

COURT FILE NUMBER 2301 - 03179

COURT COURT OF KINGS'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF ARRANGEMENT OF DYNAMIC TECHNOLOGIES GROUP INC., DYNAMIC ATTRACTIONS LTD., DYNAMIC ENTERTAINMENT GROUP LTD., DYNAMIC STRUCTURES LTD. and DYNAMIC ATTRACTIONS INC.

DOCUMENT FIFTH REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS MONITOR OF DYNAMIC TECHNOLOGIES GROUP INC., DYNAMIC ATTRACTIONS LTD., DYNAMIC ENTERTAINMENT GROUP LTD., DYNAMIC STRUCTURES LTD. and DYNAMIC ATTRACTIONS INC.

July 18, 2023

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FIFTH REPORT OF THE MONITOR

Table of Contents

INTRODUCTION 2

PURPOSE..... 4

TERMS OF REFERENCE 4

ACTIVITIES OF THE MONITOR..... 5

STATUS OF THE CCAA PROCEEDINGS..... 6

SECOND CASH FLOW STATEMENT VARIANCE ANALYSIS 11

EXTENSION OF THE STAY OF PROCEEDSINGS..... 12

CONCLUSIONS..... 13

INTRODUCTION

1. On March 9, 2023, Dynamic Technologies Group Inc. (“**DTGI**”), Dynamic Attractions Ltd. (“**DAL**”), Dynamic Entertainment Group Ltd. (“**DEGL**”), Dynamic Attractions Inc. (“**DAI**”) and Dynamic Structures Ltd. (“**DSL**”) (collectively, the “**Dynamic Group**” or the “**Applicants**”) were granted an initial order (the “**Initial Order**”) to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”).
2. The Initial Order, among other things, established a stay of proceedings (the “**Stay of Proceedings**”) in favor of the Applicants until March 19, 2023 and appointed FTI Consulting Canada Inc. as Monitor in these CCAA proceedings (the “**Monitor**”).
3. On March 16, 2023, this Honourable Court granted an Amended and Restated Initial Order which granted, among other things, the approval of procedures for a sales and investment solicitation process.
4. On May 26, 2023, this Honourable Court granted an extension to the Stay of Proceedings until and including July 28, 2023.
5. On June 2, 2023, this Honourable Court granted the following relief:
 - a. an order declaring pursuant to section 5(5) of the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1 (“**WEPPA**”) that DAL, DSL and their former employees meet the criteria established by section 3.2 of the *Wage Earner Protection Program Regulations*, SOR/2008-222;
 - b. orders approving (i) a sale of certain surplus inventory and limited assets (the “**Surplus Equipment**”) to Infinity Asset Solutions Inc. (“**Infinity**”) pursuant to an asset purchase agreement (the “**Infinity APA**”) between DTGI and Infinity and (ii) the Infinity auction services agreement for Infinity to add any residual assets to the

auction being held on the Applicants' production facility located in Port Coquitlam, British Columbia; and

- c. an order approving the transaction contemplated under purchase agreement between Universal City Development Partners Ltd. and DAL dated June 1, 2023, relating to the dismantlement and shipping preparation of a demonstration track.
6. On June 23, 2023, this Honourable Court granted the following relief:
- a. an order (the "**ARVO**") approving the purchase agreement dated June 22, 2023 (the "**PEL Transaction Agreement**") between DTGI, DAL, DAI, DSL and DEGL as vendors (collectively, the "**Vendors**"), and the purchaser group comprised of Promising Expert Limited ("**PEL**"), 2523613 Alberta Ltd. ("**Canadian Holdco**"), 15102545 Canada Inc. ("**Canadian Subco**"), PEL Dynamic Acquisition (US) Corp. ("**US Subco**"), and together with PEL, Canadian Holdco and Canadian Subco, collectively referred to as the "**Purchaser**") and the transaction completed therein (the "**Transaction**");
 - b. the ARVO also provided that upon filing of the PEL Transaction Certificate, the Monitor's powers in respect of DAI and ResidualCo (the "**Remaining Debtors**") will be enhanced to authorize, but not require, the Monitor to take any steps or actions for an on behalf of the Remaining Debtors that may be required by law or allowed under the any Order granted in these CCAA Proceedings; and
 - c. an order (the "**SAVO**") approving the sale of the Vendors' US assets to US Subco pursuant to the PEL Transaction Agreement.

