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JUDICIAL CENTRE

CALGARY

APPLICANT

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

COM
June 23, 2023

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

THIRD 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.

June 15, 2023

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THIRD REPORT OF THE MONITOR

Table of Contents

INTRODUCTION	2
PURPOSE	3
TERMS OF REFERENCE	4
ACTIVITIES OF THE MONITOR	5
RESULTS OF THE SISP	7
THE PEL TRANSACTION AGREEMENT	8
MONITOR'S ANALYSIS OF THE TRANSACTION	13
US SECURITY REVIEW	19
SECOND CASH FLOW STATEMENT VARIANCE ANALYSIS	19
CONCLUSIONS.....	21

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 (the “**ARIO**”) which granted, among other things, the approval of procedures for a sales and investment solicitation process (the “**SISP**”).
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 (the “**WEPPA 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 (the “**Universal SAVO**”) the transaction contemplated under purchase agreement between Universal City Development Partners Ltd. (“**Universal**”) and DAL dated June 1, 2023, relating to the dismantlement and shipping preparation of a demonstration track (the “**Demo Assets**”).

PURPOSE

6. The purpose of this third report of the Monitor (this “**Report**” or the “**Third 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 Second Report of the Monitor, dated May 18, 2023;
 - b. the Applicants proposed form of Order (the “**ARVO**”), among other things:¹
 - i. approving the purchase agreement (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**”);

¹ All capitalized terms used in this sub-paragraph are as defined in the Transaction Agreement unless otherwise noted.

- ii. granting certain releases and exculpations in favour of (i) the present and former directors, officers, employees, legal counsel and advisors of the Applicants and ResidualCo (as defined and discussed below), (ii) PEL, the Purchaser and Canadian Holdco, its subsidiaries, directors, officers, legal counsel and advisors; and (iii) the Monitor and its legal counsel; and
 - iii. ordering that, as at the Effective Date, the style of cause in the CCAA Proceedings will be amended to remove the names of DTGI, DAL, DSL and DEGL (collectively, the “**RVO Entities**”) and add the name of ResidualCo;
- c. the relief sought by the Applicants in their proposed order (the “**SAVO**”) approving the sale of the US Assets to US Subco pursuant to the PEL Transaction Agreement;
 - d. Dynamic’s actual cash receipts and disbursements for the 4-week period ending June 9, 2023, as compared to the Second Cash Flow Statement that was presented to this Honourable Court as attached to the Second Report; and
 - e. the Monitor’s conclusions and recommendations in respect of the foregoing.

TERMS OF REFERENCE

- 7. 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**”).
- 8. 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*.

9. 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*.
10. 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.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
12. 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

13. The Monitor's activities since the date of the Second 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 regarding the negotiation of the PEL Transaction Agreement;
 - 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 their preparation 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**”) and responding to certain opposition thereto. The Monitor understands that the following documents were filed in the Chapter 15 Proceedings and were before the US Court (defined below) for the initial application that was heard on June 13, 2023:
- i. motion materials for the initial hearing for the Chapter 15 Proceedings with the United States Bankruptcy Court for the Northern District of Texas (the “**US Court**”). DTGI is proposed to act as the foreign representative (the “**Foreign Representative**”);
 - ii. an objection to recognition in the Chapter 15 Proceedings filed by Skyrise Miami LLC (“**Skyrise**”), a contingent unsecured creditor based primarily on two arguments: (i) that Canada is not the center of the Applicants’ main interest and (ii) that the Foreign Representative is asking the US Court to approve, in advance, all future orders of the Court;
 - iii. the Applicants filed a reply to the objection in support of their original application and the Monitor filed a joinder to both the application and the reply; and
 - iv. leading up the hearing on the application, the parties negotiated the withdrawal of the objection filed by Skyrise and the hearing went ahead unopposed and the US Court granted the Orders sought by the Applicants in the Chapter 15 Proceedings;
- f. participating in negotiations between the Applicants and Universal to finalize the Universal SAVO which was executed on June 1, 2023 and included an amended final purchase price of USD \$135,000; and

- g. preparing this Report.

