

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

**SUPERIOR COURT**  
(Commercial Division)

(Sitting as a court designated pursuant to the  
*Companies' Creditors Arrangement Act*, RSC 1985,  
c C-36)

No.: 500-11-

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**IN THE MATTER OF THE COMPROMISE OR  
ARRANGEMENT OF:**

**STOKES INC.**, a legal person having its head office  
at 5660 Ferrier Street, Mont-Royal, Québec, H4P 1M7

Debtor / Applicant

-and-

**ERNST & YOUNG INC.**, a legal person having a  
place of business at 900, Boulevard de Maisonneuve  
Ouest, Suite 2300, Montréal, Québec, H3A 0A8.

Proposed Monitor

**APPLICATION FOR A FIRST DAY INITIAL ORDER, APPROVAL  
OF A CONSULTING AGREEMENT AND SALE GUIDELINES, AN  
AMENDED AND RESTATED INITIAL ORDER AND CERTAIN  
ANCILLARY RELIEF**

(Sections 9, 10, 11, 11.02, 11.03, 11.2, 11.51, 11.52 and 23 of the  
*Companies' Creditors Arrangement Act*, RSC 1985, c C-36)

**TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT SITTING IN  
THE COMMERCIAL DIVISION, IN THE JUDICIAL DISTRICT OF MONTRÉAL, THE  
DEBTOR/APPLICANT RESPECTFULLY SUBMITS AS FOLLOWS:**

**I. INTRODUCTION**

1. With the present *Application for a first day initial order, approval of a consulting agreement and sale guidelines, an amended and restated initial order and certain ancillary relief* (the "**Application**"), the Debtor/Applicant, Stokes Inc. ("**Stokes**", the "**Debtor**" or the "**Company**") hereby seeks that this Honourable Court issue an initial order under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (the "**CCAA**").
2. Founded in 1935, Stokes is a family-owned Canadian business, and the go-to retailer of kitchenware, tableware, and décor items, with significant brand presence, and brick and mortar locations, across Canada.

3. However, as a result of a combination of factors beyond its control – high interest rates, the current highly inflationary environment for goods and services, changing consumer preferences, increased competition, additional costs relating to a second warehousing facility, and the impacts of declining sales - the Company's margins and profitability have suffered in recent years and it is now unable to meet its liabilities in the ordinary course of business.
4. Therefore, the Company is initiating the present CCAA proceedings in order to effectuate a true operational restructuring which will focus on reducing its footprint with the liquidation of the Closing Stores (as defined below), while maintaining a solid commercial footprint in Canada, with 50 remaining Stores (as defined below) in Ontario and Québec.
5. At the first day hearing, the Debtor is seeking the issuance of an initial order providing for, *inter alia*, the following relief (the “**Initial Order**”), a draft copy of which is communicated herewith as Exhibit P-1:
  - i. declaring that the CCAA applies to the Company;
  - ii. staying all proceedings and remedies taken or that might be taken in respect of the Debtor and their respective directors and officers, or any of their property, except as otherwise set forth in the Initial Order or as otherwise permitted by law (the “**Stay**”), for an initial period of ten days in accordance with the CCAA (the “**Stay Period**”);
  - iii. appointing Ernst & Young Inc. (“**EY**” or the “**Proposed Monitor**”) as the monitor of the Applicants in these proceedings (the “**Monitor**”) and granting the Monitor the powers sought by the present Application;
  - iv. approving the CRO's mandate (as defined below);
  - v. granting an Administration Charge (as defined below);
  - vi. granting a D&O Charge (as defined below);
  - vii. the scheduling of a comeback hearing for November 19, 2024 (the “**Comeback Hearing**”);
  - viii. ordering the sealing of certain confidential exhibits supporting this Application; and
  - ix. granting any other relevant first day relief.
6. A comparison of draft Initial Order (Exhibit P-1) and the Model CCAA Initial Order issued by the Bar of Montréal is communicated herewith as **Exhibit P-1A**.
7. At the Comeback Hearing, the Debtor intends to seek an Amended and Restated Initial Order (the “**ARIO**”) substantially in the form of the copy of the draft ARIO

which is communicated herewith as **Exhibit P-2**, and provides for the following additional relief:

- i. extending the Stay Period until on or about January 24, 2025;
  - ii. granting any other relevant relief sought by the Applicants or deemed necessary by this Court.
8. A comparison of draft ARIO (Exhibit P-2) and the Model CCAA Initial Order issued by the Bar of Montréal is communicated herewith as **Exhibit P-2A**.
9. Additionally, at the Comeback Hearing the Company will be seeking an order approving a consulting agreement in respect of the liquidation of the Closing Stores (as defined below) in the context of these CCAA proceedings (the “**Order Approving a Consulting Agreement and Sale Guidelines**”), a draft copy of which is communicated herewith as **Exhibit P-3**.

