Superior Court
(Commercial Division)

Canada
Province of Québec
District of Montréal
No: 500-11

In the matter of the *Companies' Creditors Arrangement Act* of:

Groupe Dynamite Inc., a legal person having its head office at 5592 Ferrier Street, Mount-Royal, Québec, Canada
GRG USA Holdings Inc., a legal person having its registered office at 1209, Orange Street, Wilmington, County of New Castle, Delaware, United States of America
GRG USA LLC, a legal person having its registered office at 1209, Orange Street, Wilmington, County of New Castle, Delaware, United States of America

Debtors

-and-

Deloitte Restructuring Inc., a legal person having a place of business at 1190 Des Canadiens-de-Montreal Avenue, suite 500, Montreal, Québec, Canada

Proposed Monitor

Application for an Initial Order and an Amended and Restated Initial Order
(*Companies' Creditors Arrangement Act*, ss 11, 11.001, 11.02)

To the Honourable Peter Kalichman, Judge of the Superior Court, sitting in the Commercial Division for the District of Montréal, the Debtors respectfully submit:

1. The Debtors (collectively, "**Groupe Dynamite**"), a Montreal-based fashion retailer, seek the protection of the Court under the *Companies' Creditors Arrangement Act* to restructure its operations and present a compromise or arrangement to its creditors. Groupe Dynamite and its two brands, Garage and Dynamite, have been a cornerstone of the Montreal retail community since 1975, when the company was founded. The company has profitably grown and expanded from the first store in Place Versailles to now over 300 stores across North America, including 86 in the United States.

2. After record performance in 2019, Groupe Dynamite was again exceeding expectations early in 2020, but COVID-19 caused an unexpected and unsustainable strain on the business. The ongoing pressures of store closures, social distancing measures, closed borders adding to lack of tourism and global economic uncertainty, which have no end in sight, have left Groupe Dynamite and its Board of Directors to face the reality of a new retail paradigm.

3. Since the onslaught of the pandemic, Groupe Dynamite's sales decreased by approximately by a third as compared to the same period in 2019, such that the Debtors expect that they will not be able to meet their obligations as they generally become due within reasonable proximity of time.

4. Groupe Dynamite's proposed restructuring has two purposes. First, it wants to redefine a new COVID-friendly operating model with its landlords by disclaiming a minority of its leases which are deeply unprofitable stores, and renegotiating the leases of unprofitable stores or, failing reaching an acceptable agreement, also disclaiming such leases. Second, Groupe Dynamite would like to propose a compromise to its creditors regarding the liabilities incurred since the initial phase of the pandemic.

5. While a comprehensive restructuring plan is being developed, Garage and Dynamite will continue to deliver the same exceptional customer experience and service, across all touchpoints, in stores and online. Business operations will not be interrupted and there will be no impact to the Head Office employees, and minimal impact to the store employees. The leadership team will work closely with business partners and stakeholders to secure their support for a successful restructuring.

6. With its deep understanding of the retail industry, experienced leadership team, dedicated employees and loyal customer base, Groupe Dynamite is looking to emerge from the restructuring more competitive and better positioned for the future, in any economic climate.

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I. Groupe Dynamite

A. Groupe Dynamite's Corporate Structure and Business

(i) Overview

7. With its fashion brands Garage and Dynamite, Montréal-based Groupe Dynamite designs, markets and distributes apparel and accessories to 16 to 40 year old women through its network of 322 retail stores and e-commerce platform in Canada and the United States.

8. Since its creation in 1975, Groupe Dynamite has maintained consistent profitability and has thrived through macro events such as the September 11 attacks, the 2002–2004 SARS outbreak and the financial crisis of 2007–2008.

9. In the last two years, Groupe Dynamite initiated and has been delivering on a company-wide transformation meant to gain a stronger position in a fast-changing industry and to adopt an agile mentality and methodology for retail. Notably, Groupe Dynamite has focused efforts on the overhaul of its product development process as well as on a digital transformation to propel its online growth and become a digital-first retailer.

10. Over the years, Groupe Dynamite has developed a distinctive supply chain optimized for speed and operational efficiency, thus delivering best-in-class inventory metrics such as annual turnover. Generally, 90% of its inventory fully turns within 90 days.

11. Moreover, Groupe Dynamite has invested aggressively towards building an omnichannel model that seamlessly and effortlessly connects with the consumer across all channels, leveraging innovation such as artificial intelligence, omnichannel fulfillment and customer relationship management. Continual investment in further elevating its digital ambitions is a critical pillar to its future success.

12. Groupe Dynamite has consistently maintained best-in-class employee management. Its success has been recognized in recent years by the "Retail Council of Canada", "Canada's Top Employers for Youth", "Top Montreal Employer" and "Korn Ferry Engagement Performance Award".