RESULTS OF THE SISP

14. As further described in the Second Report, the SISP as administered by the Monitor, included the following key dates and highlights:
 - a. the SISP was launched on March 16, 2023;
 - b. between March 21 and March 27, 2023, the Monitor placed notices in the Globe and Mail, National Edition and Global Newswire, sent targeted emails to approximately 225 parties and posted a copy of a letter summarizing the opportunity on the Monitor's website;
 - c. the Phase 1 Bid Deadline was April 28, 2023, at which time the Monitor received 4 non-binding LOIs (the "**Bids**") which consisted of the following:
 - i. 3 cash offers, 2 of which were for one of the Applicants' subsidiaries, High Express Holdings (US) Inc., and 1 of which was for the shares and assets of DAL; and
 - ii. 1 credit bid submitted by the Applicants' senior secured creditor and interim lender, PEL (the "**High Value Bid**"). The High Value Bid represented an offer for the majority of the Applicants' operations except for DAL's manufacturing equipment, comprised of the Surplus Equipment and the Demo Assets, which are summarized in the Monitor's summary of the Bids included in its confidential Supplemental Second Report;
 - d. the Monitor determined that the High Value Bid met the requirements of a High Value LOI (as defined in the SISP) and terminated the SISP on May 9, 2023.

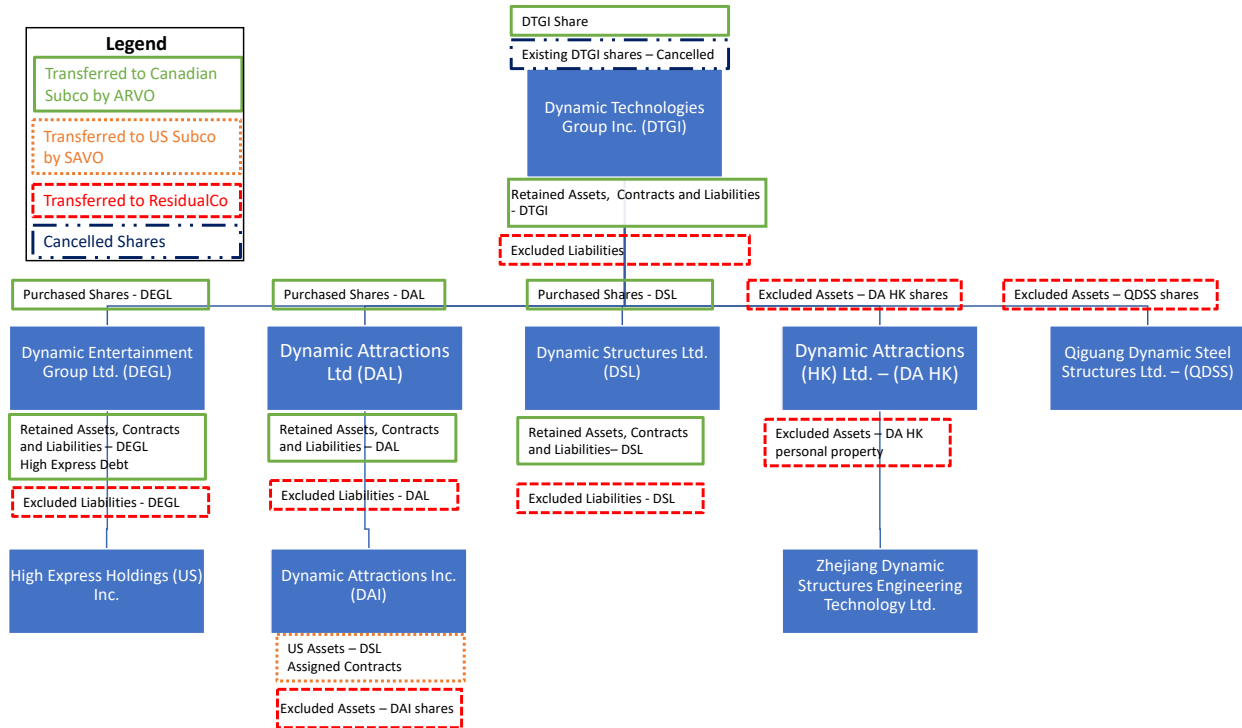
15. In the Monitor's view, the SISP was thorough, far-reaching and provided sufficient time and opportunity for interested parties to be involved and carry out the necessary due diligence required to form a view on the opportunity and ultimately submit a bid. The Monitor made significant solicitation efforts including contacting third parties who were identified as strategic partners/buyers, private equity investors, or other parties who were contacted during the sales processes completed by the Applicants prior to these CCAA Proceedings. Additionally, the SISP was also extensively advertised by the Applicants.
16. The High Value Bid met the requirements of the High Value LOI set forth in the SISP and, if approved, would allow the Applicants to move forward with their restructuring efforts in an expedited manner, particularly in light of their cash constraints.
17. The Monitor is of the view that the High Value Bid:
 - a. represents the highest and best offer in respect of the Dynamic Group;
 - b. results in a significantly higher recovery to creditors than in a liquidation or as compared to the other offers received; and
 - c. was the only viable bid that preserved the going-concern value.

