

CANADA
Province of Quebec
District of Québec
Division No.: 01-Montréal
Court No.: 500-11-057985-208
Estate No.: 41-2618947

SUPERIOR COURT
(Commercial Division)
*Bankruptcy and Insolvency Act and the
Companies' Creditors Arrangement Act*

IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF:

STOKES INC.

Petitioner / Debtor

-and-

RICHTER ADVISORY GROUP INC.

Proposal Trustee / Proposed Monitor

**FIFTH REPORT OF THE PROPOSAL TRUSTEE / PROPOSED MONITOR
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS**

Richter Advisory Group Inc. (the "**Proposal Trustee**"), in its capacity as (i) trustee under the Notice of Intention to Make a Proposal (the "**NOI**"), pursuant to the *Bankruptcy and Insolvency Act* (the "**BIA**") filed by Stokes Inc. ("**Stokes**", the "**Debtor**" or the "**Company**"), and (ii) proposed monitor under the *Application to Continue Proceedings Commenced Under Part III of the Bankruptcy and Insolvency Act and for a Transition Order under the Companies' Creditors Arrangement Act* (the "**CCAA Continuance Proceedings Motion**"), also filed by the Debtor, does hereby report to the Court the following.

INTRODUCTION

1. On February 18, 2020, the Debtor sought protection under the BIA by filing a NOI with the Proposal Trustee. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy was annexed as Exhibit "A" to the First Report of the Proposal Trustee dated February 21, 2020 (the "**First Report**").
2. On February 20, 2020, the Debtor filed a motion entitled *Application for an Order Approving an Administration Charge, a D&O Charge, a Consulting Agreement and Sale Guidelines and Granting Ancillary Relief* (the "**First Motion**") before the Superior Court of Quebec, Commercial Division (the "**Court**") and on February 24, 2020, the Court granted the First Motion.
3. On March 13, 2020, the Debtor filed a motion entitled *Application for the Extension of Time to File a Proposal and Ancillary Relief* (the "**First Stay Extension Motion**").

4. On March 16, 2020, the Proposal Trustee filed its Second Report.
5. On March 18, 2020, the Court granted the First Stay Extension Motion.
6. On April 22, 2020, the Debtor filed a motion entitled *Application for the Extension of Time to File a Proposal and Ancillary Relief* (the “**Second Stay Extension Motion**”).
7. On April 22, 2020, the Proposal Trustee filed its Third Report (the “**Third Report**”).
8. On April 22, 2020, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow together with its report pursuant to Section 50.4(2)(c) of the BIA, covering the period from April 19 to June 13, 2020, which included the major assumptions used in the preparation of the Projections. Concurrently therewith, the Proposal Trustee filed its report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the BIA, all of which were annexed as Exhibit “B” to the Third Report.
9. On April 28, 2020, the Court granted the Second Stay Extension Motion.
10. On June 8, 2020, the Debtor filed a motion entitled *Application for the Extension of Time to File a Proposal and Ancillary Relief* (the “**Third Stay Extension Motion**”).
11. On June 8, 2020, the Proposal Trustee filed its Fourth Report (the “**Fourth Report**”).
12. On June 11, 2020, the Court granted the Third Stay Extension Motion.
13. On July 21, 2020, the Debtor filed the CCAA Continuance Proceedings Motion in which the Debtor seeks, *inter alia*, a conversion of the present proceedings into proceedings under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) in order to allow the completion of the restructuring process initiated by the Company under the BIA, which process has been delayed by the sudden and unforeseen global COVID-19 pandemic.

PURPOSE OF THIS REPORT

14. The purpose of this fifth report of the Proposal Trustee (the “**Fifth Report**”) is to provide this Court with information pertaining to:
 - a) Activities of the Proposal Trustee since the issuance of the Proposal Trustee’s Fourth Report;
 - b) Activities of the Company;
 - c) Financial performance and cash flow projections;
 - d) Relief sought by the Company and conversion to CCAA proceedings; and
 - e) Proposal Trustee’s recommendations.

