

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

**EIGHTH 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 "**Initial 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 Initial 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 Initial 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 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.
8. On October 7, 2020, the Debtors filed an application to extend the Stay Period and on October 15, 2020, the Court issued an order extending the Stay Period until December 11, 2020.
9. On November 16, 2020, the Debtors filed an application to amend the Initial Order seeking relief in respect of certain leased premises (as amended, the "**Post-Filing Rent Application**").
10. On December 3, 2020, the Debtors filed an application to extend the Stay Period and on December 10, 2020, the Court extended the Stay Period up to and including February 26, 2021.
11. On January 5, 2021, the Court dismissed the Post-Filing Rent Application.
12. On February 17, 2021, the Debtors filed an application to extend the Stay Period and on February 25, 2021, the Court issued an order extending the Stay Period until April 19, 2021.
13. On March 27, the Debtors served an Application to Amend the Amended and Restated Initial Order with Respect to Sales Taxes (the "**Amendment Application**").
14. 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.

15. 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 extending the Stay Period up to and including July 6, 2021.
16. On May 18, 2021, the Court granted the Amendment Application and issued a Re-Amended and Restated Initial Order.
17. On June 10, 2021, the Debtors filed an application to extend the Stay Period and on June 11, 2021 the Monitor issued its Seventh Report to the Court (the "**Seventh Report**"), the purpose of which was to provide information on the activities of Groupe Dynamite and the Monitor since the latter's previous report and to support the aforementioned application.
18. On June 17, 2021, the Court issued an order extending the Stay Period until September 24, 2021.
19. On September 2, 2021, the Debtors filed an application (the "**Application**") seeking:
 - i) the Court's authorization to file its Joint Plan of Compromise and Arrangement (the "**Plan**") and to convene a meeting of creditors (the "**Creditors' Meeting**") to vote on the Plan;
 - ii) the Court's authorization to admit certain Late Claims (as defined below) for review and determination in accordance with the Claims Procedure Order; and
 - iii) an extension of the Stay Period to October 22, 2021.
20. The Monitor will be issuing a separate report to be made available to the Debtors' creditors in advance of the Creditors' Meeting and subsequently filed with the Court, which will provide the Monitor's opinion on the Plan as well as additional information on, *inter alia*, the circumstances surrounding the CCAA Proceedings and the filing of the Plan, the Debtors' financial situation and the status of the Claims Process (the "**Report on the Plan**").
21. In connection with the relief sought in the Application, the Monitor hereby issues its eighth report to the Court (this "**Eighth Report**"), the purpose of which is to provide the Court with information with respect to the following:
 - I. Update on the Claims Process and the Late Claims (page 4);
 - II. The Plan and the proposed Creditors' Meeting (page 5);
 - III. Actual receipts and disbursements (page 5);
 - 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 7).
22. In preparing the Eighth 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 Eighth 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 Eighth 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.
23. Future oriented financial information referred to in this Eighth 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.
24. Unless otherwise indicated, the Monitor’s understanding of factual matters expressed in this Eighth Report concerning Groupe Dynamite and their business is based on the Information, and not independent factual determinations made by the Monitor.
25. 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 Eighth 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.
26. 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 ON THE CLAIMS PROCESS AND LATE CLAIMS¹

27. Since the Seventh Report, the Monitor has continued to review and determine Claims in consultation with the Debtors and its legal counsel. In connection with the 501 Proofs of Claim received by the Monitor prior to the Claims Bar Date, the Monitor has issued 141 Notices of Revision or Disallowance. As of the date of this Eighth Report, the Monitor has been notified with 4 Appeal Applications further to these Notices of Revision and Disallowance.
28. The Monitor also received 20 Proofs of Claim that were submitted by claimants (the “**Late Claimants**”) after the Claims Bar Date (the “**Late Claims**”), which are identified in **Appendix A** to this Eighth Report.
29. Based on an initial review of the Late Claims and discussions with certain Late Claimants, the Monitor notes that the Late Claims:
- i) were received on June 7 at 6pm Montreal time, namely one hour after the Claims Bar Date;

