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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

SECOND 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.

May 18, 2023

ADDRESS FOR SERVICE AND
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SECOND REPORT OF THE MONITOR

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INTRODUCTION

1. On March 9, 2023, Dynamic Technologies Group Inc. (“**DTG**”), 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 (the “**ARIO**”) which granted, among other things, the following relief:
 - a. an extension to the Stay of Proceedings until and including May 26, 2023; and
 - b. the approval of procedures for a sales and investment solicitation process (the “**SISP**”).
4. On May 16, 2023, the Applicants filed a notice of application returnable on May 26, 2023 (the “**Application**”), seeking the following:
 - a. an order (the “**Infinity SAVO**”) approving 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 DTG and Infinity ;
 - b. an order (the “**Universal SAVO**”) approving a potential transaction (the “**Universal Transaction**”) between Universal City Development Partners Ltd.

(“**Universal**”) and DAL relating to the dismantlement and shipping preparation of a demonstration track (the “**Demo Assets**”) that was fabricated by DAL for Universal and which currently remains at DAL’s production facility located in Port Coquitlam, British Columbia (the “**Vancouver Production Facility**”);

c. an order (the “**Stay Extension and WEPPA Order**”) seeking the following:

i. extending the Stay Period until and including July 28, 2023; and

ii. 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 (the “**WEPP Regulations**”) as of the date of the granting of the Stay Extension and WEPPA Order; and

d. an order (the “**Sealing Order**”) for a restricted court access in respect of the Monitor’s confidential supplemental report to this report (the “**Supplemental Second Report**”).

PURPOSE

5. The purpose of this second report of the Monitor (this “**Report**” or the “**Second Report**”) is to inform 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 subsequent to the date of the ARIO and the First Report;

b. the status of the SISP;

- c. the Infinity SAVO between the DAL and Infinity;
- d. the Universal SAVO relating to the Universal Transaction between DAL and Universal;
- e. Dynamic’s actual cash receipts and disbursements for the 9-week period ended May 12, 2023, as compared to the Cash Flow Statement that was presented to this Honourable Court as attached to the Pre-filing Report of the proposed monitor dated March 8, 2023;
- f. a summary of the updated cash flow statement (the “**Second Cash Flow Statement**”) prepared by the Applicants for the 11-week period ending July 28, 2023, (the “**Forecast Period**”), including key assumptions on which the Second Cash Flow Statement is based;
- g. the Applicants’ request to extend the Stay Period;
- h. the WEPP Regulations and certain of the Applicants’ former employees eligibility for WEPPA; and
- i. the Monitor’s conclusions and recommendations in respect of the above.

TERMS OF REFERENCE

- 6. 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**”).
- 7. 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*.

8. 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*.
9. 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.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
11. Capitalized terms not otherwise defined herein have the meaning set forth in the Pre-Filing Report or the First Report.

ACTIVITIES OF THE MONITOR

12. The Monitor's activities during the CCAA Proceedings to date 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. consulting with (i) Employment and Social Development Canada and (ii) Labour Program Employment and Social Development Canada ("LPESDC") regarding terminated employees' and their eligibility to make claims under the *Wage Earner Protection Program Act*;

- d. launching and executing the SISP in accordance with the SISP Procedures approved by this Honourable Court on March 16, 2023;
- e. assisting the Applicants in effecting a bidding process for the Surplus Equipment;
- f. responding to numerous telephone and email enquiries from the Applicants' creditors and other stakeholders;
- g. reviewing and approving the Applicants' request to send notices under section 32 of the CCAA (each, a "**Disclaimer**") to disclaim various agreements which the Applicants are no longer able to fulfill for reasons including, but not limited to, the Applicants' lack of liquidity, timeline constraints, project delays beyond the Applicants' control and to enable the Applicants to return unneeded equipment.
 - i. As at the date of this Report, the Applicants have received one objection to Disclaimers, which was from Lotte World Adventure (Shenyang) Co., Ltd. ("**Lotte**"). As the Lotte Disclaimer is not before the Court at the Application, the Monitor intends to provide its analysis and comments in respect of the disclaimer in a subsequent report;
- h. assisting the Applicants in preparing application materials for foreign recognition and approval of these CCAA Proceedings in the United States pursuant to the Chapter 15 of Title 11 of the United States Code (the "**Chapter 15 Proceedings**"). The Monitor understands that the Chapter 15 Proceedings will be commenced in Dallas, Texas following expiry of the 21 day notice period. DTG is proposing to act as foreign representative for the purposes of the Chapter 15 Proceedings;
- i. reviewing a grievance received by the Applicants from the Local Union No. 712 of the International Association of Bridge, Structural & Ornamental Ironworkers, (the

