C A N A D A
Province of Québec
District of Montréal
Division No.: 01-Montréal
Court No.: 500-11-057985-208
Estate No.: 41-2618947

S U P E R I O R C O U R T
(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

REPORT OF THE MONITOR ON THE STATE OF THE DEBTOR'S AFFAIRS AND THE PLAN OF ARRANGEMENT
November 26, 2020

INTRODUCTION

1. This report of Richter Advisory Group Inc. (the "**Monitor**") on the State of the Debtor's Affairs and the Plan of Arrangement (the "**Monitor's Report**" or the "**Report**") is being presented to provide information on Stokes Inc. ("**Stokes**" or the "**Company**" or the "**Debtor**") and to assist the creditors of Stokes in their review and assessment of the Plan of Compromise and Arrangement (the "**Plan**") which has been filed by the Company under the *Companies' Creditors Arrangement Act* (the "**CCAA**").

2. The Plan will be submitted to the creditors of Stokes for their consideration and approval at a Meeting of Creditors to be held on **December 22, 2020, at 9:30 a.m., by videoconference**. The Company has indicated that if the requisite statutory majorities of creditors vote in favour of the Plan, it intends to seek an order before the Superior Court of Québec, Commercial Division (the "**Court**") on **January 8, 2021**, in order to sanction the Plan in accordance with the CCAA (the "**Sanction Order**").

3. The following topics are covered in this Monitor's Report:

   a) Procedural Background;
   b) General information about the Company;
   c) Events leading to the NOI filing;

d) Restructuring measures;
e) Financial performance of the Company and cash flow projections;
f) Status of the claims process conducted by the Monitor pursuant to the Claims Procedure Order (the "**Claims Process**");
g) Overview of the Plan proposed by the Company to its creditors;
h) Estimated distribution to creditors under the Plan;
i) Meeting of creditors for the purpose of voting on the Plan;
j) Monitor's conclusion and recommendation.

TERMS OF REFERENCE

4. Unless otherwise noted, all monetary amounts contained in this Report are expressed in Canadian dollars.

5. In preparing this 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**").

6. Except as otherwise described in this 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.

7. This Report does not consider all future impacts of the Pandemic on the Company's projections and future oriented 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.

8. Future oriented financial information relied upon in this 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.

PROCEDURAL BACKGROUND

9. On February 18, 2020, Stokes 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 to act as Proposal Trustee.

10. 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 Court and on February 24, 2020, the Court granted the First Application.

11. The initial stay period under the NOI was extended three times by the Court, with the last extension under the NOI having been granted to July 27, 2020.

12. On July 21, 2020, given that the six months stay extension period under the NOI was set to expire on August 18, 2020, the Debtor 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 CCAA in order to allow the completion of the restructuring process initiated by the Company under the BIA, which process had been delayed by the sudden and unforeseen global COVID-19 pandemic (the “**Pandemic**”). On July 27, 2020, the Court granted the CCAA Continuance Application (the “**Transition Order**”). The Transition Order, *inter alia:*

    a) Appointed Richter Advisory Group Inc. to act as Monitor in the CCAA proceedings;
    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 Guidelines (such terms as defined in the Transition Order) which had previously been approved by the Court under the NOI.

13. On September 25, 2020, the Court granted an order extending the Stay Period until, and including, December 18, 2020 (the “**Stay Extension Order**”). In addition, at the same date, the Court granted an order establishing a claims process (the “**Claims Procedure Order**”).

14. On November 20, 2020, the Debtor filed an *Application for an Extension of the Stay of Proceedings and the Issuance of a Plan Filing and Meeting Order* (the “**Plan and Meeting Application**”) seeking:

    a) the issuance of an order authorizing the Company to file the Plan and to call and conduct a meeting of creditors for the purposes of voting on the Plan; and

    b) the issuance of an order extending the Stay Period until February 12, 2021.

15. On November 23, 2020, the Monitor filed its Seventh Report (the “**Seventh Report**”).

16. On November 25, 2020, the Court granted the Plan and Meeting Application, thereby, *inter alia*, extending the Stay Period until February 12, 2021.

17. Richter, in its capacities as Proposal Trustee and Proposed Monitor, has previously provided this Court with seven 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*.

GENERAL INFORMATION ABOUT THE COMPANY

18. Stokes is a privately held retailer currently operating 106 stores across Canada (147 stores prior to the restructuring). The Company also has an online platform and several temporary stores that are operated during the months of November and December, its peak selling season.