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## II. COMPANY OVERVIEW

### A. Background and Operations

10. Stokes is a privately-owned company governed by the *Business Corporations Act* (Québec), CQLR c S-31.1, and incorporated in 1957, as appears from a copy of its registration on the Registre des entreprises, a copy of which is filed in support hereof as **Exhibit P-4**.
11. A three-generation family business, Stokes was founded and remains headquartered in Montreal, Québec.
12. For more than 88 years, Stokes has been the go-to destination for Canada's kitchenware, tableware and homeware needs. From intricate glassware and drinkware to stylish tableware, serveware, linens as well as wide range of small kitchen appliances, cookware, bakeware and kitchen gadgets – Stokes has Canadians covered.
13. The Company sells a variety of merchandise, including merchandise primarily marketed under the brands “Stokes”, “*Remy Olivier*” and “Thinkkitchen”.
14. “Stokes” branded products consist primarily of tableware and décor items, “*Thinkkitchen*” branded products consist primarily of kitchen items, such as cooking utensils and small appliances, while “*Remy Olivier*” branded items consist primarily of high-end cookware.
15. Stokes operates its retail business from a total of 95 retail stores in all of Canada's provinces (each a “**Store**”, collectively, the “**Stores**”), located in Canada's major cities, as well as other urban areas. The Company also sells its merchandise through its online business at [www.stokesstores.com](http://www.stokesstores.com).
16. Of the 95 Stores, 82 Stores operate under the “Stokes” banner, while 13 Stores are “*Thinkkitchen*” bannered. The Stores are located primarily in shopping malls, as well as power centers and outlet shopping centers.
17. Stokes utilizes a network of Company-operated warehouses to receive and distribute its inventory. The Company sends inventory to its stores and fulfills e-commerce orders from its main warehouse, which is located within the same facility as its headquarters in Mount-Royal, Québec (the “**MTL DC**”). Stokes also currently has a second warehouse located in the east end of Montreal, Québec (collectively with the MTL DC the “**DCs**”), where it receives and stores overflow inventory.
18. The Company does not own any immovable property. All premises (Stores and the DCs) occupied by Stokes and Thinkkitchen are leased.
19. As of the date hereof, Stokes has approximately 836 full-time and part-time employees, with approximately 90 working at the head office and the DCs and

approximately 746 across various Stores. The Company's workforce is not unionized, and the Company does not maintain a pension plan.

20. The Company's operations are primarily financed by Scotiabank Asset Finance (a division of the Bank of Nova Scotia) ("**Scotia**"). Other stakeholders include vendors and suppliers of inventory and services, landlords and other parties.

## **B. 2020 Restructuring**

21. Stokes, like many other retail chains, experience significant issues resulting from adverse macro-trends, including changing consumer preferences, expensive leases and a general shift away from brick-and-mortar to online retail channels.
22. Additionally, increased competition from discount and online retailers created significant downward pressure on pricing and margins.
23. On February 18, 2020, Stokes filed a Notice of intention to make a proposal under the relevant provisions of the *Bankruptcy and Insolvency Act* ("**BIA**"), later converted to proceedings under the CCAA, as appears from the Court record, docket number 500-11-057985-208 (the "**2020 Restructuring**").
24. At the time of initiating the 2020 Restructuring, Stokes operated from a total of 147 retail Stores in Canada.
25. As part of the 2020 Restructuring, the Company retained FAAN Advisors Group Inc. (the "**CRO**") to assist in its restructuring efforts. The CRO's mandate included, *inter alia*, assisting Stokes with the identification and implementation of restructuring initiatives, including the closure of certain Stores and related liquidation as well as the development of a proposal to its creditors.
26. Overall, throughout the 2020 Restructuring, the Company closed and liquidated approximately 40 underperforming Stores and reduced operating expenses, for the ultimate benefit of its creditors and other stakeholders.
27. The 2020 Restructuring culminated in a Plan of compromise and arrangement ("**2020 Plan**") approved by creditors, which allowed Stokes to exit CCAA protection in February 2021.
28. All amounts owing to creditors under the 2020 Plan have been paid in accordance with the 2020 Plan, and a monitor's certificate of performance was filed on February 21, 2023, as appears from the court record (docket number 500-11-057985-208), and filed in support hereof as **Exhibit P-5**.

## **C. Current Financial Difficulties and Pre-Filing Restructuring Efforts**

29. Despite the successful implementation of the 2020 Plan, the Company is once again facing significant financial hardship and has no alternative but to file for creditor protection under the CCAA.

30. Indeed, Stokes continues to be impacted by adverse macrorends, including increased competition, the whole as described above.
31. Notwithstanding the Company's efforts to implement measures to improve its performance, it has been unable to achieve profitability in the current market circumstances.
32. In an effort to address its immediate financial needs and to improve its financial performance, Stokes implemented the following restructuring initiatives over the past several months:
  - Identified underperforming Stores, and proceeded to liquidate the inventory and exit the premises;
  - Commenced a stock-keeping unit (SKU) portfolio review to notably reduce the number of underperforming units and reduce its vendor base to improve pricing and efficiency;
  - Commenced a process to reduce overhead costs and implemented various measures in connection therewith; and
  - Continued to work with, and involve, the CRO in its operations.
33. Additionally, considering Stokes' recent liquidity issues, certain overseas suppliers now require full payment of inventory prior to arrival of said inventory shipments to Canada. This has strained Stokes' relationships with its third-party suppliers as well as its already limited cash flow.
34. Unfortunately, the turnaround initiatives described above have not been sufficient to offset the impacts of the on-going decline in sales, and consequently margins and profitability continued to suffer over the last several years.
35. The term of the Scotia Loan Agreement (as defined below) expired in July 2024, and is now fully due and payable, the whole as detailed below.
36. Given the current market conditions and Stokes' current financial situation, the Company has been unable to secure replacement financing (on viable terms) which would allow it to reimburse the amounts owing under the Scotia Loan Agreement (as defined below).
37. In light of the foregoing, Stokes had no other choice but to initiate an out-of-court sale and investment solicitation process in October 2024 (the "**SISP**"), the details of which are further set out below.