13. Groupe Dynamite has implemented a significant number of operational changes to adjust to the new COVID-19 paradigm, but has been unsuccessful in convincing some of its longstanding partners to do the same. In light of the refusal of certain landlords to negotiate and agree on a COVID-19 adjusted rental model and their lingering threat of terminating leases, Groupe Dynamite needs to avail itself of all available restructuring tools to achieve its goal of remaining successful and agile despite the pandemic, and minimizing impact on all of its stakeholders, including its customers, employees, suppliers, and ecosystem of other partners.

(ii) Brands

14. Groupe Dynamite operates 322 stores, employs more than 4,300 people in Canada and the United States, and reached sales of close to $600,000,000 in 2019.

a) Garage

15. Garage was founded in 1975, with the brand's first store opened in Place Versailles, Montreal, initially as a jeans store.

16. 1982, Andrew Lutfy joined the company as a stock clerk and grew within the business to ultimately become the sole shareholder in 2002. Important milestones of Garage include:

    (a) in 1999, it achieved the status of national retailer with a presence in all Canadian provinces; and

    (b) in 2007, it first opened in the United States, with eight stores in the states of Maryland, New York, Pennsylvania, New Jersey, Virginia and Florida.

17. Since its creation in 1975, Garage evolved to inspire new generations through its offerings of casual and feminine collections and fashion pieces. Garage was historically positioned to target a young adolescent clientele but the brand successfully repositioned itself to cater to an older, and broader customer base in recent years.

18. Today, Groupe Dynamite operates 123 Garage stores in Canada and 82 Garage stores in the United States.

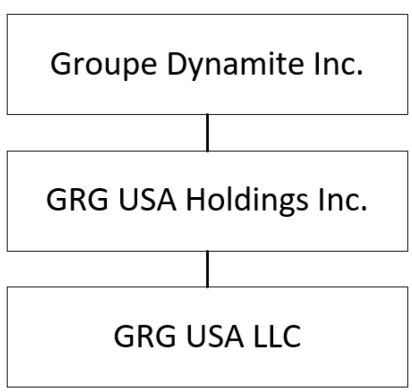
b) Dynamite

19. The Dynamite clothing brand was founded in 1984, opening its first store in Carrefour Laval. The accessible lifestyle brand styles and empowers young, confident career women. Important brand milestones include the launch of its e-commerce platform in Canada in 2013 and the opening of its first store in the United States in 2014.

20. Dynamite now has 114 stores in Canada and 3 in the United States.

(iii) Corporate Structure and Governance

21. Groupe Dynamite is composed of Groupe Dynamite Inc. ("**GDI**"), GRG USA Holdings Inc. ("**GRG Holdings**") and GRG USA LLC ("**GRG LLC**" and, collectively with GRG Holdings and GDI, "**Groupe Dynamite**"):



22. GDI is a privately held corporation incorporated under the *Canada Business Corporation Act* and is domiciled in Montréal, Québec, as it appears from a copy of the corporate registry communicated herewith as Exhibit P-1**.** Groupe Dynamite is indirectly held by Andrew Lutfy and his family.

23. GDI operates the Canadian stores, Groupe Dynamite's headquarters, and the group's sole warehouse, and owns the intellectual property used by Groupe Dynamite, including the Dynamite and Garage brands. GDI has also an office in Shanghai employing 12 employees who perform quality tests and maintain the relationships with Groupe Dynamite's suppliers.

24. GRG Holdings is 100% owned by GDI and owns 100% of the units of GRG LLC, which operates the stores in the United States.

25. GDI beneficially owns 100% of the shares of Le Garage Boutique Inc., which is not part of the present proceedings given that it is a dormant entity with no substantial assets, nor any operations.

26. The Debtors function as an integrated North American business. Most decisions for the corporate group are centralized at the head office in Montréal:

    (a) all members of management are generally located in Montréal; including:

    - Andrew Lutfy, Executive Chairman of the Board of Directors;
    - Liz Edmiston, President and Chief Executive Officer;
    - Mario Petraglia, Chief Operating Officer and Chief Transformation Officer;
    - Martin Thibodeau, Chief Technology & Information Officer;
    - Guy Vallières, Vice President, Finance and Administration;
    - Ian Richards, Senior Vice President, Digital & Loyalty;
    - Stacie Beaver, Executive Vice-President, Merchandising for Garage;
    - Donna Lutfy, Vice President Sourcing;
    - Marie-Soleil Tremblay, Senior Vice President, Sales, Operations & Regional Product Intelligence;
    - Sarah Paula Brami, Vice President, Talent & Culture;
    - Catherine Brisebois, Vice President, Transformation & Logistics; and
    - Christian Roy, Vice President, Legal Affairs and Corporate Secretary.