THE PEL TRANSACTION AGREEMENT

OVERVIEW

18. The PEL Transaction Agreement is a result of the negotiations between the Applicants and the Purchaser, in conjunction with the Monitor to complete a transaction that preserves the going-concern value and the ongoing to employment of most of the Applicants' remaining employees.

19. To assist in summarizing the PEL Transaction Agreement, a copy of the Applicants’ organizational chart is included below along with an illustrative summary of the PEL Transaction Agreement:



20. The PEL Transaction Agreement contemplates that, upon closing, the Purchaser will own:
- the newly issued share of DTGI (the “**DTGI Share**”);
 - all of the DEGL shares, DAL shares and DSL shares (collectively, the “**Purchased Shares**”);
 - the assets and property of the RVO Entities (ie. DTGI, DEGL, DSL and DAL) that are not designated as Excluded Assets and which are defined therein as the “**Retained Assets**”;
 - the retained contracts of the RVO Entities (the “**Retained Contracts**”); and

- e. liabilities relating to the Retained Contracts, the High Express Debt and any other liabilities designate by the Purchaser to be retained (the “**Retained Liabilities**”).
21. US Subco will acquire certain assets and contracts of DAI as contemplated in the SAVO.
22. Pursuant to the terms of the ARVO and the SAVO, the Excluded Assets, Excluded Liabilities and Excluded Contracts (as defined and discussed in the Fourth Affidavit of Mr. Allan Francis dated June 13, 2023 (the "**Fourth Francis Affidavit**")) are to be transferred to ResidualCo as part of the Transaction, including the purchase price as set out in the PEL Transaction Agreement (the “**Purchase Price**”). The steps and transactions to implement the proposed Transaction are set out in detail in the PEL Transaction Agreement and are discussed further below.
23. The Purchase Price to be paid by Purchaser under the PEL Transaction Agreement consists of:
- a. setting off and cancelling a significant portion of the principal debt owed by DTGI to PEL under amended and restated credit facility dated August 5, 2022;
 - b. 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
 - c. a cash payment on closing estimated to be in the range of \$350,00 to \$450,000 (the “**Cash Payment**”), which will be paid to the Monitor in trust², comprised of the following:
 - i. all payables ranking in priority to the PEL first secured debt (the “**Priority Payables Cash Amount**”) consisting of: (i) all obligations relating to the

² The Cash Payment is currently only an estimated range and will be finalized at the time of the closing of the proposed Transaction.

super priority charge for amounts owed under WEPPA, (ii) all obligations secured by the Administration Charge as set out in the Initial Order, and (iii) the amounts necessary to satisfy each claim of a Government entity of the kind defined in section 6(3) of the CCAA, if any. The Monitor has estimated WEPPA obligations of approximately \$150,000 and has assumed that no amounts will be owing under the Administrative Charge at Closing (as all professional fees are to be paid at that time). To the extent that professional fees are owing as at Closing, and therefore would be subject to the Administration Charge, such amounts would be added to the Priority Payables Cash Amount. Professional fees for post-closing are included in the Wind-Down Cost Amount discussed below;

