

C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
No.: 500-11-058763-208

S U P E R I O R C O U R T  
Commercial Division

**IN THE MATTER OF A PLAN OF  
ARRANGEMENT OR COMPROMISE OF:**

**GROUPE DYNAMITE INC.**, a legal person  
having its head office at 5592 Ferrier Street, in  
the city of Montreal, Province of Quebec,  
H4P 1M2;

- and -

**GRG USA HOLDINGS INC.**, a legal person  
having its head office at 1209 Orange Street,  
Wilmington, County of New Castle, Delaware,  
United States of America;

- and -

**GRG USA LLC**, a legal person having its head  
office at 1209 Orange Street, Wilmington,  
County of New Castle, Delaware, United States  
of America;

**Debtors**

- and -

**DELOITTE RESTRUCTURING INC.**, a company  
incorporated under the laws of Canada, having a  
place of business at 500-1190 av. des  
Canadiens-de-Montréal, in the city of Montreal,  
Province of Quebec, H3B 0M7;

**Monitor**

**FIFTH REPORT TO THE COURT  
SUBMITTED BY DELOITTE RESTRUCTURING INC.  
IN ITS CAPACITY AS MONITOR ("MONITOR")**  
*(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)*

**INTRODUCTION**

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Application for an Initial Order and an Amended and Restated Initial Order (the "**Application**") under the *Companies' Creditors Arrangement Act* ("**CCAA**").
2. Unless otherwise stated, the Debtors are also collectively referred to as "**Groupe Dynamite**".

3. On September 7, 2020, the Monitor (as defined below) issued its first report to the Court submitted by Deloitte Restructuring Inc. in its capacity as Proposed Monitor (the "**First Report**"). The purpose of the First Report was to provide information to the Court with respect to: (i) Deloitte's qualification to act as Monitor; (ii) the Recognition Proceedings in the United States; (iii) the business, financial affairs and financial results of Groupe Dynamite; (iv) Groupe Dynamite's main creditors; (v) the proposed restructuring; (vi) the charges sought in the proposed Initial Order and in the proposed Amended and Restated Initial Order; (vii) payments to Critical Suppliers (as defined in the First Report); (viii) overview of the 4-week cash flow projections as of the date of the First Report; and (ix) the Proposed Monitor's conclusions and recommendations.
4. On September 8, 2020, Groupe Dynamite filed the Application seeking the issuance of an Initial Order and an Amended and Restated Initial Order.
5. On September 8, 2020, the Superior Court of Quebec, Commercial Division (the "**Court**"), granted the Application and rendered an Initial Order which provided for, inter alia, (i) a stay of proceedings against Groupe Dynamite until and including September 18, 2020 (the "**Stay Period**"); (ii) a stay of proceedings against the Directors and Officers; (iii) the appointment of Deloitte Restructuring Inc. as the Monitor under the CCAA ("**Deloitte**" or the "**Monitor**"); (iv) the approval of the Interim Facility; and (v) the granting of an Interim Lender Charge.
6. These proceedings commenced under the CCAA by Groupe Dynamite will be referred to herein as the "**CCAA Proceedings**".
7. On September 16, 2020, the Monitor issued its second report to the Court (the "**Second Report**"). The purpose of the Second Report was to provide information to the Court on the activities of Groupe Dynamite and of the Monitor since the commencement of the CCAA Proceedings and to support the Debtors' demand for the issuance of an Amended and Restated Initial Order.
8. On September 18, 2020, an Amended and Restated Initial Order was issued by the Court (the "**Amended and Restated Initial Order**") which provided for, inter alia, (i) an extension of the Stay Period until October 19, 2020; (ii) an increase of the maximum principal amount of the Interim Facility to \$20M; (iii) an increase of the Interim Lender Charge to up to \$24M and (vi) an Administration charge in an amount up to \$750K.
9. On October 7, 2020, the Debtors filed an Application to extend the Stay Period.
10. On October 8, 2020, pursuant the terms of the Amended and Restated Initial Order, the Monitor issued its third report to the Court (the "**Third Report**"). The purpose of the Third Report was to provide information to the Court on the activities of Groupe Dynamite since the Second Report and to support the Application mentioned at the previous paragraph.
11. On October 15, 2020, the Court issued an order extending the Stay Period until December 11, 2020.
12. On November 16, 2020, the Debtors filed an application to amend the Amended and Restated Initial Order seeking certain relief in respect of leased premises located in the province of Manitoba (as amended, the "**Post-Filing Rent Application**").
13. On November 24, 2020, the Debtors amended the Post-Filing Rent Application to seek the same relief in respect of certain leased premises in the province of Ontario.
14. On December 3, 2020, the Debtors filed an Application to extend the Stay Period until February 26, 2021.