“**Union**”) which relates to statutory holiday pay for union workers whose services were no longer required by the Applicants; and

- j. preparing this Report.

UPDATE ON THE SISP

13. On March 16, 2023, as further described in the First Report, the Applicants, in conjunction with the Monitor, began marketing the Dynamic Group's business in accordance with the SISP.
14. The SISP included a Phase 1 bid deadline the (the “**Phase 1 Bid Deadline**”) whereby potential bidders were required to deliver a non-binding letter of intent (“**LOI**”) to the Monitor, with a copy to the Applicants prior to 5:00PM (Calgary time) on April 28, 2023.
15. A summary of the key elements of the SISP is as follows:
 - a. On March, 24, 2023, the placement of an advertisement in the Globe and Mail (National Edition);
 - b. the distribution of a solicitation process letter summarizing the opportunity (“**Teaser**”) through the following methods:
 - i. a news release by Global Newswire, to its North American distribution list, on March 23, 2023, which was viewed by over 2,700 parties; and
 - ii. targeted email blasts between March 21 and March 27, 2023 to:
 - approximately 95 parties who were contacted during the previous sales process conducted by the Applicants prior to the commencement of the CCAA Proceedings; and

- approximately 130 parties identified by FTI following a review of potential strategic partners/buyers and listing of private equity firms; and
- iii. posting a copy of the Teaser on the Monitor’s website;
- c. all interested parties were required to execute a non-disclosure agreement (“**NDA**”) prior to gaining access to the virtual data room or being granted access to Management. A total of 13 parties signed an NDA (the “**Interested Parties**”) as part of the SISP and were granted access to the virtual data room;
 - d. the establishment of a virtual data room to provide detailed financial and operations information in respect of the Applicants and their assets. Interested Parties who signed NDAs were granted access to the virtual data room;
 - e. the Monitor maintained regular contact with the Interested Parties, including by offering meetings with Management, inquiring on status of due diligence and offering assistance in the structuring of a LOI for the Phase 1 Bid Deadline;
 - f. the Monitor sent an email to its targeted email contact list on April 20, 2023 reminding parties of the pending bid deadline; and
 - g. uploaded to the virtual data room a bidding process letter to provide the Interested Parties with a summary of the information which was required for an LOI to be considered qualified Phase 1 Bid.
16. At the Phase 1 Bid Deadline, the Monitor received four (4) LOIs (the “**Bids**”) which can be broken down into the following groups based on consideration offered:

- a. three (3) cash offers which represented an offer for a single division of the Applicants' operations. The cash bids can be further categorized by the assets proposed to be purchased by each LOI:
 - i. two (2) of the cash offers were for High Express Holdings (US) Inc. whose only assets is a 50% holding in Smoky Mountain Flyers LLC, a joint venture entity, which operates a flying theatre ride in Pigeon Forge, Tennessee; and
 - ii. one (1) cash offer for the shares and assets of DAL which included tax assets and the manufacturing equipment in DAL's production facility located in the Vancouver Production Facility; and
- b. one (1) credit bid (the "**High Value Bid**") submitted by the Applicants' senior secured creditor and interim lender, Promising Expert Limited ("**PEL**"), which represented an offer for the majority of the Applicants' operations except for DAL's manufacturing equipment located in the Vancouver Production Facility, which is primarily comprised of the Surplus Equipment and the Demo Assets.

HIGH VALUE BID

17. The High Value Bid included the following key terms:
 - a. a cash component to satisfy any CCAA priority charges;
 - b. the forgiveness and assumption of a significant portion of the Applicants secured indebtedness;
 - c. the purchase of the majority of the Applicants business units and retention of the majority of the Applicants' remaining employees; and
 - d. it could be finalized and closed in an expediated manner.