#### **D. Pre-Filing Sale and Investment Solicitation Process**

38. As indicated above, in October 2024, the Debtors, with the assistance of the Proposed Monitor as well as Ernst & Young Orenda Corporate Finance Inc. and Ernst & Young Corporate Finance (Canada) Inc. (collectively "**EY CF**"), initiated the SISP with a view to identifying one or more transactions in respect of the sale,

investment in, or refinancing of all or part of the business and/or the property and/or assets of the Company that could, ideally, permit the Company to repay its indebtedness to Scotia, and provide the financing which would allow for the continuation of all or part of the Company's activities on a going-concern basis.

39. The initiation of the SISP was supported by Scotia, and was a requirement of the First Forbearance Agreement (as defined below).
40. In accordance with the procedures governing the SISP, the Company, with assistance of EY CF, managed all SISP-related documents (including the preparation of a teaser letter, a target list of potential purchasers or investors, and non-disclosure agreements) and provided all required information to potential bidders.
41. The SISP was initiated on October 10, 2024, by the communication of the Teaser to 65 potential bidders from both strategic and financial sectors, as appears from a copy of the Company teaser ("**Teaser**") disclosed in support hereof as **Exhibit P-6**.
42. In the context of the SISP, potential bidders were invited to submit a non-binding letter of intent by no later than October 31, 2024.
43. EY CF invited potential bidders to sign confidentiality agreements to access the virtual data room ("**VDR**").
44. By October 13, 2024, 13 parties had signed confidentiality agreements and were invited to submit non-binding letters of intent by no later than October 31, 2024, as appears from a copy of the Process Letter dated October 10, 2024 (the "**Process Letter**", filed in support hereof as **Exhibit P-7**).
45. On October 17, 2024, the Process Letter was sent to 11 additional potential bidders. As such, the Process Letter was sent to a total of 24 potential bidders between October 10 and 17.
46. By the October 31, 2024, deadline, the Company received three non-binding letters of interest from potential bidders and one financing offer ("**Bids**").
47. Three of the Bids were received from professional liquidators and did not contemplate the going concern of the business. The Company, with the assistance of the Proposed Monitor and the CRO, reviewed these Bids and determined that they were not in the best interest of the stakeholders.
48. Moreover, the Company received a refinancing Bid, which was subject to uncertain terms and determined to be unrealistic to pursue in the current circumstances.
49. Accordingly, the Company determined that it was in the best interest of its stakeholders to initiate these CCAA proceeding in order to implement its turnaround strategy.



### III. INDEBTEDNESS AND LIABILITIES

#### A. Secured Debt

50. The Company's operations are principally financed by Scotia pursuant to a Second Amended and Restated Loan Agreement dated July 15, 2021, as amended by an Amendment to Second Amended and Restated Loan Agreement dated January 28, 2022 and a Second Amendment to Second Amended and Restated Loan Agreement dated July 20, 2023 (collectively the "**Scotia Loan Agreement**"), a copy of which is filed in support hereof as **Exhibit P-8**, *en liasse* and *under seal*.
51. The Scotia Loan Agreement, which reached maturity on July 14, 2024, consists of the two facilities, namely an operating line of credit and a letter of credit facility.
52. The obligations of Stokes under the Scotia Loan Agreement are secured by first ranking hypothecs and liens on substantially all the Company's assets and inventory (collectively, the "**Scotia Security**"), as list of the Scotia Security as at the date hereof **Exhibit P-9**.
53. The obligations of Stokes under the Scotia Loan Agreement are also guaranteed by other affiliates of the Debtor, including the owner of the intellectual property rights used by Stokes.
54. The facilities provided under the Scotia Loan Agreement are used by the Company to fund its working capital requirements and for general purposes. Advances are made based on the amount of available credit, which varies based on the value of the collateral, including inventory and accounts receivable.
55. As a result of certain events of default that occurred under the Scotia Loan Agreement, on June 20, 2024, Scotia issued a notice of default to the Company.
56. Following numerous discussions between Scotia and the Company, on August 6, 2024, Stokes and certain affiliated parties entered into a Forbearance Agreement (the "**First Forbearance Agreement**") with Scotia, a copy of which is filed in support hereof *under seal* as **Exhibit P-10**.
57. The First Forbearance Agreement set out the terms and conditions under which Scotia agreed to tolerate the various defaults under the Scotia Loan Agreement. The tolerance period under the First Forbearance Agreement expired on October 31, 2024.
58. On September 11, 2024, Scotia issued a notice of default under the First Forbearance Agreement, as well as notices pursuant to Section 244 of the BIA and the Civil Code of Québec, to the Company. The notice periods provided thereunder have since expired.
59. On November 13, 2024, Stokes and certain affiliated parties entered into a Second Forbearance Agreement (the "**Second Forbearance Agreement**") with Scotia, a copy of which is filed in support hereof *under seal* as **Exhibit P-11**.

60. The Second Forbearance Agreement sets out the terms and conditions under which Scotia agreed to tolerate the various defaults under the Scotia Loan Agreement and to support Stokes' operations throughout these restructuring proceedings. The tolerance period under the Second Forbearance Agreement is set to expire on December 30, 2024.
61. In the context of the Second Forbearance Agreement, the Company has agreed, amongst other things, that Scotia shall be treated as an unaffected creditor in these restructuring proceedings and in any plan resulting therefrom.
62. As of the date hereof, the Company owes Scotia approximately CAD\$ 14,404,054.07 and US\$ 1,893,298.17 under the operating line of credit, and CAD\$ 775,000.00 and US\$ 118,417.75 under the letter of credit accommodations.