    (b) all of the human resources, accounting, marketing, finance and administrative functions are located in Montréal;

(c) all information technology functions are provided out of Montréal;

(d) new business development initiatives are made and planed out of Montréal;

(e) the supply chain is managed from Montréal;

(f) Groupe Dynamite's treasury management functions, including management of accounts receivable and accounts payable, are in Montréal; and

(g) Groupe Dynamite's indebtedness is comprised of major funding by Canadian banks, including National Bank of Canada as agent.

27. While GRG LLC officers and certain administrative, management and financial functions are located in Canada as mentioned above, it has managers physically present in the United States who manage the U.S. business and retail sales operation. Specifically, GRG LLC has two Regional Sales Directors and eight District Sales Managers, who determine the products to be purchased from suppliers, including GDI.

28. GDI has a legal board of directors with a majority of independent international caliber members. The board is composed of:

(a) Andrew Lutfy, Executive Chairman of Groupe Dynamite and Carbonleo, who has been part of Groupe Dynamite for more than 30 years;

(b) Ash ElDifrawi, Chief Marketing and Customer Experience Officer at Aspen Dental;

(c) Andy Janowski, Chief Executive Officer and Chairman of the board of J. Hilburn, who has more than 30 years of experience in the apparel and luxury goods industry; and

(d) Chris Arsenault, Cofounder, President and Chief Executive Officer of iNovia Capital, who has more than 25 years of experience in investment.

(iv) Lease portfolio

29. Groupe Dynamite's stores are strategically located in urban centers, in order to best reach the clienteles targeted by each of its brands. As at August 1st, 2020, Groupe Dynamite had 237 stores across Canada, of which 164 are located in the provinces of Quebec and Ontario, and 85 stores in the United States with a strong presence in all significant urban centres, namely New-York, Chicago, Seattle, Los Angeles and Houston.

30. Approximately 90% of Groupe Dynamite's occupancy costs are based on the old, pre-pandemic model of a monthly fixed rate, and 10% are based on a percentage of sales.

31. As is explained below, Groupe Dynamite is now facing the necessity to reduce its footprint and rent expenses in order to ensure its viability in the long-term and to continue to thrive as a leader in the retail industry. Despite good faith efforts to renegotiate its lease portfolio, Groupe Dynamite has not been able to secure any satisfying agreements with a vast majority of landlords.

II. Groupe Dynamite's financial situation

A. The short-term effects of the pandemic

32. While Groupe Dynamite's recent transformation efforts led to a record-breaking 2019 year and a strong start in 2020, the COVID-19 pandemic severely affected its business.

33. On March 11, 2020, the World Health Organization declared a global pandemic and tightened preventive hygiene recommendations (elimination of physical contact, end of gatherings and demonstrations, non-essential travel, quarantines, etc.).

34. Progressively, governments around the globe started to implement measures that minimized all non-priority services and activities. In Canada and the United States, the retail industry was badly hit as all shopping centers and stores were subject to mandatory shutdowns. Such closures were initially implemented as temporary measures for a few weeks, but governments have extended them for various lengthy periods of time.

35. On March 17, 2020, Groupe Dynamite closed all its stores in Canada and in the United States. On March 20, 2020, 90% of Groupe Dynamite's 4,300 employees were temporarily laid off as a result of stores closures.

36. Overnight, Groupe Dynamite went from operating an integrated, omnichannel model marrying digital with an in-store experience, to operating as a digital-only retailer.

37. Groupe Dynamite was quick to react and immediately shifted focus to operating and optimizing its e-business. In the period between March and May 2020, when most stores were closed, online sales have increased by 220% compared to the same period versus the previous year.

38. Nonetheless, the increase in digital sales during this period did not offset the massive impact of store closures and of Groupe Dynamite's overall sales dropping by 50% compared to the same period last year.

B. The lingering effects of the COVID-19 pandemic, and Groupe Dynamite pro-active attempts to adapt

39. Groupe Dynamite has observed a 40% reduction in traffic to its stores caused by several factors all interlinked to the COVID-19 pandemic, including the fact that city centers, where most of the stores are located, are nearly vacant as a result of social distancing restrictions, and that the closure of the United States – Canada border has greatly reduced tourist traffic.

40. As of September 3, 2020, 13 stores were still closed, notably due to a mandatory shutdown of malls in California since June 13, 2020.

41. The negative effects are compounded by an increase of 23 % of operating costs related to the health and safety measures added to protect the employees and customers, including strict social distancing measures and restrictions around product handling.

42. Since the start of the pandemic when its stores closed on March 17, 2020, Groupe Dynamite has taken several measures to mitigate the negative effects of the pandemic:

(a) deferring non-critical capital expenditures;

(b) reducing 95% of its workforce temporarily;

(c) all remaining employees at 20% reduction in salary until stores reopened: the Board of Directors and senior management remain on reduced pay;

(d) cancelling significant on-order in order to limit exposure and manage inventory levels;

(e) editing the collections for both brands to reflect the customers' shift towards a more casual lifestyle;

(f) investing in digital marketing to acquire new customers and boost digital sales;

(g) entering into business arrangements agreed upon with Groupe Dynamite's vendors;

(h) negotiating agreements with the Lenders to ensure GDI's financial sustainability; and

(i) gradually reopening stores with reduced opening hours.

