

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

SUPERIOR COURT
(Commercial Division)
Companies' Creditors Arrangement Act

IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF:

STOKES INC.

Debtor / Petitioner

-and-

RICHTER ADVISORY GROUP INC.

Monitor

SIXTH REPORT OF THE MONITOR
September 21, 2020

INTRODUCTION

1. On February 18, 2020, Stokes Inc. ("**Stokes**" or the "**Company**") filed a Notice of Intention to Make a Proposal (the "**NOI**"), pursuant to the *Bankruptcy and Insolvency Act* (the "**BIA**") and Richter Advisory Group Inc. ("**Richter**") was appointed the Proposal Trustee.
2. On February 20, 2020, the Company filed an *Application for an Order Approving an Administration Charge, a D&O Charge, a Consulting Agreement and Sale Guidelines and Granting Ancillary Relief* (the "**First Application**") before the Superior Court of Québec, Commercial Division (the "**Court**") and on February 24, 2020, the Court granted the First Application.
3. The initial stay period under the NOI was extended by the Court three times with the last extension under the NOI having been granted to July 27, 2020.
4. On July 21, 2020, given that the six months stay extension period under the NOI was set to expire on August 18, 2020, the Petitioner filed an *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 Application**") in which the Debtor sought, *inter alia*, a conversion of the NOI 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. On July 27, 2020, the Court granted the CCAA Continuance Application (the “**Transition Order**”). The Transition Order, *inter alia*:

- a) Appointed Richter to act as Monitor in the CCAA Proceedings (the “**Monitor**”);
 - b) Ordered a stay of proceedings in respect of the Company and its Directors and Officers until September 28, 2020 (the “**Stay Period**”); and
 - c) Approved and ratified the Consulting Agreement and the Sale Guideline which were previously approved by the Court under the NOI.
5. On September 21, 2020, the Petitioner filed an *Application for an Extension of the Stay Period and the Establishment of a Claims Process* (the “**Extension and Claims Process Application**”). The Extension and Claims Process Application is to be heard by the Court on September 25, 2020.
6. Richter, in its capacities as Proposal Trustee and Proposed Monitor, has previously provided this Court with five reports (the “**Prior Reports**”). The Prior Reports and copies of other material documents pertaining to these proceedings are available on the Monitor’s website at: <https://www.richter.ca/insolvencycase/stokes-inc>.

PURPOSE OF THIS REPORT

7. The purpose of this sixth report of the Monitor (the “**Sixth Report**”) is to provide this Court with information pertaining to:
- a) An overview of the activities of the Monitor and the Company since July 21, 2020, being the date of the issuance of the Fifth Report of the Monitor;
 - b) The Company’s reported receipts and disbursements for the period July 19, 2020 to September 12, 2020, including a comparison of reported to forecast results;
 - c) The Company’s 14-week cash flow forecast for the period September 13, 2020 to December 19, 2020 (the “**Projections**”);
 - d) An overview of the claims process (the “**Claims Procedure**”) proposed by the Company to solicit claims;
 - e) The Company’s request for an extension of the Stay Period to December 18, 2020; and
 - f) The Monitor’s recommendations.

TERMS OF REFERENCE

8. Unless otherwise noted, all monetary amounts contained in this Sixth Report are expressed in Canadian dollars.
9. In preparing this Sixth Report, the Monitor 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**").
10. Except as otherwise described in this Sixth Report, the Monitor 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 Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
11. This report does not consider all future impacts of the global COVID-19 pandemic (the "**Pandemic**") on the Company's projections and future orientated financial information, including statements of cash flow and other and action plans either taken or considered by Stokes as a result of the evolving sanitary crisis. Any reference made to the impact of the Pandemic on Stokes in this Report is based entirely on preliminary discussions and is not to be interpreted as a complete and/or accurate assessment of the full impact of the Pandemic. The potential future impact of the Pandemic on the Company's customers, suppliers and other stakeholders remains uncertain and cannot be fully quantified at this time.
12. Future oriented financial information relied upon in this Sixth 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 Monitor expresses no assurance as to whether the Projections will be achieved.

