## CANADA PROVINCE OF QUEBEC DISTRICT OF MONTREAL

No.: 500-11-057985-208

#### SUPERIOR COURT

(Commercial division)

IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF:

STOKES INC.

Debtor

and

RICHTER ADVISORY GROUP INC.

Monitor

and

GEORGINA BOOW, JEFFREY BOOW, JOSHUA JEFFREY BOOW, JESSICA-LYN BOOW, and JACOB DONALD BOOW, A MINOR BY HIS LITIGATION GUARDIAN JEFFREY BOOW, domiciled and residing at 590 Vandernoot Avenue, LaSalle, Ontario, N9J 3P7:

**Applicants** 

#### MOTION TO LIFT THE STAY OF PROCEEDINGS

(Sections 11 and 11.02 of the Companies' Creditors Arrangement Act, RSC 1985, c C-36)

TO THE HONOURABLE JUSTICE MICHEL A. PINSONNAULT OR TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT OF QUEBEC, SITTING IN COMMERCIAL DIVISION, IN THE JUDICIAL DISTRICT OF MONTREAL, THE APPLICANTS STATE AS FOLLOWS:

#### I. INTRODUCTION

1. By the present Motion to Lift the Stay of Proceedings (the "Motion"), the Applicants seek the issuance of an order (the "Order"), substantially in the form of the draft order communicated herewith as Exhibit R-1, lifting the stay of proceedings as of the day of the issuance of the Order, to permit the Applicants to pursue their claim against the Debtor Stokes Inc. ("Stokes" or the "Debtor") in a civil matter commenced before the Ontario Superior Court of Justice (the "Ontario Court"), Court file no. CV-19-27530 (the "Ontario Civil Matter"), for the sole purpose of enabling the Applicants to potentially access insurance proceeds under a contract of commercial general liability insurance issued by

Lloyd's to the Debtor, for which access to the insurance proceeds depends upon the Applicants being successful against the Debtor in the Ontario Civil Matter;

#### II. BACKGROUND

- On February 18, 2020, the Debtor filed a Notice of intention to make a proposal (the "NOI")
  under the Bankruptcy and Insolvency Act, RSC 1985, c B-3 (the "BIA"), and Richter
  Advisory Group Inc. ("Richter") was appointed as trustee thereto, the whole as appears
  from the Court record:
- 3. On March 18, 2020, April 28, 2020 and June 11, 2020, at the Debtor's request, the Court granted extensions of time under the NOI, as appears from the Court record;
- 4. On July 27, 2020, at the Debtor's request, the Court granted a Transition Order, continuing the Debtor's restructuring proceedings under the *Companies' Creditors Arrangement Act, RSC 1985, c C-36* (the "CCAA"), as appears from the Court record;
- 5. The Transition Order, inter alia:
  - a. appointed Richter as monitor of the Debtor's CCAA proceedings (the "Monitor");
     and
  - b. ordered a stay of proceedings in respect of Stokes and its directors and officers until September 28, 2020 (the "Stay of Proceedings");
- 6. On September 25, 2020, at the Debtor's request, the Court granted an order extending the Stay of Proceedings until December 18, 2020, as appears from the Court record;

### III. GROUNDS FOR THE ISSUANCE OF AN ORDER LIFTING THE STAY OF PROCEEDINGS

- 7. The Applicants seek to lift the Stay of the Proceedings in respect of the Debtor to allow the Applicants to pursue their claim in the Ontario Civil Matter for the sole purpose of enabling them to potentially access insurance proceeds under a contract of commercial general liability insurance issued by Lloyd's to the Debtor, which insurance proceeds would only become available to the Applicants if the Applicants should be successful against the Debtor in the Ontario Civil Matter, on the following grounds;
- 8. In the Ontario Civil Matter, the Applicants are seeking damages further to injuries they suffered following a fire allegedly caused or contributed to by a product that was sold by the Debtor;
- 9. On March 11, 2019, the Applicants filed a Statement of Claim before the Ontario Court against the defendants named therein, thereby commencing the Ontario Civil Matter;