43. The reopening of the stores has been slow and spanned over more than three months. On May 4, 2020, only 3% of the stores were reopened. This figure had only risen to 68% by June 22, 2020 and Groupe Dynamite's highest performing stores were among the last to re-open. Since the start of the pandemic, each store was closed an average of 80 days due to mandatory shutdowns, with variations depending on the jurisdictions where stores are located.

44. As a result of the COVID-19 pandemic, Groupe Dynamite has not paid any rent for the months of April to September 2020, and considers that no rent is payable for the respective periods during which it is prevented to operate its stores, including as a result of government mandated shutdowns.

45. As of the date hereof, GDI's and GRG LLC's unpaid rents amounted to approximately $35,000,000 and $17,000,000 to their landlords, respectively, which amounts are under review as of today in order to take into consideration COVID-19 store closures.

46. Unfortunately, from the end of June to August, Groupe Dynamite has unsuccessfully tried to renegotiate the leases of its stores in order to limit its losses. On June 29, Groupe Dynamite met its landlords to present them its business plan, and ask a rent abatement and to amend the leases to a new COVID-friendly lease model. However, after two months of negotiations with the landlords through an experienced team of brokers, Groupe Dynamite has only been able to enter into agreements regarding 22 out of 322 leases.

47. Therefore, despite a progressive reopening of stores since May, the pressure resulting from the COVID-19 dictated store closures in the short-term coupled with a slow progressive return of consumers, workers and tourists in urban areas has put an untenable strain on Groupe Dynamite's business and financial affairs.

48. There is also looming uncertainty for the foreseeable future. Groupe Dynamite, like other players in the retail industry, cannot predict with certainty how consumer traffic patterns will evolve in the next years, and whether the retail market will go back to some sort of normal, or whether there will be permanent shifts.

C. Groupe Dynamite's current financial situation

49. As of August 1st, 2020, the Debtors had, on a consolidated basis, total liabilities amounting to approximately $357,000,000, as appears from the Consolidated Balance Sheet as of August 1st, 2020, Exhibit P-2 (under seal).

50. As of August 1, 2020, Groupe Dynamite had assets with a book value of approximately $192,000,000, consisting mostly of property and equipment as well as of inventory and intangible assets, as appears from its August 1, 2020 Consolidated Balance Sheet, Exhibit P-2 (under seal). The realization value of these assets, in a liquidation, would be substantially lower than the book value.

51. Since the onslaught of the pandemic, Groupe Dynamite's sales decreased by approximately a third as compared to the same period in 2019.

52. Despite the optimization of use of cash on hand, Groupe Dynamite expects that it will not be able to meet their obligations as they generally become due within reasonable proximity of time as compared with the 13 weeks reasonably required to implement a restructuring.

53. Therefore, as the Debtors are insolvent, further to a review of its strategic alternatives, Groupe Dynamite determined that it was in the best interest of all of its stakeholders to initiate proceedings under the Companies' Creditors Arrangement Act (the "**CCAA**" and the "**CCAA Proceedings**").

III. Groupe Dynamite's proposed restructuring

54. Groupe Dynamite's proposed restructuring has two purposes. First, it wants to redefine a new COVID-friendly operating model with its landlords by disclaiming a minority of its leases which are deeply unprofitable stores, and renegotiating the leases of unprofitable stores or, failing reaching an acceptable agreement, also disclaiming such leases. Second, Groupe Dynamite would like to propose a compromise to its creditors regarding the liabilities incurred since the initial phase of the pandemic.

55. Groupe Dynamite therefore intends to implement a simplified and efficient claims procedure and elaborate a plan of compromise or arrangement that will allow its creditors to maximize recovery and a return in a restructured and financially healthy entity that will be ready to face the challenging times that are being faced by the retail industry.

56. The prospects for these restructuring efforts are significantly enhanced if the Debtors obtain the relief being sought on this Application by the granting of protection under the CCAA by this Court on the terms of the Draft Initial Order, Exhibit P-3A, and the Draft Amended and Restated Initial Order, Exhibit P-4A.

57. If the Court grants the Initial Order sought, the Corporation will seek its immediate provisional recognition by the United States Bankruptcy Court for the District of Delaware under Chapter 15 of the Bankruptcy Code.