18. The Monitor has presented a summary of the Bids in the Supplement Second Report which includes, among other things, (i) the total purchase price and consideration offered, (ii) included assets and (iii) retained liabilities for each of the Bids. Further, the Supplemental Second Report presents the calculation of value that the High Value Bid needed to exceed to fulfil the criteria to be properly categorized as a High Value LOI (as described below).
19. The Monitor reviewed the Bids and determined that the High Value Bid met the requirements of a High Value LOI, as defined in paragraph 24 and 25 of the SISP Procedures and in the confidential supplement to the First Report of the Monitor based on the following:
 - a. it provides for full payment in cash of the CCAA priority charges;
 - b. it provides substantial satisfaction or assumption of the secured debt held by PEL and secured debt in priority to PEL, including other priority claims;
 - c. the proposed purchase price is both \$2 million and 25% higher than any other Bids received at the Phase 1 Bid Deadline;
 - d. it is presented by a counterparty that has the financial and commercial ability to close the proposed transaction on expedited terms;
 - e. it is not subject to any further significant due diligence;
 - f. it may preserve the continuation of certain going concern aspects of the Applicants and provide stability through the remainder of the SISP; and
 - g. it proposes to retain the majority of the remaining employees of the Applicants.
20. Accordingly, on May 5, 2023, the Monitor advised the Applicants of its intention to terminate the SISP in accordance with the High Value LOI criteria and, on May 9, 2023,

following the expiry of the 3 day notice period to be granted to the Applicants (as required by paragraph 25 of the SISP Procedures), the Monitor advised all bidding parties of the termination of the SISP. The Monitor also advised counsel to Export Development Canada (“EDC”) of the termination of the SISP as the High Value Bid does not contemplate the assumption of the secured debt held by EDC that is subordinate to PEL.

21. Following termination of the SISP, the Applicants, with assistance from the Monitor, commenced negotiating definitive documentation with PEL.
22. The Applicants and PEL require additional time to finalize the definitive documents in respect of the transaction with PEL (the “**PEL Transaction**”) and the Monitor understands that the Applicants intend to apply to this Honorable Court for an order approving the PEL Transaction once transaction documents have been completed and executed.

INFINITY APA

23. As the SISP progressed, the Monitor, in consultation with the Applicants, identified the likely result that certain equipment associated with DAL’s manufacturing operations, namely the Surplus Equipment and the Demo Assets, would not be included in any LOIs.
24. In preparing for this potential outcome, the Applicants, with assistance from the Monitor, reached out to four (4) auction houses to attend the Vancouver Production Facility and submit auction proposals (the “**Auction Proposals**”) for the Surplus Equipment. The Auction Proposals were to be structured in a manner that would allow flexibility in their contents based on the outcome of the SISP.
25. The Applicants were presented with Auction Proposals from three (3) of the auction houses which contained varying structures including net minimum guarantees, commission-only consideration, and an offer to purchase the Surplus Equipment outright. A summary of the Auction Proposals is contained in the Supplement Second Report.

26. The Applicants, in consultation with the Monitor, evaluated the Auction Proposals with consideration of, among other things:
- a. the scope of assets included;
 - b. the net minimum guarantees ;
 - c. the fee structures, including commissions, buyer's premiums, sharing thresholders and cost deductions;
 - d. key dates, including proposed auction dates and the length of time required at the Vancouver Production Facility;
 - e. closing risk and risk associated with maximizing recoveries under each proposal;
 - f. flexibility based on the outcome of the SISP; and
 - g. the proposed consideration structures and the anticipated recoveries.
27. After review, the Applicants, in consultation with the Monitor, selected the Auction Proposal submitted by Infinity, which contemplates that Infinity will purchase the Surplus Equipment outright from the Applicants. The Monitor understands that, following selection of the Infinity Auction Proposal, the Applicants and Infinity proceeded to negotiate the terms of the Infinity APA and the Infinity SAVO.
28. The Infinity APA includes the following key terms:
- a. Infinity will conduct an auction at the Vancouver Production Facility prior to July 15, 2023 and will receive all proceeds;

