

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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**THIRD REPORT OF THE MONITOR**

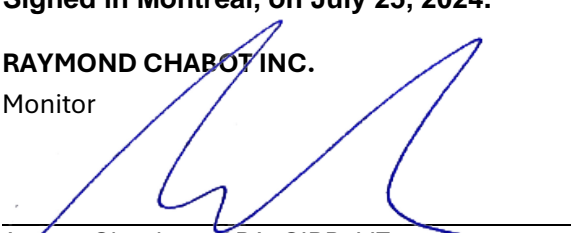
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To Justice Michel A. Pinsonnault of the Superior Court, sitting in commercial division, in and for the judicial district of Montréal, we respectfully submit the third report of the Monitor.

**Signed in Montréal, on July 25, 2024.**

**RAYMOND CHABOT INC.**

Monitor



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Ayman Chaaban, CPA, CIRP, LIT

## 1. INTRODUCTION

- 1.1. On March 11, 2024, following an *Application for the Issuance of an Initial Order* under the *Companies' Creditors Arrangement Act* (“**CCAA**”), the Superior Court of Quebec (Commercial Chamber) (the “**Court**”) issued an Initial Order (the “**Initial Order**”) which, among other things, ordered a stay of proceedings with respect to the Debtors until March 21, 2024, appointed Raymond Chabot Inc. as Monitor (the “**Monitor**” or “**RCI**”) with expanded powers and granted various other ancillary measures.
- 1.2. On March 21, 2024, the Court issued an *Amended and Restated Initial Order* (the “**ARIO**”), which, inter alia, extended the stay of proceedings until May 27, 2024.
- 1.3. On May 27, 2024, the Court issued an Order (the “**First Extension**”), which, inter alia, extended the stay of proceedings until July 31, 2024.
- 1.4. This report is presented to the Court as part of the filing of a request for an order to extend the stay period and is divided into the following sections:
  - **Section 2:** Actions taken since the last report of the Monitor, dated May 23, 2024;
  - **Section 3:** Changes in cash position;
  - **Section 4:** Proposed restructuring / liquidation plan;
  - **Section 5:** Consolidated Projected Cash Flow;
  - **Section 6:** Interim Financing and Administration Charge;
  - **Section 7:** Extension sought and recommendations.
- 1.5. This report should be read in conjunction with the report prepared by RCI in its capacity as Proposed Monitor dated March 8, 2024 (the “**Pre-filing Report**”), with RCI's First Report in its capacity as Monitor dated March 20, 2024 (the “**First Report**”) and with RCI's second report dated May 23, 2024 (the “**Second Report**”). Capitalized terms that are not defined in this report have the meaning assigned to them in the previous reports listed above.

## 2. ACTIONS TAKEN SINCE THE LAST REPORT OF THE MONITOR DATED MAY 23, 2024

- 2.1. Since May 23, 2024, the Monitor has put in place the proposed restructuring / liquidation plan as described in the Second Report . More specifically, the Monitor:
- 2.2. **Cash-Flow Management**
  - 2.2.1. Controlled the Debtors receipts and disbursements;
  - 2.2.2. Updated cash flow projections;

2.2.3. Negotiated an amended Interim Financing Facility.

**2.3. Properties Management**

2.3.1. Ensured continuity of conservatory measures, such as insurance, access (security, locks, alarm, etc.), repairs and maintenance, public services, etc.;

2.3.2. Collected rent from the tenants;

2.3.3. Discussed and negotiated leases with tenants;

2.3.4. Discussed, obtained updated and follow-ups from real estate broker, regarding the sale of 7601 HJ property. To that end, despite a substantial reduction in price, no offer was received to date.

**2.4. State of the Debtors' affairs**

Had numerous meetings and discussions with:

2.4.1. Mr. Reyes-Dorador to discuss, among other things, the state of the affairs of the Debtors and information required for the implementation of the restructuring plan;

2.4.2. The main secured creditors (updates and reporting);

2.4.3. The Applicant and its legal counsel to discuss, among other things, the restructuring / liquidation plan and the state of the negotiation with secured creditors in regard to their reimbursement by subrogation;

2.4.4. Potential investors and/or partners to assess the viability of completing construction of the Atateken and Panet properties;

2.4.5. Forensic accountants to discuss and review their Phase 1 memorandum which included, among other things, their preliminary observations on banking transactions.