- ii. reasonable fees and costs of the Monitor and its legal counsel and the legal counsel of the Applicants for services preformed after the Closing Date, including any costs to wind-down and/or bankrupt ResidualCo (the “**Wind-Down Cost Amount**”). The Wind-Down Cost Amount is estimated at \$200,000 to \$300,000 and comprises professional fees of the Monitor, its counsel, US counsel and the Applicants’ counsel and costs of the bankruptcy of ResidualCo); and
- iii. the amounts required to cure any monetary defaults of DAI under the Assigned Contracts (the “**Cure Costs Amount**”). At this time, the Applicants’ are not aware of any significant Cure Cost Amount; and

d. by assumption of the Retained Liabilities.

24. On or before the Closing Date, the Applicants will take certain steps (collectively, the “**Reorganization Steps**”) to effect the Transaction, including but not limited to:

- a. pursuant to the terms of the PEL Transaction Agreement and the ARVO:

- i. all equity interests of DTGI existing prior to the commencement of the Reorganization Steps will be deemed terminated and cancelled as provided in the Reorganization Steps and DTGI shall issue a single share (the “**DTGI Share**”) to Canadian Subco;
- ii. DTGI will be delisted and shall cease to be a reporting issuer under any securities laws in which DTGI is a reporting issuer;
- iii. the Purchased Shares shall be transferred to (or issued in the case of the DTGI Share) and vest in Canadian Subco free and clear of all claims, liabilities and encumbrances, expected for permitted encumbrances and the Retained Liabilities;
- iv. the Excluded Assets shall be transferred to and vested into ResidualCo and all claims and encumbrances shall continue to attach to the Excluded Assets, which, in accordance with amendments to the PEL Transaction Agreement under consideration by the Applicants and the Purchaser, are expected to include, among other things, the Excluded Contracts, issued and outstanding securities in Qiguang Dynamic Structures Ltd., DAI, ResidualCo, and Dynamic Attractions (HK) Ltd. and all assets and personal property owned by Dynamic Attractions (HK) Ltd.;
- v. all Excluded Contracts and Excluded Liabilities of the Applicants shall be transferred to and vest in ResidualCo and the Vendors shall be forever discharged and released from such Excluded Contracts and Excluded Liabilities and related claims and encumbrances. A full summary of the Excluded Contracts and Excluded Liabilities are set out in the Fourth Francis Affidavit which should be read in conjunction with this Third Report;

- vi. the Vendors will cease to be Applicants in these CCAA Proceedings and will be released from the ARIO and all other Order granted in the CCAA Proceedings (excluding the ARVO);
- vii. ResidualCo will be added as an Applicant to these CCAA Proceedings;
- viii. the Cure Costs will be disbursed by the Monitor to the applicable counterparties and the Assigned Contracts shall be transferred to, and assumed by US Subco;
- ix. all employees shall be terminated; and
- x. each of the Applicants' directors shall be deemed to resign and new directors shall be deemed to be appointed; and

b. pursuant to terms of the PEL Transaction Agreement and the SAVO:

- i. the US Assets shall be transferred and vested in US Subco free and clear of any claims, liabilities and encumbrances, except for permitted encumbrances and the Retained Liabilities.

25. The Transaction stipulates a "Closing Date" that is five (5) business days after the closing conditions are satisfied, or such other later date agreed to by the Applicants and the Purchaser in writing with consent of the Monitor.