**B. Unsecured Debt, Suppliers and Other Obligations**

63. As of the date hereof, Stokes owes an aggregate amount of approximately \$10,000,000 to various unsecured creditors including suppliers, employees, landlords and federal and provincial tax authorities.
64. The gross accrued normal pay obligations total approximately \$800,000 to \$1 million. Additionally, the estimated amount of accrued, unused vacation time as of the date hereof is approximately \$900,000.

**IV. RESTRUCTURING OBJECTIVES**

65. Following extensive analysis and consideration, in light of the Company's financial situation, the Company has concluded that the only realistic option is to engage in a formal restructuring process in order to achieve the best possible outcome for stakeholders.
66. With the assistance of their advisors, the Debtor has determined that the best course of action in the current circumstances includes implementing measures to reduce its footprint and related expenses, and liquidate the Closing Stores (as defined below), while maintaining going concern operations in the remaining Stores, the whole for the benefit of stakeholders.
67. In order to achieve its above noted restructuring objectives, the Debtor is seeking the relief more fully described below.
68. Finally, in connection with the initiation of these proceedings, the Proposed Monitor has prepared a report on the business and affairs of the Debtor. A copy of the Proposed Monitor's report to the Court will be filed ahead of the hearing (the "**Report of the Proposed Monitor**").

**V. RELIEF SOUGHT AT THE FIRST DAY OF HEARING**

**A. The Debtor is a Company to which the CCAA Applies**

- 69. As set out above, the Debtor's indebtedness well exceeds the \$5 million requirement of the CCAA.
- 70. Furthermore, Stokes is unable to meet its obligations as they become due given the ongoing liquidity crisis.
- 71. In light of the foregoing, Stokes clearly qualifies as a "debtor company" to which the CCAA applies.

**B. Appointment and Powers of the Monitor**

- 72. EY has consented to act as Monitor of the Company under these CCAA proceedings if appointed by the Court, as appears from a consent letter communicated herewith as **Exhibit P-12**.
- 73. EY is a licensed insolvency trustee within the meaning of section 2 of the BIA.
- 74. None of the restrictions to who may be appointed monitor provided by subsection 11.7(2) of the CCAA are applicable to EY.
- 75. Furthermore, EY has significant experience as Court officer in restructuring of retail debtors, having notably been appointed monitor of the restructuring proceedings of the Aldo Group and Reitmans.
- 76. The granting of the Monitor's powers is appropriate to help the Debtor achieve its restructuring objectives. The Company therefore requests that this Court grant the Proposed Monitor the powers, rights, obligations and protections detailed in the Initial Order (Exhibit P-1) and subsequently, the ARIO (Exhibit P-2).

**C. Stay of Proceedings**

- 77. The Debtors request that all proceedings against the Company as well as against its directors and officers and any of the Company's property, inventory and assets be stayed for an initial period of ten days in order to preserve the status quo during the initial Stay Period.
- 78. The Debtor is concerned that unless the stay of proceedings is granted, certain suppliers, creditors and other stakeholders may take steps that will deplete its estate and disrupt its operations, to the detriment of all stakeholders.
- 79. The Stay Period will preserve the status quo and prevent creditors and others from taking steps to try to improve their positions to the detriment of other creditors. All stakeholders generally, including creditors, will benefit from the relief sought herein.

**D. Approval of the CRO's Mandate**

80. As mentioned, the Debtor has continued to work with the CRO since the 2020 Restructuring and the CRO has an intimate knowledge of the Debtor's affairs. Recently, the CRO has been providing extensive support to the Company including assisting with the SISP and its discussions with Scotia. The CRO has also been instrumental in identifying and implementing restructuring measures, the whole in the best interest of all stakeholders.
81. Consequently, the Debtor is hereby seeking the Court's approval of the CRO's mandate in the context of these proceedings.
82. The CRO has significant experience in retail restructurings, both in and out of court, and will continue to provide its experience and expertise to the Company throughout the course of these restructuring proceedings, for the benefit of all of its stakeholders. A copy of the redacted engagement letter with Stokes (the "**CRO Engagement Letter**") is filed in support hereof as **Exhibit P-13**.
83. As appears from the CRO Engagement Letter, the CRO's compensation for services rendered includes payment of a weekly fee, as well as payment of a success fee, which will be payable in the following circumstances (the "**CRO Success Fee**"):
- \$300,000 following any transaction or series of transactions which include any i) sale, disposition, transfer or other transaction of the Company's equity or ii) sale of the Company's assets or iii) any financing or refinancing which results in Scotia being repaid its indebtedness in full without the need to realize or enforce on any portion of the additional collateral provided to Scotia by the Company's shareholders; or
  - \$500,000 upon Court approval of a proposal or plan of arrangement/compromise to be filed by the Company under the CCAA or other similar legislation, or upon closing of any transaction involving the restructuring, reorganization of the Company's assets or business which results in Scotia being repaid its indebtedness in full without the need to realize or enforce on any portion of the additional collateral provided to Scotia by the Company's shareholders in Scotia.
84. The CRO Engagement Letter contemplates that (i) it be ratified and approved by the Court in the circumstances where insolvency proceedings are initiated in respect of Stokes, and (ii) obligations owed to the CRO by Stokes be secured by a charge, including in respect of the CRO Success Fee.
85. It is in Stokes' stakeholders' best interest that the CRO Engagement Letter be approved and ratified by the Court, and that Stokes' obligations owed to the CRO be secured as part of the Administration Charge, defined below. It is a requirement under the Second Forbearance Agreement that the CRO engagement be confirmed and that the CRO be granted specific powers, the whole as set out in the proposed orders.

