

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
No.: 500-11-058763-208

SUPERIOR COURT
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

**SEVENTH REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS 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 (as thereafter amended and restated, the "**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 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 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 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.
17. On January 5, 2021, the Court dismissed the Post-Filing Rent Application.
18. On February 17, 2021, the Debtors filed an Application to extend the Stay Period until April 19, 2021.
19. On February 25, 2021, the Court issued an order extending the Stay Period up to and including April 19, 2021.
20. On March 27, the Debtors served an Application to Amend the Amended and Restated Initial Order with Respect to Sales Taxes (the "**Amendment Application**").
21. On April 12, 2021, the Debtors filed an Application seeking the issuance of a Claims Procedure Order and an Application to extend the Stay Period to July 6, 2021.
22. On April 19, 2021, the Court issued an order (the "**Claims Procedure Order**") establishing a process for the identification, review and determination of claims in the CCAA Proceedings (the "**Claims Process**") as well as an order (the "**Extension Order**") extending the Stay Period up to and including July 6, 2021.
23. On May 18, 2021, the Court granted the Amendment Application and issued a Re-Amended and Restated Initial Order, which provided, *inter alia*, that the Debtors were only bound to remit or pay Sales Taxes (as defined therein), in accordance with legal requirements, that were accrued or collected after September 8, 2020.
24. A chart setting out the timeline and key milestones of the CCAA Proceedings up to the date hereof is set out at **Appendix E**.
25. On June 10, 2021, the Debtors filed an Application to extend the Stay Period until September 24, 2021 (the "**Extension Application**").
26. In accordance with the Initial Order, the Monitor hereby issues this seventh report to the Court (the "**Seventh 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 Sixth Report (page 5);
 - III. Actual receipts and disbursements (page 7);
 - 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).
27. In preparing the Seventh 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 Seventh 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 Seventh 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.
28. Future oriented financial information referred to in this Seventh 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.
29. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Seventh Report concerning Groupe Dynamite and their business is based on the Information, and not independent factual determinations made by the Monitor.
30. 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 Seventh 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.
31. 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

32. Since the issuance of the Sixth Report, Groupe Dynamite, in collaboration with 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 Seventh Report, Groupe Dynamite has documented agreements in connection with 224 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.
33. Groupe Dynamite, pursuant the Initial Order, continues to pay its employees in the normal course of business.
34. Since the Sixth Report, Groupe Dynamite has not paid any additional amounts to Critical Suppliers in accordance with paragraph 21 (c) of the Initial Order. The total amount paid to such suppliers since the beginning of the CCAA Proceedings thus remained at \$3.1M, which

is lower than the \$5M that was authorized by the Court pursuant to the Initial Order. The detailed list of these payments is presented in **Appendix A (under seal)**.

35. Since the Sixth Report, security deposits previously provided by Groupe Dynamite remained in place. Groupe Dynamite was required to provide one additional security deposit of \$5K to a utility provider in the United States. 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.
36. Since the Sixth Report, Groupe Dynamite did not issue any additional Disclaimer Notices (as defined therein). A list of the Disclaimer Notices issued since the beginning of the CCAA Proceedings is presented in **Appendix B**.
37. Groupe Dynamite and the Monitor also continued to have discussions on a bi-weekly basis with the members of the Debtors' syndicate of Lenders (the "**Lending Syndicate**") in order to keep them informed on Groupe Dynamite's financial position and to provide weekly reporting on cash position as well as detailed analyses of receipts and disbursements. Groupe Dynamite also updated them on the status of its negotiations with its landlords as well as the ongoing restructuring initiatives.
38. Since the Sixth 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 reopening of various stores as well as the most recent market conditions and the latest sales trends.

Temporary Store Closures

39. At the time of the Sixth Report, Groupe Dynamite had 96 stores temporarily closed in the provinces of Québec and Ontario, mostly in the latter province, as a consequence of government restrictions implemented in response to the COVID-19 pandemic. Three stores were also closed in the Maritime provinces after the filing of the Sixth Report.
40. The reopening of these stores was gradual depending on the region but all the stores in the province of Québec and in the Maritime provinces were able to reopen. However, measures limiting the number of clients remain in force in several Canadian provinces, which has impacted Groupe Dynamite's operations.
41. As of the date of this Seventh Report, 82 stores in Ontario remain temporary closed.

II. THE MONITOR'S ACTIVITIES SINCE THE SIXTH REPORT

General

42. Since the Sixth Report, the Monitor posted a copy of the Sixth Report as well as a copy of the Extension Order, the Claims Procedure Order and the Re-Amended and Restated Initial Order 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.

Claims Process¹

47. On April 19, 2021, the Monitor posted a copy on its website of materials related to the Claims Process, including the Instruction Letter and Proof of Claim form.

48. Following the issuance of the Claims Procedure Order, the Monitor sent, by email and/or prepaid ordinary mail, the Proof of Claim form and Instruction Letter to all of the 1,149 Known Creditors of Groupe Dynamite.

49. On April 24, 2021, pursuant the Claims Procedure Order, the Monitor published the Newspaper Notice in *La Presse Plus*, *The Globe and Mail (National Edition)* and the *New York Times (National Edition)*.

