

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 Montréal, Province of Québec,
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 Montréal,
Province of Québec, H3B 0M7;

Monitor

**REPORT TO THE COURT ON THE STATE OF THE DEBTORS' AFFAIRS
AND THEIR PLAN OF COMPROMISE AND ARRANGEMENT
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. The Monitor hereby submits this report to the Court (this "**Report**") on the Joint Plan of Compromise and Arrangement (as may be hereafter amended, the "**Plan**") filed by the Debtors (also sometimes collectively referred to as "**Groupe Dynamite**") in the context of their restructuring proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**"), which have been recognized in the United States of America under chapter 15 of the United States *Bankruptcy Code* ("**Chapter 15**").

2. Unless otherwise stated, all monetary amounts referred to herein are expressed in Canadian dollars and all capitalized terms have the meanings ascribed to them in the Initial Order rendered in respect of the Debtors on September 8, 2020 (as amended and restated on September 18, 2020 and on May 18, 2021, the "**Initial Order**").

Background

3. On September 7, 2020, the Monitor issued its first report to the Court submitted by Deloitte Restructuring Inc. in its capacity as Proposed Monitor (the "**First Report**") and on September 8, 2020, Groupe Dynamite filed an application seeking the issuance of an Initial Order and an Amended and Restated Initial Order under the CCAA (the "**Initial Application**").
4. On September 8, 2020 (the "**Filing Date**"), the Court granted the Initial Application and rendered the Initial Order which provided for, *inter alia*, (i) a stay of proceedings against Groupe Dynamite and against the Directors until September 18, 2020; (ii) the appointment of Deloitte Restructuring Inc. as the Monitor under the CCAA; (iii) the approval of the Interim Facility; (iv) the granting of the CCAA Charges; and (v) various other relief for the purpose of facilitating the Restructuring.
5. On September 16, 2020, the Monitor issued its second report to the Court (the "**Second Report**"), the purpose of which 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' request for the issuance of an Amended and Restated Initial Order.
6. 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; and (iii) an increase of the amount the Interim Lender Charge and the an Administration charge.
7. On October 7, 2020, the Debtors filed an application to extend the Stay Period and on October 8, 2020, the Monitor issued its third report to the Court (the "**Third Report**").
8. 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 certain relief in respect of leased premises located in several Canadian provinces (as amended, the "**Post-Filing Rent Application**").
10. On December 3, 2020, the Debtors filed an application to extend the Stay Period until February 26, 2021 and that same day, the Monitor issued its fourth report to the Court (the "**Fourth Report**").
11. On December 10, 2020, the Court extended the Stay Period until February 26, 2021.
12. On January 5, 2021, the Court dismissed the Post-Filing Rent Application.
13. On February 17, 2021, the Debtors filed an application to extend the Stay Period until April 19, 2021 and that same day the Monitor issued its fifth report to the Court (the "**Fifth Report**").
14. On February 25, 2021, the Court issued an order extending the Stay Period until April 19, 2021.
15. On March 27, the Debtors served an application to amend certain provisions of the Initial Order related to the payment of Sales Taxes (the "**Amendment Application**").
16. 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 and the next day the Monitor issued its sixth report to the Court (the "**Sixth Report**").

17. 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.
18. On May 18, 2021, the Court granted the Amendment Application and issued a Re-Amended and Restated Initial Order.
19. On June 10, 2021, the Debtors filed an Application to extend the Stay Period until September 24, 2021 and the next day, the Monitor issued its Seventh report to the Court (the "**Seventh Report**").
20. On June 17, 2021, the Court issued an order extending the Stay Period up to and including September 24, 2021 (the "**Extension Order**").
21. On September 2, 2021, the Debtors filed an application (the "**Meeting Application**") seeking:
 - i) the Court's authorization to file 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 until October 22, 2021.
22. On September 4, 2021 the Monitor issued its eighth report to the Court (the "**Eighth Report**"), the purpose of which was to provide information on the activities of Groupe Dynamite and the Monitor since the Seventh Report and to support the Meeting Application.
23. On September 10, 2021, the Court issued a Meeting Order (the "**Meeting Order**") authorizing the filing of the Plan and convening the Creditors Meeting to be conducted in accordance with the terms of the Meeting Order.
24. On September 14, 2021, the Court issued an order extending the Stay Period to October 22, 2021 and authorizing the filing of the Late Claims for review determination in accordance with the Claims Procedure Order.
25. Additional details and information on the CCAA Proceedings, the Restructuring and the circumstances leading up to this Report can be found in the previous reports of the Monitor and in other documents that are available on the Monitor's website.