86. The services provided by the CRO will be essential to a successful and timely restructuring of the Company's business, as they were in the context of the 2020 Restructuring.
87. The CRO Engagement Letter provides, *inter alia*, that all amounts owing thereunder be secured by a court-ordered charge. Therefore, it is contemplated that the Administration Charge (as defined below) shall notably enure to the benefit of the CRO (except with regards to the CRO Success Fee).
88. With regards to the CRO Success Fee, it is contemplated that any amounts owing in relation thereto be secured by a specific court-ordered charge which will rank after the Administration Charge (as defined below), the Scotia Security, and the D&O Charge (as defined below) up to amount of \$500,000 (the "**CRO Success Fee Charge**").
89. As appears from the Report of the Proposed Monitor, the Proposed Monitor is supportive of the CRO Engagement Letter.
90. Accordingly, Stokes respectfully requests that the CRO Engagement Letter be approved and ratified by this Court, retroactively to the date of its signature.

#### **E. Priority Charges**

91. The Company respectfully requests that this Court grant the following super-priority charges on all of the present and future assets, property and undertakings of Stokes at the first day hearing:
  - A charge to the benefit of the Monitor, counsel to the Monitor (McCarthy Tétrault LLP), the CRO (excluding the CRO Success Fee amounts), and counsel to Stokes (Osler, Hoskin & Harcourt LLP) (collectively the "**Professionals**"), as security for their respective fees and disbursements relating to services rendered in respect of these restructuring efforts up to a maximum amount of \$400,000 (the "**Administration Charge**"); and
  - A charge to the benefit of the Applicant's respective directors and officers up to a maximum amount of \$1 million (the "**D&O Charge**")
92. The Professionals have requested that their respective fees and disbursements be secured by the Administration Charge, ranking ahead of the claims of all secured and unsecured creditors, and have indicated that the granting of the Administration Charge is essential to their support throughout the proceedings.
93. Moreover, the D&O Charge will rank after the Administration Charge and the Scotia Security.
94. Stokes does not maintain any directors' and officers' insurance.
95. The D&O Charge is intended to allow the Company's directors and officers to focus their efforts on these restructuring proceedings, for the benefit of all stakeholders.

96. The Proposed Monitor is supportive of the Administration Charge and the D&O Charge, which are to the benefit of all stakeholders.

## **VI. RELIEF SOUGHT AT THE COMEBACK HEARING**

### **A. Extension of the Stay of Proceedings**

97. At the Comeback Hearing, the Debtor will seek a further extension of the Stay Period until January 24, 2025, to allow for the full deployment of the Liquidation Sale, as appears from draft ARIO (Exhibit P-2).
98. This will allow the Debtor and the Proposed Monitor to fully focus on the Liquidation Sale, which will accelerate the restructuring efforts and reduce the costs associated with the present CCAA proceedings.
99. No creditor of the Debtor will be materially prejudiced if the Debtor's request for an extension is granted. Rather it will be to the benefit of all stakeholders as the restructuring process, including the Liquidation Sale, will continue until their respective conclusions.
100. The Debtor has acted, is acting, and will continue to act in good faith and with diligence in the context of these CCAA proceedings.
101. The Debtor will have sufficient cash flow to continue operations, while conducting the Liquidation Sale, up to and including January 24, 2025, as appears from the Report of the Proposed Monitor.
102. As appears from the Report of the Proposed Monitor, the Monitor supports the requested extension of the Stay Period until January 24, 2025.

### **B. Priority Charges**

103. The Company respectfully requests that, at the Comeback hearing, this Court grant the following super-priority charges on all of the present and future assets, property and undertakings of Stokes:
- The continuation of the Administration Charge, as granted in the Initial Order;
  - The D&O Charge which will be increased up to a maximum amount of \$3 million; and
  - The CRO Success Fee Charge.
104. The Professionals have requested that their respective fees and disbursements be secured by the Administration Charge, ranking ahead of the claims of all secured and unsecured creditors, and have indicated that the granting of the Administration Charge is essential to their support throughout the proceedings.

105. Moreover, the D&O Charge will rank after the Administration Charge and the Scotia Security.
106. Stokes does not maintain any directors' and officers' insurance.
107. The D&O Charge is intended to allow the Company's directors and officers to focus their efforts on these restructuring proceedings, for the benefit of all stakeholders.
108. The CRO Success Fee Charge is necessary to ensure the support of the CRO in the context of these CCAA proceedings, which as detailed above is for the benefit of all stakeholders. It is therefore contemplated in the ARIO that the CRO Success Fee Charge will rank after the Administration Charge, the Scotia Security and the D&O Charge.
109. The Proposed Monitor is supportive of the Administration Charge, the D&O Charge, and the CRO Success Fee Charge which are to the benefit of all stakeholders.