15. On the same day, the Monitor issued its fourth report to the Court (the "**Fourth Report**"). The purpose of the Fourth Report was to provide information to the Court on the activities of Groupe Dynamite since the Third Report and to support the Application mentioned in the previous paragraph.
16. On December 10, 2020, the Court extended the Stay Period up to and including February 26, 2021 (the "**Extension Order**").
17. On January 5, 2021, the Court dismissed the Post-Filing Rent Application (the "**Post-Filing Rent Decision**").
18. On February 17, 2021, the Debtors filed an Application to extend the Stay Period until April 19, 2021 (the "**Extension Application**").
19. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues this fifth report to the Court (the "**Fifth Report**"), the purpose of which is to provide the Court with an update with respect to the following:
  - I. Update regarding Groupe Dynamite's operations (page 4);
  - II. The Monitor's activities since the Fourth Report (page 6);
  - III. Actual receipts and disbursements (page 6);
  - IV. Overview of the weekly Cash Flow Projections (as defined below) (page 7);
  - V. The request for an extension of the Stay Period (page 8); and
  - VI. The Monitor's conclusions and recommendations (page 9).
20. In preparing the Fifth Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, Groupe Dynamite's books and records and financial information prepared by the Debtors and discussions with management ("**Management**") of Groupe Dynamite (collectively, the "**Information**"). Except as described in this Fifth Report in respect of Groupe Dynamite's Revised Cash Flow Statement (as defined below):
  - (i) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
  - (ii) Some of the information referred to in this Fifth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.
21. Future oriented financial information referred to in this Fifth Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

22. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Fifth Report concerning Groupe Dynamite and their business is based on the Information, and not independent factual determinations made by the Monitor.
23. The Information that was analyzed does not include the extent of the impact of Coronavirus ("**COVID-19**") on Groupe Dynamite's operations. At the time of the Fifth Report, the situation is continuing to evolve, and many uncertainties remain as to the effect the COVID-19 crisis has had and will continue to have on Groupe Dynamite and the broader domestic and global economies.
24. The Monitor relied, in part, on publicly available information, Management forecasts and other information provided by Management in relation to the effect COVID-19 has had and will continue to have on Groupe Dynamite.

## **I. UPDATE REGARDING GROUPE DYNAMITE'S OPERATIONS**

### General

25. Since the issuance of the Fourth Report, Groupe Dynamite, in collaboration with its real estate advisor, Oberfeld Snowcap, and the Monitor, has continued its discussions and negotiations with landlords regarding their real estate portfolio. As mentioned in the previous report, Groupe Dynamite has reached agreements with all of its landlords and is documenting those agreements by way of amendments to existing leases. As of the date of this Fifth Report, Groupe Dynamite has finally documented agreements regarding 96 stores. Group Dynamite is confident that it will be able to document the remaining agreements in the coming weeks, subject to the impact of the pandemic in North America.
26. Groupe Dynamite, pursuant the Amended and Restated Initial Order, continues to pay its employees in the normal course of business.
27. Since the Fourth Report, Groupe Dynamite has paid an additional \$8K to a Critical Supplier bringing the total amount to \$3.1M, which is lower than the \$5M that was authorized by the Court pursuant to the Initial Order. This payment was completed following a reconciliation of invoices by Groupe Dynamite to a critical supplier that already received a portion of pre-filing amounts owed to it. The detailed list of these payments is presented in **Appendix A (under seal)**.
28. Since the Fourth Report, security deposits previously provided by Groupe Dynamite remained in place. Groupe Dynamite was only required to provide additional security deposits to United Parcel Service of America, Inc. (UPS) in order for services to continue to be provided without interruptions respectively in Canada and the United States. These disbursements should be completed shortly. The Monitor was consulted by the Debtors and approved such deposit being made. At this point, existing agreements with suppliers allow Groupe Dynamite to reasonably operate under the CCAA Proceedings.
29. Since the issuance of the Fourth Report, Groupe Dynamite issued 1 additional Disclaimer Notice (as defined therein). A list of the Disclaimer Notices issued since the beginning of the CCAA Proceedings is presented in **Appendix B**.
30. Groupe Dynamite and the Monitor also continue to have discussions on a weekly basis with the Debtors' syndicate of lenders (the "**Lending Syndicate**") in order to keep them informed on Groupe Dynamite's financial position and to provide a weekly reporting on cash position as well as a detailed receipts and disbursements analysis. Groupe Dynamite also updated them on the status of its negotiations with its landlords as well as the ongoing restructuring

initiatives.