ACTIVITIES OF THE MONITOR

13. Since the issuance of the Fifth Report, the Monitor 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 July 19, 2020 to September 12, 2020;
 - c) Responded in a timely manner to inquiries from affected stakeholders, including creditors, employees, customers and landlords;
 - d) Attended the Court hearing with respect to the CCAA Continuance Application;
 - e) Prepared this Sixth Report to Court;
 - f) Updated its website to allow stakeholders access to relevant documents in connection with these proceedings;

- g) Assisted Management:
 - i. with the CCAA process and planning of next steps;
 - ii. in the preparation of updated monthly financial projections and weekly cash flow forecasts;
 - iii. in the review of the go-forward business strategy and restructuring plan; and
 - iv. in planning for the filing of a Plan of Arrangement to the Company's creditors.
- h) Participated in several meetings and conference calls with the Debtor, the Chief Restructuring Advisor (the "**CRA**") and the legal advisors in connection with the Company's restructuring efforts, the Company's go-forward strategy and the planning for the filing of a Plan of Arrangement to the Company's creditors.

ACTIVITIES OF THE COMPANY

- 14. Stokes has completed its liquidation of the thirty-seven (37) stores previously identified for closure. The Company continues to operate its remaining stores in the normal course of business. However, management continues to implement measures to reduce costs and review store profitability to determine if further store closures are necessary.
- 15. Management advised the Monitor that as of the date of this report, all rent payments are current.
- 16. The Company has received funding from the Canada Emergency Wage Subsidy program for the period from March 15 to July 4, 2020.
- 17. The Company, with its advisors and the CRA, continues to review its long-term business plan and financial model. However, as mentioned in the Prior Reports, the COVID-19 pandemic has significantly delayed the Debtor's restructuring efforts. That said, the Company is currently in the process of preparing a Plan of Arrangement (the "**Plan**") on which its creditors will be called upon to vote.
- 18. Finally, the Company, with the assistance of the Monitor, has been in constant communication with its employees, customers and creditors.

FINANCIAL PERFORMANCE AND CASH FLOW PROJECTIONS

Cash flow results for the 8-week period ended September 12, 2020

- 19. Since the filing of the NOI and continuing after the transition to the CCAA, the Petitioner 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 in the Prior Reports. Other than these deferrals, the Petitioner has advised the Monitor that it has not incurred other significant unpaid liabilities since the filing of the NOI.

20. **Exhibit “A”** to this Sixth Report contains the comparative cash flow statement for the 8-week period ended September 12, 2020, 2020. The Company significantly outperformed its projections and had a positive net cash flow of approximately \$2.8M for the 8-week period, which was approximately \$10.3M more favorable than initially forecasted due to:

- a) Higher than projected receipts of approximately \$8.1M, 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) Lower than projected merchandise disbursements of approximately \$3.7M attributable to timing differences and projected to reverse in the coming weeks; and
- c) The increased receipts were partially offset by an increase in disbursements of approximately \$1.5M mainly attributable to the higher sales.

21. As of the time of writing of this Sixth Report, the Petitioner had advised the Monitor 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 14-week period ending December 19, 2020

22. **Exhibit “B”** to this Sixth Report contains the Projections.

23. The Projections were prepared by Management with the assistance of the Monitor, to present the estimated cash receipts, disbursements and indebtedness of Stokes from September 13, 2020 to December 19, 2020. We summarize the Projections as follows:

Stokes Inc. Statement of Projected Cash Flow For the Period from Sep 13, 2020 to Dec 19, 2020 (\$000's)	
	Total 98 days
Receipts	\$ 29,905
Disbursements	
Merchandise	(13,774)
Payroll	(6,097)
Rent	(3,966)
Professional Fees & Consultants	(742)
Others	(5,591)
	(30,170)
Projected Cash Flow	\$ (265)
Projected Cash/(Bank Indebtedness) ⁽¹⁾	\$ 900
Projected Cash/(Bank Indebtedness)⁽¹⁾	\$ 635

Note 1: Bank Indebtness is presented net of cash.

24. For additional information regarding the Projections, including Management's major assumptions and the Monitor's report on the reasonableness of the Projections, please refer to **Exhibit “B”**.