- b. a deposit is payable within five (5) business days following execution with the balance of the purchase price being payable immediately following all closing conditions being satisfied; and
 - c. the only material condition to closing is the approval of the Infinity APA by this Honourable Court.
29. The Monitor's comments with respect to the Infinity APA are as follows:
- a. the cash purchase price provided by Infinity provides for the highest expected recoveries for the Surplus Equipment in the circumstances;
 - b. Based on the Monitor's prior experience with auctioneers and liquidators, the structure of, and other key terms in, the Infinity APA are commercially reasonable given the nature, locations and condition of the assets; and
 - c. the Infinity APA does not include any assets contemplated to be included in the PEL Transaction or the Universal Transaction (i.e. the Demo Assets).
30. Of the Auction Proposals received, the direct purchase by Infinity has the highest guaranteed realization and will result in monetization of the Surplus Equipment in a timely manner. Accordingly, the Monitor recommends that this Honourable Court grant the Applicants' request for an Infinity SAVO, vesting the assets included therein in Infinity, free and clear of any encumbrances. A copy of the Infinity APA is attached at Appendix A of the Monitor's Second Supplemental Report.

PROPOSED UNIVERSAL TRANSACTION

31. As previously indicated, the High Value Bid excludes the assets and/or operations located at the Vancouver Production Facility, the majority of which are proposed to be included in the Surplus Equipment subject to the Infinity APA. Outside of the Surplus Equipment, the

remaining assets at the Vancouver Production Facility are the Demo Assets, which are comprised of a demonstration track for the Harry Potter Forbidden Journey Ride that was fabricated for Universal.

32. The Monitor understands that Universal opted to leave the Demo Assets in place at the Vancouver Production Facility following their completion. DAL is currently attempting to exit the Vancouver Production Facility and has received a request from Universal to decommission and disassemble the track and pack/crate it for shipment to Universal.

33. The Monitor understands that the definitive terms of the Universal Transaction are in the process of being finalized; however, key terms are expected to include:

- a. a lumpsum payment of US\$149,750 by Universal to DAL for the track disassembly, packing, crating, loading and administration of the Demo Assets;
- b. Universal will be responsible to cover all shipping costs from the Vancouver Production Facility to the final destination; and
- c. Universal will pay all outstanding invoices owing to Dynamic prior to the loading of the Demo Assets.

34. The Demo Assets currently occupy a significant portion of the Vancouver Production Facility and need to be removed in order to allow Infinity to proceed with the Surplus Equipment auction. Further, the Monitor understands that the Demo Assets:

- a. were not included in the Auction Proposals due to potential ownership disputes between DAL and Universal; and
- b. have no material value to any party other than Universal and any disposal costs would likely exceed their scrap value.

35. Subject to finalizing the terms of the Universal Transaction, the Applicants are seeking a vesting order relating to the Demo Assets as the Universal Transaction is considered a transaction outside of the ordinary course of business. The Monitor understands that should this Court approve the terms of the Universal Transactions and the proposed Universal SAVO, the Universal Transaction could be completed in the next 30-45 days.

SECURITY REVIEW

36. The Monitor's counsel has reviewed the security interests of PEL and has provided an opinion, subject to the customary assumptions and qualifications, that PEL's security is valid and enforceable and is the first-ranking security in the property of the Applicants. Depending on the structure of the anticipated PEL Transaction the Monitor may require additional security opinions from counsel in other jurisdictions, which the Monitor will obtain if necessary.