- 10. On February 20, 2020, the Statement of Claim in the Ontario Civil Matter was amended to add the Debtor as a defendant, as appears from a copy of the Amended Statement of Claim communicated herewith as Exhibit R-2;
- 11. It is necessary to lift the Stay of Proceedings with respect to the Ontario Civil Matter to enable the Applicants to pursue their claim against the defendants, including the Debtor;
- 12. The lift of the Stay of Proceedings will enable the Applicants to potentially access proceeds under a contract of commercial general liability insurance issued by Lloyd's (the "Insurer") to the Debtor (the "Insurance Policy") in the event that the Applicants are successful against the Debtor in the Ontario Civil Matter;
- 13. The Insurance Policy stipulates that the Insurer is required to cover the legal costs associated to the Debtor's defence in a litigation such as the one contemplated in the Ontario Civil Matter, as appears from a copy of the relevant extracts of the Insurance Policy, communicated herewith, *en liasse*, as **Exhibit R-3**;
- 14. The Insurance Policy stipulates that the bankruptcy or insolvency of the Debtor does not relieve the Insurer of its obligations under the policy, as appears from a copy of the relevant extracts of the Insurance Policy (Exhibit R-3);
- 15. The legal costs associated with the defence of the Debtor in the Ontario Civil Matter are therefore not born by the Debtor, but by its Insurer under the Insurance Policy;
- 16. The Applicants cannot pursue their claim against the Debtor, whose defence has been assumed by its Insurer, in the Ontario Civil Matter until and unless the Stay of Proceedings is lifted by the Court;
- 17. The Applicants are therefore prejudiced by the Stay of Proceedings and it is equitable to lift the stay in the present circumstances;
- 18. The continuation of the Ontario Civil Matter against the Debtor will not unduly prejudice the rights of the other creditors of the Debtor, given that the costs of the Debtor's defence will be born solely by its Insurer pursuant to the Insurance Policy;
- 19. The present Motion is supported by the Monitor and the Debtor, as appears from a letter dated October 8, 2020, sent by M<sup>e</sup> Joseph Reynaud, counsel to the Monitor, to Mr. Gino Paciocco, counsel to the Applicants in the Ontario Civil Matter, a copy of which is communicated herewith as Exhibit R-4:
- 20. It is consistent with the objectives of the CCAA and the interests of justice that the Stay of Proceedings be lifted in the manner described herein;

#### FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

**GRANT** the present Motion to Lift the Stay of Proceedings;

#### **ORDER**

that the stay of proceedings as provided for in the Transition Order of the Honourable Justice Michel A. Pinsonnault dated July 27, 2020 (the "Transition Order"), as it was and may be extended from time to time, be lifted to allow the continuation of the proceedings against Stokes Inc. before the Ontario Superior Court of Justice, Court file no. CV-19-27530 (the "Ontario Civil Matter"), solely for the purposes of seeking to potentially access the proceeds under a contract of commercial general liability insurance issued by Lloyd's to Stokes Inc., and will obtain access only if the Applicants are successful against Stokes Inc. in the Ontario Civil Matter;

#### **ORDER**

that, for greater certainty, unless the Court orders otherwise, the parties to the Ontario Civil Matter shall have no recourse against the present and future assets, rights, undertakings and properties of every nature and kind whatsoever, and wherever situated (including all proceeds thereof) of Stokes Inc., with any such recourse remaining stayed.

THE WHOLE, without costs unless contested.

Gatineau, November 24, 2020

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Attorneys for the Applicants

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Permanent code: BD 4020

Our reference: 4456

#### **SWORN DECLARATION**

- I, the undersigned, Gino Paciocco, lawyer, practicing in the City of Windsor, County of Essex and Province of Ontario, solemnly declare as follows:
- 1. I am the Applicants' attorney in the Ontario Civil Matter, court file no: CV-19-27530;
- 2. All facts in the attached Motion to Lift the Stay of Proceedings are true;

AND I HAVE SIGNED

**GINO PACIOCCO** 

SWORN BEFORE ME, in the city of Windsor, this 21 day of November 2020

commissioner of oaths

#### **NOTICE OF PRESENTATION**

TO: THE SERVICE LIST (SEE ATTACHED)

Christina Polano Rhema Kang

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Counsel to Stokes Inc. in the Ontario Civil Matter

**TAKE NOTICE** that the *Motion to Lift the Stay of Proceedings* will be presented for allowance on file before the Honorable Justice Michel A. Pisonnault of the Superior Court of Quebec (Commercial Division) on December 22, 2020, at 9:00 A.M.

Any party wishing to contest the *Motion to Lift the Stay of Proceedings* must so inform the undersigned attorneys no later than December 21, 2020, at 10:00 AM and, by that date and time, provide the undersigned attorneys a written summary of the grounds of contestation.

DO ACT ACCORDINGLY.

Gatineau, Decembre 14, 2020

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Permanent code : BD 4020

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# CANADA PROVINCE OF QUÉBEC DISTRICT OF MONTRÉAL

#### SUPERIOR COURT

(Commercial Division)

(Sitting as a court designated pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3)

No.: 500-11-057985-208

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF:

STOKES INC.

Debtor / Petitioner

-and-

RICHTER ADVISORY GROUP INC.

Trustee

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**Applicants** 

MOTION TO LIFT THE STAY OF PROCEEDINGS
(sec. 11 and 11.02 or CCAA)

BD 4020 O/File: 4456

#### Me Alexandra Roy

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