CLAIMS PROCEDURE

25. The following section provides an overview of the proposed Claims Procedure, as more fully set out in the draft Claims Procedure Order filed as Exhibit P-1 to the Company's Extension and Claims Process

Application (the “**Claims Procedure Order**”). All interested parties are strongly encouraged to read the Claims Procedure Order, as full details of the Claims Procedure are provided therein. The information contained in this section is provided in summary format only.

26. Unless otherwise defined, capitalized terms used in this section shall be as defined in the Transition Order, or the Claims Procedure Order, as applicable.
27. The Claims Procedure will address the claims, Restructuring Claims and Scheduled Employees Claims, each as defined in the Claims Procedure Order, arising prior to the Determination Date (February 18, 2020), or in the case of Restructuring Claims, arising from the termination of any contract, lease or employment agreement after the Determination Date.
28. The Claims Procedure will not solicit claims secured by any of the Court-ordered charges in the CCAA proceedings, pre-filing secured claims or any claim arising after the Determination Date (in the latter case, other than Restructuring Claims).
29. The Claims Procedure Order provides for a simplified treatment of employee claims, whereby each employee whose claim has been assessed by the Company will receive a notice outlining the quantification of his or her claim and will be deemed to accept the proposed assessment, unless he or she files a Notice of Dispute with the Monitor.
30. The Company is in the process of preparing a Plan of Arrangement on which its creditors will be called upon to vote. It is necessary, in this context, to understand the scope and nature of all potential claims against the Company and its Directors and Officers. Accordingly, the Claims Procedure Order provides for the solicitation of all claims, as well as a procedure by which these claims will be determined and/or adjudicated.
31. The key terms of the Claims Procedure Order are summarized below.

Notice

32. The Monitor will, no later than October 2, 2020, send a copy of the Claims Package, by ordinary mail or electronic transmission, on behalf of the Company to (i) each of the known creditors, other than the Scheduled Employees, at their last known address as evidenced by the books and records of the Company; and (ii) to any claimant who requests a Claims Package;
33. The Monitor will cause to be published, as soon as possible following the issuance of the Claim Procedure Order, but no later than October 2, 2020, the Notice Letter in The Globe & Mail (National Edition) and La Presse.
34. The Monitor will send by ordinary mail or electronic transmission to each Scheduled Employee his or her Notice of Scheduled Employee's Claim together with a copy of the Claims Package, by no later than October 2, 2020.

35. With respect to Restructuring Claims arising from the restructuring, disclaimer, resiliation, termination or breach of any lease, contract, or other agreement or obligation, on or after the date of the Claims Procedure Order, the Monitor will send to the relevant creditor a Claims Package no later than five (5) Business Days following the date of the event giving rise to the Restructuring Claim.
36. The Company will assess the amounts of employee claims and send to each of such employee a Notice of Scheduled Employee Claim. Unless such employee files a Notice of Dispute with the Monitor no later than the Claims Bar Date, such employees will be deemed to have accepted the amount of set out in the Notice of Schedules Employee Claim, as applicable.
37. The Monitor will post a copy of the Claims Procedure Order, the Company's Application record in respect of the Claims Procedure Order, and the Claims Package on the Monitor's Website at <https://www.richter.ca/insolvencycase/stokes-inc> as soon as practicable and no later than October 2, 2020.

Claims Bar Date

38. Any creditor wishing to assert a Claim, other than a Scheduled Employee, will be required to file a Proof of Claim with the Monitor by no later than November 9, 2020, by 5:00 pm (Montréal time) (the "**Claims Bar Date**").
39. Any creditor wishing to assert a Restructuring Claims will be required to file a Proof of Claim with the Monitor by the later of: (i) the Claims Bar Date; and (ii) 30 days after the date on which the Monitor sends a Claims Package with respect to a Restructuring Claims (the "**Restructuring Claims Bar Date**").
40. Unless otherwise authorized by the Court, a creditor who fails to file a Proof of Claim in accordance with the terms of the Claims Procedure Order will not be entitled to receive any distribution under a Plan or otherwise and will be forever barred from making or enforcing its Claim or Restructuring Claim against the Company and/or its Directors and Officers.
41. The Monitor believes the Claims Bar Date and the Restructuring Claims Bar Date are reasonable in that they provide sufficient time for creditors to evaluate and submit any claim they may have against the Company and its Directors and Officers.