IV. Groupe Dynamite's Stakeholders

A. The Lenders

58. A banking syndicate composed of National Bank of Canada, Bank of Montreal, The Toronto-Dominion Bank and Fédération des caisses Desjardins du Québec (the "**Lenders**") has granted the following credit facilities to GDI by entering into a credit agreement dated February 28, 2020, which was amended pursuant to a First Amending Agreement to the Credit Agreement dated as of April 30, 2020, as entered into between GDI, as borrower, National Bank of Canada, as administrative agent, and the Lenders and a Second Amending Agreement to the Credit Agreement dated as of July 3, 2020, as entered into between GDI, as borrower, National Bank of Canada, as administrative agent, and the Lenders (the "**Credit Agreement**"), in order to finance general corporate purposes, including the financing of ongoing operations, working capital requirements and store openings and renovations and the refinancing of certain facilities:

    (a) a revolving facility of up to $115,000,000, currently temporarily reduced;

    (b) a swingline facility of up to $10,000,000; and

    (c) a term loan of $100,000,000.

59. As at August 1st, 2020, GDI's indebtedness towards the Lenders totalled $149,444,641, as appears from GDI's Consolidated Balance Sheet as at August 1st, 2020, Exhibit P-2 (under seal).

60. As security for the payment and performance of the obligations of Groupe Dynamite to them, the Lenders, through their agent, hold a first ranking security on all movable property of each of GDI, GRG Holdings and GRG USA, subject to certain exceptions, as well as guarantees by GRG Holdings and GRG USA of the obligations of GDI to the Lenders.

B. The employees

61. As of August 31, 2020, Groupe Dynamite employed close to 4,300 persons, including 450 persons at its head office and 80 at its warehouse in Montreal, making Groupe Dynamite a major employer in the Montreal retail market.

62. In Canada, Groupe Dynamite employs in its stores a total of 2951 people:

Province	# Full-time employees	# Part-time employees	Total
Ontario	261	796	1057
Québec	242	696	938
Alberta	78	248	326
British Columbia	69	188	257
Manitoba	25	96	121

Province	# Full-time employees	# Part-time employees	Total
New Brunswick	7	30	37
Newfoundland	11	42	53
Nova Scotia	19	59	78
Prince Edward Island	7	7	14
Saskatchewan	17	53	70

63. In the United States, Groupe Dynamite employs 866 people in its stores, located in 30 different states.

64. All amounts owed to Groupe Dynamite's employees are paid in the ordinary course of business. Groupe Dynamite does not maintain any pension or retirement plans.

C. Landlords

65. As indicated above, Groupe Dynamite has relationships with landlords to operate its 322 stores.

D. Credit Card Payment Processors

66. Groupe Dynamite deals with Chase Merchant Services and Paysafe, credit card payment processors (the "**Payment Processors**"). The Payment Processors treat payments made by Groupe Dynamite's customers by credit cards, both in store and through its e-commerce platform.

67. As most of customers purchases today are made through credit card payments, it is essential for Groupe Dynamite's continuous operations that Payment Processors keep providing their services.

68. Under their current payment practices, the Payment Processors remit to the Debtors the e-commerce payments within a day and in-store payments within two days, without any holdback or reserve, even though Payment Processors are contractually allowed to place amounts owed to Groupe Dynamite in a reserve account.

69. Groupe Dynamite does not specifically request orders against the Payment Processors to maintain the *status quo*, given that they cannot:

(a) effect set-off between (a) any claim against Groupe Dynamite that existed before the date of the Initial Order, including any claim relating to credit card sales made by Groupe Dynamite before September 8, 2020; and (b) any claims accrued to any of the Debtors after the date of the Initial Order, including remittances to any of the Debtors relating to credit card sales made by Groupe Dynamite from and after September 8, 2020, in accordance with *Métaux Kitco inc (Arrangement relatif à)*, 2017 QCCA 268; and

(b) suspend, delay or hold back payments, as suppliers are prevented from discontinuing, altering, interfering with, terminating or delaying their services pursuant to the general paragraph on Continuation of Services of the draft Initial Order, Exhibit P-3A.

70. Should the Payment Processors disregard those rules, Groupe Dynamite will request specific measures.

E. Other Significant Unsecured Creditors

71. As of August 31, 2020, GDI owes $18,227,110.91 and $17,355,287.40 to trade and non-trade suppliers, respectively, and GRG LLC owes USD 733,418.98 to non-trade suppliers. A significant portion of Groupe Dynamite's suppliers are small and medium enterprises located in Asia, from whom Groupe Dynamite's supply chain largely depends on for production inputs.

72. GDI and GRG LLC also offer gift cards to their customers. Such commitments represent, according to Groupe Dynamite's calculation, a potential liability of $5,177,585 for GDI and USD 1,444,257 for GRG LLC, as of August 1st, 2020. Unequivocally, Groupe Dynamite intends to honour each and every one of those gift cards.

73. All amounts owed to the tax authorities by the Debtors are paid in the normal course and there is therefore no known past due amount owed to tax authorities, which could give rise to any deemed trust.

F. The U.S. Customs and Border Protection

74. GRG LLC's imports were audited for its fiscal year 2016 by the U.S. Customs and Border Protection, which raised questions regarding the relationship between GRG LLC and GDI and whether the goods imported by GRG LLC were an inter-company transfer of goods or a commercial sale.