This Report

26. In accordance with the Initial Order and the CCAA and further to the Meeting Application, the Monitor hereby issues this Report, the purpose of which is to provide the Debtors' creditors and the Court with information relevant to the Plan, including on the following subjects:
 - I. Business and financial overview (page 4);
 - II. Update on the Claims Process (page 8);
 - III. Overview of the Plan (page 9);
 - IV. Estimated distribution to creditors in a liquidation scenario (page 11);
 - V. The Monitor's observations on the Plan (page 12);

- VI. Overview of the Creditors' Meeting (page 13); and
 - VII. The Monitor's conclusions and recommendations (page 14).
27. In preparing this 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 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 Report on the Plan 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 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 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 the Covid-19 pandemic ("**COVID-19**" or the "**Pandemic**") on Groupe Dynamite's operations. At the time of this Report, the situation is continuing to evolve, and many uncertainties remain as to the effect COVID-19 has had and will continue to have on Groupe Dynamite and the broader domestic and global economies.
31. The Monitor has 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. BUSINESS AND FINANCIALS OVERVIEW

Pre-filing overview

32. As described in the First Report, before the onset of the effects of COVID-19, Groupe Dynamite was a profitable company generating sufficient liquidity to cover its operating and administrative expenses. Notwithstanding the transition, at that time, from in-store to online sales and its impact on Groupe Dynamite, it remained then very profitable with a strong balance sheet and strong liquidity position.
33. On March 17, 2020, Groupe Dynamite was forced to close all its stores in Canada and in the United States, due to COVID-19. On March 20, 2020, 90% of GDI's 5,000 employees were laid off as a result of stores closures. Although its warehouse activities continued, costs increased and production capacity was reduced to comply with the directives from the public health authorities.

34. Overnight, Groupe Dynamite went from an integrated, omnichannel model marrying digital with an in-store experience to a digital-only retailer.
35. In March, April and May 2020, Groupe Dynamite's overall sales dropped by approximately 50% compared to those months in 2019.
36. The reopening of the stores throughout the summer of 2020 was slow, gradual and interspersed with several closures forced by the various government authorities due to new waves of COVID-19.
37. As a result, Groupe Dynamite found itself in a precarious financial situation, and was facing the necessity of reducing its footprint and rent expenses in order to ensure its viability in the long-term. An out of court restructuring of Groupe Dynamite's lease portfolio was attempted in the summer of 2020 without success. At the same time, due to the significant drop in revenue, Groupe Dynamite did not pay its rent in full for the first 6 months of the Pandemic, which represents an amount of approximately \$52M.
38. Following the gradual reopening of its stores, Groupe Dynamite observed a 40% reduction in traffic to its stores caused by several factors all interlinked to COVID-19, including the fact that city centers, where most of the stores are located, are nearly vacant as a result of social distancing restrictions and business shutdowns, slow re-opening and the closure of the United States – Canada border which greatly reduced tourist traffic.
39. Those negative effects were also compounded by an increase of 23% in operating costs relating to the health and safety measures added to protect the employees and customers, including strict social distancing measures and restrictions around product handling.
40. In summary, the precarious financial situation of Groupe Dynamite which led to its insolvency is the result, *inter alia*, of the following factors:
 - i) Obligations to temporarily close stores across Canada and the United States due to COVID-19;
 - ii) Lower store sales than anticipated when reopening due to sanitary measures and consumers' reluctance to go to shopping malls;
 - iii) Lower than expected sales in the months preceding the Filing Date from e-commerce and stores due to the global economic downturn resulting from COVID-19;
 - iv) Significant increase in arrears owed to landlords resulting from inability to pay rent during the first months of the Pandemic;
 - v) Length and difficulty of the process of renegotiating the terms of its leases, which was proactively undertaken by Groupe Dynamite following the onset of COVID-19; and
 - vi) Low level of inventory in comparison with prior years, which required significant liquidity in order to restore it to a sufficient level;
41. As of the Filing Date, Groupe Dynamite was indebted to its secured and unsecured creditors for amounts totaling \$358.5M on a consolidated basis, as summarized in the table below:

Groupe Dynamite Inc.		
Main creditors		
(in \$000 CAD)		
	Secured	Unsecured
<u>Groupe Dynamite Inc.</u>		
Lending Syndicate	138,500	-
Landlords	-	43,213
Trade Payables	-	3,616
Non-trade payables	-	14,445
Other payables	-	15,586
Gouvernement payables	-	6,275
Employees	-	5,021
Promissory Note Payable to Parent	-	60,000
Interco	-	1,614
	<hr/>	<hr/>
	138,500	149,770
	Secured	Unsecured
<u>GRG USA LLC</u>		
Landlords	-	32,180
Non-trade payables	-	961
Other payables	-	4,422
Gouvernement payables	-	849
Employees	-	716
Interco	-	31,132
	<hr/>	<hr/>
	-	70,261

42. Groupe Dynamite's principal secured creditor is its syndicate of lenders (the "**Lending Syndicate**") composed of the following lenders:

- i) National Bank of Canada;
- ii) Bank of Montreal;
- iii) The Toronto-Dominion Bank; and
- iv) Fédération des Caisses Desjardins du Québec.

43. On February 28, 2020, following a lengthy refinancing process, the Lending Syndicate made available to Groupe Dynamite a \$225M credit facility, which included a revolving facility of up to \$115M, a swingline facility of up to \$10M and a term loan of \$100M. The purpose of the credit facility was to provide working capital to Groupe Dynamite and to permit the payment of a dividend to the principal shareholder of Groupe Dynamite (the "**Dividend**"). An initial dividend payment of \$150M was shortly thereafter made (the "**Dividend Payment**") with the full support of, and with the funds made available by, the Lending Syndicate.

44. The balance of the declared Dividend was covered by the issuance of a promissory note in the amount of \$60M by Groupe Dynamite to its principal shareholder (the "**\$60M Note**"), which was planned to be paid in the first quarter of 2021, subject to certain conditions in the applicable credit agreement. The \$60M Note was never paid because of changes in circumstances arising out of COVID-19 and remained due at the Filing Date.

Post-filing overview

45. Following the commencement of the CCAA Proceedings, Groupe Dynamite was again affected by multiple rounds of forced store closures imposed by various government authorities due to new waves of COVID-19 across North America. In general, during the store closures, E-

commerce sales performed better than anticipated but did not compensate for the decrease in brick and mortar sales such that Groupe Dynamite was not able to regain its pre-Pandemic sales levels.

46. Management was nevertheless able to effectively adapt in order to stay aligned with the Debtors' Restructuring plan by establishing various initiatives with the purpose of preserving Groupe Dynamite's liquidity and reducing its costs. Management has also been able to adjust its purchasing and inventory schedules in order to reduce disbursements and optimize working capital.
47. As mentioned above, early in the summer of 2020, Groupe Dynamite began discussions with its landlords in order to renegotiate the terms of many of the leases in force at its retail locations. The negotiations were an important feature of its turnaround, but proved significantly more difficult than anticipated.
48. Immediately after the initiation of the CCAA Proceedings, Groupe Dynamite continued lengthy and complex renegotiations of its lease portfolio over many months with over 46 landlords in Canada and the United States. As of the time of this report, Groupe Dynamite has concluded and documented agreements with most of its landlords.
49. Over the course of the Pandemic, Groupe Dynamite received a total of \$30.5M in subsidies from the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy. This government assistance allowed Groupe Dynamite to cover a portion of its rent and its payroll and allowed it to retain the vast majority of its 5,000 employees, in Canada and in the United States.
50. As of August 28, 2021, Groupe Dynamite has approximately \$ 53.6 M of post-filing accounts payable and remains current with respect to its post-filing obligations. Any outstanding amount owed post-filing will be paid in accordance with the existing terms negotiated with the relevant creditors and Groupe Dynamite.
51. Since the commencement of the CCAA Proceedings, Groupe Dynamite and the Monitor have had regular discussions with the Lending Syndicate, including in connection with Groupe Dynamite's financial situation during the Restructuring and with regards to the exit financing required for its emergence from the CCAA Proceedings (the "**Exit Financing**").
52. On July 26, 2021, Groupe Dynamite received a confirmation letter from the Lending Syndicate indicating that the Exit Financing had been approved. Groupe Dynamite was able to secure funding in an amount that will allow it to pursue its operations beyond emergence, for its benefit and the benefit of all of its stakeholders.
53. The Exit Financing has been provided by the Lending Syndicate to support Groupe Dynamite's business going forward and the Plan. Indeed, a condition precedent to the Exit Financing is the approval of the Plan by Groupe Dynamite's creditors and by the Court. In the event this condition is not satisfied, the Exit Financing will not be made available and this could result in Groupe Dynamite being forced to pursue an orderly liquidation of its assets, which would be detrimental to Groupe Dynamite and to its various stakeholders, including its thousands of employees, landlords, customers, suppliers and other trading partners.
54. The efforts undertaken by Groupe Dynamite since the beginning of the CCAA Proceedings, in collaboration with the Lending Syndicate, its landlords and other stakeholders have enabled it to effectively restructure its affairs and to generate the liquidities needed to present a viable compromise and arrangement to its creditors, in the form of the Plan.