### **C. Closing Stores Liquidation**

110. The Debtor, in consultation with the CRO and the Proposed Monitor, conducted an analysis of the performance of each of its Stores and determined that it would be in the best interest of all of its stakeholders to proceed with the liquidation and closing of 45 Stores (with the possibility of including additional Stores, collectively the "**Closing Stores**"), with the assistance and expertise of the Consultant (as defined below).
111. In order to maximize the realization from the Liquidation Sale (as defined below) at the Closing Stores, the Company, with the assistance of the Proposed Monitor, solicited offers from several liquidators in the context of the SISP.
112. As mentioned above, following such solicitation process, three (3) offers (the "**Liquidation Offers**") were received by Stokes from potentially interested liquidators.
113. Following an analysis of the Liquidation Offers, the Company and the CRO, in consultation the Proposed Monitor, and with the consent of Scotia, agreed that the most advantageous offer was the one submitted by a joint venture composed of Tiger Asset Solutions Canada, ULC and GA Capital Solutions Canada, Inc. (the "**Consultant**").
114. The Consultant has extensive experience in conducting retail liquidations and has led numerous significant inventory dispositions for Canadian retailers.
115. Stokes has negotiated and executed an agreement dated November 13, 2024 (the "**Consulting Agreement**") with the Consultant, which remains subject to approval of this Court, pursuant to which the Consultant will serve as Stokes' exclusive consultant to advise the Company with respect to the liquidation of Stokes' inventory and furnishings, fixtures and equipment in the Closing Stores. A copy of

the Consulting Agreement is filed in support hereof *under seal* as **Exhibit P-14**, with a redacted copy filed in support hereof as **Exhibit P-14A**.

116. The key terms of the Consulting Agreement are as follows:
- The Consultant will serve as the exclusive consultant to Stokes to conduct a “store closing,” “everything must go,” “sale on everything,” and other mutually agreed upon themed sale of the inventory, equipment and fixtures located in the Closing Stores (the “**Liquidation Sale**”);
  - The Liquidation Sale is expected to take place as and from the date of the issuance of the order sought herein to no later than January 24, 2025 (the “**Sale Term**”);
  - In consideration of its services, the Company will pay the Consultant a fee based upon a percentage of the aggregate proceeds of the Liquidation Sale plus reimbursement of certain expenses, the whole as provided for in the Consulting Agreement.
117. Furthermore, as security for the payment and performance by Stokes of all of its obligations to the Consultant under the Consulting Agreement, Stokes is required to remit to the Consultant a deposit in the amount of \$200,000.00, (the “**Deposit**”).
118. The Liquidation Sale will be subject to the sale guidelines attached to the Consulting Agreement as Exhibit 3 (the “**Sale Guidelines**”), which guidelines have been, in substance, approved in the context of numerous court-approved closing sales, notably in Québec and Ontario. The Company is seeking Court approval of the Sale Guidelines.
119. As provided under the Consulting Agreement, the Company will be honouring all gift cards and certificates during the Liquidation Sale. All sales made in the context of the Liquidation Sale will be final.
120. It is in Stokes’ stakeholders’ best interest that the Consulting Agreement be approved by the Court, in order to proceed with the commencement of the Liquidation Sale in the briefest of delays.
121. Stokes respectfully submits that:
- The process leading to the conclusion of the Consulting Agreement was reasonable under the circumstances;
  - No superior Liquidation Offer was received as part of the solicitation process; and
  - Any additional solicitation efforts would be unlikely to yield a significantly better offer, and would result in additional costs and delays.
122. As indicated above, the Liquidation Sale will be specific to the Closing Stores and will be conducted in parallel to the continued operations of the remaining Stores.



- 123. Scotia is supportive of the Liquidation Sale.
- 124. As appears from the Report of the Proposed Monitor, the Proposed Monitor is supportive of the Consulting Agreement, the Sale Guidelines and the Liquidation Sale.

## **VII. SEALING OF CONFIDENTIAL DOCUMENTS**

- 125. Stokes is privately owned and has no statutory disclosure obligations under applicable securities laws. As such, it has no obligation to publicly disclose its financial statements.
- 126. Stokes does not wish to share this information with the general public, notably its competitors. Additionally, publicly disclosing this information would be highly prejudicial to the Liquidation Sale and the continued operations of the other Stores.
- 127. The Company respectfully submits that **Exhibits P-8, P-10, P-11, P-14**, as well as all financial statements produced and/or communicated in the context of the present proceedings should be kept strictly confidential and should be kept under seal along with the sensitive commercial agreements to which Stokes is a party. Such information will be made available to creditors of the Company who make a request therefor and execute a confidentiality agreement.
- 128. Public disclosure of such sensitive financial information and documentation would be very prejudicial to Stokes, its stakeholders, and the restructuring efforts, notably due to the potential use of this information by its competitors.

## **VIII. EXECUTION NOTWITHSTANDING APPEAL**

- 129. Given the urgency and severity of the circumstances confronting the Debtor, it is essential that execution of the orders sought herein be granted notwithstanding appeal.
- 130. Considering the urgency of the situation, the Debtor respectfully submits that the notices given of this Application for the purposes of all orders sought herein are proper and sufficient.

## **IX. CONCLUSION**

- 131. As appears from the Report of the Proposed Monitor, the Monitor supports the present Application.
- 132. For the reasons set forth above, the Company respectfully submits that it is both appropriate and necessary that this Honourable Court render the relief sought herein.

**FOR THESE REASONS, MAY IT PLEASE THIS HONOURABLE COURT TO:**

**GRANT** the present *Application for a first day initial order, approval of a consulting agreement and sale guidelines, an amended and restated initial order and certain ancillary relief* (the “**Application**”);

**AT THE INITIAL HEARING OF THE APPLICATION:**

**ISSUE** an order substantially in the form of the draft Initial Order communicated in support of the Application as **Exhibit P-1**

**AT THE COMEBACK HEARING OF THE APPLICATION:**

**ISSUE** an Amended and Restated Initial Order substantially in the form of the draft order communicated in support of the Application as **Exhibit P-2**.