31. Since the Fourth Report, Groupe Dynamite, with the assistance of the Monitor, has updated its cash-flow forecast for the coming months in order to account for the store closures, the most recent market conditions and the latest sales trends. Through the store closures, Groupe Dynamite was able to mitigate the impact on its financial position by reducing its costs and adjusting its inventory levels.

#### Temporary Store Closures

32. As mentioned in the Fourth Report, following the Manitoba Orders and the Ontario Orders (as such terms are defined therein), Groupe Dynamite had to close its stores in these regions to the public and to temporarily lay off 345 employees.
33. On December 15, 2020, the Quebec Government announced certain measures to combat the spread of COVID-19 (the "**Quebec Orders**"), including post-Christmas sanitary lockdowns impacting Groupe Dynamite's stores. A total of 81 stores have been impacted by the Quebec Orders and 752 employees have been temporarily laid off.
34. On December 21, 2020, the Ontario government imposed a province-wide shutdown as of December 26, 2020, prohibiting shopping in Groupe Dynamite's stores.
35. On January 23, 2021, Manitoba reopened nonessential businesses in the province allowing Groupe Dynamite to reopen 8 stores.
36. The Quebec Orders were subsequently modified such that Groupe Dynamite was able to reopen its stores on February 8, 2021, with certain limitations such as reduced opening hours due to the curfew in force in the province.
37. On February 12, 2021, the province of Newfoundland and Labrador announced a lockdown for all retail stores that do not provide services essential to life. Groupe Dynamite has been impacted and temporarily closed three stores. These stores are still closed as of the date of this Report.
38. In Ontario, the provincial government allowed the reopening of nonessential businesses in certain regions on February 16, 2021. As of the date of this Fifth Report, 27 stores are still temporarily closed.
39. During the height of these lockdowns, from December 26, 2020, to January 22, 2021, 170 of Groupe Dynamite's stores were temporarily closed due to government restrictions in force in Québec, Manitoba and Ontario (the "**Locked-down Stores**") and a total of 1,777 of its employees were temporarily laid off.
40. Since the Post-Filing Rent Decision, Group Dynamite has been in discussions with its landlords with a view to reaching agreements on the payment of post-filing rent for the Locked-down Stores. As of the date of this Fifth Report, agreements have been reached with some of the landlords and further agreements are expected to be reached in the coming weeks.
41. Despite the uncertainty created by these government measures and a Boxing Day season that was significantly quieter than in recent years, Management has been able to effectively adapt in order to stay aligned with the Debtors' restructuring plan and to respect its budget. Indeed, Management has put in place various initiatives with the purpose of preserving Groupe Dynamite's liquidities and reducing its costs.

## **II. THE MONITOR'S ACTIVITIES SINCE THE FOURTH REPORT**

42. Since the Fourth Report, the Monitor posted a copy of the Fourth Report, a copy of the Extension Order as well as the Post-Filing Rent Decision on the Monitor's website.
43. The Monitor has continued to assist Groupe Dynamite in its discussions and negotiations with its landlords and suppliers.
44. The Monitor, with the assistance of Groupe Dynamite, has been responding to questions from various stakeholders as to the status of the CCAA Proceedings.
45. The Monitor also maintains an ongoing dialogue with Management regarding Groupe Dynamite's operations.
46. The Monitor has reviewed the receipts and disbursements transacted through Groupe Dynamite's bank accounts, with full co-operation of Management.
47. The Monitor had various communications with the Lending Syndicate's financial advisor about Groupe Dynamite's forecast and restructuring initiatives.
48. Since the Fourth Report, the Monitor, with the assistance of the Debtors, has continued to work on 24-month projected financial statements, which include an income statement, balance sheet and cash flow statement. The Monitor has also continued the review of the Debtors' financial situation and the potential dividend structure that could be offered to Groupe Dynamite's creditors. The Monitor and the Debtors have continued discussions regarding the potential plan of arrangement structure but require further analysis to properly assess the Debtors' financial capacity and quantum of a potential dividend distribution. Preliminary discussions are already taking place between Groupe Dynamite and its lenders regarding the possibility of the Lending Syndicate providing the required exit financing if the contemplated plan of arrangement is accepted by the Debtors' creditors and approved by the Court.
49. The Monitor has also continued discussions with Groupe Dynamite regarding the implementation of a process to review and determine claims in accordance with the CCAA (the "**Claims Process**"). Given the impact that the ongoing negotiations with the Debtors' landlords could have on the claims of the latter, it would be preferable that such negotiations advance further prior to the implementation of the Claims Process.
50. The Monitor expects that an application to approve the Claims Process will be presented by Groupe Dynamite before the end of April 2021.