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

- ii) were submitted by Late Claimants that were only made aware of the Claims Process after the Claims Bar Date or that indicated a misunderstanding of the delays and procedures provided for in the Claims Procedure Order; and/or
 - iii) are for relatively small amounts ranging from approximately \$50 to \$5,600.
30. The Monitor is satisfied, after having consulted with the Debtors, that the delay in filing the Late Claims is attributable to inadvertence on the part of the Late Claimants and that none of the Late Claimants has been acting in bad faith or with a view to derive some form of strategic advantage in the CCAA Proceedings.
31. Furthermore, the Monitor expects that the face value of the Late Claims will be reduced following their review and determination pursuant to the Claims Procedure Order.
32. In such circumstances, the Monitor is of the view that it would be appropriate to admit the Late Claims for review and determination in the Claims Process.

II. THE PLAN AND THE PROPOSED CREDITORS' MEETING²

33. Pursuant to the Application, the Debtors are seeking authorization from the Court to file the Plan and to convene the Creditors' Meeting in accordance with the terms of the draft meeting order filed in support of the Application (the "**Proposed Meeting Order**").
34. An overview of the Plan is set out in the Application and the Monitor's opinions and conclusions with respect to the Plan will be provided in the Report on the Plan.
35. With respect to the Creditors' Meeting, the Proposed Meeting Order contemplates, *inter alia*:
- i) the approval of the notices and forms to be sent and made available to Known Creditors in advance of the Creditors' Meeting as well as the modalities applicable to the meeting;
 - ii) the transmission by the Monitor to Known Creditors and publication on the Monitor's Website of the Meeting Materials no later than September 15, 2021;
 - iii) the holding of the Creditors' Meeting via a videoconferencing platform on September 30, 2021; and
 - iv) in the event the Plan is approved by the Required Majority, a Sanction Hearing to take place on or around October 7, 2021, or as soon as the Court is available.
36. The Monitor is of the view that the filing of the Plan and the convening of the Creditors' Meeting pursuant to the terms of the Proposed Meeting Order is appropriate in the circumstances.

III. ACTUAL RECEIPTS AND DISBURSEMENTS

37. Groupe Dynamite's financial position for the period commencing on May 30, 2021, and ending on August 28, 2021, has been favourable in comparison with the Cash-Flow Statement presented in the Seventh Report.
38. In comparison with the initial projections, total sales were higher than what was initially budgeted. The higher sales are due to higher brick and mortar sales in Canada and the United States. E-commerce sales were slightly lower than what was initially budgeted. Regarding

² All capitalized terms used in this section but not otherwise defined in this Eighth Report shall have the meanings ascribed to them in the Proposed Meeting Order;

disbursements, as mentioned in the Seventh 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.

39. While the ongoing COVID-19 pandemic and related government measures continue to create significant uncertainty, 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 B (under seal)**.
40. As of the date of this Eighth 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

41. 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 August 29, 2021, to October 23, 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 C** to this report (**under seal**).
42. 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.
43. 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.
44. 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 Eighth 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.
45. 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.

46. 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.
47. 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.
48. 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.
49. 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.
50. 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

51. Pursuant to the Application, the Debtors are seeking an extension of the Stay Period until October 22, 2021, in order to continue, and potentially complete, the Restructuring Process (as defined in the First Report). This may involve, *inter alia*:
 - i) the conclusion of the renegotiation of the Debtors' real estate portfolio;
 - ii) the filling of a plan of compromise and arrangement;
 - iii) the calling of a creditors' meeting; and
 - iv) the issuance of a sanction order.
52. As described above in this Eighth Report, the Revised 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.
53. 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

54. For the reasons set out above, the Monitor supports the relief sought in the Application and recommends that:
 - i) authorization be granted to file the Plan and to convene the Creditors' Meeting in accordance with the terms of the Proposed Meeting Order;

ii) authorization be granted to admit the Late Claims for review and determination in accordance with the Claims Procedure Order; and

iii) the requested extension to the Stay Period be granted.