PURPOSE

7. The purpose of this fifth report of the Monitor (this “**Report**” or the “**Fifth Report**”) is to provide this Honourable Court and the Applicants’ stakeholders with information and the Monitor’s comments with respect to the following:
 - a. a summary of the Monitor’s activities since the Third Report of the Monitor, dated June 15, 2023;
 - b. an update on the status of the CCAA Proceedings and the Transaction;
 - c. Dynamic’s actual cash receipts and disbursements for the 9-week period ending July 14, 2023, as compared to the Second Cash Flow Statement that was presented to this Honourable Court as attached to the Second Report;
 - d. the Applicants’ request to extend the Stay Period; and
 - e. the Monitor’s conclusions and recommendations in respect of the foregoing.

TERMS OF REFERENCE

8. In preparing this Report, the Monitor has relied upon certain information (the “**Information**”) including the Dynamic Group’s unaudited financial information, books and records and discussions with senior management (“**Management**”).
9. Except as described in this Report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*.

10. The Monitor has not examined or reviewed financial forecasts and projections referred to in this Report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*.
11. Future oriented financial information reported to be relied on in preparing this Report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
13. Capitalized terms not otherwise defined herein have the meaning set forth in the Monitor's prior Reports or the PEL Transaction Agreement.

ACTIVITIES OF THE MONITOR

14. The Monitor's activities since the date of the Third Report include the following:
 - a. engaging in ongoing discussions with Management and the Applicants' legal counsel regarding the Dynamic Group's business and financial affairs;
 - b. monitoring the Applicants' operations and cash flows;
 - c. participating in regular and frequent discussions with the Applicants, their legal counsel, PEL and its legal counsel in order to prepare for the closing of the Transaction;
 - d. reviewing and approving the Applicants' request to send notices under section 32 of the CCAA to disclaim various agreement which the Applicants are no longer able to fulfill for reasons including, but not limited to, the Applicants' lack of liquidity and timeline constraints;

- e. assisting the Applicants in the ongoing United States proceedings under Chapter 15 of Title 11 of the United States Code (the “**Chapter 15 Proceedings**”); and
- f. preparing this Report.

STATUS OF THE CCAA PROCEEDINGS

SURPLUS EQUIPMENT AUCTION AND OPERATIONAL MATTERS

- 15. An auction (the “**Auction**”) to sell the Surplus Equipment, pursuant to the Infinity APA and Infinity Auction Agreement as approved by this Honourable court on June 2, 2023, was completed on June 14 and 15, 2023. As at the date of this Report, the majority of the Surplus Equipment has been removed from the Vancouver Production Facility. It is expected that all of the Surplus Equipment will be removed from the Vancouver Production Facility prior to the end of July.
- 16. During the removal of the Surplus Equipment, an incident occurred at the Vancouver Production Facility where an individual was injured during the disassembly and removal of a crane which was sold at the Auction. The Court was advised of this incident by the Applicants’ counsel at the June 23, 2023 application. The Monitor provides the following update on this incident to the Court:
 - a. the individual was not an employee of Applicants nor Infinity (the auctioneer) and was employed by a third party contractor who was hired to remove the crane;
 - b. WorkSafeBC was informed of the incident, attended the Vancouver Production Facility and completed an inspection report which included a stop work order pending a further investigation into the status of the crane disassembly. The Applicants were not named in the WorkSafeBC investigation report;
 - c. following a safety review including an engineering assessment, the stop work order was lifted and the removal of the Surplus Equipment was able to continue;

- d. the Monitor is not aware of any claims against the Applicants, estate or the auctioneer stemming from the incident and the Monitor has not heard from the landlord of the Vancouver Production Facility following the submissions made on this matter at the June 23 application; and
- e. the Applicants have notified their insurer of the incident in the event any potential claims are advanced in the future.

DISCLAIMERS

- 17. The sale of the Surplus Equipment has been completed and the Applicants anticipate exiting the Vancouver Production Facility by the end of July, 2023. Accordingly, on June 30, 2023, Dynamic issued a disclaimer notice effective July 30, 2023, to the landlord of the Vancouver Production Facility pursuant to section 32 of the CCAA. The Monitor has not been notified of any response to this disclaimer and notes that the objection period expired on July 17, 2023.
- 18. In the Second Report, the Monitor advised this Court of an objection filed by Lotte World Adventure (Shenyang) Co. Ltd. (“**Lotte**”) to a contract disclaimer issued by Dynamic (the “**Lotte Disclaimer**”) on April 12, 2023. Lotte scheduled an application to be heard on July 5, 2023 to have the Lotte Disclaimer set aside.
- 19. Prior to the July 5, 2023, application, Lotte abandoned its application and the Monitor has been informed it does not intend to pursue its objection further.