19. Stokes offers a wide assortment of kitchenware products, mainly in the following subcategories: dinnerware, stemware, drinkware, small kitchen appliances, home decor, cookware, bakeware, cooking utensils and gadgets. Stokes sells products under its own private labels *Stokes*, *Remy Olivier* and *Thinkkitchen* and complements its product lines by offering renowned third-party brands, such as *Riedel*, *Ricardo* and *Trudeau*.

20. The following table provides an overview of Stokes' stores geographical presence:

Stokes Inc. **Store Locations**	
Quebec	66
Ontario	18
Alberta	5
British Columbia	4
Nova Scotia	5
Manitoba	3
New Brunswick	2
Saskatchewan	1
Newfoundland	1
Prince Edwards Island	1
	106

21. The Company's head office and distribution center is located on the island of Montreal in the Town of Mount Royal, in the Province of Quebec. Stokes also leases a nearby secondary warehousing facility and uses temporary third-party storage during peak periods.

22. The Company currently employs approximately 958 employees in its retail operations and a further 111 employees at its head office, distribution center and warehousing facilities. Approximately 226 employees are employed on a full-time basis.

23. In addition to its employees, Stokes' stakeholders include its landlords, its trade and services creditors, federal and provincial governments, Scotiabank Asset Finance (a division of the Bank of Nova Scotia) ("**Scotia**"), HSBC Bank Canada ("**HSBC**") and its customers.

24. In addition to its core operations, the Company also operates a wholesaling business which sells private label goods to licensed retailers in the Middle East.

EVENTS LEADING TO THE NOI FILING

25. Set out below is a summary of Stokes' audited financial results for the last three fiscal periods (ending January 27, 2018, January 26, 2019, and January 25, 2020) and the unaudited 8-month period ended September 26, 2020:

Stokes Inc. Financial Results	F2018	F2019	F2020	YTD Sep-20
For the period ended:	27-Jan-18	26-Jan-19	25-Jan-20	26-Sep-20
Months:	12 mths	12 mths	12 mths	8 mths
(000's)	(Audited)	(Audited)	(Audited)	(Unaudited)
Sales	**$ 106,603**	**$ 105,622**	**$ 99,331**	**$ 37,507**
Cost of Sales & Expenses	(109,059)	(106,278)	(109,663)	(38,137)
Loss before Income Taxes	**(2,456)**	**(656)**	**(10,332)**	**(629)**
Income Taxes	478	(230)	559	191
Net Loss	**$ (1,978)**	**$ (886)**	**$ (9,773)**	**$ (438)**

26. Stokes has been experiencing financial difficulties for the last few years mainly as a result of the increasing competition from large-scale and online retailers, successive minimum wage increases across Canada and the high cost of rent in certain locations in accordance with the terms of certain long-term leases.

27. In addition to F2018 and F2019's audited net losses of $2.0 million and $0.9 million respectively, Stokes reported financial losses of approximately $9.8 million in F2020. The significant losses incurred during F2020 are mainly attributable to operational issues experienced following the implementation of a new warehouse management system (the "**WMS**") in June 2019 and the concurrent change in the distribution methodology used internally. The conversion to the new WMS system was essential as the previous system was unstable and no longer supported by the software provider.

28. Immediately following the implementation, due to the significant distribution inefficiencies experienced, Stokes was unable to appropriately replenish its stores, especially during its peak selling months. Despite increasing the workforce through agency employees and adding supplementary distribution shifts, in-store inventory levels were significantly below the desired levels and multiple stores were missing key products. As a result, sales trended significantly below expectations.

29. The above poor results led to a significant increase in the Company's borrowings and a breach of certain loan covenants with Scotia. As a result, Stokes entered into a Forbearance Agreement with Scotia on February 18, 2020 (the "**Forbearance Agreement**"). Under the terms of the Forbearance Agreement, Scotia agreed to tolerate the various defaults and to continue to finance Stokes' operations during the restructuring period, subject to certain conditions being respected.

30. Scotia has a first ranking charge on substantially all of the Company's assets. The Monitor obtained a legal opinion from its independent legal advisors as to the validity of the Scotia security and any other secured charges that may have been registered on the Company's assets.

RESTRUCTURING MEASURES

31. Despite the significant efforts deployed by management to minimize the impact of the operational issues, Stokes suffered extensive losses in the last three (3) fiscal years before the filing of the NOI and consequently was unable to generate enough liquidities to meet its obligations as they came due.