55. As noted above, the Stay Period expires on September 24, 2021 and the Monitor understands that the extension of the Stay Period sought by the Debtors is required to further, and potentially complete, the Restructuring Process, which would, in the Monitor's view, be beneficial to Groupe Dynamite and its stakeholders.

56. The Monitor respectfully submits to the Court its Eighth Report.

DATED AT MONTREAL, this 4th day of September 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 A

APPENDIX A

GROUPE DYNAMITE INC

List of Late Claims

Creditor Legal Name	Legal Entity	Filing Date	Canadian Dollars			US Dollars			Total Claim Converted in Canadian Dollars
			Claim as at the Determination Date	Restructuring Claim	Total	Claim as at the Determination Date	Restructuring Claim	Total	
1 Arden Fair Associates, L.P.	GRG USA LLC	6/7/2021	-	-	-	109,194	-	109,194	144,038
2 Danbury Mall LLC	GRG USA LLC	6/7/2021	-	-	-	159,571	-	159,571	210,491
3 Freemall Associates, LLC	GRG USA LLC	6/7/2021	-	-	-	165,210	-	165,210	217,929
4 Macerich Cerritos, LLC	GRG USA LLC	6/7/2021	-	-	-	169,925	-	169,925	224,148
5 Macerich Deptford LLC	GRG USA LLC	6/7/2021	-	-	-	148,036	-	148,036	195,275
6 Macerich Vintage Faire Limited Partnership	GRG USA LLC	6/7/2021	-	-	-	99,457	514,964	614,421	810,483
7 Queens Center SPE LLC	GRG USA LLC	6/7/2021	-	-	-	443,066	-	443,066	584,448
8 Tysons Corner Holdings LLC	GRG USA LLC	6/7/2021	-	-	-	227,937	-	227,937	300,672
9 Bell Mobility Inc.	GROUPE DYNAMITE INC.	6/9/2021	1,379	-	1,379	-	-	-	1,379
10 BMW Group Financial Services Canada	GROUPE DYNAMITE INC.	6/11/2021	-	2,071	2,071	-	-	-	2,071
11 Town Of Grand Chute	GRG USA LLC	6/17/2021	-	-	-	4,272	-	4,272	5,635
12 State of Minnesota, Department of Revenue	GRG USA LLC	6/18/2021	-	-	-	296	-	296	391
13 State of Minnesota, Department of Revenue	GRG USA HOLDINGS INC.	6/18/2021	-	-	-	40	-	40	53
14 Centre Commercial TR Inc.	GROUPE DYNAMITE INC.	6/25/2021	1,022	29,763	30,785	-	-	-	30,785
15 Walsh Glass Works	GRG USA LLC	7/6/2021	-	-	-	1,920	-	1,920	2,533
16 New York State Department Of Taxation And Finance	GRG USA LLC	7/15/2021	-	-	-	81,655	-	81,655	107,710
17 Intertek Testing Services (Intertek Technical Insections Canada Inc.)	GROUPE DYNAMITE INC.	7/22/2021	-	-	-	28,987	-	28,987	38,236
18 Jayanna Mathis, Brianna Mathis, Minors By Their Guardian Ad Litem, Wilbur Mathis And Jahaira Mathis	GROUPE DYNAMITE INC.	8/3/2021	-	-	-	500,000	-	500,000	659,550
19 Gicleurs Alerte Inc.	GROUPE DYNAMITE INC.	8/4/2021	5,488	-	5,488	-	-	-	5,488
20 Xceptance Software Technologies, Inc.	GROUPE DYNAMITE INC.	9/3/2021	-	-	-	17,588	-	17,588	23,200
Total			7,889	31,834	39,724	2,157,155	514,964	2,672,119	3,564,516