TERMS OF REFERENCE

15. Unless otherwise noted, all monetary amounts contained in this Fifth Report are expressed in Canadian dollars.
16. In preparing this Fifth Report, the Proposal Trustee has relied upon certain unaudited financial information prepared by the Company's representatives, the Company's books and records, and discussions with the Company's representatives and legal counsel (the "**Information**").
17. Except as otherwise described in this Fifth Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
18. Future oriented financial information relied upon in this Fifth Report is based on the Company's representatives' assumptions regarding future events; actual results achieved may vary from the Information presented even if the hypothetical assumptions occur and these variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether Projections will be achieved.

ACTIVITIES OF THE PROPOSAL TRUSTEE

19. Since the issuance of the Fourth Report, the Proposal Trustee has:
 - a) Monitored the Company's daily receipts and disbursements and the Company's current and ongoing operations;
 - b) Reviewed weekly variances between the actual cash flow results versus the cash flow projections for the period from May 31st to July 18, 2020;
 - c) Responded in a timely manner to inquiries from affected stakeholders, including creditors, employees, customers and landlords;
 - d) Prepared the present report and attended a Court hearing in relation to the NOI process;
 - e) Updated its website to allow stakeholders to access relevant documents in connection with the NOI process;
 - f) Assisted Management:
 - i. with the NOI process and planning of next steps;
 - ii. in the preparation of updated monthly financial projections and weekly cash flow forecasts; and
 - iii. in the review of the go-forward strategy and restructuring plan, including the conversion to the CCAA.

- g) Participated in several meetings and conference calls with the Debtor, the Chief Restructuring Advisor (the “**CRA**”), Scotiabank Asset Finance (a division of the Bank of Nova Scotia) (“**Scotia**”) and the legal advisors in connection with the Company’s restructuring efforts, the Company’s go-forward strategy and the negotiation of an extended forbearance agreement.

ACTIVITIES OF THE COMPANY

- 20. As a result of the COVID-19 pandemic and as ordered by the authorities, Stokes closed all of its retail locations, effective March 19, 2020. While most of the government ordered shutdowns are being lifted, the Company has continued to reopen its retail locations in accordance with government guidelines. As at the date hereof, all stores have been reopened.
- 21. Stokes continues to operate its go-forward stores in the normal course of business and to liquidate its stores (the “**Closing Stores**”) in accordance with the terms of the Consulting Agreement dated February 20, 2020 (the “**Consulting Agreement**”). As well, store and head office employees that were temporarily laid-off are progressively being rehired on an as needed basis.
- 22. The Company, as part of the ancillary relief it seeks in the CCAA Continuance Proceedings Motion, is requesting that this Court approves an amendment to the Consulting Agreement, such that the Sale Termination Date be extended to August 31, 2020, to allow for the completion of the liquidation, and that certain stores be added to or taken off the list of “Closing Stores”. As at the date hereof, the liquidation sale has been completed for 4 of the 37 locations. The amended list of Closing Stores has been filed as Exhibit P-4 to the CCAA Continuance Proceedings Motion.
- 23. The Third and Fourth Report previously disclosed the non-payment of post-filing rent payables for the months of April, May and a portion of June. The decision to hold back rent payments resulted from the various governmental measures ordered in the context of the global COVID-19 pandemic.
- 24. The Company has indicated to the Trustee that it has reached agreements with its Landlords regarding unpaid rent for the period from April to June 2020. As well, the Company is currently processing its June and July rent payments which are due.
- 25. The Company has also received funding from the Canada Emergency Wage Subsidy (“**CEWS**”) program for the period from March 15 to May 9, 2020, has applied to the CEWS for the period from May 10 to June 6, 2020, and has deferred the payment of its sales taxes and duties as authorized by the Federal and Provincial Governments.
- 26. The Company, with its advisors and the CRA, continues to review its long-term business plan and financial model. However, the COVID-19 pandemic and the resulting interruption of the Sale have significantly delayed the Debtor’s restructuring efforts. Stokes will require additional time to complete its restructuring and to formulate a proposal for its creditors, and it has now become evident that Stokes will not be in a position to do so prior to the expiry of the 6-month period following the filing of the NOI.