**ISSUE** an order substantially in the form of the draft Order Approving a Consulting Agreement and Sale Guidelines communicated in support of the Application as **Exhibit P-3**;

**THE WHOLE** without costs, save in the case of contestation.

MONTREAL, November 14, 2024

  
**OSLER, HOSKIN & HARCOURT LLP**

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**Mtre. Sandra Abitan**

Direct : 514.904.5648

Email : [sabitan@osler.com](mailto:sabitan@osler.com)

**Mtre Julien Morissette**

Direct : 514.904.5818

Email : [jmorissette@osler.com](mailto:jmorissette@osler.com)

**Mtre. Ilia Kravtsov**

Direct : 514.904.5385

Email : [ikravtsov@osler.com](mailto:ikravtsov@osler.com)

**Mtre. Jack M. Little**

Direct: 514.904.5398

Email: [jlittle@osler.com](mailto:jlittle@osler.com)

**Attorneys for Debtor/Applicant,  
Stokes Inc.**

1000 de La Gauchetière Street West,  
Suite 2100

Montréal, Québec H3B 4W5

Telephone: (514) 904-8100

Fax: (514) 904-8101

Email notification: [notificationosler@osler.com](mailto:notificationosler@osler.com)

Our file: 1206825

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## SWORN STATEMENT OF NAVEED MANZOOR

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I, the undersigned, Naveed Manzoor, CPA, CA, CIRP, Managing Director, exercising my profession at FAAN Advisors Group Inc., having my professional address at 20 Adelaide St E #920 Toronto, ON M5C 2T6:

- a) I am an authorized representative of FAAN Advisors Group Inc., acting in its capacity as Chief Restructuring Officer to the Applicant.
- b) I have taken cognizance of the attached *Application for the issuance of a Application for a first day initial order, approval of a consulting agreement and sale guidelines, an amended and restated initial order and certain ancillary relief* (the "Application").
- c) All of the facts alleged in the Application of which I have personal knowledge are true.
- d) Where I have obtained facts alleged in the Application from others, I believe them to be true


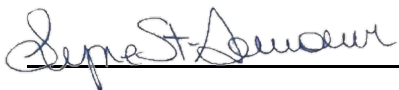
**AND I HAVE SIGNED:**



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Naveed Manzoor

SOLEMNLY AFFIRMED before me by technological means in  
Montreal, Québec this 14 day of November 2024



Commissioner for Oaths for the Province of Québec

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**NOTICE OF PRESENTATION  
COMMERCIAL DIVISION  
(ROOM 15.08)**

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TO: **Service List**

**PRESENTATION OF THE PROCEEDING**

**TAKE NOTICE** that the *Application for a first day initial order, approval of a consulting agreement and sale guidelines, an amended and restated initial order and certain ancillary relief* will be presented for adjudication before the Commercial Division of the Superior Court of Québec, in room **15.08**, of the Montréal Courthouse, at the calling of the roll on **November 15, 2024, at 9:15 a.m.**, or so soon thereafter as counsel may be heard.

**HOW TO CONNECT TO THE ROLL CALL**

The coordinates for you to join the virtual calling of the roll in room 15.08 are as follows:

**By Teams:** by clicking on the link available at <http://www.tribunaux.qc.ca>: (*“Liens TEAMS pour rejoindre les salles du Palais de justice”*)

You must fill in your name and click on «Join now» (« *Rejoindre maintenant* »). To facilitate the process, we invite you to fill in your name as follows:

Lawyers: M<sup>e</sup> First name, Last name (Name of the party you represent)

Trustees: First name, Last name (Trustee)

Superintendent: First name, Last name (Superintendent)

Parties not represented by a lawyer: First name, Last name (specify: Plaintiff, Defendant, Petitioner, Respondent, Creditor, Opponent or Other)

For individuals attending a public hearing: the mention can be limited to: (public)

**By telephone:**

Canada, Québec (Charges may apply): +1 581-319-2194

Canada (Toll-free number): (833) 450-1741

Conference ID: 782 120 282#

**By VTC videoconference:** [teams@teams.justice.gouv.qc.ca](mailto:teams@teams.justice.gouv.qc.ca)

Videoconference ID: 113395150

**In person:** you may then attend in room 15.08 of the Montreal Courthouse located at: 1, Notre-Dame Street East, Montréal, Québec.

**DEFAULT TO PARTICIPATE IN THE VIRTUAL CALLING OF THE ROLL**

**TAKE NOTICE** that if you wish to contest the proceeding, you must inform the initiator of the said proceeding in writing at the coordinates mentioned in the present Notice of Presentation at least 48 hours before the date of presentation and participate at the virtual calling of the roll, failing which, judgment may be rendered during the presentation of the proceeding, without further notice or delay.

**OBLIGATIONS**

Cooperation

**TAKE NOTICE** that the parties are duty-bound to cooperate and, in particular, to keep one another informed at all times of the facts and particulars conducive to a fair debate and make sure that relevant evidence is preserved (s. 20, *Code of Civil Procedure*).

Dispute prevention and resolution processes

**TAKE NOTICE** that the parties must consider private prevention and resolution processes before referring their dispute to the courts, which are namely negotiation, mediation or arbitration, for which the parties call on a third party (*Code of Civil Procedure*, art. 2).