Determination and Adjudication of Claims

42. The Monitor, in consultation with the Company, will review all Proofs of Claims received on or before the Claims Bar Date and Restructuring Claims Bar Date, and will accept, revise or reject each claim.
43. Any claimant who intends to dispute a Notice of Revision or Disallowance must, within 10 days after the date on which the claimant is deemed to have received such Notice of Revision or Disallowance or such other date as may be agreed to by the Monitor in writing, file an appeal application with the Court and serve a copy of such appeal application to the Debtor and the Monitor.

44. Should a Scheduled Employee file a Notice of Dispute on or before the Claims Bar Date (or the Restructuring Claims Bar Date if such employee received a Disclaimer Notice after the Claims Procedure Order), the Monitor will, in consultation with the Company accept, revise or reject such claim.
45. If a decision is made to revise or reject a Claim, the Monitor will send a Notice of Revision or Disallowance to the Scheduled Employee. Any Scheduled Employee who intends to dispute a Notice of Revision or Disallowance must, within 10 days after the date on which the employee is deemed to have received such Notice of Revision or Disallowance or such other date as may be agreed to by the Monitor in writing, file an appeal application with the Court and serve a copy of such appeal application to the Debtor and the Monitor.
46. Unless otherwise authorized by the Court, any claimant that is sent a Notice of Revision or Disallowance and does not file a Notice of Dispute of Revision or Disallowance within the prescribed time period, will be deemed to have accepted the amount and determination as set out in the Notice of Revision or Disallowance and such claimant will have no further right to dispute same.

Summary

47. The Monitor believes that the proposed Claims Procedure will allow the Monitor and the Company to quantify the claims being asserted against Stokes, with a view to allow the Company to present a Plan to its creditors. Putting in place the Claims Procedure will facilitate the Company's ability to complete the CCAA proceedings on a timely basis and complete a distribution amongst the claimants with proven claims.
48. The Company has proposed an achievable timeline to complete the Claims Procedure. Furthermore, the Monitor believes that the Claims Procedure is fair and reasonable and respectfully recommends that the Company's request for the approval of the Claims Procedure be granted.

STAY EXTENSION

49. The current stay period expires on September 28, 2020. The Petitioner is seeking an extension of the Stay Period to December 18, 2020.
50. The Monitor supports the Company's request for an extension of the Stay Proceedings for the following reasons:
 - a) The Company is acting in good faith and with due diligence;
 - b) The extension will allow the opportunity to complete the Claims Procedure;
 - c) The extension will provide the Company with the time it requires to finalize and present a Plan to its creditors;

- d) The granting of the extension will not materially prejudice any creditor of the Company as the Projections reflect the Company will have sufficient funding to continue to operate in the normal course through the proposed extension period; and
- e) Scotia, the secured lender in these CCAA proceedings, supports the stay extension

CONCLUSION AND RECOMMENDATION

51. For the reasons set out in this Sixth Report, the Monitor is of the view that the relief requested by the Company is both appropriate and reasonable. As such, the Monitor recommends that this court grant the Extension and Claims Process Application.

Respectfully submitted at Montréal, this 21st day of September 2020.

Richter Advisory Group Inc.
Monitor



Olivier Benchaya, CPA, CA, CIRP, LIT

EXHIBIT A

Stokes Inc.**Statement of Cash Flow****For the Period from Jul 19 to Sep 12, 2020**
(\$000's)

	Actual		Forecast		Variance	
	<i>56 days</i>		<i>56 days</i>		\$	%
Receipts	\$	17,797	\$	9,690	\$	8,107 84%
Disbursements						
Merchandise		(5,149)		(8,838)	3,689	42%
Payroll		(3,119)		(2,795)	(324)	(12%)
Rent		(1,378)		(1,245)	(133)	(11%)
Inventory Liquidation Expenses		(1,068)		(1,112)	44	4%
Professional Fees & Consultants		(282)		(399)	117	29%
Others		(3,977)		(2,786)	(1,191)	(43%)
		(14,973)		(17,175)	2,202	13%
Cash Flow	\$	2,824	\$	(7,484)	\$	10,308 138%
Opening Bank Indebtedness	\$	3,528	\$	3,528	\$	- 0%
Ending Bank Indebtedness	\$	704	\$	11,012	\$	10,308 94%

Ending Bank indebtedness excludes approximately \$5.6M of outstandings LCs (\$4.3M USD) which have not yet been drawn upon.