27. Therefore, in order to pursue its restructuring efforts for the benefit of its stakeholders, Stokes is seeking the continuation of these NOI proceedings under the CCAA.
28. The Company has entered into a restated forbearance agreement with Scotia on July 16, 2020 (the “**Restated Forbearance Agreement**”). A copy of the Restated Forbearance Agreement is annexed to the CCAA Continuance Proceedings Motion, under seal, as Exhibit P-3. Under the terms of the Restated Forbearance Agreement, Scotia has agreed to tolerate the various defaults and to continue to finance Stokes’ operations during the restructuring period, subject to certain conditions being respected.
29. The Restated Forbearance Agreement contractually requires that, prior to the expiry of the six-month stay extension period for the Company to file a proposal under the NOI filing proceedings, the NOI filing proceedings will be continued under the CCAA proceedings. As part of the conditions of the new agreement, Scotia must also be considered an unaffected creditor in the CCAA proceedings.
30. Stokes also renegotiated its original loan with Scotia and signed an amended loan agreement with Scotia on July 16, 2020 (the “**Amended and Restated Loan Agreement**”). A copy of the Amended and Restated Loan Agreement is annexed to the CCAA Continuance Proceedings Motion, under seal, as Exhibit P-2.
31. Upon the Amended and Restated Loan Agreement, a second facility amounting to \$6.25M under the *Export Development Canada Business Credit Availability Program* (EDC BCAP) has been made available to Stokes.
32. Finally, the Company, with the assistance of the Proposal Trustee, has been in constant communication with its employees, customers and creditors.

FINANCIAL PERFORMANCE AND CASH FLOW PROJECTIONS

Cash flow results for the 7-week period ended July 18, 2020

33. Since the filing of the NOI, the Debtor has been paying its suppliers in the ordinary course of business based on negotiated terms or on cash-on-delivery basis apart from the rent and tax remittance deferrals discussed previously. Other than these deferrals, the Debtor has advised the Proposal Trustee that it has not incurred other significant unpaid liabilities since the filing of the NOI.
34. **Exhibit “A”** to this Fifth Report contains the comparative cash flow statement for the 7-week period ended July 18, 2020. The Company significantly outperformed its projections and had a positive net cash flow of approximately \$7.7M for the 7-week period, which was approximately \$9.1M more favorable than initially forecasted due to:
 - a) Higher than projected sales receipts of approximately \$7.7M, attributable to the strong store and e-commerce sales which were higher than projected and to the earlier than projected reopening of several stores;

- b) Earlier than projected CEWS receipts of approximately \$300K;
- c) Lower than projected rent, merchandise and inventory liquidation disbursements of approximately \$2.6M attributable to timing differences and projected to reverse in the coming weeks;
- d) The increased receipts were partially offset by an increase in disbursements of approximately \$1.5M directly attributable to the higher e-commerce sales and earlier than forecasted store reopenings.

35. As of the time of writing of this Fifth Report, the Debtor had advised the Proposal Trustee that it was in compliance with the conditions under the Restated Forbearance Agreement, including in respect of the borrowing base calculation.

Cash flow forecast for the 11-week period ending October 3, 2020

36. **Exhibit “B”** to this Fifth Report contains the cash flow forecast for the 11-week period ending October 3, 2020 (the “**Projections**”).

37. The Projections were prepared by Management with the assistance of the Proposal Trustee, to present the estimated cash receipts, disbursements and indebtedness of Stokes from July 19 to October 3, 2020. We summarize the Projections as follows:

Stokes Inc.	
Statement of Projected Cash Flow	
For the Period from Jul 19 to Oct 3, 2020	
(\$000's)	Total
	<i>77 days</i>
Receipts	\$ 12,818
Disbursements	
Merchandise	(12,364)
Payroll	(3,504)
Rent	(1,724)
Inventory Liquidation Expenses	(1,372)
Professional Fees & Consultants	(500)
Others	(3,749)
	(23,213)
Projected Cash Flow	\$ (10,395)
Projected Opening Bank Indebtedness	\$ 3,528
Projected Ending Bank Indebtedness	\$ 13,923

38. For additional information regarding the Projections, including Management’s major assumptions and the Proposal Trustee’s report on the reasonableness of the Projections, please refer to **Exhibit “B”**.