CASH FLOW VARIANCE ANALYSIS

37. The Applicants' actual cash flows in comparison to those contained in the Cash Flow Statement for the period of March 9 2023 to May 12, 2023 are summarized below:

9 Week Period Ending May 12, 2023			
<i>(CAD\$ in thousands)</i>	Actual	Forecast	Variance
RECEIPTS			
Receipts	\$ 1,629.7	\$ 523.5	\$ 1,106.2
DISBURSEMENTS			
<i>Operating Disbursements</i>			
Project Purchases	(202.3)	-	(202.3)
Employee Payroll & Benefits	(1,605.7)	(1,398.8)	(206.9)
Contractors and Employee Expenses	(471.0)	(407.5)	(63.5)
Occupancy Expense	(397.9)	(233.5)	(164.4)
Insurance & Lease Expenses	(25.9)	(14.9)	(11.0)
G&A Expenses	(34.7)	(346.8)	312.1
<i>Total Operating Disbursements</i>	\$ (2,737.5)	\$ (2,401.5)	\$ (336.0)
OPERATING CASH FLOWS	\$ (1,107.8)	\$ (1,878.0)	\$ 770.2
<i>Financing Disbursements</i>			
DIP - Borrowings / (Repayments)	1,950.0	1,950.0	-
<i>Restructuring Disbursements</i>			
Professional Fees	(319.0)	(387.5)	68.5
NET CASH FLOWS	\$ 523.2	\$ (315.5)	\$ 838.7
CASH			
Beginning Balance	\$ 537.6	\$ 524.4	\$ 13.2
Net Cash Inflows / (Outflows)	523.2	(315.5)	838.7
Other (FX)	(5.4)	-	(5.4)
ENDING CASH	\$ 1,055.4	\$ 208.9	\$ 846.5
BORROWING SUMMARY			
DIP Facility Credit Limit	\$ 2,600.0	\$ 2,600.0	\$ -
DIP - Borrowings / (Repayments)	1,950.0	1,950.0	-
DIP Principal Outstanding	\$ 1,950.0	\$ 1,950.0	\$ -
DIP Availability	650.0	650.0	-

38. The material variances in actual receipts and disbursements as compared to the Cash Flow Statement are primarily due to the following:

- a. the favourable variance of approximately \$1.1 million in receipts consists of a positive variance of \$0.3 million for collection of receivables and \$0.8 million for small project work requested by the Applicants' customers in relation to work in progress held at the Applicants' warehouse in Port Coquitlam that was not originally forecasted at the date of the Cash Flow Statement;
- b. the unfavourable variance of approximately \$0.3 million in disbursements is primarily comprised of the following:
 - i. an unfavourable variance in project purchases of approximately \$0.2 million relating to costs associated with the small project work requested by the Applicants' customers;
 - ii. an unfavourable variance in employee payroll and benefits of approximately \$0.2 million related to additional wages associated with small project work which was not forecast in the Cash Flow Statement;
 - iii. an unfavorable variance in occupancy expense of approximately \$0.2 million relating to occupancy expenses for the Applicants' leased warehouse in Port Coquitlam which has extended beyond what was originally forecast. The Applicants continue to occupy this warehouse; and
 - iv. a favourable variance in G&A Expenses of approximately \$0.3 million due to the Applicants being able to further reduce expenses compared to the forecast; and
- c. the favourable variance for professional fees of approximately \$0.1 million relates to the timing of payment of invoices for professionals and is expected to reverse in future periods.

39. As at May 12, 2023, the Interim Financing has been drawn, as forecasted, to \$2.0 million and the Applicants have an ending cash balance of approximately \$1.1 million.

SECOND CASH FLOW STATEMENT

40. Management has prepared the Second Cash Flow Statement to set out the Applicants' liquidity requirements for the 11 weeks ending July 28, 2023 (the "Forecast Period"). A copy of the Second Cash Flow Statement is attached as Appendix A.

