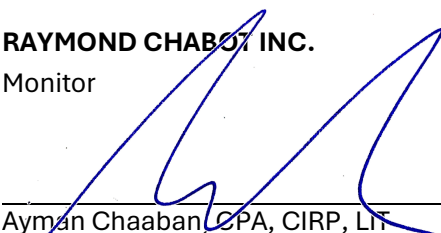
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To Justice Michel A. Pinsonnault of the Superior Court, sitting in commercial division, in and for the judicial district of Montréal, we respectfully submit the first report of the Monitor.

**Signed in Montréal, on March 20, 2024.**

**RAYMOND CHABOT INC.**

Monitor

  
Ayman Chaaban, CPA, CIRP, LIT

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## **1. INTRODUCTION**

- 1.1. This report of the Monitor is intended to complement the report dated March 8, 2024 (“**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 March 11, 2024, Dicepizza S de RL de CV (“**DicePizza**” or the “**Applicant**”) filed an application under the *Companies’ Creditors Arrangement Act* (“**CCAA**”) before the Superior Court of Québec, Commercial Division (the “**Court**”), seeking a first-day initial order (“**First Day Order**”) and an amended and restated initial order (“**Initial Order**”) granting, *inter alia*, a stay of proceedings in favour of the Debtors and appointing RCI as Monitor of Debtor’s CCAA Proceedings, with extended powers (the “**DicePizza’s Application**”).
- 1.3. On March 11, 2024, the Court:
  - 1.3.1. Issued the First Day Order, providing for, *inter alia*:
    - The appointment of RCI as a “super” monitor with all the necessary powers to manage the Debtors’ affairs and assets and to implement the restructuring / liquidation plan;
    - An administration charge in the amount of \$50,000; and
    - A stay of proceedings against the Debtors for an initial period of ten (10) days in accordance with the CCAA (the “**Stay Period**”);
  - 1.3.2. Ordered that the comeback hearing shall take place on March 21, 2024.
- 1.4. This report has been prepared in connection with the comeback hearing. The Applicant is seeking the issuance of an Initial Order, providing for, *inter alia*, the following additional reliefs:
  - 1.4.1. The extension of the Stay Period until May 31, 2024;
  - 1.4.2. The granting of additional administration charges; and
  - 1.4.3. The approval of an interim financing and of an interim financing charge.
- 1.5. The report is divided into the following sections:
  - **Section 2:** Actions taken by the Monitor;
  - **Section 3:** Proposed restructuring / liquidation plan;
  - **Section 4:** Consolidated Projected Cash Flow;
  - **Section 5:** Interim Financing;
  - **Section 6:** Proposed Administration Charge;
  - **Section 7:** Conclusion and recommendations.

## **2. ACTIONS TAKEN BY THE MONITOR**

### **Statutory and administrative actions**

Among other things, the Monitor:

- 2.1. Filed Forms 1 and 2 with the *Office of the Superintendent of Bankruptcy*;
- 2.2. Published documents regarding the CCAA Proceedings on its website; and
- 2.3. Sent a notice of the CCAA Proceedings to all known creditors, which was also posted on the Monitor's Website.

### **Conservatory measures**

Among other things, the Monitor:

- 2.4. Met with Mr. Reyes and his advisors to discuss, among other things, the appointment of RCI as Monitor, the state of the affairs of the Debtors and information required for the implementation of the restructuring plan;
- 2.5. Communicated with insurance brokers and other suppliers to ensure continuity of services;
- 2.6. Changed locks on the Properties when required;
- 2.7. Communicated with tenants to inform them of the CCAA Proceedings and to advise them that rent would be collected by the Monitor; and
- 2.8. Sent a letter to the debtors' known financial institutions advising them to close all bank accounts, and to transfer any cash on hand to the Monitor.

### **Restructuring / liquidation plan**

Among other things, the Monitor:

- 2.9. Opened a bank account to control the Debtors receipts and disbursements;
- 2.10. Initiated communication with real estate brokers to obtain value opinions and proposals for the sale of 7601 HJ and 7259 HJ;
- 2.11. Visited the Properties to assess their condition;
- 2.12. Updated the cash flow projections; and
- 2.13. Initiated the review of restructuring options.

**3. PROPOSED RESTRUCTURING / LIQUIDATION PLAN**

The below proposed restructuring plan is essentially the same as the one presented by the then-Proposed Monitor in its report dated March 8, 2024.