RELIEF SOUGHT BY THE DEBTOR AND CONVERSION TO CCAA PROCEEDINGS

39. The Debtor seeks that the NOI Filing Proceedings be continued under the CCAA Proceedings and that the provisions under Part III of the BIA shall have no further application to the Debtor.
40. Given that the six months stay extension period expires on August 18, 2020 (the “**Expiry Date**”), the Company would be unable to seek a further extension to file a proposal under the provisions of the BIA past that date. If the Company does not file a proposal before the Expiry Date, the Company will be deemed bankrupt on August 18, 2020.
41. The failure to convert the NOI filing proceedings to CCAA proceedings before the Expiry Date would constitute a default of the Restated Forbearance Agreement.
42. The Proposal Trustee supports the Debtor’s request to convert to CCAA proceedings and for the stay Extension for the following reasons:
 - a) the requirements for continuing BIA proposal proceedings under the CCAA are met given that Stokes is an insolvent person and total claims against the Company exceed \$5,000,0000;
 - b) the relief sought by continuing the restructuring through CCAA Proceedings will enhance the Company’s ability to achieve the best possible outcome for its stakeholders for the reason explained above;
 - c) the Debtor is acting in good faith and with due diligence in taking steps to maximize the value of its assets for the benefit of its creditors;
 - d) the Debtor intends to file a plan of arrangement; and
 - e) the principal secured creditor of the Debtor has been advised of the Extension and does not oppose it.
43. Richter has consented to act as Monitor should this Honourable Court grant the Petitioner’s request to convert to CCAA Proceedings.
44. In addition, for the reasons outlined by the Trustee in its First Report, the Trustee believes that the continuation of the Administration Charge, D&O Charge, Consulting Agreement and Sale Guidelines established in the Company’s First Motion of proposal proceedings and their relative priorities into the proposed CCAA proceedings is both necessary and appropriate in the circumstances.
45. The Debtor is requesting the extension under the CCAA proceedings to September 28, 2020 (the “**Extension**”).
46. The Debtor is also requesting that this Court approve and ratify an amendment to the Consulting Agreement, as well as the sale guidelines, and to its amendments which were previously approved by this Court, to extend the date pursuant to which the liquidation of the inventory in selected retail locations is to be completed from June 12, 2020 (the “**Sale Termination Date**”) to September 28, 2020, and to the amended list of Closing Stores.

47. In light of the present circumstances, the Trustee supports the Debtor's request to extend the Sale Termination Date to September 28, 2020, as requested in the CCAA Continuance Proceedings Motion.
48. The Debtor is also seeking the same authorization as granted in the First Motion to make its rental payments on a bi-monthly basis, as opposed to a monthly basis. The Trustee supports this request as this measure eases the monthly cash flow impact during the restructuring period.
49. Lastly, the Debtor is seeking, at the Proposal Trustee's request, that the proposed monitor be exempted from the obligations referred to in Subsections 23(1)a(i), 23(1)a(ii)(B) and 23(1)a(ii)(C) of the CCAA, which provisions deal with, *inter alia*, the obligation to: (i) publish a notice in the newspapers containing the prescribed information; (ii) send a notice to every known creditor with a claim of more than \$1,000 advising them that the order is publicly available; and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner.
50. Given that the above requirements have already been fulfilled by the Proposal Trustee in the context of the NOI proceedings, the Proposal Trustee is of the view that the exemption sought in favour of the proposed monitor is appropriate and reasonable in the circumstances.

CONCLUSION AND RECOMMENDATION

51. Based on all the foregoing, the Proposal Trustee is of the view that the NOI proceedings conversion to CCAA proceedings sought by the Debtor in the CCAA Continuance Proceedings Motion is appropriate and reasonable in the circumstances.
52. The Proposal Trustee is also of the view that the relief requested will enhance the Company's ability to achieve the best possible outcome for its stakeholders.
53. Accordingly, the Proposal Trustee respectfully recommends that this Honorable Court grant the relief sought in the CCAA Continuance Proceedings Motion.

Respectfully submitted at Montreal, this 21st day of July 2020.