75. Beginning in April 2019, the U.S. Customs and Border Protection ("**USCBP**") began issuing bills for additional duties to GRG LLC. Currently, the outstanding bills actually total $7,041,926, none of which have been paid to date. These bills are contested by GRG LLC, as USCBP failed to follow the hierarchy of valuation methods established by statute and is inconsistent with prior USCBP rulings and court decisions addressing similar related party transactions. GRG LLC has in the interim nevertheless updated its process in order to take into account some of the issues raised by the USCBP.

76. Groupe Dynamite intends to address the claims of USCBP in the course of the claims process to be implemented with the assistance of the Proposed Monitor and the American external counsel already retained for this matter.

V. Certain relief sought as part of the Initial Order and the Amended and Restated Initial Order

77. In accordance with section 11.001 of the CCAA, Groupe Dynamite requests the following relief on September 8, 2020.

A. Appointment of the Proposed Monitor

78. The Debtors request that this Court appoint Deloitte Restructuring Inc. (the "**Proposed Monitor**"), a licensed insolvency trustee, as monitor.

79. An affiliate of the Proposed Monitor is the Debtors' auditor and therefore the Debtors request this Court's permission in order for the Proposed Monitor to act in such capacity in the CCAA Proceedings.

80. The Proposed Monitor has recently started assisting the Debtors as financial advisor and is familiar with the Debtors' assets, businesses and personnel. In this role, the Proposed Monitor has obtained significant information in respect of the businesses, operations and assets of the Debtors, an understanding of the many issues faced by the Debtors and relevant to their restructuring efforts and a familiarity with the management and personnel of the Debtors.

81. The Proposed Monitor has acquired an extensive and in-depth existing knowledge and understanding of Groupe Dynamite's business. Such in-depth knowledge will be very useful and will enable the Proposed Monitor to assume the role of monitor in the CCAA Proceedings without delay and without the duplication of significant costs that would be required for a different insolvency professional firm to familiarize itself with the business operations and financial situation of the Debtors and the ongoing restructuring process.

82. Given the financial constraints and the need to proceed expeditiously with their restructuring on a cost-effective basis, the Debtors are seeking the appointment of the Proposed Monitor as monitor in the CCAA Proceedings.

83. The Proposed Monitor and Deloitte LLP have put in place an ethical wall to prevent the inadvertent communication of information between the personnel involved with the audit engagement and the personnel involved in the proceedings under the CCAA, as appears from the Proposed Monitor's report, Exhibit P-6.

84. Therefore, even though an entity affiliated with the Proposed Monitor is the Debtors' auditor, the Debtors respectfully submit that it possesses the independence required to fulfill the role of monitor.

85. The Proposed Monitor is prepared, and has consented, to act as Monitor during the CCAA proceedings, subject to obtaining this Court's authorization. The Proposed Monitor has also prepared a report in support of the present application communicated herewith as Exhibit P-6.

B. Stay of proceedings

86. The Debtors request that all proceedings and remedies taken or that might be taken in respect of the Debtors or any of their property and their Directors and Officers for an initial period of ten days be stayed in accordance with the CCAA (the "**Stay**").

87. This is of particular importance, as certain landlords threaten to, or have, locked-out Groupe Dynamite of the leased premises, while others allege that the lease would have been terminated or that they are entitled to seize or distrain the property of Groupe Dynamite, which expects, as a result of the Stay, to regain possession of all of its leased premises and any seized or distrained property.

88. The Stay will preserve the *status quo* during the restructuring and prevent creditors and others from taking any steps to try and better their positions in comparison to other creditors. All stakeholders generally, including creditors, will benefit from the CCAA Proceedings.

C. Administration Charge

89. The Debtors' legal counsel as well as the Proposed Monitor and its legal counsel (collectively, the "**Professionals**") are essential to Groupe Dynamite's restructuring.

90. The Professionals advised Groupe Dynamite that they are willing to provide or continue to provide their professional services during the first ten days of the restructuring only if they are protected by a priority charge on Groupe Dynamite's property in the amount of $250,000, and only if the amount of such charge is increased to $750,000 as part of the Amended and Restated Initial Order.

91. In this context, Groupe Dynamite respectfully submits that the Administration Charge sought is necessary and appropriate, as well as reasonable, under the circumstances and that, accordingly, it should be granted.

D. Directors' and Officers' Charge

92. A restructuring of Groupe Dynamite will only be possible with the continued participation of its board of directors and their officers (the "**Directors and Officers**"), its management and employees. These members of personnel are essential to the viability of the Debtor's business and to a successful restructuring.

93. Although Groupe Dynamite intends to comply with all applicable laws and regulations, including the timely remittance of deductions at source, federal and provincial sales tax and excise tax in connection with the sale of its products incurred after September 8, 2020, the Director and Officers are nevertheless concerned about the potential liability in the context of the present proceedings.