41. The Second Cash Flow Statement is summarized as follows:

Weeks Ending (Friday) <i>(CAD\$ in thousands)</i>	March 17 to May 12	May 13 to July 28	Total
Forecast Week	Actuals	Forecast	
RECEIPTS			
Receipts	\$ 1,629.7	\$ 1,988.3	\$ 3,618.1
DISBURSEMENTS			
<i>Operating Disbursements</i>			
Project Purchases	(202.3)	(261.7)	(463.9)
Employee Payroll & Benefits	(1,605.7)	(1,008.7)	(2,614.5)
Contractors and Employee Expenses	(471.0)	(109.4)	(580.4)
Occupancy Expense	(397.9)	(397.1)	(795.0)
Insurance & Lease Expenses	(25.9)	(21.1)	(47.0)
G&A Expenses	(34.7)	(128.4)	(163.2)
<i>Total Operating Disbursements</i>	\$ (2,737.5)	\$ (1,926.4)	\$ (4,664.0)
OPERATING CASH FLOWS	\$ (1,107.8)	\$ 61.9	\$ (1,045.9)
<i>Financing Disbursements</i>			
DIP - Borrowings / (Repayments)	1,950.0	650.0	2,600.0
<i>Restructuring Disbursements</i>			
Professional Fees	(319.0)	(862.2)	(1,181.2)
NET CASH FLOWS	\$ 523.2	\$ (150.3)	\$ 372.9
CASH			
Beginning Balance	\$ 537.6	\$ 1,055.4	\$ 537.6
Net Cash Inflows / (Outflows)	523.2	(150.3)	372.9
Other (FX)	(5.4)	-	(5.4)
ENDING CASH	\$ 1,055.4	\$ 905.1	\$ 905.1
BORROWING SUMMARY			
DIP Facility Credit Limit	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0
DIP - Borrowings / (Repayments)	1,950.0	650.0	2,600.0
DIP Principal Outstanding	\$ 1,950.0	\$ 650.0	\$ 2,600.0
DIP Availability	650.0	-	-

42. The key assumptions on which the Second Cash Flow Statement is based on are summarized as follows:
- a. receipts are forecasted to included existing accounts receivable, other miscellaneous receipts, collection of receipts related to additional small project work requested by the Applicants' customers and proceeds from the sale of the Surplus Equipment pursuant to the Infinity APA;
 - b. project purchases consist of costs associated with performing the small project work requested by the Applicants' customers, including the completion of existing contracts and parts and service work for maintenance operations;
 - c. employee payroll & benefits consists of amounts due to current employees including contractual employee benefits;
 - d. contractor and employee expenses consists of hourly rates paid to contract employees as well as expenses paid by employees;
 - e. occupancy expenses includes rent, utilities, property taxes and other building related items;
 - f. G&A expenses includes office expenses and other miscellaneous expenses;
 - g. DIP borrowing/ repayments consists of draws and repayments of the Interim Financing; and
 - h. professional fees includes fees paid to the Monitor, Monitor's Counsel, and Dynamic Group's Counsel.
43. The Applicants are currently forecasting \$0.9 million in cash at the end of the Forecast Period.

EXTENSION OF THE STAY OF PROCEEDINGS

44. The Monitor has considered the Dynamic Group’s request to extend the Stay of Proceedings to July 28, 2023, and has the following comments:
- a. there will be no material prejudice to the Applicants;
 - b. it will allow the Applicants and PEL to continue to negotiate and finalize documents in relation to the PEL Transaction and provide sufficient time for the PEL Transaction to close within the timeframe currently contemplated;
 - c. the Second Cash Flow Statement forecasts that the Applicants’ cash on hand will provide Dynamic with sufficient liquidity during the term of the Stay Extension;
 - d. the Applicants have acted, and continue to act, in good faith and with due diligence; and
 - e. the overall prospects of the Applicants’ effecting a viable restructuring will be enhanced by the extension of the Stay of Proceedings.

WEPPA DECLARATION

45. Section 5(1) of the WEPPA provides that an individual is eligible to receive payment under that Act if, among other things, (i) the individual is owed eligible wages by a former employer; (ii) the former employer is subject to proceedings under the CCAA; and (iii) a court determines under subsection 5(5) that criteria prescribed by regulation are met.
46. Section 5(5) of WEPPA provides that, on application by any person, a court under the CCAA may determine that a former employee meets criteria prescribed by regulation. Section 3.2 of the WEPP Regulations provides that “for purposes of subsection 5(5) of the *WEPPA*, a court may determine whether the former employer is the former employer of all

of whose employees in Canada have been terminated other than any retained to wind down it business operations.”