2.4.5.1. Based on its preliminary analysis, the forensic accountants are of the opinion that no intelligible conclusion can be drawn, such that the full analysis of the transactions made by the Debtors and Mr Reyes-Dorador will require more time before it can be completed and lead to any conclusion considering the volume of transactions to review as well as missing information.

2.4.5.2. As per the forensic accountants, to adequately review the transactions, the scope of work must include Mr. Reyes-Dorador personal bank transactions giving that funds were commingled with the Debtors'. To that end, bank statements and other documentation obtained through Mr. Reyes-Dorador, and through the Norwich Order obtained by the Applicant were and will be remitted to the forensic accountants for review.

2.4.5.3. Moreover, the forensic accountants should communicate with Mr. Reyes-Dorador shortly to discuss and obtain additional information on the transactions.

2.4.5.4. Should it be deemed necessary by the Monitor and the Applicant, the Phase 2 engagement of the forensic review will be given jointly by the Monitor and the Applicant to allow adequate and sufficient exchange of information between parties, in a view to draw intelligible conclusions.

## 2.5. Other matters

2.5.1. Filed the following outstanding sales tax reports of the Debtors;

2.5.2. Reviewed ongoing legal proceedings on behalf of or involving the Debtors, filed a motion of discontinuance and negotiated settlement proposals;

2.5.3. Reviewed and approved Mr. Reyes-Dorador's personal monthly budget, pursuant to paragraph 49 of the ARIO for the months of April, May and June; no request was made for either July or in view of August;

2.5.4. Review Mr. Reyes-Dorador's *Originating Application for call on warranty and claim on the assets of the venture, defamation, fraud, torturous interpherance, revoke of a mareva order* served to the Applicant in new court file 500-17-130509-246 on or around July 18, 2024, in which, among other things, he requests that the Court "*put a pause to the 500-11-063575-241 proceedings*", i.e., the current CCAA proceedings;

2.5.5. Review Mr. Reyes-Dorador's *Amended request to exclude Mr. Reyes-Dorador earnings from the Mareva injunction in case 500-17-126063-232 which is currently on stay Order by judge Pinsonnault in 500-11-063575-241 of the commercial division*, received by Applicant's counsel on July 23, 2024, in which, among other things, he requests from the Court "*to exclude from the Mareva injection my current and any future employment earnings of all sources, to allow me to use my savings to pay for the forensic expert and to Order opposing counsel to no contact in any way shape or form my employer and potential employers*";

2.5.6. Review Mr. Reyes-Dorador's *Request to exclude case 500-17-130509-246 from the 500-11-063575-241 proceedings*, received by Applicant's counsel on July 24, 2024, in which, among other things, he requests from the Court "*for his file (500-17-130509-246) to be excluded from the CCAA 500-11-063575-241 proceedings on the ground of urgency and to avoid the administration of justice in the civil case 500-17-126063-232 object of this lawsuit to fall in disrepute*", which asks for the lift of a stay that has not been ordered by this court;

2.5.7. Review Mr. Reyes-Dorador's sworn declaration on a forensic accounting summary report drafted by him to respond to the allegations of fraud.

### 3. CHANGES IN CASH POSITION

3.1. Since the extension of the stay, the Monitor has exercised oversight of the affairs and finances of the Debtors. Our analysis consisted primarily of surveys, analytical procedures, and discussions. 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 the American Institute of Certified Public Accountants (AICPA). We have not carried out any audit work and, accordingly, we do not express an opinion on these accounts.