94. Absent the protections sought in the conclusions of the present Application, Groupe Dynamite is concerned that the Directors or Officers may be advised to resign their posts, which would jeopardize the continuation of Groupe Dynamite's business operations.

95. Accordingly, Groupe Dynamite requests that the Initial Order include an indemnification and charge in favour of the Directors and Officers of Groupe Dynamite.

96. The Directors and Officers currently benefit from directors and officers' insurance coverage up to an amount of approximately $10,000,000. However, this coverage may prove insufficient or subject to standard exclusions which could make it difficult to cover all potential liabilities that can arise in the context of a restructuring process, including liabilities for unremitted sales taxes, as well as employee wages and vacations.

97. Groupe Dynamite seeks a charge in the amount of $6,950,000 which will allow for indemnification of the Directors and Officers in respect of any potential liabilities in the context of the present proceedings, but only to the extent that such claims are not covered by the current insurance coverage in place for the Directors and Officers.

98. Such charge is intended to allow the Director and Officers to focus their efforts on these restructuring proceedings, for the benefit of all stakeholders.

E. Interim Financing

99. Over the course of the past week, Groupe Dynamite, together with the Proposed Monitor, has had several discussions regarding Groupe Dynamite's financing needs to ensure the funding of the proposed restructuring process, and the payment of Groupe Dynamite's post-filing working capital requirements during the CCAA Proceedings.

100. On the basis of these discussions, 10644579 Canada Inc. (the "**Interim Lender**"), a corporation controlled by Andrew Lutfy, is prepared to provide interim financing to Groupe Dynamite on the terms and conditions set forth in the amended interim financing facility term sheet, Exhibit P-10 (the "**Interim Financing Term Sheet"**), which provides for a credit facility up to a total amount of $10,000,000 for the first ten days of the restructuring, and up to a total amount of $20,000,000 afterwards (the "**Interim Facility**"). The Interim Term Sheet has been approved by the independent members of the Board of Directors of GDI, while Andrew Lutfy recused himself from the discussions.

101. Given the current financial situation of Groupe Dynamite, including its cash position, the Interim Facility is the only feasible financing alternative available, and is on terms that are fair, reasonable and adequate.

102. In accordance with the Interim Financing Term Sheet, any interim advance bears interest at the rate of 11% per annum. The Interim Facility does not include a commitment fee and may be reimbursed at any time by Groupe Dynamite, without prepayment penalty. The Interim Facility allows Groupe Dynamite to give comfort to its stakeholders that it has access to sufficient liquidities in order to meet its ongoing obligations as part of the CCAA proceedings.

103. As things currently stand and subject to collecting receivables, Groupe Dynamite is currently expected to run out of cash in the short term and, as such, it is urgent for this Court to authorize the Interim Facility.

104. For the reasons set out herein, Groupe Dynamite seek a charge in the amount of $12,000,000 to secure any amounts owed to the Interim Lender during the first ten days of the restructuring, and an increase of the amount of such charge to $24,000,000 as part of the Amended and Restated Initial Order.

F. Gift Cards

105. As previously indicated, each of GDI and GRG LLC offer gift cards to its customers. It is critical to maintain confidence of the customer and that gift cards continue to be honored. Thus, in the interest of maintaining customer loyalty, the Debtors are seeking permission to honor these pre-filing commitments to Groupe Dynamite's customers.

G. Confidentiality

106. Groupe Dynamite is privately owned and therefore has no statutory securities disclosure obligations. It is therefore under no obligation to disclose its cash flow statements and/or its financial statements to the public.

107. Groupe Dynamite does not wish to share its confidential information, including its financial information, with the general public, notably its major competitors.

108. Groupe Dynamite respectfully submits that public disclosure of such sensitive information and documentation would be very prejudicial to its business, notably due to the potential use of this information by its competitors.

109. At the same time, absence of disclosure of such confidential information would cause no prejudice to its creditors, as the information would nevertheless be filed with this Court and could be made available to certain creditors following an undertaking of confidentiality.

110. Groupe Dynamite therefore seeks an order declaring that certain financial information produced and/or communicated in the context of the CCAA proceedings shall be kept strictly confidential and shall be filed under seal.

H. Critical suppliers

111. As previously indicated, Groupe Dynamite's supply chain is highly dependent on a significant portion of Groupe Dynamite's suppliers who are small and medium enterprises located in Asia. Those critical suppliers are essential to Groupe Dynamite's continuous operations, and are themselves highly dependent on continuous payment from Groupe Dynamite.

112. Groupe Dynamite therefore asks to be authorized to pay, with the consent of the Monitor or the Court, any pre-filing unpaid claim of supplier it deems critical, up to an aggregate amount of $5,000,000.