32. Under the circumstances, the Company determined that it was in the best interests of all stakeholders for Stokes to file for protection under the BIA, with a view to restructuring its operations and renewing with profitability as soon as possible.

33. The restructuring plan developed by management and its advisors involved numerous initiatives which are summarized as follows:

    - Reducing the Company's footprint through the closure of 37 stores (collectively, the "**Closing Stores**");
    - Liquidating the inventory and the furniture, fixtures and equipment located in the Closing Stores and the slow-moving inventory located in the distribution center and warehousing facilities by means of a promotional "store closing" or similar themed sale;
    - Reducing the Company's operating costs and improving its efficiency through the continued implementation of additional cost-cutting and operational measures.

34. On or about January 30, 2020, the Company hired a well-known advisory firm, FAAN Advisors Group Inc. (the "**CRA**"), to assist management with the implementation of the restructuring measures and the development of a proposal to the Company's creditors. The CRA's engagement is led by Mr. Naveed Manzoor, an individual with extensive retail and restructuring experience.

35. As part of its restructuring efforts and as authorized by the Court, the Company implemented a liquidation sale of all the inventory, furniture, fixture and equipment located in the Closing Stores, the whole, in accordance with an agreement entered into between the Company and Tiger Asset Solutions Canada, ULC and GA Retail Canada ULC (the "**Liquidation Sale**"). The Liquidation Sale was completed on or about September 28, 2020.

36. On March 19, 2020, as a result of the Pandemic and as ordered by the authorities, Stokes closed all its retail locations, including the Closing Stores, and implemented various cost-cutting measures to preserve its liquidities, including:

    a) Delaying scheduled merchandise shipments from overseas and local vendors;
    b) Reviewing and decreasing its inventory purchasing strategy;
    c) Negotiating discounts with its vendors on certain goods in transit;
    d) Temporarily laying-off all its retail staff as well as 45 head office employees;
    e) Deferring the payment of rent for all retail locations for the months of April and May 2020 (additional details are provided below);

f) Negotiating rent arrangements with its head office landlord;

g) Obtaining from HSBC Bank Canada a two-month moratorium on capital payments for its capital lease facilities.

37. In addition to the above measures, the Company obtained funding from the Canada Emergency Wage Subsidy program and deferred the payment of its sales taxes and duties as authorized by the Federal and Provincial Governments.

38. The Company is currently operating its remaining stores in the normal course of business. Management continues to implement measures to reduce costs and review store profitability on a regular basis.

FINANCIAL PERFORMANCE AND CASH FLOW PROJECTIONS

39. We refer the reader to the Prior Reports for details relating to the Monitor's review of the actual receipts and disbursements since the filing of the NOI.

40. In summary, we note that the Company outperformed its projections mainly due to higher than projected receipts attributable to the strong store and e-commerce sales. As at November 14, 2020, the bank indebtedness amounted to $4.9 million compared to a projected amount of $10 million.

41. Since the filing of the NOI and continuing after the transition to the CCAA, the Company 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 Company has advised the Monitor that it has not incurred other significant unpaid liabilities since the filing of the NOI.

42. At the time of writing this report, the Company has advised the Monitor that it was in compliance with the conditions stated in the Restated Forbearance Agreement, including in respect of the borrowing base calculation.

43. We refer the reader to the Seventh Report of the Monitor for details relating to the projected receipts and disbursements for the 11-week period from November 15, 2020 to February 13, 2021 (the "**Projections**") including Management's major assumptions and the Monitor's report on the reasonableness of the Projections.

44. As the Projections end on February 13, 2021, and the first distribution to creditors is projected to occur on February 28, 2021, the projected cash disbursements do not reflect the first distribution to the Affected Creditors under the Plan.

STATUS OF THE CLAIMS PROCESS

45. The following section provides a summary of the Claims Process conducted by the Monitor as required by the Claims Procedure Order. Terms not defined herein shall have the same meaning as in the Claims Procedure Order.

46. As per the Claims Procedure Order, the Claims Bar Date was defined as 5:00 p.m. on November 9, 2020 in respect of provable claims arising prior to February 18, 2020 (the "**Determination Date**"), or 30 days after the date on which the Monitor sent a Claims Package with respect to a claim arising from the termination of any contract, lease or employment agreement after the Determination Date (the "**Restructuring Claims**").