II. UPDATE ON THE CLAIMS PROCESS¹

55. On April 19, 2021, the Monitor posted a copy on its website of materials related to the Claims Process, including the Claims Procedure Order, the Instruction Letter and Proof of Claim form.
56. Following the issuance of the Claims Procedure Order and in accordance therewith the Monitor, *inter alia*:
- i) sent, by email and/or prepaid ordinary mail, the Proof of Claim form and Instruction Letter to all of the 1,111 Known Creditors of Groupe Dynamite;
 - ii) published the Newspaper Notice in *La Presse+*, *The Globe and Mail* (National Edition) and *The New York Times* (National Edition);
 - iii) prepared unofficial French translations of the Claims Procedure Order and the schedules thereto, which it has posted on its website; and
 - iv) has been in communication with various parties having submitted Proofs of Claim in order to obtain additional information and clarifications on their alleged Claims.
57. The Monitor received 501 Proofs of Claim asserting 731 Claims as well as an additional 20 Proofs of Claim submitted after the Claims Bar Date asserting 20 Claims (the "**Late Claims**"). The filing of the Late Claims was authorized by the Court on September 14, 2021.
58. The Monitor has reviewed all of the Proofs of Claim received pursuant to the Claims Process, in consultation with its legal counsel and Groupe Dynamite. In certain cases, Creditors submitted amended Proofs of Claim following discussions with the Monitor that have been dealt with in accordance with the Claims Procedure Order.
59. The table below provides an overview of the Claims received and accepted by the Monitor as of the date of this Report on the Plan.

Groupe Dynamite Inc. Summary of Claims	Claims Received by the Monitor		Claims Accepted by the Monitor	
	Number of Claims	Claim Amount (CAD 000\$)	Number of Claims	Claim Amount (CAD 000\$)
Category				
Unsecured Claim as at the Determination Date	559	59,956	419	59,539
Secured Claim as at the Determination Date	100	11,628	-	-
Restructuring Claims:				
Renegotiated Leases Claims	61	73,615	-	-
Disclaimed Leases Claims	15	11,080	6	1,393
Other Restructuring Claims	8	17,336	4	17,072
Related Party Claims	2	4	2	4
Unliquidated Claim	1	660	-	-
Undetermined Claims	4	20,108	-	-
Total Claims Before \$60 M Note	750	194,386	431	78,008
\$60 M Note	1	60,653	1	60,653
Total Claims	751	255,039	432	138,661

60. As of the date of this Report, the Monitor has received and reviewed Claims for an aggregate amount of \$ 255 M and has accepted 432 Claims for an aggregate amount of \$ 138.7 M.
61. Further to its analysis of the Proofs of Claim received, the Monitor issued 151 Notices of Revision or Disallowance (the "**Notices of Disallowance**") in respect of 314 Claims. The Monitor was served with 4 Appeal Applications, in respect of 9 Claims ("**Disputed Claims**"), within the 20 day appeal period (the "**Appeal Applications**"), such that the Claims subject to the remaining Notices of Disallowance are now final.
62. The Monitor has also entered into discussions with the parties having filed the Appeal Applications (the "**Appellants**") with a view to arriving at consensual resolutions. As of the

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

date of this Report the Monitor has reached a negotiated settlement with 1 of the Appellants covering 2 Appeal Applications and 3 Disputed Claims.

63. The table below provides an overview of the Notices of Disallowance issued by the Monitor and the Disputed Claims that remain unresolved as of the date of this Report.

