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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 ATTRACTIONS INC. and 2524604 ALBERTA LTD.

DOCUMENT SIXTH REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS MONITOR OF DYNAMIC ATTRACTIONS INC. and 2524604 ALBERTA LTD.

October 5, 2023

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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SIXTH REPORT OF THE MONITOR

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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 that, pursuant to section 5(5) of the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1 (“**WEPPA**”), DAL, DSL and their former employees met 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**"):
 - i. 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**"); and
 - ii. directing that, upon filing of the PEL Transaction Certificate, the Monitor's powers in respect of DAI and 2524604 Alberta Ltd. ("**ResidualCo**", and with DAI, the "**Remaining Debtors**") will be enhanced to authorize, but not require, the Monitor to take any steps or actions for and on behalf of the Remaining Debtors that may be required by law or allowed under the any Order granted in these CCAA Proceedings; and
 - b. an order (the "**SAVO**") approving the sale of the Vendors' US assets to US Subco pursuant to the PEL Transaction Agreement (the "**US Transaction**").

7. On July 28, 2023, this Honourable Court granted an extension to the Stay of Proceedings until and including October 31, 2023.

PURPOSE

8. The purpose of this sixth report of the Monitor (this “**Report**” or the “**Sixth Report**”) is to provide this Honourable Court and the Remaining Debtors' stakeholders with information and the Monitor’s comments with respect to the following:
 - a. a summary of the Monitor’s activities since the Fifth Report of the Monitor, dated July 18, 2023;
 - b. an update on the status of the CCAA Proceedings, the Transaction and the US Transaction;
 - c. the Applicants’ actual cash receipts and disbursements for the 10-week period ending July 21, 2023, as compared to the Second Cash Flow Statement that was presented to this Honourable Court as attached to the Second Report. Following the closing of the Transaction on July 21, 2023, all future transactions in the CCAA Proceedings are captured within the Monitor’s summary of the Wind-Down Cost Amount (as defined below);
 - d. a summary of the receipts and disbursements relating to the cash component of the purchase price (the “**Wind-Down Cost Amount**”) paid to the Monitor at the closing of the Transaction to fund the remaining administrative tasks to complete the CCAA Proceedings; and
 - e. the Monitor’s comments with respect to the extension of the Stay Period and termination of these CCAA Proceedings.

9. Further background and information regarding these CCAA Proceedings can be found on the Monitor's website at <http://cfcanada.fticonsulting.com/dynamicgroup/>.

TERMS OF REFERENCE

10. 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**").
11. 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*.
12. 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*.
13. 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.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
15. Capitalized terms not otherwise defined herein have the meaning set forth in the Monitor's prior Reports.

ACTIVITIES OF THE MONITOR

16. The Monitor's activities since the date of the Fifth 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 including closing of the Transaction and the US Transaction;
- b. monitoring the Applicants' operations and cash flows;
- c. reviewing and processing payments from the Wind-Down Cost Amount for administrative expenses in relation to the completion of the CCAA Proceedings;
- d. administering the WEPPA process, including having discussions with former employees and assisting them in the filing claims with Service Canada – Employment and Social Development Canada (“**Service Canada**”);
- e. assisting with 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

17. As previously described in the Fifth Report, during the removal of the Surplus Equipment an incident occurred where an individual was injured during the disassembly and removal of a crane which was sold at auction pursuant to the Infinity APA.
18. Subsequent to the incident, neither the Applicants nor the Monitor have received any correspondence or claims against the Applicants, the estate or the auctioneer stemming from the incident.

19. On July 24, 2023, the Applicants sent a lease disclaimer notice to the landlord of the Vancouver production facility notifying the landlord that the Applicants had exited the premises.
20. On July 27, 2023, Infinity provided the Applicants with the final statements in relation to the auction of the Surplus Equipment, confirmed final settlement of the amounts owing to the Applicants in relation to the Surplus Equipment and the Infinity APA and confirmed that all of equipment sold at auction was removed from the Applicants' production facility on or before July 24, 2023.

STATUS OF THE TRANSACTIONS

21. On July 21, 2023 (the “**Closing Date**”), the Monitor filed certificates with this Honourable Court confirming that all closing conditions were met for the Transaction (the “**PEL Transaction Certificate**”) and for the US Transaction (the “**US Transaction Certificate**” and collectively with the PEL Transaction Certificate the “**Transaction Certificates**”). By filing of the Transaction Certificates, the Monitor certified that it received the Wind-Down Cost Amount and the transactions have closed.
22. Following the filing of the Transaction Certificates and the final settlement of the proceeds relating to the auction of the Applicants' equipment, the Applicants have fully realized on all of the Property.

CHAPTER 15 PROCEEDINGS

23. On July 20, 2023, the US Court recognized and gave effect to the ARVO and the SAVO, and approved the Transaction. There were no objections filed with respect to these recognition orders.
24. On September 5, 2023, the Applicants filed a final decree for the closing of the Chapter 15 cases in respect of DTGI, DAL and DSL.