47. As at November 9, 2020 the Monitor received 342 Claims totaling $27,284,392 summarized as follows:

Stokes Inc. Claims Summary As at November 9, 2020	Number of Claims	Claims $ (in 000's)
Unsecured Claims	293	$ 10,674
Restructuring Claims	42	6,433
Litigation Claims	7	10,178
	342	**$ 27,284**

48. We note that the Monitor received four (4) Claims after the Bar Date totaling $319,996 that are not included in the above table. The Monitor understands, however, that a motion may be presented to the Court to allow these late claims to be admitted for the purposes of allowing the Monitor to review and analyze these claims pursuant to the Claims Procedure Order.

49. The Monitor, in conjunction with its legal counsel, the Debtor and its legal counsel and the CRA, have been reviewing the Claims received. It is important to note that this review of the proofs of claims has yet to be completed.

50. Although the review is on-going, the Monitor has identified multiple claims which will likely be rejected or amended, as follows:

    - $1.4M of landlord claims relating to leases that were amended or replaced with new contractual agreements, and which should not give rise to any claims for damages or otherwise;
    - $3.8M of Restructuring Claims from landlords relating to damages arising from the disclaimer of leases and which the Monitor believes to be excessive; and
    - $10M of Litigation Claims which:
        - are considered, as per the Plan, to be Unaffected Claims given that they are covered by the Company's insurance policy should the claim prove to be successful; and

- were withdrawn after the filing of a Proof of Claim in the Claims Process, as a result of a settlement being reached between the Company and the relevant claimant.

51. In addition, the Monitor has requested additional information in respect of other Claims (other than Restructuring and Litigation Claims), which may give rise to the issuance of additional Notices of Revision or Disallowance.

52. In view of the above comments, on the basis of the information available as of the date of this Report, the Monitor estimates the amount of the allowable Claims as follows:

Stokes Inc. Preliminary Estimate of Admitted Claims ($000's)	Unsecured Claims	Restructuring Claims	Litigation Claims	Total Claims
Total Claims filed with the Monitor	$ 10,674	$ 6,433	$ 10,178	$ 27,284
Claims Withdrawn (IP Action)	-	-	(3,000)	(3,000)
Potential Notices of Revision or Disallowance	(250)	(5,293)	(7,000)	(12,543)
Preliminary Estimate of Admitted Claims	**$ 10,424**	**$ 1,139**	**$ 178**	**$ 11,741**

53. It should be noted, however, that the Monitor has yet to issue the Notices of Revision or Disallowance reflecting the numbers in the foregoing table. In addition, in accordance with the Claims Procedure Order, any Creditor who receives a Notice of Revision or Disallowance may file an appeal motion with the Court within 20 days of receipt thereof.

54. The Creditors' Meeting is scheduled for December 22, 2020, by videoconference, at which time certain Notices of Revision or Disallowance may still be subject to appeal. In calculating the votes on the Plan, the Monitor intends to record the votes of all Disputed Claims and calculate any effect of the Disputed Claims on the approval or rejection of the Plan.

55. **As of the date of this Report, the Monitor is in the process of reviewing the Proofs of Claim filed by creditors in accordance with the Claims Procedure Order. The Monitor will continue this review and the final quantification of Proven Claims will impact the dividend to be paid to unsecured creditors pursuant to the Plan.**

OVERVIEW OF THE PLAN

56. We have summarized below the significant aspects of the Plan. Capitalized terms not otherwise defined in this section are as defined in the Plan. **Please note that the following is only a summary of the terms of the Plan and we strongly recommend to all creditors that they read the Plan in its entirety.**

Plan Implementation

57. The implementation of the Plan is subject to (i) the approval of the Plan by the Required Majority of Affected Creditors, meaning a majority in number of the Affected Creditors representing not less than 66-2/3% in value of the Voting Claims of such Affected Creditors who actually vote (in person or by

proxy) at the Creditors' Meeting in accordance with the Plan and the Meeting Order; and (ii) the issuance of the Sanction Order.

Affected Creditors

58. Pursuant to the Plan, all of Stokes' unsecured creditors are included in - and will vote as - one class of Affected Creditors.