Groupe Dynamite Inc. Summary of Claims	Notice of Revision or Disallowance Sent			Appeal Application Received		Appeal Settlement	
	Number of Cla	Disallowed Amount (CAD 000\$)	Allowed as Unsecured (CAD 000\$)	Number of Claims	Appeal Amount (CAD 000\$)	Number of Claims	Settlement Amount (CAD 000\$)
Category							
Unsecured Claim as at the Determination Date	140	416	-	-	-	-	-
Secured Claim as at the Determination Date	100	7	11,621	-	-	-	-
Restructuring Claims:							
Renegotiated Leases Claims	61	73,615	-	-	-	-	-
Disclaimed Leases Claims	9	9,688	-	9	9,688	3	1,922
Other Restructuring Claims	4	264	-	-	-	-	-
Related Party Claims	-	-	-	-	-	-	-
Unliquidated Claim	-	-	-	-	-	-	-
Undetermined Claims	-	-	-	-	-	-	-
Total Claims Before \$60 M Note	314	83,990	11,621	9	9,688	3	1,922
\$60 M Note	-	-	-	-	-	-	-
Total Claims	314	83,990	11,621	9	9,688	3	1,922

64. The Monitor has also received 5 Proofs of Claim in respect of 5 Claims for an aggregate face value of \$ 20.8 M that have yet to be determined in accordance with the Claims Procedure Order ("**Undetermined Claims**").
65. To the extent that any Disputed Claims or Undetermined Claims have not been determined in accordance with the Claims Procedure Order prior to the Creditors' Meeting, the Meeting Order provides that the Monitor, in conjunction with Groupe Dynamite, may determine the amount of the applicable Voting Claims for the purposes of voting on the Plan.
66. As will be explained below, the Plan also excludes from the initial and interim distributions, the amounts needed to cover any claims that have yet to be finally determined in accordance with the Claims Procedure Order.

III. OVERVIEW OF THE PLAN²

67. Since the Seventh Report, the Monitor has continued to assist Groupe Dynamite in its efforts to elaborate a CCAA plan of compromise and arrangement that will be acceptable to its creditors and that will satisfy the requirements for Court approval.
68. On September 2, 2021, with the support of the Monitor, Groupe Dynamite filed the Meeting Application for the purpose of allowing its creditors affected by the Plan to consider it and, if deemed appropriate, to vote in favour of the Plan at the Creditors' Meeting to be held on September 30, 2021.
69. Should the Plan be approved by the Required Majority at the Creditors' Meeting, Groupe Dynamite will be seeking the approval of the Plan by the Court at the Sanction Hearing, to be held on October 7, 2021.

Distribution Pools and Affected Claims

70. The Plan contemplates a contribution of \$ 8,000,000 (the Plan Contribution Amount) to be allocated to Affected Creditors through the creation of two Distribution Pools, one for Affected Claims in Canadian dollars (the CAD Distribution Pool) and the other for Affected Claims in United States dollars, converted as at the current date (the USD Distribution Pool).

² All capitalized terms used in this section but not otherwise defined in this Report shall have the meanings ascribed to them in the Plan. This section aims to simplify the terms of the Plan for the benefit of the reader and is not a binding indication or comprehensive review of the Plan's terms. In the event of any inconsistency between the terms of the Plan and the content of this Report, the terms of the Plan shall prevail.

71. The Affected Claims include all claims against Groupe Dynamite, except:
- i) all Claims secured by the Administration Charge and the Interim Lender Charge;
 - ii) the Crown Priority Claims;
 - iii) the Gift Cards Claims;
 - iv) the Post-Filing Claims; and
 - v) the Secured Lenders' Claims.

Classes of creditors and voting

72. There is one class of creditors composed of all Affected Creditors, each of which is entitled to one vote for the dollar value of its Voting Claim or, in the case of an undetermined Voting Claim, the value determined by the Monitor in conjunction with Groupe Dynamite at the Meeting.
73. Any Affected Creditor with a Proven Affected Claim lower or equal to CAD 2,500.00 or USD 1,895.25, as applicable, (a Default Convenience Creditor) will be paid in full under the Plan and deemed to vote in favour of the Plan.
74. Any Affected Creditor with a Proven Affected Claim superior to CAD 2,500.00 or USD 1,895.25, as applicable, may receive such amount in full satisfaction of their Affected Claim (an Opt-in Convenience Creditor) provided they (i) make an election to receive such amount and to vote in favour of the Plan; and (ii) submit to the Monitor prior to the Meeting a duly completed Convenience Voting and Election Form (as defined in the Meeting Order).