47. At the commencement of the CCAA Proceedings, DAL and DSL had approximately 28 and 31 employees, respectively, for a combined total of 59 employees. On or about March 10, 2023, with the exception of seventeen (17) employees (the “**Retained Employees**”), DAL and DSL’s terminated the employment of their employees. Following those initial terminations, DAL and DSL terminated the employment of a further five (5) of the Retained Employees as the Applicants continue to wind-down operations at the Vancouver Production Facility. The Retained Employees have been retained to assist with these CCAA Proceedings and the care and maintenance of the Surplus Equipment located at the Port Coquitlam warehouse during the SISP.
48. Accordingly, the Monitor is of the view that the employment of all the terminated employees of both DAL and DSL was terminated due to the Applicants’ limited liquidity and the expectation that the Applicants’ manufacturing operations would not be included in any purchase offer submitted during the SISP. This expectation was confirmed through the SISP and the assets of the Applicants’ manufacturing division are scheduled to be sold by way of public auction pursuant to the Auction Purchase Agreement. As such, the Monitor supports the Applicants request for a declaration that DAL and DSL are former employers for the purposes of section 5(5) of the WEPPA.

The Monitor has had several discussions with LPESDC since the commencement of these CCAA proceedings in respect of employee eligibility for WEPP. LPESDC is aware that the Applicant, with the Monitor’s support, intends to bring this application for the Court’s approval. LPESDC is on the Service List for these CCAA Proceedings and was served with the Applicants’ materials for the May 26, 2023 application.

RESTRICTED COURT ACCESS ORDER

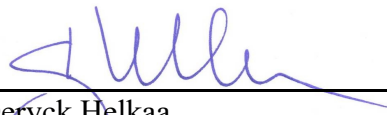
49. The Second Supplemental Report has been prepared in conjunction with this Second Report and contains confidential and commercially sensitive information relating to the Bids, High Value Bid, the Auction Proposals and the Infinity APA. The information contained in the Second Supplemental Report could materially harm Applicants' restructuring efforts and the value of the Applicants' creditors and stakeholders.
50. A Sealing Order is necessary to prevent the confidential and commercially sensitive information contained in the Second Supplemental Report from being published and disclosed. The Sealing Order sought is the least restrictive means possible to prevent disclosure of the confidential and commercially sensitive information in the Second Supplemental Report.

CONCLUSIONS

51. The Monitor is of the view that the relief requested by the Applicants pursuant to the ARIO is necessary, reasonable and justified in the circumstances.
52. Accordingly, the Monitor respectfully recommends that this Honourable Court grant the following orders:
 - a. the Infinity SAVO;
 - b. Universal SAVO;
 - c. the Stay Extension and WEPPA Order; and
 - d. the Sealing Order.

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

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



Deryck Helkaa
Senior Managing Director
FTI Consulting Canada Inc.



Dustin Olver, CA, CPA, CIRP, LIT
Senior Managing Director
FTI Consulting Canada Inc.

Appendix A

Dynamic Technologies Group Inc

CCA 11-Week Cash Flow

May 12, 2023

(CAD\$ in thousands)