59. Except as otherwise set out in the Plan, the Plan does not affect the Unaffected Creditors with respect to and to the extent of their Unaffected Claims, subject to the express provisions therein providing for the treatment of Insured Claims. The following claims are "Unaffected Claims" under the Plan:

- Employee Priority Claims, which include the following Claims of Employees of the Company:
    - Claims equal to the amounts that such Employees would have been qualified to receive under paragraph 136(1)(d) of the BIA if the Company had become bankrupt on the Filing Date; and
    - Claims for unpaid wages, salaries, commissions or compensation for services rendered by such Employees after the Filing Date and on or before the Plan Implementation Date together with, in the case of travelling salespersons, disbursements properly incurred by them in and about the business during the same period;
- Excluded Claims, which are defined under the Plan as any right or claim that would otherwise be a Claim that is:
    - a Claim enumerated in sections 5.1(2) and 19(2) of the CCAA; and
    - a Claim secured by the Administration Charge and any indemnity claims of Directors that are secured by the Directors' Charge;
- Gift Card Claims, which are defined under the Plan as any claim with respect to gift-cards, gift certificates, lay-away deposits and other customer certificates;
- Insured Claims, which are defined under the Plan as all or that portion of a Claim arising from a cause of action for which the applicable insurer or a court of competent jurisdiction has definitively and unconditionally confirmed that the Applicant or any Director or Officer is insured under an Insurance Policy, to the extent that such Claim, or portion thereof, is so insured;
- Post-Filing Trade Payables, which are defined under the Plan as trade payables that were incurred by the Company (a) in respect of goods or services provided to the Company after the Filing Date and before the Plan Implementation Date; (b) in the ordinary course of

business; and (c) in compliance with the Initial Order and other Orders issued in connection with the CCAA Proceedings;

- Crown Priority Claims, which are defined under the Plan as any Claims of Her Majesty the Queen in right of Canada or in right of any province as described in Section 6(3) or Section 38(2) of the CCAA; and
- Secured Claims, which are defined under the Plan as the Claim of a Secured Creditor, to the extent of the value of such Secured Creditor's security, including such claims of The Bank of Nova Scotia ("**Scotia**").

Distribution

60. The Debtor shall remit to the Monitor each of the following amounts by no later than each of the following dates, aggregating $2.3 million, for distribution to the Affected Creditors (the "**Aggregate Distribution**"):

    - By no later than February 28, 2021, $1 million (the "**Initial Distribution**");
    - By no later than February 28, 2022, $750K (the "**Second Distribution**");
    - By no later than February 28, 2023, $550K (the "**Final Distribution**").

61. The Monitor shall distribute the Initial Distribution to the Affected Creditors as follows:

    - An amount equal to the lesser of the amount of the Proven Claim of each Affected Creditor or $2,000 (the "**First Level Distribution**");
    - An amount equal to the difference between the Initial Distribution and the aggregate of the First Level Distribution, on a *pro rata* basis, according to the amounts of the Affected Creditors' Proven Claims, less any amounts received under the First Level Distribution.

62. The Monitor shall distribute the Second Distribution to the Affected Creditors on a *pro rata* basis, according to the amounts of their respective Proven Claims, less any amounts received under the Initial Distribution.

63. The Monitor shall distribute the Final Distribution to the Affected Creditors on a *pro rata* basis, according to the amounts of their Proven Claims, less amounts received under the Initial Distribution and the Second Distribution.

Release and Discharge

64. The Plan provides for the customary release and discharge of the Debtor and its directors, officers and employees to the extent permitted under the CCAA.

Other

65. The Plan provides that Sections 38 and 95 to 101 of the BIA, and any other federal and provincial law relating to preferences, fraudulent conveyances, transfers at undervalue or paulian action shall not apply to the Plan or to any payments or distributions made in connection with transactions entered into by or on behalf of the Debtor, whether before or after the Filing Date.

66. Notwithstanding that fact, the Monitor has performed a customary review of the transactions entered into by the Company in the twelve (12) months leading to the filing of the NOI. It appears from this review that the transactions entered into by the Company prior to the filing were concluded in the normal course of business and in accordance with the terms of payment offered by creditors and/or according to the historical payment trends observed.

67. Overall, following its review of the Plan, the Monitor concludes that the Plan and the provisions therein are customary in the circumstances.

ESTIMATED DISTRIBUTION TO CREDITORS UNDER THE PLAN

68. In order to arrive at a recommendation to the Company's creditors on the adoption of the Plan, the Monitor has performed an analysis of the estimated distribution to Affected Creditors under the Plan in comparison to an estimated distribution under a forced liquidation scenario or bankruptcy. The results of the Monitor's analysis are detailed below.