CHAPTER 15 PROCEEDINGS

- 20. These CCAA Proceedings were recognized as the foreign main proceeding pursuant to an order granted on June 13, 2023 by the US Court.
- 21. An application has been scheduled before the US Court on July 20, 2023, to recognize and give effect to the ARVO, the SAVO and to approve the Transaction. The Monitor

understands that the objection period for this hearing expired on July 13, 2023, with no objections being filed.

22. The Monitor will further advise this Court as to any material outcomes with respect to matters before the US Court.

STATUS OF THE TRANSACTION

23. In the Third Report, the Monitor provided this Court with a summary of the PEL Transaction Agreement which included:

- a. a description of the Transaction;
- b. the Purchase Price to be paid by the Purchase which comprised:
 - i. setting off and cancelling a significant portion of the principal debt owed by DTGI to PEL under the amended and restated credit facility dated August 5, 2022;
 - ii. setting off and cancelling a significant amount of the principal debt owed by DTGI under the debtor in possession financing term sheet dated March 8, 2023; and
 - iii. a cash component estimated to be in the range of \$350,000 to \$450,000 (the “**Cash Payment**”), which will be paid to the Monitor in trust, comprised of: (i) all payables ranking in priority to the PEL first secured debt, (ii) reasonable fees and costs of the Monitor and its legal counsel and the legal counsel of the Applicants for services performed after the Closing Date (the “**Wind-Down Cost Amount**”), and (iii) the amounts to cure any monetary defaults of DAI under the Assigned Contracts;
- c. a summary of the reorganization steps; and

- d. the Monitor’s analysis and support for the Transaction, including the proposed structure which includes a reverse vesting order and releases contained therein.
24. As at the date of this report, there are no substantive matters which remain to be completed prior to the closing of the Transaction and the Monitor understands that the Applicants are expecting to close the Transaction on or about July 21, 2023. The Monitor and the Applicants are currently working to finalize the amount of the Cash Payment as discussed above, but expect it to be within the above-noted range.
 25. The Monitor will file a supplemental report if there are any material changes to the expected time of closing of the Transaction.
 26. Subsequent to the closing of the Transaction, and once all closing conditions are met, the Monitor will file the closing certificate (the “**PEL Transaction Certificate**”) with this Court.
 27. Upon filing of the PEL Transaction Certificate, and pursuant to the terms of the ARVO, the Monitor’s powers in respect of the Remaining Debtors will be enhanced to authorize, but not require, the Monitor to take any steps or actions for an on behalf of the Remaining Debtors that may be required by law or allowed under the any Order granted in these CCAA Proceedings.
 28. The remaining tasks (the “**Remaining Tasks**”) anticipated to be completed by the Monitor subsequent to the filing of the closing of the Transaction include, but are not limited to:
 - a. administration of its obligations under WEPPA, including filing of employee claims with Service Canada and payment of obligations to Service Canada relating to the super-priority charge under WEPPA;
 - b. completion of and termination of the Chapter 15 Proceedings;

- c. payment of fees and costs of the Monitor and its legal counsel and the legal counsel of the Applicants;
 - d. assigning ResidualCo into bankruptcy; and
 - e. terminating of these CCAA Proceedings.
29. The closing steps in the Transaction include funding of the Cash Payment to the Monitor, which will be held in trust to fund the completion of the Remaining Tasks and the termination of these CCAA Proceedings. The Monitor has calculated the Cash Payment to ensure there are sufficient funds available to satisfy all remaining obligations of the estate and fund the remainder of these CCAA Proceedings.
30. Upon completion of Remaining Tasks, the Monitor will apply to this Honourable Court to seek its discharge and the termination of these CCAA Proceedings.