Distributions

75. The Initial Distribution will be made within 30 days of the Plan Implementation Date. The Monitor will distribute the CAD Distribution Pool and the USD Distribution Pool, less the amount of all Undetermined Affected Claims, to the CAD Affected Creditors and the USD Affected Creditors, respectively, to pay:
- i) first, the Employee Priority Claims;
 - ii) second, to each Default Convenience Creditor the amount of its Affected Claim, and to each Opt-in Convenience Creditor an amount of CAD 2,500.00 or USD 1,895.25, as applicable; and
 - iii) third, an amount to each Affected Creditor to pay the Pro-Rata Share of its Proven Affected Claim.
76. After the Initial Distribution, the Monitor may effect further distributions of the Distribution Pools to Affected Creditors, if and when additional funds become available, to pay their Pro-Rata Share of their Proven Affected Claims, less any amount already received.
77. Within 30 days of the date on which there are no longer any Undetermined Affected Claims, the Monitor shall effect the Final Distribution of the Distribution Pools to Proven Creditors to pay their Pro-Rata Share of their Proven Affected Claims, less any amount already received.
78. The Plan provides for payment in Canadian dollars of the CAD Affected Claims and the payment in United States dollars of all USD Affected Claims, converted at the Bank of Canada daily exchange rate as of the date of the distribution.
79. The principal shareholder of Groupe Dynamite will not benefit from any distribution on the basis of the \$60M Note, as the implementation of the Plan is conditional upon the principal

shareholder having released and discharged Groupe Dynamite of any obligation in connection with the \$60M Note. Concurrently with the release and discharge of any such obligations, the principal shareholder will withdraw any Proof of Claim submitted in connection with the \$60M Note.

Plan Implementation Date

80. Once the Plan is approved by the Required Majority, the Sanction Order is rendered and enforced in the Chapter 15 proceedings and Groupe Dynamite has remitted the Plan Contribution Amount to the Monitor, the Monitor will file the Implementation Certificate of the Monitor and the date of such certificate shall be the Plan Implementation Date.

Plan Releases and Discharges

81. On the Plan Implementation Date, Groupe Dynamite, its Directors and Officers, its legal counsel and representatives, the Monitor, the latter's legal counsel and various other Persons shall be released and discharged from any and all Claims subject to certain limited exceptions and to section 5.1(2) CCAA.

Certain recourses not to apply

82. The Plan provides that notwithstanding Section 36.1 CCAA, Sections 38 and 95 to 101 of the BIA as well as any other Canadian or foreign legislation relating to preferences, fraudulent conveyances, transfers at undervalue or Paulian action shall not apply to the Plan or to any payments or distributions made in connection with transactions entered into by or on behalf of Groupe Dynamite, whether before or after the Filing Date, including all of the payments, distributions and transactions contemplated under the Plan.

Estimated recovery for creditors under the Plan

83. The table below provides an overview of the estimated recovery for creditors under the Plan based the Monitor's best estimate of Proven Affected Claims as at the date of this Report:

Groupe Dynamite Inc. Estimated Recovery for Creditors Under the Plan		
	Total Number	Amount (CAD 000\$)
Creditors with Proven Affected Claims ⁽¹⁾	447	112,318
Contribution		8,000
Default Convenience Creditors	70	76
Remaining Contribution to Other Proven Creditors		7,924
Dividend Percentage		7.05%

Note 1 : These Claims include approximately 12M of secured Claims that were revised as unsecured Claims and presumes that the Undetermined and Unliquidated Claims will be allowed in full.

84. Based on the above, all Affected Creditors with Proven Affected Claims, other than Convenience Creditors, are expected to receive a dividend representing 7.05% of their Proven Affected Claims.

85. By a Supplement to the Plan, Groupe Dynamite has undertaken to increase the Plan Contribution Amount by up to \$ 550,000, immediately prior to the Meeting, to ensure that the Plan Contribution Amount is sufficient, at that time and based on the information then available, to ensure that each Affected Creditor with a Proven Affected Claim or an Undetermined Affected Claim entitled to (in the case of a Proven Affected Claim), or that could be entitled to (in the case of an Undetermined Affected Claim), a distribution under the Plan could receive a distribution representing at least 7% of its Proven Affected Claim or Undetermined Affected Claim.