69. **The Monitor's conclusion is that the Plan represents a more advantageous outcome for all stakeholders, including creditors, as compared to a bankruptcy liquidation. The Monitor therefore recommends to all Affected Creditors that they vote in favour of the Plan.**

70. From an economic standpoint, the Plan is expected to yield an average dividend representing approximately 20% of the amount of Proven Claims, as opposed to 17% in a bankruptcy liquidation. The latter does not take into consideration the risks and uncertainty associated with a bankruptcy liquidation scenario during the Pandemic, which could further significantly reduce the dividend payable to unsecured creditors in a bankruptcy scenario.

71. The Monitor is also of the view that the Plan represents a more preferable outcome for the stakeholders of the Company as a whole. The implementation of the Plan, in addition to preserving 850 jobs across Canada, will preserve the Company's goodwill, a head office in the Montreal area and the economic benefits derived from the furtherance of Stokes' existing relationships with its landlords and suppliers, both domestic and foreign.

Distribution Under the Plan

72. The Plan provides for a $2.3 million distribution to Affected Creditors to be paid in three (3) installments over three (3) years. The following table illustrates the estimated recovery under the Plan which may be realized by the Affected Creditors based on the Monitor's best estimate of allowable claims and the information available as of the date of this Report:

Stokes Inc. Estimated Distribution (in 000's)		
Preliminary estimate of Affected Claims **(Note 1)**	**A**	**$ 11,741**
Aggregate Distribution	B	$ 2,300
Estimated distribution %	**B/A**	**20%**

Note 1: Represents the Monitor's best estimate of the Affected Claims as of the date of this report

73. As shown in the above table, the recovery under the Plan is projected to represent an average of 20% of the total amount of each estimated Proven Claim.

74. **The estimated realization to the Affected Creditors is based on the Monitor's best estimate of the Proven Claims. The final distribution under the Plan will vary depending on the final results of the Claims Process.**

Forced Liquidation – Estimated Net Realization

75. To help creditors understand the financial impact of a liquidation of the Company's assets in a bankruptcy scenario, the Monitor has prepared the following analysis of the estimated realization in the context of a forced liquidation:

Stokes Inc. Estimated Net Realization in a Forced Liquidation Reported Book Value as at November 14, 2020 (000's)	Book Value	Median Estimated Realization Value	
PROJECTED NET REALIZATION			
Gross Realization			
Inventory	$ 23,028	$ 18,120	***79%***
Other Assets	8,585	2,550	***30%***
	31,613	**20,670**	
Estimated Realization Expenses			
Overhead Expenses		(2,420)	
Freight and transport (goods in transit)		(710)	
Estimated Professional Fees		(1,250)	
Other Contingency (10%)		(500)	
		(4,880)	
Projected Net Realization	A	**$ 15,790**	
ESTIMATED FUNDS AVAILABLE FOR UNSECURED CREDITORS			
Priority Claims (Salaries and Vacations)	B	**$ (1,200)**	
Secured Creditors	C	**(7,612)**	
	A+B+C= D	**6,978**	
Estimated Preferred Creditors			
Preferred Rent and Levy	E	**(2,260)**	
Estimated Funds Av. for Unsecured Creditors	D+E=F	**$ 4,718**	
ESTIMATED RECOVERY FOR UNSECURED CREDITORS			
Estimated Unsecured Claims in a Bankruptcy	G	$ 27,168	
Estimated Unsecured Creditors Recovery (%)	F/G=H	**17%**	

76. The table above shows that the estimated recovery for unsecured creditors in the context of a forced liquidation would be approximatively 17% of the total amount of each estimated Proven Claim.

77. **It is important to note that the estimated net realization value of the Debtor's assets in a liquidation scenario is not necessarily representative of actual values which could be recovered by unsecured creditors. In its analysis, the Monitor used multiple assumptions which will vary and could negatively impact the liquidation results estimated by the Monitor.**

Forced Liquidation - Key Assumptions

78. The above estimate was prepared by the Monitor, with the assistance of the Debtor, and is based on several key assumptions which include:

Gross Realization

- The estimated inventory realization was calculated using the average net orderly liquidation value ("**NOLV**") reflected in the appraisal report dated January 2020 prepared for Stokes by Gordon Brothers Canada, ULC ("**Gordon**"). Gordon has estimated that a liquidation would take approximately 17 weeks. As the appraisal was performed prior the current COVID-19 Pandemic, the Monitor has discounted the NOLV by 20% to take into account the impact of the Pandemic on the economy, more particularly, on the retail sector. The Monitor is of the opinion that the current liquidation value of the inventory may be significantly impaired as a result of the current Pandemic;

- The risks related to the Pandemic include, but not limited to, the possibility of another government forced shutdown of the malls and non-essential retail stores, travelling restrictions for the liquidators coming mainly from the USA, the Provincial Government's health measures which limits the number of customers per store, as well the overall state of the economy which has dramatically changed since the last appraisal was performed;

- Assets other than inventory are mostly comprised of cash, credit card and shareholder receivables, leasehold improvements, software, and other fixed assets. The Monitor assumed 100% value for the cash on hand and approximately 90% recovery for credit card and shareholder receivables. The realization value assumed for the other assets is nominal.

Estimated Realization Expenses

- The estimated realization expenses reflected above include head office and warehouse expenses, estimated professional fees and other expenses to execute the realization. These realization expenses were estimated by the Monitor using the Debtor's historical trending and based on our past experiences for liquidations of this size and duration.

79. The unsecured claims under a bankruptcy scenario are estimated based on the information obtained from the Debtor and the results of the Claims Process as at the date of this Report. It is important to note that the quantum of unsecured claims could increase substantially in the event of a bankruptcy as compared to a Plan scenario, given the impact of expected variations in the quantification, in a bankruptcy, of post-filing claims (unpaid expenses as of the date of this report incurred after the Determination Date), landlords' damage claims, employees' claims and trade suppliers damage claims.

Forced Liquidation – Risks Factors

80. In the context of a forced liquidation or bankruptcy, in addition to the impact of the Pandemic, below are other factors to be considered by the unsecured creditors which may negatively impact the realization values estimated by the Monitor:

    - The risk that the landlords do not allow a liquidation to take place in the existing store premises;
    - The substantial liquidation of stock over a short period of time, which could negatively impact the pricing of the inventory;
    - The loss or shortage of store personnel; and
    - The potential additional professional fees incurred as a result of a liquidation.

81. In arriving at its recommendation, the Monitor takes into consideration the fact that the foregoing risk factors could further serve to reduce the quantum of the dividend expected to be payable to unsecured creditors in a bankruptcy scenario.

CREDITORS' MEETING

82. We have summarized below the salient terms of the proposed Creditors' Meeting. Capitalized terms not defined in this section are as defined in the Plan and Meeting Application.

83. The Creditors' Meeting is proposed to be held on **December 22, 2020**, at **9:30 a.m.**, **by videoconference**. It should be noted that although creditor's meetings are usually held in person, due to the travel and gathering restrictions introduced as a result of the Pandemic, there have been several creditor's meetings held by videoconference in similar cases in recent months. Doing so will allow a maximum number of creditors an opportunity to follow and participate in the Creditor's Meeting (subject to prior registration as set out in the Meeting Order).

84. Any creditor who wishes to appoint a Proxy shall do so prior to the Creditors' Meeting.

85. The Affected Creditors will receive notice of the Meeting by the following means:

    - the Monitor will send the relevant notice and Meeting materials in English and in French to the Affected Creditors by regular mail, courier or email on or before November 27, 2020; and
    - via the Monitor's website.

86. The Monitor is of the view that the proposed Creditors' Meeting should allow for the Debtor's creditors to fairly express their intention in terms of whether or not to accept the Plan.

87. Should the Plan be approved by the Required Majority of Affected Creditors, Stokes intends to seek the issuance of the Sanction Order on January 8, 2021.

88. The Monitor will report on the results of the Creditors' Meeting to the creditors and to the Court prior to the hearing for the rendering of a Sanction Order.

CONCLUSION AND RECOMMENDATION

89. The Monitor believes that the terms of the Plan are fair and reasonable and provide the most advantageous recovery to the Affected Creditors in the circumstances. The Plan has been developed by Stokes in a continuing effort to provide greater value to its creditors than would be achieved in a forced liquidation while offering a continuing source of revenue to most of the suppliers, landlords and employees.

90. For the reasons set out in this Report, **the Monitor recommends that the creditors vote in favor of the Plan**.

Respectfully submitted at Montréal, this 26th day of November 2020.

Richter Advisory Group Inc.
Monitor

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