25. The Monitor determined, in consultation with its legal counsel, the Chapter 15 case for DAI should remain open until the completion of the CCAA Proceedings. The Monitor intends to file a final decree to close the Chapter 15 case for DAI upon the termination of the CCAA Proceedings.

REMAINING TASKS

26. Following the filing of the Transaction Certificates, only minor administrative tasks remain outstanding in the CCAA Proceedings (the “**Remaining Tasks**”), which the Monitor anticipates include, but are not limited to:
- a. the administration of the Monitor's obligations under WEPPA, including finalizing all employee claims with Service Canada and payment of obligations to Service Canada relating to the super-priority charge under WEPPA;
 - b. preparing materials to terminate the DAI Chapter 15 proceeding;
 - c. the payment of final fees and costs of the Monitor, its legal counsel and the legal counsel of the Applicants;
 - d. final accounting of the Wind-Down Cost Amount; and
 - e. assigning ResidualCo into bankruptcy and administering its no-asset bankruptcy estate.

SECOND CASH FLOW STATEMENT VARIANCE ANALYSIS

27. 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 21, 2023 are summarized below:

10 Week Period from May 13 Jul 21, 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	(902.6)	(261.7)	(640.9)
Employee Payroll & Benefits	(1,136.9)	(800.8)	(336.1)
Contractors and Employee Expenses	(299.8)	(104.9)	(194.9)
Occupancy Expense	(427.3)	(397.1)	(30.2)
Insurance & Lease Expenses	(17.3)	(21.1)	3.8
G&A Expenses	(357.9)	(121.4)	(236.5)
<i>Total Operating Disbursements</i>	\$ (3,141.8)	\$ (1,707.1)	\$ (1,434.8)
OPERATING CASH FLOWS	\$ 981.6	\$ 281.3	\$ 700.3
<i>Financing Disbursements</i>			
DIP - Borrowings / (Repayments)	650.0	650.0	-
<i>Restructuring Disbursements</i>			
Professional Fees	(1,111.0)	(641.3)	(469.8)
NET CASH FLOWS	\$ 520.5	\$ 290.0	\$ 230.5
CASH			
Beginning Balance	\$ 1,055.4	\$ 1,055.4	\$ (0.0)
Net Cash Inflows / (Outflows)	520.5	290.0	230.5
Other (FX)	(33.3)	-	(33.3)
ENDING CASH	\$ 1,542.6	\$ 1,345.4	\$ 197.2
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	-	-	-

28. 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 additional project work awarded and completed by the Applicants' that was not contemplated in the initial budget 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 \$1.4 million relates to:
 - i. \$1.2 million 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); and
 - ii. additional administrative expenses relating to closing items not included in the Second Cash Flow Statement including insurance premiums of \$236,000; and
 - c. professional fees are approximately \$469,000 over budget, related to additional professional fees associated with additional project work award and completed during the CCAA Proceedings that required additional legal and Monitor involvement, complexities and additional professional work required to complete the various separate transactions (including the Transaction completed through the ARVO, the US Transaction completed through the SAVO and the Infinity APA), the Monitor administering the SISF and the Monitor's enhanced role winding down the CCAA proceedings after closing the above transactions.
29. As at July 21, 2023, the Interim Financing was fully drawn to \$2.6 million and the Applicants had an ending cash balance of approximately \$1.5 million.
30. Pursuant to the PEL Transaction Agreement, all cash held by the Applicants at the time of closing, less the Wind-Down Cost Amount of \$435,000, was to be transferred to the Purchaser upon the closing of the Transaction. Subsequent to the payment of the Wind-Down Cost Amount to the Monitor, approximately, \$1.1 million was transferred to the Purchaser.

WIND-DOWN COST AMOUNT

31. The Wind-Down Cost Amount of \$435,000 was paid to the Monitor and its legal counsel in trust on the Closing Date for the purposes of paying reasonable fees and costs of the Monitor, its legal counsel and the legal counsel of the Applicants, for the services performed after the Closing Date. The Monitor established a trust account for the purposes of receiving and administering the Wind-Down Cost Amount.
32. The receipts and disbursements of the Wind-Down Cost Amount from the Closing Date to October 5, 2023, are summarized in the table below:

Wind-Down Cost Amount - R&D Summary For the period of July 21 to October 5, 2023 <i>(CAD thousands)</i>	
Wind-Down Cost Amount - Opening Balance	\$ 435
<i>Receipts</i>	
Bank Interest, net of bank fees	\$ 2
Total Receipts	\$ 2
<i>Disbursements</i>	
Professional Fees	\$ (72)
Sales and other taxes	\$ (3)
Total Disbursements	\$ (76)
Wind-Down Cost Amount - Ending Balance	\$ 362

- a. bank interest, net of bank charges, of approximately \$2 thousand was received;
- b. professional fee disbursements of approximately \$72 thousand represent the costs incurred by the Monitor, its counsel and the Applicants' counsel for the services performed with respect to the wind-down and administration of the Remaining Debtors;

- c. disbursements relate to sales taxes of approximately \$3 thousand relate to the sales taxes paid on professional fee disbursements.
33. The Monitor will continue to administer the Wind-Down Cost Amount while it completes the Remaining Tasks. Any unused portion of the Wind-Down Cost Amount will be returned to the Purchaser pursuant to the PEL Transaction Agreement.