I. Execution order notwithstanding appeal

113. In view of the urgency and severity of the circumstances Groupe Dynamite is currently facing, it is essential that execution of the orders requested be granted notwithstanding appeal.

VI. Certain relief sought only as part of the Amended and Restated Initial Order

A. Specific Measures with Respect to the Leases

114. Groupe Dynamite seeks particular relief in respect of the leases in anticipation of likely issues. First, it requests from the Court the following declarations on the use of the leased premises and thereby the extent of the obligation to pay post-filing rent under section 11.01 of the CCAA:

   (a) any Debtor which vacates leased premises does not use such leased premises from the time of such vacation, such that no post-filing rent shall be due or payable by the Debtor with respect to those leased premises for the period posterior to such vacation; and

   (b) any Debtor which, as a result of a lockdown order, cannot operate a store in leased premises does not use such leased premises for the time of the lockdown period, such that no post-filing rent shall be due or payable by the Debtor with respect to those leased premises for the lockdown period.

115. Second, as is frequently done in retail insolvencies, Groupe Dynamite seeks the approval of sale guidelines governing sales made in any store for which Groupe Dynamite has sent to the landlord a notice to disclaim the lease.

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

RENDER, on September 8, 2020, an Initial Order substantially to the Draft Initial Order, Exhibit P-3A;

RENDER, on or prior to September 18, 2020, an Amended and Restated Initial Order substantially similar to the Draft Amended and Restated and Initial Order, Exhibit P-4A;

THE WHOLE without legal costs, save in case of contestation.

Montreal, September 8, 2020

McCarthy Tétrault

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Superior Court
(Commercial Division)

Canada
Province of Québec
District of Montréal
No: 500-

In the matter of the *Companies' Creditors Arrangement Act* of:

Groupe Dynamite Inc.
GRG USA Holdings Inc.
GRG USA LLC

Debtors

-and-

Deloitte Restructuring Inc.

Proposed Monitor

Affidavit

I, the undersigned, Andrew Lutfy, authorized representative of the Debtors, domiciled for the purpose hereof at 5592 Ferrier Street, Mount-Royal, Québec, Canada, solemnly affirm that all the facts alleged in the present *Application for an Initial Order and an Amended and Restated Initial Order* are true.

AND I HAVE SIGNED,

Andrew Lutfy

SOLEMNLY AFFIRMED TO BEFORE ME AT
MONTREAL, this 8th day of September, 2020

COMMISSIONER OF OATHS
FOR THE PROVINCE OF QUÉBEC

Superior Court
(Commercial Division)

Canada
Province of Québec
District of Montréal
No: 500-

In the matter of the *Companies' Creditors Arrangement Act* of:

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-and-

Deloitte Restructuring Inc.

Proposed Monitor

Notice of Presentation

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TAKE NOTICE that the present *Application for an Initial Order and an Amended and Restated Initial Order* will be presented for adjudication before the Superior Court of Québec, sitting in the commercial division for the district of Montréal, on September 8, 2020 at 9:15 am in room 16.04.

Montreal, September 8, 2020

McCarthy Tétrault

McCarthy Tétrault LLP
Lawyers for the Debtors

Superior Court
(Commercial Division)

Canada
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District of Montréal
No: 500-

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Deloitte Restructuring Inc.

Proposed Monitor

List of Exhibits

EXHIBITS	DESCRIPTION
Exhibit P-1	GDI's Corporate Register Extract
Exhibit P-2	Groupe Dynamite's Consolidated Balance Sheet (under seal)
Exhibit P-3	Draft Initial Order
Exhibit P-3A	Draft Initial Order
Exhibit P-4	Draft Amended and Restated Initial Order
Exhibit P-4A	Draft Amended and Restated Initial Order
Exhibit P-6	Proposed Monitor's Report
Exhibit P-7	Draft Initial Order (Exhibit P-3) compared to Standard Initial Order Form
Exhibit P-7A	Draft Initial Order (Exhibit P-3A) compared to Standard Initial Order Form
Exhibit P-8	Draft Amended and Restated Initial Order (Exhibit P-4) compared to Standard Initial Order Form
Exhibit P-8A	Draft Amended and Restated Initial Order (Exhibit P-4A) compared to Standard Initial Order Form
Exhibit P-9	Interim Financing Term Sheet
Exhibit P-10	Amended Interim Financing Term Sheet

Montreal, September 8, 2020

McCarthy Tétrault

McCarthy Tétrault LLP
Lawyers for the Debtors

SUPERIOR COURT
(COMMERCIAL DIVISION)

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
N° : 500-11

In the matter of the *Companies' Creditors Arrangement Act* of :

Groupe Dynamite Inc
GRG USA Holdings Inc.
GRG USA LLC
Debtors

-and-

Deloitte Restructuring Inc.
Proposed Monitor

Application for an Initial Order and an Amended and Restated Initial Order

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