Richter Advisory Group Inc.
Licensed Insolvency Trustee



Olivier Benchaya, CPA, CA, CIRP, LIT

EXHIBIT A

Stokes Inc.				
Statement of Cash Flow				
For the Period from May 31 to Jul 18, 2020				
(\$000's)	Actual	Forecast	Variance	
	<i>49 days</i>	<i>49 days</i>	\$	%
Receipts	\$ 15,307	\$ 7,290	\$ 8,017	110%
Disbursements				
Merchandise	(1,146)	(1,957)	811	41%
Payroll	(2,221)	(2,233)	12	1%
Rent	(413)	(1,587)	1,174	74%
Inventory Liquidation Expenses	(461)	(1,061)	600	57%
Professional Fees & Consultants	(386)	(140)	(246)	(176%)
Others	(2,900)	(1,597)	(1,303)	(82%)
	(7,527)	(8,576)	1,049	12%
Cash Flow	\$ 7,780	\$ (1,286)	\$ 9,066	705%
Opening Bank Indebtedness	\$ 11,308	\$ 11,308	\$ -	0%
Ending Bank Indebtedness	\$ 3,528	\$ 12,594	\$ 9,066	72%

Ending Bank indebtedness excludes approximately \$4.2M of outstandings LCs (\$3.1M USD) which have not yet been drawn upon.

EXHIBIT B

District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-057985-208
Estate No.: 41-2618947

FORM 29
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Stokes Inc.
Of the City of Montréal
In the Province of Québec

The attached statement of projected cash flow of Stokes Inc., as of the 21st day of July 2020, consisting of the period from July 19, 2020 to October 3, 2020, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal, in the Province of Quebec, this 21st day July 2020.

Richter Advisory Group Inc.
Licensed Insolvency Trustee
Per:



Olivier Benchaya, CPA, CA, CIRP, LIT
1981 McGill College, 11th Floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-057985-208
Estate No.: 41-2618947

FORM 29 – ATTACHMENT
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Stokes Inc.
Of the City of Montréal
In the Province of Québec

Purpose:

Stokes Inc. filed a Notice of Intention to Make a Proposal on February 18, 2020. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Stokes Inc. (the "Company"), for the period from July 19, 2020 to October 3, 2020, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on July 21, 2020 based on available financial information at that date in accordance with Section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period July 19, 2020 to October 3, 2020, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

- Projected Cash Receipts
 - Receipts include projected receipts from stores, e-commerce platform and liquidation sales including applicable sales taxes, as well as Canada Emergency Wage Subsidy Program receipts. Stores and e-commerce receipts are projected based on historical sales and collection patterns. Inventory liquidation receipts are projected based on the result of historical store liquidations and the latest inventory appraisal report. Canada Emergency Wage Subsidy Program receipts are projected based on eligible payroll forecasts.

- Projected Cash Disbursements
 - Merchandise disbursements are projected based on current domestic and foreign open purchase orders and projected inventory requirements. Amounts include sales taxes when applicable;
 - Payroll is based on current headcount levels;
 - Rent is primarily based on rent agreements with lessors adjusted to reflect bi-monthly payments and management's restructuring plan. Amounts include sales taxes;
 - Liquidation disbursements include all projected operating expenses relating to the closing stores and liquidator fees & expenses. They were projected based on historical operating disbursements and the latest inventory appraisal report. Amounts include sales taxes;
 - Other expenses are primarily comprised of warehouse and head office costs as well as capital lease payments and interest. These expenses are based on historical data adjusted to reflect the current level of activity, current agreements and current interest rates. Amounts include sales taxes where applicable;

- Professional fees and consulting disbursements reflects management's best estimate to implement the Company's restructuring plan. Amounts include sales taxes;
- The current government remittances for source deductions and sales taxes are included in the disbursement assumptions;
- The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 21st day of July 2020.

Richter Advisory Group Inc.

Licensed Insolvency Trustee

Per:



Olivier Benchaya, CPA, CA, CIRP, LIT
1981 McGill College, 11th Floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-057985-208
Estate No.: 41-2618947

- FORM 30 -
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2) (c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Stokes Inc.
Of the City of Montréal
In the Province of Québec

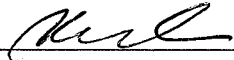
The management of Stokes Inc. developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 21st day of July 2020, consisting of the period from July 19, 2020 to October 3, 2020.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montreal in the Province of Quebec, this 21st day of July 2020.



Stokes Inc.
Debtor

Mohammed Rahman
Name and title of signing officer CFO

District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-057985-208
Estate No.: 41-2618947

- FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2) (c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Stokes Inc.
Of the City of Montréal
In the Province of Québec

Purpose:

Stokes Inc. filed a Notice of Intention to Make a Proposal on February 18, 2020. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Stokes Inc. (the "Company"), for the period July 19, 2020 to October 3, 2020, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on July 21, 2020 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period July 19, 2020 to October 3, 2020, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

- Projected Cash Receipts
 - Receipts include projected receipts from stores, e-commerce platform and liquidation sales including applicable sales taxes, as well as Canada Emergency Wage Subsidy Program receipts. Stores and e-commerce receipts are projected based on historical sales and collection patterns. Inventory liquidation receipts are projected based on the result of historical store liquidations and the latest inventory appraisal report. Canada Emergency Wage Subsidy Program receipts are projected based on eligible payroll forecasts.

