

COURT N°: 500-11-063575-241

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”**

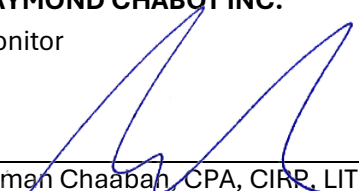
SECOND REPORT OF THE MONITOR

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 second report of the Monitor.

Signed in Montréal, on May 23, 2024.

RAYMOND CHABOT INC.

Monitor



Ayman Chaaban, CPA, CRRP, 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. 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.
 - **Section 3:** Changes in cash position.
 - **Section 4:** Proposed restructuring / liquidation plan.
 - **Section 5:** Consolidated Projected Cash-Flow.
 - **Section 6:** Extension sought and recommendations.
- 1.4. 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**”) and with RCI's first report in its capacity as Monitor dated March 20, 2024 (the “**First Report**”). Capitalized terms that are not defined in this report have the meaning assigned to them in the Pre-filing Report and the First Report.

2. ACTIONS TAKEN SINCE THE LAST REPORT OF THE MONITOR DATED MARCH 20, 2024

- 2.1. Since March 20, 2024, the Monitor has put in place the proposed restructuring / liquidation plan as described in the First Report. More specifically, the Monitor:
 - 2.2. **Cash-Flow Management**
 - 2.2.1. 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;
 - 2.2.2. Cashed in the GIC at term (net of the line of credit reimbursement);
 - 2.2.3. Requested a draw on the Interim Financing Facility;
 - 2.2.4. Controlled the Debtors receipts and disbursements;
 - 2.2.5. Updated cash flow projections.

2.3. Properties Management

- 2.3.1. Visited the Properties and assessed their current condition, with the assistance of real estate professionals;
- 2.3.2. Put in place and/or ensured continuity of conservatory measures, such as insurance, access (security, locks, alarm, etc.), public services, etc.;
- 2.3.3. Obtained and reviewed non-compliance notices, re: construction work;
- 2.3.4. Obtained proposals from real estate brokers, reviewed and analyzed them, and hired a real estate broker to market the 7601 HJ property;
- 2.3.5. Obtained proposals from real estate appraisers, reviewed and analyzed them, and hired a real estate appraiser to assess the value of 7259 HJ, Atateken and Panet properties on an “as is” basis as well as on a “construction completed” basis. The Monitor presented to the main creditors the conclusions of these reports along with an analysis of estimated net proceeds;
- 2.3.6. Collected rent from the tenants;
- 2.3.7. Discussed and negotiated leases with tenants.

2.4. Meetings and discussions

Had numerous meetings and discussions with:

- 2.4.1. Mr. Reyes and his advisors 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 creditors (updates and reporting);
- 2.4.3. Real estate professionals and stakeholders (real estate brokers, real estate appraisers, notaries, land surveyors, inspectors, general contractors, city of Montréal representatives, etc.) to, among other things, determine the state of the properties and the affairs of the Debtors.

2.5. Other matters

- 2.5.1. Prepared the outstanding sales tax reports of the Debtors from January 31, 2023, to March 11, 2024;
- 2.5.2. Reviewed ongoing legal proceedings on behalf of or involving the Debtors, discontinued a small claims division proceeding and initiated settlement proposals for the other proceedings;
- 2.5.3. Obtained a back-up of Mr. Reyes’ laptop and negotiated a protocol agreement for the protection and communication of information contained in the laptop;
- 2.5.4. Engaged a forensic accountant to obtain a preliminary analysis of work required, delays and costs to perform an analysis of the flow of funds advanced by the Applicant;
- 2.5.5. Reviewed and analyzed the financial statements of the Debtors;

2.5.6. Reviewed and approved Mr. Reyes' personal monthly budget, pursuant to paragraph 49 of the ARIO.

3. CHANGES IN CASH POSITION

3.1. Since the issuance of the Initial Order, 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 10-week period ended May 18, 2024.

<i>(in thousands of \$ - unaudited)</i>	Actual	Budget	Variance
Receipts			
Rent	17	17	1
Interim Financing	100	100	-
GIC (net)	267	250	17
	384	367	18
Disbursements			
Insurance	8	11	3
Electricity	-	3	3
Other conservatory measures	0	32	32
Mortgage payments	38	41	3
Property taxes	-	-	-
Professional fees	190	190	0
	236	277	40
Variance	148	90	58
Cash - Beginning balance	-	-	-
Cash - Ending balance	148	90	58

3.3. Main variances can be explained as follow:

3.3.1. GIC (net): the Monitor cashed Anfis' GIC of \$2,66 million. The National Bank of Canada line of credit and other indebtedness totaling \$2,39 million were secured by the GIC. Therefore, the net proceeds resulting from this transaction totaled \$267,000 vs. \$250,000 as initially budgeted;

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

4. PROPOSED RESTRUCTURING / LIQUIDATION PLAN

- 4.1. Following its review of the appraisal reports, and the net proceeds analysis prepared by the Monitor, the Applicant indicated to the Monitor that he intends on negotiating with the main secured creditors to reimburse them by subrogation and requires additional time to do so.
- 4.2. Consequently, the Applicant and the Monitor 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 (see section 2 of this report), 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.), public services, etc.;
 - 4.2.1.4. Manage the properties and collect rent from the tenants;
 - 4.2.1.5. Prepare the outstanding sales tax reports of the Debtors;
 - 4.2.1.6. Continue negotiating settlement proposals for ongoing legal proceedings on behalf of or involving the Debtors;
 - 4.2.1.7. Obtain and review the reports from the forensic accountant.
 - 4.2.2. Complete the analysis, assessment, and review, in consultation with the main creditors, 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 July 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
	May-2024	June-2024	July-2024	
Receipts				
Rent	-	9	6	15
		9	6	15
Disbursements				
Insurance	-	-	-	-
Electricity	-	1	1	2
Other conservatory measures	-	11	11	22
Mortgage payments	6	-	-	-
Property taxes	-	-	-	-
Professional fees	20	61	52	133
	26	73	64	156
Variance	(26)	(64)	(58)	(148)
Cash - Beginning balance	148	122	58	148
Cash - Ending balance	122	58	0	0

- 5.4. The main underlying assumptions are the following:
- 5.4.1. The consolidated projected cash-flow is presented in the context the proposed restructuring / liquidation plan (see section 4) and the continuity of conservatory measures.
- 5.4.2. Rent: collected from 7601 HJ tenants;
- 5.4.3. Insurance, electricity, and other conservatory measures: based on insurance policies currently in place and general provision for unforeseen expenses;
- 5.4.4. Mortgage payments: no payments are forecasted, excepted for those provided for at paragraph 11 of the ARIQ. Current liquidities do not allow for payments to the remaining secured creditors;
- 5.4.5. Property taxes: no payments are forecasted. Current liquidities do not allow for payments of accrued property taxes;
- 5.4.6. Professional fees: based on experience, and includes the Monitor, its legal counsel and the Debtors' legal counsel, and includes accrued unpaid fees up to May 18, 2024;
- 5.4.7. The Monitor notes that cash flow was and will continue to be managed on a consolidated basis, i.e., Anfis and 9407.

6. EXTENSION SOUGHT AND RECOMMENDATIONS

- 6.1. Considering the following:
 - 6.1.1. 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;
 - 6.1.2. Cash on hand is sufficient to cover fees and expenses until July 31, 2024;
 - 6.1.3. 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;
 - 6.1.4. The stakeholders will not be prejudiced by the requested extension of the stay.
- 6.2. 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 July 31, 2024, with the goal of maximizing realization.