**PLEASE GOVERN YOURSELF ACCORDINGLY.**

MONTREAL, November 14, 2024

*Osler, Hoskin & Harcourt LLP*

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**OSLER, HOSKIN & HARCOURT LLP**

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**Mtre. Sandra Abitan**

Direct : 514.904.5648

Email : [sabitan@osler.com](mailto:sabitan@osler.com)

**Mtre Julien Morissette**

Direct : 514.904.5818

Email : [jmorissette@osler.com](mailto:jmorissette@osler.com)

**Mtre. Ilia Kravtsov**

Direct : 514.904.5385

Email : [ikravtsov@osler.com](mailto:ikravtsov@osler.com)

**Mtre. Jack M. Little**

Direct: 514.904.5398

Email: [jlittle@osler.com](mailto:jlittle@osler.com)

**Attorneys for Debtor/Applicant,  
Stokes Inc.**

1000 de La Gauchetière Street West,  
Suite 2100

Montréal, Québec H3B 4W5

Telephone: (514) 904-8100

Fax: (514) 904-8101

Email notification: [notificationosler@osler.com](mailto:notificationosler@osler.com)

Our file: 1206825

**CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL**

**SUPERIOR COURT**  
(Commercial Division)

(Sitting as a court designated pursuant to the  
*Companies' Creditors Arrangement Act*, RSC 1985, c C-36)

No.: 500-11-

No.:

**STOKES INC.**, a legal person having its head office at  
5660 Ferrier Street, Mont-Royal, Québec, H4P 1M7

Debtor / Applicant

-and-

**ERNST & YOUNG INC.**, a legal person having a place  
of business at 900, Boulevard de Maisonneuve Ouest,  
Suite 2300, Montréal, Québec, H3A 0A8.

Proposed Monitor

**LIST OF EXHIBITS**

<b>Exhibit P-1</b>	Draft Initial Order
<b>Exhibit P-1A</b>	Comparison of draft Initial Order and Model CCAA issued by the Bar of Montréal
<b>Exhibit P-2</b>	Draft ARIO
<b>Exhibit P-2A</b>	Comparison of draft ARIO and the Model CCAA Initial Order issued by the Bar of Montréal
<b>Exhibit P-3</b>	Order Approving a Consulting Agreement and Sale Guidelines
<b>Exhibit P-4</b>	Copy of registration on the Registre des entreprises
<b>Exhibit P-5</b>	Monitor's certificate of performance filed February 21, 2023 (court record 500-11-0579850-208)
<b>Exhibit P-6</b>	Copy of the Company Teaser dated October 10, 2024
<b>Exhibit P-7</b>	Process Letter dated October 10, 2024
<b>Exhibit P-8</b>	Scotia Loan Agreement <i>en liasse</i> and <i>under seal</i>
<b>Exhibit P-9-</b>	List of Scotia Security



<b>Exhibit P-10</b>	First Forbearance Agreement <i>under seal</i>
<b>Exhibit P-11</b>	Second Forbearance Agreement <i>under seal</i>
<b>Exhibit P-12</b>	Consent letter from EY
<b>Exhibit P-13</b>	CRO Engagement letter
<b>Exhibit P-14</b>	Consulting Agreement <i>under seal</i>
<b>Exhibit P-14A</b>	Consulting Agreement (redacted)

MONTREAL, November 14, 2024

*Osler, Hoskin & Harcourt LLP*  
**OSLER, HOSKIN & HARCOURT LLP**

**Mtre. Sandra Abitan**

Direct : 514.904.5648

Email : [sabitan@osler.com](mailto:sabitan@osler.com)

**Mtre Julien Morissette**

Direct : 514.904.5818

Email : [jmorissette@osler.com](mailto:jmorissette@osler.com)

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Email : [ikravtsov@osler.com](mailto:ikravtsov@osler.com)

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Direct: 514.904.5398

Email: [jlittle@osler.com](mailto:jlittle@osler.com)

**Attorneys for Debtor/Applicant,  
Stokes Inc.**

1000 de La Gauchetière Street West  
Suite 2100

Montréal, Québec H3B 4W5

Telephone: (514) 904-8100

Fax: (514) 904-8101

Email notification:

[notificationosler@osler.com](mailto:notificationosler@osler.com)

Our file: 1206825

**SUPERIOR COURT**  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

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**IN THE MATTER OF THE COMPROMISE OR  
ARRANGEMENT OF:**

**STOKES INC.**

Debtor – Applicant

**-and-**

**ERNST & YOUNG INC.**

Proposed Monitor

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**APPLICATION FOR A FIRST DAY INITIAL  
ORDER, APPROVAL OF A CONSULTING  
AGREEMENT AND SALE GUIDELINES, AN  
AMENDED AND RESTATED INITIAL ORDER  
AND CERTAIN ANCILLARY RELIEF**

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**ORIGINAL**

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CODE : BO 0323 O/F : 1206825

a/s Mtre Sandra Abitan  
Mtre Julien Morissette, Mtre Ilia Kravtsov  
Mtre Jack M. Little

**Osler, Hoskin & Harcourt LLP**  
1000 De La Gauchetière St. West, Suite 2100  
Montréal, QC, Canada H3B 4W5

Tél: 514.904.8100 Téléc.: 514.904.8101

Notification: [sabtan@osler.com](mailto:sabtan@osler.com)  
[jmorissette@osler.com](mailto:jmorissette@osler.com)  
[ikravtsov@osler.com](mailto:ikravtsov@osler.com)  
[jlittle@osler.com](mailto:jlittle@osler.com)  
[notificationosler@osler.com](mailto:notificationosler@osler.com)