- Projected Cash Disbursements
 - Merchandise disbursements are projected based on current domestic and foreign open purchase orders and projected inventory requirements. Amounts include sales taxes when applicable;
 - Payroll is based on current headcount levels;
 - Rent is primarily based on rent agreements with lessors adjusted to reflect bi-monthly payments and management's restructuring plan. Amounts include sales taxes;
 - Liquidation disbursements include all projected operating expenses relating to the closing stores and liquidator fees & expenses. They were projected based on historical operating disbursements and the latest inventory appraisal report. Amounts include sales taxes;

- Other expenses are primarily comprised of warehouse and head office costs as well as capital lease payments and interest. These expenses are based on historical data adjusted to reflect the current level of activity, current agreements and current interest rates. Amounts include sales taxes where applicable;
- Professional fees and consulting disbursements reflects management's best estimate to implement the Company's restructuring plan. Amounts include sales taxes;
- The current government remittances for source deductions and sales taxes are included in the disbursement assumptions;
- The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal, in the Province of Quebec, this 21 st day of July 2020.



Stokes Inc.
Debtor

Mohammad Rahman
Name and title of signing officer *CFD*

Stokes Inc.
Statement of Projected Cash Flow
For the Period from Jul 19 to Oct 3, 2020
(\$000's)

	Jul 25 7 days	Aug 01 7 days	Aug 08 7 days	Aug 15 7 days	Aug 22 7 days	Aug 29 7 days	Sep 05 7 days	Sep 12 7 days	Sep 19 7 days	Sep 26 7 days	Oct 03 7 days	Total 77 days
Receipts	\$ 1,115	\$ 1,364	\$ 1,132	\$ 1,118	\$ 1,063	\$ 1,563	\$ 1,227	\$ 1,108	\$ 1,070	\$ 1,062	\$ 996	\$ 12,818
Disbursements												
Merchandise	(935)	(940)	(1,150)	(1,150)	(1,150)	(1,150)	(1,181)	(1,181)	(1,181)	(1,181)	(1,166)	(12,364)
Payroll	-	(709)	-	(688)	-	(688)	-	(709)	-	(709)	-	(3,504)
Rent	(317)	(71)	-	(698)	-	-	(159)	-	(326)	-	(153)	(1,724)
Inventory Liquidation Expenses	(144)	(145)	(145)	(145)	(145)	(130)	(130)	(130)	(130)	(130)	-	(1,372)
Professional Fees & Consultants	(20)	(72)	(72)	(72)	(72)	(31)	(31)	(31)	(31)	(31)	(39)	(500)
Others	(230)	(779)	(177)	(177)	(223)	(226)	(726)	(249)	(269)	(272)	(422)	(3,749)
	(1,646)	(2,716)	(1,543)	(2,930)	(1,589)	(2,224)	(2,226)	(2,299)	(1,936)	(2,323)	(1,779)	(23,213)
Projected Cash Flow	\$ (532)	\$ (1,352)	\$ (411)	\$ (1,812)	\$ (526)	\$ (661)	\$ (999)	\$ (1,192)	\$ (866)	\$ (1,261)	\$ (784)	\$ (10,395)
Projected Opening Bank Indebtedness	\$ 3,528	\$ 4,060	\$ 5,412	\$ 5,822	\$ 7,635	\$ 8,161	\$ 8,822	\$ 9,821	\$ 11,012	\$ 11,878	\$ 13,139	\$ 3,528
Projected Ending Bank Indebtedness	\$ 4,060	\$ 5,412	\$ 5,822	\$ 7,635	\$ 8,161	\$ 8,822	\$ 9,821	\$ 11,012	\$ 11,878	\$ 13,139	\$ 13,923	\$ 13,923


 Mohammad Rahaman, CFO


 Olivier Benchaya, CPA, CA, CIRP, LIT