IV. ESTIMATED DISTRIBUTION TO CREDITORS IN A LIQUIDATION SCENARIO

86. The Monitor has prepared an analysis to estimate the net realization value of Groupe Dynamite's assets following an orderly liquidation (the "**Liquidation Analysis**") for the purpose of allowing the Affected Creditors and the Court to assess the fairness and reasonableness of the Plan.

87. The Liquidation Analysis, which sets out the estimated recovery for creditors in the context of two different orderly liquidation scenarios, is summarized in the table below and attached to this Report as **Appendix A**.

Liquidation Analysis Summary As at July 31, 2021 (in \$000 CAD)	Low scenario	High scenario
Assets liquidation proceeds		
Cash	96,837	96,837
Inventory (from orderly liquidation)	(3,185)	11,854
Other assets	1,033	5,942
	94,685	114,633
Liquidation process costs	(5,133)	(5,633)
Amount available for distribution	89,552	109,000
WEPPA	(7,244)	(7,244)
CCAA charges (Administration and D&O indemnification)	(7,700)	(7,700)
Secured lenders (bank syndicate)	(115,942)	(115,942)
Interim financing	(10,000)	(10,000)
	(140,886)	(140,886)
Unsecured creditors		
Surplus (shortfall) for distribution	(51,334)	(31,886)
<i>Estimated recovery</i>	0%	0%

88. As demonstrated in the Liquidation Analysis, the estimated recovery for unsecured creditors in the low and high scenarios is estimated to be nil. In both scenarios, the net proceeds obtained from an orderly liquidation of Groupe Dynamite's assets would be insufficient to cover the claims of its secured creditors, including the Lending Syndicate and the Interim Lender.

89. In preparing the distribution estimates in the Liquidation Analysis, the Monitor has been provided with, and has relied upon, Groupe Dynamite's books and records, financial information prepared by Groupe Dynamite and discussions with Management. The net realization value of Groupe Dynamite's assets is based the Monitor's current best estimate. In preparing this estimate, the Monitor has used various assumptions that could vary in the future and have a negative impact on the estimated recovery for unsecured creditors.

V. THE MONITOR'S OBSERVATION ON THE PLAN

90. Having assessed the terms of the Plan and with a view to advising creditors and the Court on its fairness and reasonableness in the circumstances, the Monitor notes the following:

- i) The Plan and the distributions contemplated therein are reasonable considering Groupe Dynamite's current financial situation and the exceptional and uncertain circumstances in which it has been forced to operate in, prior to and over the course of, the Restructuring. The Plan provides for certain and immediate recovery for creditors in a context where it is unclear how the Pandemic will evolve and what effects it may have on Groupe Dynamite's operational and financial situation.

- ii) The Liquidation Analysis demonstrates that the recovery for unsecured creditors in a liquidation scenario would be nil – given, in particular, the amounts owed by Groupe Dynamite to its secured creditors – such that the dividend under the Plan will be superior to the amounts unsecured creditors could expect to recover in a bankruptcy or forced liquidation of Groupe Dynamite's assets. The Plan therefore appears more advantageous to creditors than the available alternatives.
- iii) The Plan will permit the continuation of Groupe Dynamite's business and operations in Montreal and abroad, which is highly beneficial to Groupe Dynamite and its stakeholders including its thousands of employees, landlords, customers, suppliers and trading partners in Canada, the United States and elsewhere.
- iv) The Monitor, after consulting with Groupe Dynamite and its legal counsel, has not identified any payments or transactions that it considers could be successfully challenged under sections 95 to 101 of the BIA or under articles 1631 and following of the *Civil Code of Québec*.
- v) With particular respect to the application of section 101 BIA to the Dividend Payment, both Groupe Dynamite and its valuation advisors have confirmed that the Dividend Payment was effected at a time when Groupe Dynamite was not insolvent and that Groupe Dynamite was not rendered insolvent by such payment. After careful review of the position of Groupe Dynamite and its advisors, the Monitor concurs with their conclusion.

91. Groupe Dynamite and Management have acted in good faith and with due diligence in developing the Plan.

92. Based on the foregoing, the Monitor is of the view that the Plan is fair and reasonable in the circumstances and **recommends that it be approved** by Groupe Dynamite's creditors.