3.2. The table below shows a comparison of actual and projected changes in cash position for the 5-week period ended June 30, 2024:

(in thousands of \$ - unaudited)	Budget	Actual	Variance
<b>Receipts</b>			
Rent	9	9	-
BMO - balance in bank account	-	4	4
	9	13	4
<b>Disbursements</b>			
Insurance	-	-	-
Electricity	1	0	1
Other conservatory measures	11	0	11
Mortgage payments	6	-	6
Property taxes	-	-	-
Professional fees	81	40	41
	99	41	58
<b>Variance</b>	(90)	(27)	62
Cash - Beginning balance	148	148	-
<b>Cash - Ending balance</b>	<b>58</b>	<b>121</b>	<b>62</b>

3.3. Main variances can be explained as follows:

3.3.1. The Monitor obtained funds from BMO upon closing of the bank account;

3.3.2. Other conservatory measures: unused general provision for unforeseen expenses;

3.3.3. Professional fees : temporary variance given timing of payments.

#### **4. PROPOSED RESTRUCTURING / LIQUIDATION PLAN**

- 4.1. As discussed above and in the Second Report, following its review of the appraisal reports, and the net proceeds analysis prepared by the Monitor, the Applicant indicated to the Monitor that it intends on negotiating with the main secured creditors to reimburse them by subrogation. As at the date of this report:
  - 4.1.1. Gestion Sabourin Inc. et al., the National Bank of Canada and the Royal Bank of Canada were reimbursed by way of subrogation by the Applicant;
  - 4.1.2. The Applicant is still in negotiation with Belabri Capital Inc. as to the terms and conditions of the reimbursement by subrogation, if any.
  - 4.1.3. Applicant would require additional time to complete the reimbursement of Belabri Capital Inc.;
- 4.2. Consequently, the Applicant and the Monitor's proposed restructuring / liquidation plan can be summarized as follows:
  - 4.2.1. Continue and follow-up on actions taken by the Monitor since the issuance of the Initial Order, namely, among other things:
    - 4.2.1.1. Control the Debtors receipts and disbursements;
    - 4.2.1.2. Update cash flow projections;
    - 4.2.1.3. Ensure continuity of conservatory measures, such as insurance, access (security, locks, alarm, etc.), repair and maintenance, public services, etc.;
    - 4.2.1.4. Manage the properties and collect rent from the tenants;
    - 4.2.1.5. Continue negotiating settlement proposals for ongoing legal proceedings on behalf of or involving the Debtors;
    - 4.2.1.6. If required, in consultation and jointly with the Applicant, initiate the phase 2 engagement of the forensic review.
  - 4.2.2. Complete the analysis, assessment, and review, in consultation with the Applicant, of the monetization options for the properties:
    - 4.2.2.1. Engaging real estate brokers to market the Properties; and/or
    - 4.2.2.2. Completing construction work or other required work prior to marketing the Properties (and engage independent experts/contractors/evaluators to assist the Monitor) and secure the related funding; and/or
    - 4.2.2.3. Potentially carrying out a sale and investment solicitation process ("**SISP**") regarding the Properties.
  - 4.2.3. If deemed appropriate, file a plan of arrangement.

## 5. CONSOLIDATED PROJECTED CASH FLOW

- 5.1. The Monitor prepared the consolidated projected cash flow statement for the period ending October 31, 2024. A copy of this cash flow statement as well as our comments are presented in the table below.
- 5.2. Our compilation was limited to presenting in the form of a projected cash flow statement, information obtained from the Debtors and through the Monitor's management of the file. We did not evaluate the support of any of the assumptions or other information underlying the forecast.
- 5.3. 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.

<i>(in thousands of \$ - unaudited)</i>	Budget				Total
	Jul-24	Aug-24	Sept-24	Oct-24	
<b>Receipts</b>					
Rent	6	6	6	6	23
Interim Financing	-	75	-	-	75
	<b>6</b>	<b>81</b>	<b>6</b>	<b>6</b>	<b>98</b>
<b>Disbursements</b>					
Insurance	2	12	-	-	14
Electricity	1	1	1	1	4
Other conservatory measures	8	10	8	8	34
Mortgage payments	11	<i>Unpaid</i>			11
Property taxes (arrears only)	13	8	11	-	33
Professional fees	38	28	20	23	110
	<b>74</b>	<b>59</b>	<b>41</b>	<b>32</b>	<b>206</b>
<b>Variance</b>	<b>(68)</b>	<b>22</b>	<b>(35)</b>	<b>(26)</b>	<b>(108)</b>
Cash - Beginning balance	121	52	74	39	121
<b>Cash - Ending balance</b>	<b>52</b>	<b>74</b>	<b>39</b>	<b>13</b>	<b>13</b>