EXHIBIT B

Stokes Inc.
Statement of Projected Cash Flow
**For the Period from Sep 13, 2020 to Dec 19, 2020
(\$000's)**

	Sep 19	Sep 26	Oct 03	Oct 10	Oct 17	Oct 24	Oct 31	Nov 07	Nov 14	Nov 21	Nov 28	Dec 05	Dec 12	Dec 19	Total
	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	98 days
Receipts	\$ 1,535	\$ 1,550	\$ 1,378	\$ 1,266	\$ 1,199	\$ 1,458	\$ 1,244	\$ 1,242	\$ 1,501	\$ 2,625	\$ 2,863	\$ 2,925	\$ 3,721	\$ 5,398	\$ 29,905
Disbursements															
Merchandise	(5,811)	(1,055)	(1,346)	(1,105)	(1,381)	(679)	(460)	(648)	(578)	(160)	(5)	(77)	(262)	(207)	(13,774)
Payroll	-	(760)	-	(767)	-	(773)	-	(827)	-	(881)	-	(990)	-	(1,099)	(6,097)
Rent	(455)	-	(735)	-	(294)	-	(756)	-	(172)	-	-	(818)	-	(736)	(3,966)
Professional Fees & Consultants	(5)	(5)	(70)	(70)	(70)	(70)	(61)	(61)	(61)	(61)	(52)	(52)	(52)	(52)	(742)
Others	(513)	(518)	(420)	(361)	(259)	(406)	(500)	(365)	(113)	(344)	(319)	(726)	(302)	(445)	(5,591)
	(6,784)	(2,338)	(2,571)	(2,303)	(2,004)	(1,928)	(1,777)	(1,901)	(924)	(1,446)	(376)	(2,663)	(616)	(2,539)	(30,170)
Projected Cash Flow	\$ (5,249)	\$ (788)	\$ (1,193)	\$ (1,037)	\$ (805)	\$ (470)	\$ (533)	\$ (659)	\$ 577	\$ 1,179	\$ 2,487	\$ 262	\$ 3,105	\$ 2,859	\$ (265)
Projected Cash/(Bank Indebtedness)⁽¹⁾	\$ 900	\$ (4,349)	\$ (5,137)	\$ (6,330)	\$ (7,367)	\$ (8,172)	\$ (8,642)	\$ (9,175)	\$ (9,834)	\$ (9,257)	\$ (8,078)	\$ (5,591)	\$ (5,329)	\$ (2,224)	\$ 900
Projected Cash/(Bank Indebtedness)⁽¹⁾	\$ (4,349)	\$ (5,137)	\$ (6,330)	\$ (7,367)	\$ (8,172)	\$ (8,642)	\$ (9,175)	\$ (9,834)	\$ (9,257)	\$ (8,078)	\$ (5,591)	\$ (5,329)	\$ (2,224)	\$ 635	\$ 635

Note 1: Bank Indebtness is presented net of cash.



Mohammad Rahaman, CFO



Olivier Benchaya, CPA, CA, CIRP, LIT

C A N A D A
Province of Québec
District of: Montreal
Court No.: 500-11-057985-208
File No.: 0000499-2020-QC

S U P E R I O R C O U R T
(Commercial Division)
Companies' Creditors Arrangement Act
RSC 1985, c C-36, as amended

Monitor's Report on Cash-Flow Statement
(Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act*)

In the Matter of a Plan of Compromise or Arrangement of
Stokes Inc.
of the City of Mont-Royal
in the Province of Quebec

The attached statement of projected cash flow of Stokes Inc. as of the 21st day of September 2020, consisting of the period from September 13, 2020 to December 19, 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 debtor company. 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 Québec, this 21st day of September 2020.