SECOND CASH FLOW STATEMENT VARIANCE ANALYSIS

32. The Applicants' actual cash flows in comparison to those contained in the Second Cash Flow Statement for the period of May 13, 2023 to July 14, 2023 are summarized below:

9 Week Period from May 13, 2023 to Jul 14, 2023			
(CAD\$ in thousands)	Actual	Forecast	Variance
RECEIPTS			
Receipts	\$ 4,123.4	\$ 1,988.3	\$ 2,135.1
DISBURSEMENTS			
<i>Operating Disbursements</i>			
Project Purchases	(524.8)	(261.7)	(263.1)
Employee Payroll & Benefits	(1,015.3)	(798.3)	(217.0)
Contractors and Employee Expenses	(279.3)	(103.9)	(175.3)
Occupancy Expense	(421.5)	(392.3)	(29.2)
Insurance & Lease Expenses	(17.3)	(21.1)	3.8
G&A Expenses	(355.8)	(121.4)	(234.4)
<i>Total Operating Disbursements</i>	\$ (2,614.0)	\$ (1,698.8)	\$ (915.2)
OPERATING CASH FLOWS	\$ 1,509.4	\$ 289.5	\$ 1,219.8
<i>Financing Disbursements</i>			
DIP - Borrowings / (Repayments)	650.0	650.0	-
<i>Restructuring Disbursements</i>			
Professional Fees	(572.4)	(641.3)	68.8
Cash Payment - at Transaction Closing	-	-	-
NET CASH FLOWS	\$ 1,586.9	\$ 298.2	\$ 1,288.7
CASH			
Beginning Balance	\$ 1,055.4	\$ 1,055.4	\$ (0.0)
Net Cash Inflows / (Outflows)	1,586.9	298.2	1,288.7
Other (FX)	(36.1)	-	(36.1)
ENDING CASH	\$ 2,606.3	\$ 1,353.7	\$ 1,252.6
BORROWING SUMMARY			
DIP Facility Balance at May 13	\$ 1,950.0	\$ 1,950.0	\$ -
DIP - Borrowings / (Repayments)	650.0	650.0	-
DIP Principal Outstanding	\$ 2,600.0	\$ 2,600.0	\$ -
DIP Availability	-	-	-

33. The material variances in actual receipts and disbursements as compared to the Second Cash Flow Statement are primarily due to the following:
- the favourable variance in receipts of approximately \$2.1 million consists of a positive variance of approximately \$1.7 million relates to project work requested by the Applicants' customers which was not originally in the Second Cash Flow Statement and includes projects deposits for work to be completed post closing and

approximately \$460,000 in collections of quarterly dividends for the Applicants' 50% joint venture ownership of Smoky Mountain Flyers LLC;

- b. the unfavourable variance in operating disbursements of approximately \$915,000 relates to:
 - i. \$655,000 of additional project purchases, employee payroll & benefits/contractors and employee expenses which related to additional projects that were not forecast (attributed to the higher than forecast revenues);
 - ii. additional administrative expenses relating to closing items not included in the Second Cash Flow Statement including insurance premiums of \$200,000; and
 - c. the favourable variance for professional fees of approximately \$69,000 relates to the timing of payment of payment of invoices for professional and is expected to reverse once professional fees are paid in the current week.
34. As at July 14, 2023, the Interim Financing has been fully drawn to \$2.6 million and the Applicants have an ending cash balance of approximately \$2.6 million.

EXTENSION OF THE STAY OF PROCEEDINGS

35. The Applicants' have requested to extend the Stay of Proceedings to September 29, 2023.' The Monitor has considered the time expected to complete its administration of WEPP filings and will advise this Court at the July 28 application if it recommends an extension to the Stay of Proceedings past September 29, 2023.
36. The Monitor has the following comments with respect to Applicants' request for an extension to the Stay of Proceedings:

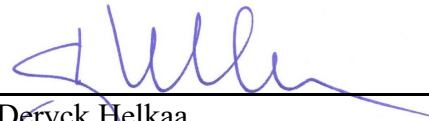
- a. there will be no material prejudice to the Applicants or their stakeholders;
- b. it will allow sufficient time for the Vendors and Purchaser to close the Transaction (if necessary) and for the Monitor to complete the Remaining Tasks;
- c. the Second Cash Flow Statement forecasts that the Applicants' will have sufficient liquidity to the date of the closing of the Transaction;
- d. the Wind-Down Cost Amount is sufficient for the Monitor to complete the Remaining Tasks;
- e. the Applicants have acted, and continue to act, in good faith and with due diligence; and
- f. the overall prospects of the Applicants' effecting a viable restructuring will be enhanced by the extension of the Stay of Proceedings.

CONCLUSIONS

- 37. The Monitor is of the view that the relief requested by the Applicants is necessary, reasonable and justified in the circumstances.
- 38. Accordingly, the Monitor respectfully recommends that this Honourable Court grant the Stay Extension Order.

All of which is respectfully submitted this 18th day of July 2023.

FTI Consulting Canada Inc., in its capacity as
the Proposed Monitor of Dynamic Group
and not in its personal or corporate capacity



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