- 3.1. The ultimate objective of the Applicant, through the proposed CCAA proceedings, is to attempt to preserve and maximize the value of the Debtors' assets.
- 3.2. The Applicant and the Monitor restructuring plan can be summarized as follows:
  - 3.2.1. Cash in the GIC (net of the line of credit reimbursement);
  - 3.2.2. Draw on the Interim Financing Facility;
  - 3.2.3. Control the Debtors receipts and disbursements through, among other things, opening a segregated bank account;
  - 3.2.4. Visit the Properties and assess their current condition, with the assistance of a general contractor or other real estate professionals;
  - 3.2.5. Put in place or ensure continuity of conservatory measures, if required, such as insurance, access (security, locks, alarm, etc.), public services, etc.;
  - 3.2.6. Analyze, assess, and review, in consultation with the main creditors, among others, the following restructuring options:
    - 3.2.6.1. Engaging real estate brokers to market the Properties; and/or
    - 3.2.6.2. Completing construction work or other required work prior to marketing the Properties (and engage independent experts/contractors/evaluators to assist the Monitor); and/or
    - 3.2.6.3. Carrying-out a sale and investment solicitation process (“**SISP**”) regarding the Properties; and/or
    - 3.2.6.4. Filing of a plan of arrangement;
  - 3.2.7. In consultation with the main creditors, initiate and put in place one or more of the restructuring options;
  - 3.2.8. Update cash flow projections; and
  - 3.2.9. If deemed appropriate, continue the prosecution of proceedings on behalf of or involving the Debtors and settle or compromise any proceedings or claims by the Debtors.
- 3.3. The restructuring plan essentially consists of a court-driven CCAA liquidation process, which will be supervised and executed by the Monitor.

#### 4. CONSOLIDATED PROJECTED CASH FLOW

- 4.1. The Monitor updated the consolidated projected cash flow statement presented in the Proposed Monitor report dated March 8, 2024, based on information provided for by the Debtors management. A copy of this cash flow statement as well as our comments of same is presented in the table below.
- 4.2. Our compilation was limited to presenting in the form of a projected cash flow statement, information obtained from the Debtors Application and the Debtors management. We did not evaluate the support of any of the assumptions or other information underlying the forecast.
- 4.3. Given that these projections are based on assumptions regarding future events, actual results will vary from the information presented and the variances may be material.

	Month 1	Month 2	Month 3	Total
<i>(in thousands of \$ - unaudited)</i>	March-24	April-24	May-24	
<b>Receipts</b>				
Rent	-	8	8	17
Interim Financing	100	-	-	100
GIC (net)	-	250	-	250
	<b>100</b>	<b>258</b>	<b>8</b>	<b>367</b>
<b>Disbursements</b>				
Insurance	6	5	1	11
Electricity	1	1	1	3
Other conservatory measures	10	5	5	20
Mortgage payments	-	21	21	41
Property taxes	<i>To be determined</i>			-
Professionnal fees	75	85	30	190
	<b>92</b>	<b>116</b>	<b>57</b>	<b>265</b>
<b>Variance</b>	<b>8</b>	<b>142</b>	<b>(49)</b>	<b>102</b>
Cash - Beginning balance	-	8	151	-
<b>Cash - Ending balance</b>	<b>8</b>	<b>151</b>	<b>102</b>	<b>102</b>

- 4.4. The main underlying assumptions are the following:
- 4.4.1. Rent: collected from 7601 HJ tenants;
- 4.4.2. Interim Financing: provided for by the Applicant to finance a portion of the restructuring plan;
- 4.4.3. GIC (net): the Monitor intends to cash Anfis' Guaranteed Investment Certificate of approximately \$2,6 million. The line of credit of Anfis is secured by the GIC, therefore the net proceeds resulting from this transaction is estimated to \$250,000;

- 4.4.4. Insurance, electricity, and other conservatory measures: based on the Debtors Application projected cash flow, the Debtors management and the Monitor's experience;
- 4.4.5. Mortgage payments:
- National Bank of Canada: based on credit agreement and includes post-filing principal and interest scheduled payments.
  - Royal Bank of Canada: based on credit agreement and includes post-filing principal and interest scheduled payments.
  - Belabri Capital & al.: based on an agreement between the Applicant and the secured creditor.
  - Gestion Pierre Sabourin & al.: based on an agreement between the Applicant and the secured creditor.
- 4.4.6. Property taxes: as per Debtors management, property taxes are up to date as of February 28, 2024. To be verified by the Monitor;
- 4.4.7. Professional fees: based on experience, and includes the Monitor, the Applicant's legal counsel, the Debtors legal counsel and Mazars Group Inc. fees;
- 4.4.8. The Monitor notes that cash flow was and will continue to be managed on a consolidated basis, i.e., Anfis and 9407.