50. The Monitor also prepared unofficial French translations of the Claims Procedure Order and the schedules thereto, which it has posted on its website.

51. Since the beginning of the Claims Process, the Monitor has been in communication with various parties having submitted Proofs of Claim in order to obtain additional information and clarifications on their alleged Claims.

52. The Claims Bar Date applicable to the Claims Process was June 7, 2021. As of that day, the Monitor had received a total of 501 Proofs of Claim from various parties.

53. The Monitor is currently in the process of reviewing and determining the Claims received pursuant to the Claims Process, in consultation with its legal counsel and the Debtors. It is expected that the analysis of the Proofs of Claim submitted will be completed in the coming weeks and that the Monitor will begin issuing Notices of Revision or Disallowance, as required.

Plan of arrangement

54. Since the Sixth Report, the Monitor has continued to assist the Debtors in seeking to elaborate a CCAA plan of compromise and arrangement (a "**Plan**") that will be acceptable to Groupe Dynamite's creditors and that will satisfy the requirements for Court approval.

55. Based on the current progress of the Restructuring, it is expected that the Debtors will be in a position to submit a viable Plan to their creditors and to the Court before the end of the requested extension to the Stay Period.

56. In that connection, it is expected that during the coming months, the Debtors will apply for an order directing the holding of a creditors' meeting to vote on a Plan, which, if approved, will be the object of an application for Court sanction.

Exit Financing

57. Since the Sixth Report, the Debtors, with the assistance of the Monitor, have continued their discussions with the Lending Syndicate with regards to the exit financing required for the Debtors' emergence from the CCAA Proceedings. Although the Debtors remain optimistic

¹ All capitalized terms used in this section but not otherwise defined in this Seventh Report shall have the meanings ascribed to them in the Claims Procedure Order.

about securing the exit financing, the Lending Syndicate has yet to confirm its support or the particular terms that will apply to such financing.

58. The Monitor has also had various communications with the Lending Syndicate's financial advisor regarding Groupe Dynamite's restructuring initiatives. The Monitor has provided its support to answer the questions of the Lending Syndicate's financial advisor with a view to allowing the Lending Syndicate to obtain all the information it needed to analyze the proposed financing arrangements.

III. ACTUAL RECEIPTS AND DISBURSEMENTS

59. Groupe Dynamite's financial position for the period commencing on April 4, 2021, and ending on May 29, 2021, has been favourable in comparison with the Cash-Flow Statement presented in the Sixth Report.
60. In comparison with the initial projections, total sales were in line with the budget. However, due to the extended lockdown in Ontario, brick and mortar sales were lower than what was initially budgeted. Stronger E-commerce sales from both Garage and Dynamite mostly compensated for the lower sales in brick and mortar. Regarding disbursements, as mentioned in the Sixth Report, Groupe Dynamite has put in place a spend control tower for which strong policies were established in order to control expenses and optimize working capital, which explains the favorable variance.
61. While government measures continue to create significant uncertainty and impact sales, Management has remained agile and has succeeded in effectively adapting Groupe Dynamite's operations and in staying aligned with its budget. Groupe Dynamite also continued to receive important amounts from subsidies related to Canadian employee wages and different rent expenses including Canadian 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)**.
62. As of the date of this Seventh 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

63. 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 May 30, 2021, to September 25, 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**).
64. 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.
65. 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.
66. 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 Seventh 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.
67. 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.
68. 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.
69. 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.
70. The Revised Cash Flow Statement assumes that the 82 locked-down stores in Ontario will be closed until the end of June.
71. 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.
72. 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.
73. 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

74. Pursuant to the Extension Application, the Debtors are seeking an extension of the Stay Period until September 24, 2021, in order to continue the Restructuring Process (as defined in the First Report), which may involve, *inter alia*:

- i) the conclusion of the renegotiation of the Debtors' real estate portfolio;
- ii) the review of the financing options relating to the exit-financing;
- iii) the review and determination of claims received in the Claims Process; and
- iv) the elaboration of a Plan.

75. As described above in this Seventh 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.

76. The Monitor is of the view that Groupe Dynamite has acted, and continues to act, in good faith and with due diligence and that the requested extension of the Stay Period is appropriate.

VI. THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

77. For the reasons set out above, the Monitor supports the relief sought in the Extension application and recommends that the requested extension to the Stay Period be granted.

78. As noted above, the Stay Period expires on July 6, 2021 and the Monitor understands that the extension of the Stay Period sought by the Debtors is required to advance the Restructuring Process.

79. The Monitor is of the view that Groupe Dynamite should be granted the continued benefit of the protections afforded by the CCAA in order to continue the pursuit of a successful Restructuring, which would be beneficial to Groupe Dynamite and all of its stakeholders.

80. The Monitor respectfully submits to the Court its Seventh Report.

DATED AT MONTREAL, this 11th day of June 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**

Suppliers	Disclaimed agreements	Notice date	Description	Comments
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	
6. Oracle America, Inc.	Ordering document re: CrowdTwist Platform for the period from August 1st, 2020 to July 31, 2023 entered into as of July 24, 2020	March 1, 2021	Omni-channel loyalty and analytics platform	