## **III. ACTUAL RECEIPTS AND DISBURSEMENTS**

51. Groupe Dynamite's financial position for the period commencing on November 22, 2020, and ending on February 13, 2021, has been favourable in comparison with the Cash-Flow Statement presented in the Fourth Report.
52. In comparison with the initial projections, total sales have been lower than budgeted, mainly due to the store closures in Québec, Ontario and Manitoba. E-commerce sales performed better than the budget but did not compensate for the decrease in brick and mortar sales. Therefore, as mentioned above, Management has been able to adjust its purchasing and inventory schedules in order to reduce disbursements. Groupe Dynamite has also put in place a spend control tower for which strong policies were established to control expenses and optimize working capital. Rent and stores' payroll were also lower than the budget due to Locked-down Stores. The highlights of Groupe Dynamite's financial position for this period are

presented in the Actual Cash Flow Statement annexed hereto as **Appendix C (under seal)**.

53. As of the date of this Fifth Report, all post-filing expenses incurred by Groupe Dynamite have been or will be paid in the normal course of business out of existing working capital of Groupe Dynamite or through a draw of additional funds from the amount made available as part of the Interim Facility, as described in the previous reports. As mentioned above, Groupe Dynamite is in negotiation with its landlords following the Post-Filing Rent Decision regarding the payment of post-filing rent for the Locked-down Stores in Québec, Ontario and Manitoba. Post-filing rent for these stores has not yet been paid in full given that agreements have yet to be reached with every landlord.

#### **IV. OVERVIEW OF THE WEEKLY CASH FLOW PROJECTIONS**

54. Groupe Dynamite, with the assistance of the Monitor, has prepared the revised statement of projected cash flow (the "**Revised Cash Flow Statement**") for the weekly period from February 14, 2021, to April 24, 2021 (the "**Cash Flow Period**") for the purpose of projecting Groupe Dynamite's estimated liquidity needs during the Cash Flow Period. A copy of the Revised Cash Flow Statement is attached as **Appendix D** to this report (**under seal**).

55. The Revised Cash Flow Statement has been prepared by Groupe Dynamite using probable and hypothetical assumptions set out in the notes to the Revised Cash Flow Statement.

56. The Monitor's review of the Revised Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to these assumptions were limited to evaluating whether they were consistent with the purpose of the Revised Cash Flow Statement. The Monitor also reviewed the documents provided by Management in support of the probable assumptions, and the preparation and presentation of the Revised Cash Flow Statement.

57. Based on the Monitor's review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:

- (i) The hypothetical assumptions are not consistent with the purpose of the Revised Cash Flow Statement;
- (ii) As at the date of this Fifth Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of Groupe Dynamite or do not provide a reasonable basis for the Revised Cash Flow Statement, given the hypothetical assumptions; or
- (iii) The Revised Cash Flow Statement does not reflect the probable and hypothetical assumptions.

58. Since the Revised Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no opinion as to whether the projections in the Revised Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report. Neither does the Monitor express any opinion as to the performance of Groupe Dynamite's statutory obligations with regards to projected payments to be made in accordance with the Revised Cash Flow Statement, *inter alia* the payment of wages, the government remittances and the payroll deductions to be made by the Debtors.