## **5. INTERIM FINANCING**

- 5.1. In view of the cash flow projections discussed in the preceding section, the Debtors require interim financing to initiate the restructuring plan and support restructuring costs.
- 5.2. The Applicant, the largest unsecured creditor of the Debtors, confirmed its interest and support by providing Interim Financing under this CCAA proceeding.
- 5.3. The terms and conditions of the proposed Interim Financing can be summarized as follows:
- 5.3.1. Amount: maximum amount of \$100,000;
  - 5.3.2. Interest rates: prime + 5%;
  - 5.3.3. The interest rate is deemed acceptable given the risks and uncertainties associated with the Debtors and the rank of the proposed interim financing charge;
  - 5.3.4. Use of funds: in conformity with the cash flow projections;
  - 5.3.5. Monitor to be granted expanded powers; and

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- 5.3.6. Collateral secured by a second-ranking security of \$125,000 on all the Debtor's assets, ranking prior to all other charges.
- 5.4. The above-mentioned Interim Financing terms and conditions were approved by the the Applicant.
- 5.5. The Monitor is of the opinion that the proposed Interim Financing is suitable given the following:
- 5.5.1. The Applicant, the largest unsecured creditor, would be providing the Interim Financing;
- 5.5.2. Other secured creditors are not affected by the security or charge under the proposed interim financing;
- 5.5.3. The Debtors business and financial affairs will still be managed properly and by the Monitor;
- 5.5.4. The Interim Financing will enable the Debtors to cover expenses and cash requirements until May 31, 2024, and to carry out its restructuring plan;
- 5.5.5. The loan will enhance the prospect of a viable plan, being made for the benefit of the Debtors creditors and stakeholders; and
- 5.5.6. No unsecured creditor will be materially prejudiced as a result of the security or charge requested.

## **6. PROPOSED ADMINISTRATION CHARGE**

- 6.1. The draft Initial Order provides for a charge in favour of the Monitor, the Monitor's counsel, if any, as security for the professional fees and disbursements incurred both before and after the making of the Initial Order, in respect of these proceedings (the "**Administration Charge**"). The Administration Charge as described in the Initial Order provides for an amount of \$150,000 (which is limited to \$50,000 during the First Day Order period).
- 6.2. Furthermore, the Applicant is requesting a separate administration charge in the amount of \$25 000, over the assets of the Debtors for the benefit of the Debtors' insolvency and restructuring professionals, namely Spiegel Sohmer Inc. and Mazars Inc. (the "**Debtors' Administration Charge**").

- 6.3. The Administration Charge and the Debtors' Administration Charge threshold were established based on the various professionals' previous history and experience with restructurings of similar magnitude and complexity. The Monitor believes that the Administration Charge and the Debtors' Administration Charge are required and reasonable in the circumstances, having regard to the complexity of the proceedings, anticipated work levels of the applicable professional firms and the size of similar charges in comparable cases.
- 6.4. The requested charges will rank behind the Debtors' secured creditors' respective encumbrances in the following specific order: 1) the interim financing charge, 2) the Administration Charge, and 3) the Debtors' Administration Charge.

## **7. CONCLUSION AND RECOMMENDATIONS**

- 7.1. Given this report and that:
- 7.1.1. In a bankruptcy scenario, the only other alternative of the Debtors, the value of the assets would be jeopardized, with negative impacts on stakeholders;
  - 7.1.2. The continuation of the restructuring plan, the stay of proceedings, the lifting of the Mareva Order on the Debtors as well as the other restructuring measures provided for in the draft Initial Order are key to the Debtors' ability to restructure their operations and maximize the value of the Properties for the benefit of its creditors;
  - 7.1.3. The CCAA proceedings will ensure the Debtors protects its limited cash resources and, subject to the court's approval of the Interim Financing, Debtors would have sufficient funds until at least May 31, 2024, as presented in the cash flow projections;
  - 7.1.4. The main secured creditors support the Applicant's Application;
- 7.2. The Monitor is of the opinion that all the Debtors' stakeholders will benefit from the continuation of a court-supervised liquidation process under the CCAA, with the ultimate goal of maximizing realization.
- 7.3. The Monitor is of the opinion that it is appropriate and reasonable in the circumstances, as well as beneficial to the stakeholders of the CCAA Debtors, for the Court to grant the Amended and Restated Initial Order based on the conclusions sought set out in the draft order, which inter alia:
- 7.3.1. Extends of the Stay Period until May 31, 2024;
  - 7.3.2. Approves the interim financing and allows the creation of an interim financing charge; and
  - 7.3.3. Approves and allows the creation of the Administration Charge and the Debtors' Administration Charge.