MONITOR'S ANALYSIS OF THE TRANSACTION

RECOVERIES TO STAKEHOLDERS UNDER THE PEL TRANSACTION AGREEMENT

26. The Monitor has considered the recovery to the Applicants' stakeholders under the proposed Transaction and provides the following comments:

- a. the Applicants ran two unsuccessful sales and investment processes prior to the SISP administered by the Monitor in the CCAA Proceedings; and
 - b. the PEL Transaction Agreement represents an offer that is materially higher and better than any of the other Bids received in the SISP. In addition, the only offer received in the pre-CCAA sales processes was significantly less than the value of the secured debt.
27. For the reasons outlined above, the Monitor is of the view that the Purchase Price and terms of the PEL Transaction Agreement represent the highest and best offer in respect of the Dynamic Group, they are fair and reasonable in the circumstances and the Transaction will result in significantly higher recovery to creditors than would likely be achieved in a liquidation scenario.
28. In addition, the Monitor has considered the factors set out in section 36(3) of the CCAA. The Monitor understands that the Transaction will, among other things, result in (i) the re-hiring of a significant number of the remaining employees post-Closing, (ii) allow for the Dynamic Group to continue to provide maintenance and service to the numerous attractions they have designed and built prior to the CCAA Proceedings and (iii) allow the Dynamic Group to continue to engineer and develop amusement park attractions for its existing customers.

PROPOSED ARVO

29. The Transaction is to be implemented, in part, pursuant to the proposed ARVO. The proposed ARVO includes certain relief, including adding of ResidualCo to these CCAA Proceedings and the RVO Entities ceasing to be subject to the CCAA and the CCAA Proceedings. As noted above, the Excluded Assets, Excluded Liabilities and Excluded Contracts are to be transferred to ResidualCo.

30. The Purchaser’s reasoning for structuring the Transaction to include a reverse vesting order is described in further detail in the Fourth Francis Affidavit. The success of Applicants' business is unique and in order to ensure its future success, is likely to require (i) the retention of various patents to protect intellectual property (the “**Intellectual Property**”), (ii) the continuation of DAL and DSL’s certifications under the International Organization for Standardization (“**ISO Certification**”), and (iii) the utilization of the Applicants’ significant tax attributes (the “**Tax Attributes**”). The relief set out in the ARVO allows for a cost-effective implementation of the Proposed Transaction in order to preserve the foregoing and going concern value.
31. The Monitor considered, among other things, the following with respect to the proposed ARVO:
- a. whether a reverse vesting order concept was necessary as set out in the proposed ARVO;
 - b. whether the ARVO structure provided an economic result at least as favourable as another viable alternative;
 - c. whether key stakeholder(s) were worse off under the ARVO structure than they would have been under another viable structure; and
 - d. whether the consideration paid for the Applicants' business is reflective of the importance and value of the intangible assets being preserved under the ARVO structure?
32. The ARVO is critical to the completion of the Transaction and one of its purposes is to convey the Intellectual Property without the additional costs and time associated with transferring the registration of the Intellectual Property in multiple countries around the world. In addition, the ARVO preserves the Applicants' ISO Certification, which is non-

transferable and would require a newly formed entity to complete the entire certification process again which would lose the significant annual costs DAL and DSL have incurred to maintain this certification since 1990 as well as taking significantly more time to obtain if starting the audit process from the beginning. The Tax Attributes provide significantly higher value in the ARVO structure given the ability to apply the Tax Attributes against future operational revenues whereas a new entity or third party purchaser would likely only ascribe nominal value to them.

33. As described above in paragraph 26, the Transaction represents the highest and best recovery available to the Applicants' stakeholders in the circumstances. Additionally, the proposed Transaction is the only viable alternative to effect a going-concern transaction and is a requirement of the Purchaser. PEL has advised that the Purchase Price payable under the Transaction would be reduced, or the Transaction would potentially not proceed if it could not utilize the ARVO structure and maintain the Intellectual Property, ISO Certification and Tax Attributes.
34. The Monitor is not aware of any stakeholder that would be worse off under the PEL Transaction Agreement as opposed to another viable transaction structure. In reviewing the other Bids received at the Phase 1 Bid Deadline, as set out in more detail in the Confidential Supplemental to the Second Report, none of the other Bids would have even been sufficient to repay the PEL first-priority secured debt making PEL the fulcrum creditor and key stakeholder in these proceedings. No other subordinate creditors will receive a return and therefore no creditors would be worse off as a result of the ARVO structure.
35. The Monitor has considered the potential impact on stakeholders that the ARVO structure may have. In the circumstances, any potential prejudice to individual creditors is far outweighed by the benefits of the transaction as a whole.