Weeks Ending (Friday)	5/19/23	5/26/23	6/2/23	6/9/23	6/16/23	6/23/23	6/30/23	7/7/23	7/14/23	7/21/23	7/28/23	11-Week Forecast
(CAD\$ in thousands)	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Forecast Week	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	Wk 9	Wk 10	Wk 11	Total
RECEIPTS												
Receipts	\$ 248.8	\$ 360.4	\$ 1,127.7	\$ 177.4	\$ 33.8	\$ -	\$ -	\$ 20.3	\$ 20.0	\$ -	\$ -	\$ 1,988.3
DISBURSEMENTS												
<i>Operating Disbursements</i>												
Project Purchases	(95.9)	(24.6)	(33.8)	(35.8)	(35.8)	(35.8)	-	-	-	-	-	(261.7)
Employee Payroll & Benefits	(37.5)	(26.4)	(179.1)	(27.6)	(144.6)	(30.5)	(172.1)	(6.8)	(173.7)	(2.5)	(207.9)	(1,008.7)
Contractors and Employee Expenses	(20.9)	(3.5)	-	(7.0)	(33.5)	(1.0)	(4.5)	(5.0)	(28.5)	(1.0)	(4.5)	(109.4)
Occupancy Expense	(0.9)	(4.7)	(188.1)	(0.5)	(3.9)	(4.7)	-	(188.1)	(1.4)	(4.7)	-	(397.1)
Insurance & Lease Expenses	(0.2)	(0.9)	(8.7)	(1.1)	(0.2)	(0.9)	(0.3)	(8.6)	(0.2)	-	-	(21.1)
G&A Expenses	(30.4)	(32.0)	(25.0)	(25.0)	-	(2.0)	-	(5.0)	(2.0)	-	(7.0)	(128.4)
<i>Total Operating Disbursements</i>	\$ (185.7)	\$ (92.1)	\$ (434.8)	\$ (96.9)	\$ (217.9)	\$ (75.0)	\$ (176.9)	\$ (213.6)	\$ (205.8)	\$ (8.3)	\$ (219.4)	\$ (1,926.4)
OPERATING CASH FLOWS	\$ 63.0	\$ 268.3	\$ 692.9	\$ 80.4	\$ (184.1)	\$ (75.0)	\$ (176.9)	\$ (193.3)	\$ (185.8)	\$ (8.3)	\$ (219.4)	\$ 61.9
<i>Financing Disbursements</i>												
DIP - Borrowings / (Repayments)	350.0	-	-	300.0	-	-	-	-	-	-	-	650.0
<i>Restructuring Disbursements</i>												
Professional Fees	-	(228.8)	-	-	(250.0)	-	-	(162.5)	-	-	(220.9)	(862.2)
NET CASH FLOWS	\$ 413.0	\$ 39.5	\$ 692.9	\$ 380.4	\$ (434.1)	\$ (75.0)	\$ (176.9)	\$ (355.8)	\$ (185.8)	\$ (8.3)	\$ (440.3)	\$ (150.3)
CASH												
Beginning Balance	\$ 1,055.4	\$ 1,468.5	\$ 1,508.0	\$ 2,200.9	\$ 2,581.3	\$ 2,147.2	\$ 2,072.2	\$ 1,895.3	\$ 1,539.5	\$ 1,353.7	\$ 1,345.4	\$ 1,055.4
Net Cash Inflows / (Outflows)	413.0	39.5	692.9	380.4	(434.1)	(75.0)	(176.9)	(355.8)	(185.8)	(8.3)	(440.3)	(150.3)
Other (FX)	-	-	-	-	-	-	-	-	-	-	-	-
ENDING CASH	\$ 1,468.5	\$ 1,508.0	\$ 2,200.9	\$ 2,581.3	\$ 2,147.2	\$ 2,072.2	\$ 1,895.3	\$ 1,539.5	\$ 1,353.7	\$ 1,345.4	\$ 905.1	\$ 905.1
BORROWING SUMMARY												
DIP Facility Credit Limit	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0
DIP - Borrowings / (Repayments)	350.0	-	-	300.0	-	-	-	-	-	-	-	650.0
DIP Principal Outstanding	\$ 2,300.0	\$ 2,300.0	\$ 2,300.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 2,600.0	\$ 650.0
DIP Availability	300.0	300.0	300.0	-	-	-	-	-	-	-	-	-



Mike Martin, CFO

Dynamic Technologies Group Inc

Notes:

Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Debtors during the CCAA Proceedings.

The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

- [1] Receipts are forecasted to include existing accounts receivable, other miscellaneous receipts, collection of receipts related to small project work requested by the Applicants' customers and proceeds from the sale of the Surplus Equipment pursuant to the Infinity APA.
- [2] Project purchases consist of costs associated with small project work requested by the Applicants' customers, including the completion of existing contracts and parts and service work for maintenance operations.
- [3] Employee payroll & benefits consists of amounts due to current employees including contractual employee benefits.
- [4] Contractor and employee expenses consist of hourly rates paid to contract employees as well as out-of-pocket expenses paid by employees or contractors.
- [5] Occupancy expenses include rent, utilities, property taxes and other building related items.
- [6] Insurance & lease expenses consist of corporate insurance premiums and miscellaneous G&A lease payments.
- [7] G&A expenses include office expenses and other miscellaneous expenses.
- [8] DIP borrowing/ repayments consist of draws and repayments of the Debt in possession financing.
- [9] Professional fees include fees paid to the Monitor, Monitor's Counsel and Company Counsel.