

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

**FOURTH 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 (iv) 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.
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**"). The Monitor supports the relief sought by 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 (the "**Extension Application**").
15. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues this fourth report to the Court (the "**Fourth 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 Third Report (page 5);
 - III. Actual receipts and disbursements (page 6);
 - IV. Overview of the weekly Cash Flow Projections (as defined below) (page 6);
 - V. The request for an extension of the Stay Period (page 7); and
 - VI. The Monitor's conclusions and recommendations (page 8).
16. In preparing the Fourth 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 Fourth Report in respect of Groupe Dynamite's 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 Fourth 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.
17. Future oriented financial information referred to in this Fourth 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.
18. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Fourth Report concerning Groupe Dynamite and their business is based on the Information, and not independent factual determinations made by the Monitor.
19. 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 Fourth 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.
20. 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

21. Since the issuance of the Third 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 of the date hereof, the Monitor is informed that Groupe Dynamite has reached agreements with all landlords and is documenting those agreements by way of amendments to existing leases. Group Dynamite is confident that it will be able to document these agreements in the coming weeks.
22. Groupe Dynamite, pursuant the Amended and Restated Initial Order, continues to pay its employees in the normal course of business.
23. Since the Third Report, Groupe Dynamite has paid \$188K to Critical Suppliers bringing the total amount to \$3.1M, which is lower than the \$5M that was authorized by the Court pursuant to the Initial Order. As mentioned in the previous reports, these payments were made with the consent of the Monitor, and were mainly used to secure the goods in transit, which represented over \$90M of market value and to ensure the continuation of supply of services from smaller suppliers critical to business and ongoing operations. The detailed list of these payments is presented in **Appendix A (under seal)**.
24. Groupe Dynamite continues to have discussions with suppliers and various stakeholders regarding the continuation of supply of goods and services. Since the Third Report, Groupe Dynamite was required to provide to certain suppliers and service providers with security deposits in order for such goods and services to continue to be provided and supplied without interruptions. The Monitor was consulted by the Debtors and ultimately approved such deposits being made. This was restricted to a limited proportion of suppliers that requested such security deposits to be made. Management believes that Groupe Dynamite's operations have now been stabilized and is confident that its supply chain is currently secured.
25. Since the Third Report, Groupe Dynamite issued 4 notices of disclaimer or rescission pursuant to section 32 CCAA ("**Disclaimer Notices**"). The Monitor is advised that one of the recipients of a Disclaimer Notice disagreed with its content but has not, as of the date hereof, applied for an order prohibiting the contemplated disclaimer or rescission. A list of the Disclaimer Notices issued is presented in **Appendix B**.
26. On November 11, 2020, Groupe Dynamite requested an urgent hearing to obtain a Safeguard Order against Loomis Armored U.S., LLC ("**Loomis**"), a supplier of cash management services in the United States, that had interrupted its supply of services on the grounds that Groupe Dynamite failed to pay for certain pre-filing services.
27. On November 12, 2020, the Court granted the Safeguard Order against Loomis (the "**Loomis Safeguard Order**") and services resumed as normal on November 13, 2020. While the Loomis Safeguard Order expired on November 23, 2020, the Monitor is advised that an agreement has been reached between Groupe Dynamite and Loomis to ensure the continued supply of services by the latter.
28. Groupe Dynamite and the Monitor have also had discussions on a weekly basis with the Debtors' syndicate of lenders in order to keep them informed on Groupe Dynamite's financial position as well as the status of the restructuring.

Temporary Stores Closure

29. On November 10, 2020, the government of Manitoba announced certain measures to combat the spread of COVID-19 (the "**Manitoba Orders**"), including measures that restricted Groupe Dynamite's capacity to operate at certain leased premises in that province (the "**Manitoba Stores**").
30. Following the Manitoba Orders, Groupe Dynamite closed the Manitoba Stores to members of the public and, as noted above, filed the Post-Filing Rent Application on November 16, 2020.
31. On November 20, 2020, the government of Ontario announced certain measures to combat the spread of COVID-19 (the "**Ontario Orders**"), including measures that restricted Groupe Dynamite's capacity to operate at certain leased premises in the City of Toronto Health Unit and the Peel Regional Health Unit of the province (the "**Ontario Stores**").
32. Following the Ontario Orders, Groupe Dynamite closed the Ontario Stores to members of the public and, as noted above, amended the Post-Filing Rent Application on November 24, 2020.
33. The Monitor understands that the Post-Filing Rent Application will be adjudicated by the Court on December 10, 2020.
34. Due to the closure to the public of the Manitoba Stores and Ontario Stores, the Debtors have temporarily laid off 345 employees.
35. As noted below, the Monitor has taken into account the impact of these store closures when preparing the cashflow statements submitted in connection with this Fourth Report. Groupe Dynamite's position assumes that no rent will be payable in respect of the Manitoba and the Ontario Stores closure.