- 5.4. The main underlying assumptions are the following:
- 5.4.1. The consolidated projected cash flow is presented in the context of the proposed restructuring / liquidation plan (see section 4) and the continuity of conservatory measures;
- 5.4.2. Rent: collected from 7601 Henri-Julien Avenue tenants;
- 5.4.3. Interim financing: provided for by the Applicant to finance the restructuring / liquidation plan;
- 5.4.4. Insurance, electricity, and other conservatory measures: based on insurance policies currently in place and general provision for unforeseen expenses;

- 5.4.5. Mortgage payments: Unpaid mortgage payments for the month of May and June to National Bank of Canada. No other payments are forecasted, due to the Applicant's intent on reimbursing the main secured creditors;
- 5.4.6. Property taxes: Payment of arrears based on statements obtained by the Monitor;
- 5.4.7. Professional fees: based on experience, and includes the Monitor, its legal counsel and the Debtors' legal counsel, and includes accrued unpaid fees up to June 30, 2024;
- 5.4.8. The Monitor notes that cash flow was and will continue to be managed on a consolidated basis, i.e., Anfis and 9407.

## **6. INTERIM FINANCING**

- 6.1. In view of the cash flow projections discussed in the preceding section, the Debtors require additional interim financing to continue the restructuring / liquidation plan and support restructuring costs.
- 6.2. The Applicant confirmed its interest and support by providing additional Interim Financing under this CCAA proceeding.
- 6.3. The terms and conditions of the proposed Interim Financing can be summarized as follows:
  - 6.3.1. Additional amount: \$75,000 (bringing total Interim Financing to \$175,000);
  - 6.3.2. Interest rates: prime + 5%. The interest rate is deemed acceptable given the risks and uncertainties associated with the Debtors and the rank of the proposed interim financing charge;
  - 6.3.3. Use of funds: in conformity with the cash flow projections;
  - 6.3.4. Collateral secured by a second-ranking security on all the Debtor's assets, ranking prior to all other charges.
- 6.4. The above-mentioned Interim Financing terms and conditions were approved by the Applicant.
- 6.5. The Monitor is of the opinion that the proposed additional Interim Financing is suitable given the following:
  - 6.5.1. The Applicant, the largest unsecured creditor, would be providing the Interim Financing;
  - 6.5.2. Other secured creditors are not affected by the security or charge under the proposed interim financing;
  - 6.5.3. The Debtors business and financial affairs will still be managed properly and by the Monitor;



- 6.5.4. The Interim Financing will enable the Debtors to cover expenses and cash requirements until October 31, 2024, and to carry out its restructuring / liquidation plan;
- 6.5.5. The loan will enhance the prospect of a viable plan, being made for the benefit of the Debtors creditors and stakeholders; and
- 6.5.6. No unsecured creditor will be materially prejudiced because of the security or charge requested.

## **7. EXTENSION SOUGHT AND RECOMMENDATIONS**

- 7.1. Considering the following:
  - 7.1.1. The continuation of the restructuring procedures under the CCAA will allow, among other things, the implementation of the restructuring / liquidation plan as presented in section 4;
  - 7.1.2. Subject to the approval of the additional Interim Financing, cash on hand would be sufficient to cover fees and expenses until October 31, 2024;
  - 7.1.3. As mentioned in the Monitor's previous report, the bankruptcy scenario would most probably jeopardize the value of the assets and would have negative consequences for all stakeholders;
  - 7.1.4. The stakeholders will not be prejudiced by the requested extension of the stay.
- 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 and the extension of the stay until October 31, 2024, with the goal of maximizing realization.