59. The Revised Cash Flow Statement has been prepared solely for the purpose described in the Notes thereto, and readers are cautioned that the Revised Cash Flow Statement may not be appropriate for other purposes.
60. As mentioned above, the key assumptions used in the Revised Cash Flow Statement are based on the company's most recent sales and cost trends. The Revised Cash Flow Statement demonstrates that the liquidity level will be sufficient to fund the operations, subject to any limitation to the operations of the Debtors that may result from the possible worsening of the Covid-19 pandemic in the various jurisdictions of North America in the short term.
61. In certain cases, Management was able to secure payment terms for purchases from suppliers as a result of the implementation of the CCAA Proceedings. Nonetheless, Management is still anticipating certain "cash on delivery" purchases, payment of deposits to certain supply providers and limited payment terms.
62. As appears from the Revised Cash Flow Statement and subject to its ongoing negotiations with its landlords, Groupe Dynamite intends to continue to pay its trade creditors for services rendered and goods supplied in the normal course of business during these CCAA Proceedings, but also, with the prior approval of the Monitor, for services rendered and goods supplied in the normal course of business before the present CCAA Proceedings with respect to the Critical Suppliers.
63. With regards to the Locked-down Stores, since Group Dynamite is in discussions with its landlords to reach agreements on the payment of post-filing rent for these stores, adjusted disbursements have been included in the Revised Cash Flow Statement based on preliminary discussions. Unpaid post-filing rent for these stores totalled approximately \$4.7M.
64. Management has advised the Monitor that it believes that the forecast reflected in the Revised Cash Flow Statement is reasonable.

**V. THE REQUEST FOR AN EXTENSION OF THE STAY PERIOD**

65. Pursuant to the Extension Application, the Debtors are seeking an extension of the Stay Period until April 19, 2021, in order to continue the Restructuring Process (as defined in the First Report), which may involve, *inter alia*:
  - i) The review of the real estate portfolio;
  - ii) The review of the financing options relating to the exit-financing;
  - iii) The implementation of a simplified and efficient claims procedure; and
  - iv) The elaboration of a plan of compromise or arrangement.
66. As described above in this Fifth Report, the Cash Flow Statement indicates that Groupe Dynamite should have sufficient liquidity to continue to meet its obligations with access to the Interim Facility in the ordinary course of business.

**VI. THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS**

67. The Monitor recommends that the requested extension to the Stay Period be granted.
68. As noted above, the Stay Period expires on February 26, 2021. The Monitor understands that the extension of the Stay Period sought by the Applicants is required to advance the Restructuring Process.
69. The Monitor is of the view that Groupe Dynamite should be granted the continued benefit of the protections afforded by the Amended and Restated Initial Order since same would allow Groupe Dynamite to continue the pursuit of a successful restructuring of its operations.
70. The Monitor is of the view that a successful restructuring of Groupe Dynamite's operations, as contemplated by the Restructuring Process, would be beneficial to Groupe Dynamite's stakeholders as a whole.
71. The Monitor is of the view that Groupe Dynamite has, and is acting, in good faith and with due diligence and that the requested extension of the Stay Period is appropriate.
72. The Monitor respectfully submits to the Court its Fifth Report.

DATED AT MONTREAL, this 17<sup>th</sup> day of February 2021.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Court-Appointed Monitor of Groupe Dynamite



Pierre Laporte, FCPA, FCA, CIRP, LIT  
Senior Vice-President



Jean-François Nadon, CPA, CA, CIRP, LIT  
President

## Appendix B

**APPENDIX B****GROUPE DYNAMITE INC****List of Disclaimer Notices**

<b>Suppliers</b>	<b>Disclaimed agreements</b>	<b>Notice date</b>	<b>Description</b>	<b>Comments</b>
1. Infor (US), Inc. (formerly GT Nexus, Inc.)	GT Nexus Master Subscription Agreement dated August 1, 2016 including: - Exhibit A, B and C - Amendment to Subscription Pricing Addendum effective August 1, 2018	November 9, 2020	Supply chain software	<i>Withdrawn</i>
2. Dash Hudson Inc.	Dash Hudson Subscription Services Agreement effective March 15, 2020	November 9, 2020	Visual marketing software	
3. MINI Mont Royal Services Financiers MINI Canada, une division de BMW Canada Inc.	- Contrat de location avec option d'achat dated July 30 2019 for a vehicle bearing identification number WMWXM5C55FT973533 - Contrat de service pour véhicule dated July 30, 2018	November 9, 2020	Car rental contract	
4. McKinsey Recovery & Transformation Services Canada Co.	Consulting Agreement dated January 21, 2019, including the Commercial Term Sheet dated May 22, 2019	November 11, 2020	Consulting services	
5. Salesforce.com Canada Corporation	Contracts number 02171535 and 02158864 for quotes number Q-03850744, Q-02726487, Q-03292648, Q-02695402 and 02158864.	February 9, 2021	Customer relationship management platform	