APPROVAL OF PROFESSIONAL FEES

34. The professional fees and disbursements of the Monitor and its legal counsel for the period of March 9 to September 30, 2023 are set out in the table below. The Monitor notes that a portion of the amounts included in this table have been paid from the Wind-Down Cost Account subsequent to the Closing Date:

Summary of Professional Fees for the Monitor and its Legal Counsel					
For the period of March 9 to September 30, 2023					
<i>(CAD thousands)</i>					
Firm	Role	Fees	Disbursements	GST	Total
FTI Consulting Canada Inc	Monitor	\$ 434	\$ 29	\$ 23	\$ 485
Burnett Duckworth & Palmer LLP	Monitor's Canadian Counsel	212	1	11	\$ 223
Munsch Hardt Kopf & Harr, P.C.	Monitor's US Counsel	54	0	-	\$ 54
Total Professional Fees		\$ 699	\$ 29	\$ 34	\$ 762
*USD amounts converted at FX 1.37					

35. The Monitor considers that the fees and disbursements charged by its legal counsel have been necessarily incurred and that the hours and rates charged are fair and reasonable in light of the following:
- a. cross-border engagement including the Chapter 15 Proceedings;
 - b. multiple separate transactions including the Transaction, the US Transaction, the Infinity APA;
 - c. the Monitor's role in administering the SISP;

- d. work to assist the Applicants with project work completed during the CCAA Proceedings including reviewing contract terms and agreements; and
 - e. administering the wind down of the CCAA Proceedings subsequent to the Closing Date pursuant to the Monitor's enhanced powers.
36. Copies of the invoices of FTI and its legal counsel are available to this Honourable Court upon request.
37. The fees and disbursements to be incurred by the Monitor and its legal counsel to complete the administration of these CCAA Proceedings will be paid from the Wind-Down Cost Amount. The Monitor and its legal counsel anticipate having additional fees of up to \$100,000 to complete the administration of the CCAA Proceedings.

EXTENSION OF THE STAY OF PROCEEDINGS

38. The Monitor on behalf of the Remaining Debtors' has requested to extend the Stay of Proceedings to January 31, 2024. The Monitor has considered the time expected to complete its administration of WEPPA and make final payment of all super priority amounts owing to Service Canada when determining the requested extension period.
39. The Monitor has the following comments with respect to the Remaining Debtors' request for an extension to the Stay of Proceedings:
- a. there will be no material prejudice to the Remaining Debtors or their stakeholders;
 - b. the Stay of Proceedings is still required as the Monitor has an obligation to safeguard the remaining wind-down funds;

- c. it will allow sufficient time for the Monitor to complete the Remaining Tasks including administration of WEPPA filings and terminating the Chapter 15 proceedings in the U.S.;
- d. the Wind-Down Cost Account has sufficient liquidity to fund the remaining professional fees to complete the administration of the CCAA Proceedings;
- e. the Applicants have acted, and continue to act, in good faith and with due diligence; and
- f. overall, an extension of the Stay of Proceedings will allow for the Applicants to successfully complete its restructuring and bring the CCAA Proceedings to a close.

TERMINATION OF THE CCAA PROCEEDINGS

- 40. In order to avoid the additional expense of another application by the Monitor to terminate the CCAA Proceedings and obtain its discharge, the Monitor proposes to accomplish this by filing a termination certificate (the “**Termination Certificate**”) following completion of the Remaining Tasks. The Remaining Tasks are all relatively minor and administrative in nature and accordingly the Monitor is of the view that filing a Termination Certificate to effectuate to termination of the CCAA proceedings and its discharge is appropriate.
- 41. Upon the Monitor filing of the Termination Certificate the Monitor will be discharged and released from any and all further obligations as Monitor and any liability in respect of any act done by the Monitor in these proceedings.

CONCLUSIONS

- 42. The Monitor is of the view that the relief requested by the Monitor on behalf of itself and the Remaining Debtors is necessary, reasonable and justified in the circumstances.

43. Accordingly, the Monitor respectfully recommends that this Honourable Court grant an order:


- a. extending the Stay of Proceedings to January 31, 2024;
- b. approving the activities, conduct, fees and disbursements of the Monitor and its legal counsel; and
- c. terminating the CCAA Proceedings upon the filing of the Termination Certificate.

All of which is respectfully submitted this 5th day of October 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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