36. The Monitor is of the view that each of the above considerations support the utilization of the ARVO structure to complete the Transaction and as a result the Monitor supports the relief requested by the Applicants.

RELEASES

37. The proposed ARVO includes releases in favour of the “**Released Parties**,” which is defined to include (i) the present and former directors, offices, employees, legal counsel and advisors of the Applicants and ResidualCo, (ii) PEL, Canadian Holdco, Canadian Subco and US Subco and each of their subsidiaries, directors, officers, legal counsel and advisors and (iii) the Monitor and its legal counsel. The full scope of the release provisions are set out in the proposed ARVO and should be read in conjunction with this Third Report.
38. The Released Parties will be released by the “**Releasing Parties**” (which is defined to include any and all Persons (other than the Applicants and the respective current and former affiliates)) from any and all present and future claims liabilities, indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgements, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, guarantees, warranties, and obligations of any nature or kind whatsoever based in whole or in part on any act or omission, transaction, dealing or other occurrences existing or taking place on or prior to the Closing Date or undertaken or completed in connection with the terms of this Order, the issuance of the PEL Transaction Certificate in connection with the Transaction (including the Reorganization Steps) or completed pursuant to the terms of the SAVO, the Initial Order or the ARIO, in respect of, relating to, or arising out of (i) the Applicants, the business, operations, assets, property and affairs of the Applicants wherever or however conducted or governed, the administration or management of the Applicants, these CCAA Proceedings and/or the Chapter 15 Proceedings, or (ii) the PEL Transaction Agreement or the Reorganization Steps, any agreement, document, instrument, matter or transaction involving the Applicants arising

in connection with or pursuant to any of the foregoing and/or the consummation of the Transaction (the “**Released Claims**”).

39. In the view of the Monitor, having considered the facts of the situation, each of the Released Parties has, in a meaningful way, contributed to the Transaction and the successful restructuring of the Applicants. Further, it is the Monitor’s understanding based on the advice of counsel, that it is customary to include such releases in reverse vesting orders. The Monitor also understands that the release in favor of the Directors and Officers is necessary to allow for the release of the D&O Charge, which in turn is necessary to allow the Transaction to close contemplated by the Vendors and the Purchaser.
40. Accordingly, the Monitor is of the view that the proposed releases are reasonable, and not overly broad, in the circumstances, and supports the relief requested by the Applicants.

ENHANCED MONITOR’S POWERS

41. The Applicants are also seeking to expand the powers of the Monitor pursuant to the terms of the ARVO. As noted above, upon the Effective Date, all Excluded Liabilities, Excluded Assets and Excluded Contracts will be transferred to and vest in ResidualCo, and ResidualCo will be added as an applicant in the CCAA Proceedings. Given that the RVO Entities will, as at the Effective Date, no longer be Applicants in the CCAA Proceedings, the proposed relief expands the authority and powers of the Monitor so it can complete an orderly wind down of ResidualCo.
42. Specifically, the relief in the ARVO authorizes and empowers, but does not require, the Monitor to, among other things, take any steps or actions for an on behalf of DAI and ResidualCo that may be required by law, authorized or allowed under the Initial Order, the ARIO, the Extension Order and any other Orders in the CCAA Proceedings and authorizes, entitles and empowers the Monitor to assign or cause to be assigned, at any time after the Closing Date, ResidualCo into bankruptcy.

43. The proposed ARVO also provides for customary exclusions of liability of the Monitor in performing its duties, responsibilities and roles thereunder.
44. The authority granted to the Monitor in the ARVO will ensure that the Monitor has the requisite authority to deal with the winding-down of the ResidualCo in an orderly and efficient manner. As a result, the Monitor is of the view that the relief provided in the ARVO with respect to the Monitor's enhanced powers is appropriate in the circumstances.