Richter Advisory Group Inc.
Court-appointed Monitor



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C A N A D A
Province of Québec
District of: Montreal
Court No.: 500-11-057985-208
File No.: 0000499-2020-QC

S U P E R I O R C O U R T
(Commercial Division)
Companies' Creditors Arrangement Act
RSC 1985, c C-36, as amended

Monitor's Report on Cash-Flow Statement (Annex)
(Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act*)

In the Matter of a Plan of Compromise or Arrangement of
Stokes Inc.

Purpose:

On July 27, 2020, the Québec Superior Court (sitting as Tribunal designated under the *Companies' Creditors Arrangement Act* ("CCAA")) issued an order granting the above-mentioned Company protection under the CCAA. Richter Advisory Group Inc. is the Court-Appointed Monitor during the period the Order is in force.

The purpose of the Statement of Projected Cash-Flow is to present an estimate of the receipts and disbursements of Stokes Inc. for the period from September 13, 2020 to December 19, 2020. This statement of projected cash-flow has been prepared by Management based on the financial information available at that date, in accordance with Section 11.02 of the CCAA. 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 September 13, 2020 to December 19, 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:

(a) COVID-19

- These projections do not consider all future impacts of the global COVID-19 pandemic. The potential future impact of the pandemic on the Company's customers, suppliers and other stakeholders remains uncertain and cannot be fully quantified at this time.

(b) Projected Cash Receipts

- Receipts include projected receipts from stores and e-commerce platform including applicable sales taxes. Receipts are projected based on historical sales and collection patterns.

(c) 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;
- 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 Québec, this 21st day of September 2020.

Richter Advisory Group Inc.
Court-appointed Monitor



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CANADA
Province of Quebec
District of: Montreal
Court No.: 500-11-057985-208
Estate No.: 0000499-2020-QC

SUPERIOR COURT
(Commercial Division)
Companies' Creditors Arrangement Act
RSC 1985, c. C-36, as amended

Report on Cash-Flow Statement by the Debtor Company
(Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act*)

In the Matter of a Plan of Compromise or Arrangement of
Stokes Inc.
of the City of Mont-Royal
in the Province of Quebec

The management of Stokes Inc. has developed the assumptions and prepared the attached statement of projected cash flow of the debtor company, as of September 21, 2020, consisting of the period from September 13, 2020 to December 19, 2020.

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

Since the projections are 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 the probable and hypothetical 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 Montréal, in the Province of Québec, this 21st day of September 2020.



Stokes Inc., Debtor company

MOHAMMAD RAHAMAN, CFO
Name and title of authorized representative

CANADA
Province of Quebec
District of: Montreal
Court No.: 500-11-057985-208
Estate No.: 0000499-2020-QC

SUPERIOR COURT
(Commercial Division)
Companies' Creditors Arrangement Act
RSC 1985, c. C-36, as amended

Report on Cash-Flow Statement by the Debtor Company (Annex)
(Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act*)

In the Matter of a Plan of Compromise or Arrangement of
Stokes Inc.
of the City of Mont-Royal
in the Province of Quebec

Purpose:

On July 27, 2020, the Quebec Superior Court (sitting as Tribunal designated under the *Companies' Creditors Arrangement Act* ("CCAA")) issued an order granting the above-mentioned Company protection under the CCAA. Richter Advisory Group Inc. is the Court-Appointed Monitor during the period the Order is in force.

The purpose of the Statement of Projected Cash-Flow is to present an estimate of the receipts and disbursements of Stokes Inc. for the period from September 13, 2020 to December 19, 2020. This Statement of Projected Cash Flow has been prepared by the management based on available financial information at that date in accordance with Section 11.02 of the CCAA. 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 September 13, 2020 to December 19, 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:

(a) COVID-19

- These projections do not consider all future impacts of the global COVID-19 pandemic. The potential future impact of the pandemic on the Company's customers, suppliers and other stakeholders remains uncertain and cannot be fully quantified at this time.

(b) Projected Cash Receipts

- Receipts include projected receipts from stores and e-commerce platform including applicable sales taxes. Receipts are projected based on historical sales and collection patterns.

(c) 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;

- 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 Québec, this 21st day of September 2020.



Stokes Inc., Debtor company

MOHAMMAD RAHAMAN, CFO
Name and title of authorized representative