VI. OVERVIEW OF THE CREDITORS' MEETING³

93. The next steps in connection with the Creditors' Meeting are as follows:

- i) The Monitor has sent to all Known Creditors and published on its website the Meeting Materials as of September 15, 2021;
- ii) The Creditors' Meeting will be held via a videoconferencing platform on September 30, 2021;
- iii) Any Affected Creditor that wishes to attend the Creditors' Meeting will be required to complete the Registration Form;
- iv) Every Proxy and Convenience Voting and Election Form must be sent to the Monitor so it is received prior to the Creditors' Meeting;
- v) Creditors can vote on the Plan prior to or at the Creditors' Meeting by sending an email vote to the Monitor at the address groupedynamite@deloitte.ca; and
- vi) In the event the Plan is approved by the Required Majority, approval of the Plan by the Court will be sought at the Sanction Hearing to take place on October 7, 2021;

³ All capitalized terms used in this section but not otherwise defined in this Report shall have the meanings ascribed to them in the Meeting Order.

- vii) Any person wishing to oppose the sanction of the Plan must serve upon the parties on the Service List as posted on the Monitor's Website and file with the Court a copy of the materials to be used to oppose the sanction of the Plan by no later than October 4, 2021 at 5:00 PM (Montréal Time).

94. Further details relating to the modalities applicable to the Creditors' Meeting are set out in the Meeting Order and the Meeting Materials.

VII. THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

95. For the reasons set out above, the Monitor is of the view that the Plan is fair and reasonable in the circumstances and its recommendation to creditors is to vote in favour of the Plan prior to or at the Creditors' Meeting.

96. The Monitor respectfully submits this Report to the Court.

DATED AT MONTREAL, this 21st 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

Liquidation Analysis Summary As at July 31, 2021 (in \$000 CAD)	Low scenario	High scenario
Inventory liquidation main assumptions		
Book value as per Balance Sheet	43,660	43,660
Adjustments (obsolescence, in-transit and prepaid)	<u>(14,891)</u>	<u>(9,869)</u>
Adjusted book value	28,769	33,791
Sales proceeds		
Average recuperation on adjusted book value	43,154 150%	59,134 175%
Other specific costs for inventory liquidation		
Professional fees - receiver & legal counsels	(1,200)	(900)
Other assets liquidation costs (opex)	<u>(45,139)</u>	<u>(46,380)</u>
Net cash flow from orderly inventory liquidation	(3,185)	11,854
As % of inventory book value	-7%	27%
Assets liquidation proceeds		
Cash	96,837	96,837
Inventory (from orderly liquidation)	(3,185)	11,854
Other assets	<u>1,033</u>	<u>5,942</u>
	94,685	114,633
Liquidation process costs	<u>(5,133)</u>	<u>(5,633)</u>
Amount available for distribution	89,552	109,000
WEPPA	(7,244)	(7,244)
CCAA charges (Administration and D&O indemnification)	(7,700)	(7,700)
Secured lenders (bank syndicate)	(115,942)	(115,942)
Interim financing	<u>(10,000)</u>	<u>(10,000)</u>
	(140,886)	(140,886)
Unsecured creditors		
Surplus (shortfall) for distribution	<u>(51,334)</u>	<u>(31,886)</u>
Estimated recovery	<u>0%</u>	<u>0%</u>

Note 1: The other assets liquidation costs include the following : stores payroll and rent, outbound freight, inbound freight, warehouse payroll and rent, advertising, liquidator fees, credit card fees, IT and contingency.

Note 2: Other assets are mainly composed of leasehold improvements and intangible assets which explains the low recovery.

Note 3: Liquidation process costs include the following: head office payroll and rent, operational suppliers and professional fees (Trustee, Trustee's legal counsel and Secured Lenders' legal counsels).

General assumptions

- Rents: 1.5 months (including stores, head office & warehouse)
- Inventory liquidation length: 6 weeks
- Inventory liquidation in stores and online
- Contingency: general provision of \$75K weekly to cover unforecasted inventory liquidation costs
- IT fees : represents 10% of the usual spending to only maintain the online platform and internal ERP
- Head office payroll: estimated that only 25% of the workforce would be maintained
- The head office remaining employees would be eligible to a retention bonus of 15% which would be payable at the end of the liquidation