US SECURITY REVIEW

45. As described in the Second Report, the Monitor's counsel reviewed the security interests of PEL and provided the Monitor with an opinion that stated PEL's security is valid and enforceable and is the first-ranking security over the property of the Applicants in Canada.
46. The PEL Transaction Agreement contemplates the purchase of assets located in the United States by way of credit bid. Accordingly, the Monitor engaged US counsel (the "**Monitor's US Counsel**") to complete a security review of PEL's interests in the United States. The Monitor's US Counsel is in the process of reviewing the first ranking security interests of PEL in the United States. The Monitor's US Counsel has advised the security review will be completed prior to the June 23 application. The Monitor intends to file a supplemental report to disclose the results of the security review.

SECOND CASH FLOW STATEMENT VARIANCE ANALYSIS

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

4 Week Period Ending Jun 9, 2023			
<i>(CAD\$ in thousands)</i>	Actual	Forecast	Variance
RECEIPTS			
Receipts	\$ 1,472.9	\$ 1,914.3	\$ (441.3)
DISBURSEMENTS			
<i>Operating Disbursements</i>			
Project Purchases	(196.3)	(190.1)	(6.2)
Employee Payroll & Benefits	(273.8)	(270.5)	(3.3)
Contractors and Employee Expenses	(41.3)	(31.4)	(9.9)
Occupancy Expense	(228.7)	(194.2)	(34.4)
Insurance & Lease Expenses	(10.8)	(10.9)	0.1
G&A Expenses	(102.0)	(112.4)	10.4
<i>Total Operating Disbursements</i>	\$ (852.9)	\$ (809.6)	\$ (43.3)
OPERATING CASH FLOWS	\$ 620.1	\$ 1,104.7	\$ (484.6)
<i>Financing Disbursements</i>			
DIP - Borrowings / (Repayments)	650.0	650.0	-
<i>Restructuring Disbursements</i>			
Professional Fees	(192.1)	(228.8)	36.6
NET CASH FLOWS	\$ 1,077.9	\$ 1,525.9	\$ (448.0)
CASH			
Beginning Balance	\$ 1,055.4	\$ 1,055.4	\$ (0.0)
Net Cash Inflows / (Outflows)	1,077.9	1,525.9	(448.0)
Other (FX)	(20.8)	-	(20.8)
ENDING CASH	\$ 2,112.6	\$ 2,581.3	\$ (468.7)
BORROWING SUMMARY			
DIP Facility Credit Limit	\$ 2,600.0	\$ 2,600.0	\$ -
DIP - Borrowings / (Repayments)	650.0	650.0	-
DIP Principal Outstanding	\$ 2,600.0	\$ 2,600.0	\$ -
DIP Availability	-	-	-

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

- a. the unfavourable variance in receipts of approximately \$440,000 consists of a negative variance of \$735,000 relating to the collection of proceeds from the Infinity APA which were delayed and have now been received as at the date of this Report but were not received as at June 9, 2023). This was partially offset by a positive variance of approximately \$365,000 relating to project work requested by the Applicants' customers which was not originally in the Second Cash Flow Statement;

- b. the unfavorable variance of approximately \$40,000 in operating disbursements relates to higher than expected occupancy expenses due to the posting of security deposits for currently occupied and post closing office locations as well as higher than expected employee and contractor travel expenses in connection with project work for the Applicants' customers; and
 - c. the favorable variance for professional fees of approximately \$35,000 relates to the timing of payment of invoices for professionals and is expected to reverse in future periods.
49. As at June 9, 2023, the Interim Financing has been drawn as forecasted, to \$2.6 million and the Applicants have an ending cash balance under the Interim Financing facility of approximately \$2.6 million.

CONCLUSIONS

50. The Monitor is of the view that the relief requested by the Applicants is necessary, reasonable and justified in the circumstances.
51. Accordingly, the Monitor respectfully recommends that this Honourable Court grant the ARVO and the SAVO substantially in the form proposed by the Applicants.

All of which is respectfully submitted this 15th day of June 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
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Dustin Olver, CA, CPA, CIRP, LIT
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