II. THE MONITOR'S ACTIVITIES SINCE THE THIRD REPORT

36. On October 8, 2020, the Monitor posted a copy of the Third Report on the Monitor's website.
37. On October 15, 2020, the Monitor posted a copy of the Extension Order on the Monitor's website.
38. On October 28, 2020, the Monitor, following the execution of non-disclosure agreements, gave access to the Data Room (as defined in the Third Report) to certain parties.
39. On November 12, 2020, the Monitor posted a copy of the Loomis Safeguard Order on the Monitor's website.
40. The Monitor has continued to assist Groupe Dynamite in its discussions and negotiations with its landlords and suppliers.
41. The Monitor, with the assistance of Groupe Dynamite, has been responding to questions from various stakeholders as to the status of the CCAA Proceedings.
42. The Monitor also maintains an ongoing dialogue with Management regarding Groupe Dynamite's operations.

43. The Monitor has reviewed the receipts and disbursements transacted through Groupe Dynamite's bank accounts on a daily basis, with full co-operation of Management, and was presented with all requests for payment of services directed to Groupe Dynamite since the Initial Order.
44. As mentioned in the Third Report, the Monitor has initiated a review of the Debtors' financial situation and of the potential quantum of a dividend that could be offered to Groupe Dynamite's creditors. Further analysis is necessary to properly assess the Debtors' financial capacity going forward (including potential dividend payments on a pro-forma basis) and its re-financing options. Once completed, it is contemplated that Groupe Dynamite will entertain discussions with its lenders to discuss the exit financing early in 2021. Consequently, it is expected that Groupe Dynamite will be in a position to propose a plan of arrangement in the coming months. The analysis will necessarily be impacted by the negotiations between Groupe Dynamite and its landlords relating to its restructuring claims and claims as of the filing date. Also, Management will need to continue assessing the ongoing effects of the global pandemic, which remain a critical factor which could potentially delay the structure of the plan that will be proposed.

III. ACTUAL RECEIPTS AND DISBURSEMENTS

45. Groupe Dynamite's financial performance for the period commencing on October 4, 2020 and ending on November 21, 2020 has been favorable in comparison with the Cash-Flow Statement presented in the Third Report. The highlights of Groupe Dynamite's financial performance for this period are presented in the Actual Cash Flow Statement annexed hereto as **Appendix C (under seal)**.
46. Since November 21, 2020, Groupe Dynamite's financial performance has remained stable and no major variances occurred in comparison with the Cash-Flow Statement presented in the Third Report.
47. As of the date of this Fourth 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.

IV. OVERVIEW OF THE WEEKLY CASH FLOW PROJECTIONS

48. 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 November 22, 2020 to February 27, 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 Cash Flow Statement is attached as **Appendix D** to this report (**under seal**).
49. The 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.
50. The Monitor's review of the 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.
51. 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 Fourth 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 Cash Flow Statement, given the hypothetical assumptions; or
 - (iii) The Revised Cash Flow Statement does not reflect the probable and hypothetical assumptions.
52. 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.
53. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement, and readers are cautioned that the Revised Cash Flow Statement may not be appropriate for other purposes.
54. As mentioned above, the key assumptions used in the Revised Cash Flow Statement are based on the company's most recent sales and costs 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.
55. The Revised Cash Flow Statement also assumes that no rent will be payable by Groupe Dynamite in respect of the Manitoba Stores and the Ontario Stores.
56. 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.
57. As appears from the Revised Cash Flow Statement and the Application, 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.
58. 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

59. Pursuant to the Extension Application, the Debtors are seeking an extension of the Stay Period until February 26, 2021, in order to implement 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 re-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.
60. Groupe Dynamite intends to continue to pay its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings.
61. As described above in the Fourth 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

62. The Monitor recommends that the requested extension to the Stay Period be granted.
63. As noted above, the Stay Period expires on December 11, 2020. The Monitor understands that the extension of the Stay Period sought by the Applicants is required to advance the Restructuring Process.
64. 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 provide Groupe Dynamite with the opportunity to attempt a successful restructuring of its operations.
65. 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.
66. The Monitor is of the view that Groupe Dynamite has, and is acting, in good faith and with due diligence and that the sought extension of the Stay Period is appropriate.
67. The Monitor respectfully submits to the Court its Fourth Report.

DATED AT MONTREAL, this 3rd day of December 2020.

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

| Suppliers | Disclaimed agreements | Notice date | Description |
|---|---|--------------------|---------------------------|
| 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 |
| 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 - 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 |