

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
(Commercial Division)

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

No.: 500-11-057985-208

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

STOKES INC.

Debtor / Petitioner

-and-

RICHTER ADVISORY GROUP INC.

Trustee

**APPLICATION FOR EXTENSION OF TIME TO FILE A PROPOSAL
AND ANCILLARY RELIEF**

(Section 50.4(9) of the *Bankruptcy and Insolvency Act*)

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

I. INTRODUCTION

1. The Debtor / Petitioner Stokes Inc. ("**Stokes**" or the "**Company**") is a leading tableware, kitchenware and home décor retailer founded in 1935 and headquartered in Montréal, Québec. The Company has retail operations across Canada.
2. On February 18, 2020, Stokes filed a Notice of intention to make a proposal ("**NOI**") under the relevant provisions of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 ("**BIA**") and Richter Advisory Group Inc. was appointed as trustee thereto (the "**Trustee**"), the whole as appears from the Court record.
3. At the time of the filing of the NOI, Stokes operated its retail business from a total of 147 retail stores in all of Canada's provinces (each a "**Store**", collectively, the

“Stores”), located in Canada’s major cities, as well as other urban areas. The Company also sells its merchandise through its online business at www.stokesstores.com.

4. On February 24, 2020, at Stokes’ request, the Court granted the *Order Approving an Administration Charge, a D&O Charge, a Consulting Agreement and granting ancillary relief* (the “**First Order**”), as appears from the Court record.
5. On March 18, 2020, at Stokes’ request, the Court granted the *Order Extending the Time to File a Proposal and Granting Ancillary Relief* (the “**Second Order**”), as appears from the Court record.
6. By the present application, Stokes is seeking a second extension of time to file a proposal, and ratification of an amendment to the Consulting Agreement (as defined below), previously approved and ratified by the First Order and amended in connection with the Second Order.

II. PRE-COVID-19 RESTRUCTURING EFFORTS

7. Since the filing of the NOI, and until the recent global developments having arisen from the COVID-19 pandemic, Stokes, with the assistance of FAAN Advisors Group Inc. (the “**Chief Restructuring Advisor**”) and under the supervision of the Trustee, was operating its Stores in the ordinary course, while implementing various measures to reduce operating costs and increase warehouse productivity.
8. Stokes was also communicating with its employees, customers and suppliers in order to maintain the stability of its operations and a continued supply of goods, and was considering the various matters with respect to the elaboration of a proposal to Stokes’ creditors (a “**Proposal**”).
9. In parallel, since the granting of the First Order, Stokes, with the assistance of its consultant, the joint venture comprised of Tiger Asset Solutions Canada, ULC and GA Retail Canada, ULC (collectively the “**Consultant**”), had begun the liquidation sale (the “**Sale**”) of all inventory and furnishings, fixtures and equipment located at 39 Stores (the “**Closing Stores**”), the whole as authorized by the Court.

III. POST-COVID-19 RESTRUCTURING EFFORTS AND MEASURES

10. In March 2019, due to the growing global COVID-19 pandemic, several provincial governments ordered the temporary closure of shopping malls and of a number of businesses deemed to be non-essential.
11. As a result, Stokes had no choice but to close its Stores and temporarily lay off all of its employees working therein. Accordingly, the Sale was interrupted.
12. The Company also had no alternative but to implement measures to reduce its overhead and accordingly proceeded to temporarily lay off several head office personnel.

13. However, as permitted by the Government of Québec, Stokes has continued to operate its e-commerce business despite the closing of the Stores, and has retained the employees required to ensure continuation of these operations.
14. The majority of retained head-office employees are working from home, while strict safety measures have been implemented to ensure the health and well-being of the warehouse and logistics employees retained to operate the e-commerce business.
15. As a result of the forced closing of the Stores and accordingly, Stokes' inability to enjoy peaceful use and occupancy of the premises and the resulting immediate and complete loss of revenue generated from all Stores, Stokes did not pay the rent for the Stores for the period beginning April 1, 2020. The Company, like many other retailers in similar circumstances is currently negotiating with various landlords in that regard.
16. In light of these developments, Stokes has reviewed and revised its inventory purchasing strategy accordingly.
17. The Company requested and obtained from HSBC Bank Canada a moratorium on capital and interest payments for its capital lease facilities.
18. Stokes has also filed a claim with its insurer under its business interruption coverage. As of the date hereof, the insurer has not taken any position on the claim.
19. In addition to the above-mentioned measures, in order to preserve liquidity, the Company is:
 - (a) delaying scheduled merchandise shipments from overseas and local vendors;
 - (b) negotiating discounts with its vendors on certain goods in transit; and
 - (c) negotiating a rent arrangement with its second warehouse landlord and has come to an arrangement with its head office landlord.
20. Despite the extreme disruption caused by the current situation, Stokes is confident that once Stores are reopened to the public across Canada and consumer health and safety is appropriately addressed, its business will be able to recover from these unprecedented events and be viable in the long term, even in a recessionary economic environment.
21. Stokes, with the assistance of the Chief Restructuring Advisor and the Trustee, is reviewing its long-term business plan and financial model to take into account this period of disruption, and consider its effect on the ongoing efforts to reduce operating costs and increase warehouse productivity.

22. Stokes' intention remains to seek to file a Proposal, once the Sale is completed and the measures to reduce operating costs and increase warehouse productivity are fully implemented.

IV. GROUNDS FOR THIS MOTION

A. Extension of the Time Period to Make a Proposal

23. The time limit for the filing of a Proposal under subsection 50.4(8) of the BIA is currently set to expire on April 30, 2020.

24. Stokes requires additional time to accomplish *inter alia* the following steps:

- (a) Comply with the applicable government orders to close all non-essential stores and implement measures to ensure the safety of the Stokes' employees and customers during the COVID-19 pandemic;
- (b) Resume the operations at the Stores, upon obtaining the permission from the authorities to re-open;
- (c) Resume the Sale at the Closing Stores, also upon obtaining the permission from the authorities to re-open;
- (d) Continue the implementation of measures to reduce operating costs and increase warehouse productivity; and
- (e) Work towards formulating a Proposal.

25. Subject to paragraph 15 hereof, Stokes has paid its suppliers, employees and other creditors for the sums due from the date of the NOI in the ordinary course of business and intends to continue doing so.

26. Accordingly, Stokes respectfully submits that this Court extend the time period to make a proposal for 43 days to June 12, 2020 (the "**Extension Date**"), pursuant to subsection 50.4(9) of the BIA.

27. Despite the disruption caused by the current situation, with the continued support of its senior secured lender, the Bank of Nova Scotia, Stokes' cash flow is sufficient to continue operations up to and until the Extension Date, as appears from the Trustee's Report to be filed with the Court on or about the date hereof.

28. No creditor will be unduly prejudiced by the extension sought.

B. Amendment of the Consulting Agreement

29. The First Order approved and ratified an agreement dated February 20, 2020 (as subsequently amended, the "**Consulting Agreement**") with the "**Consultant**" (a joint venture comprised of Tiger Asset Solutions Canada, ULC and GA Retail

Canada, ULC), which provides *inter alia* for the terms of the Sale and the sale guidelines, attached to the Consulting Agreement as Exhibit 3 (the “**Sale Guidelines**”).

30. The Consulting Agreement and the Sale Guidelines provide that the Sale must be completed no later than May 24, 2020 (the “**Sale Termination Date**”).
31. In light of the circumstances described above, the Sale cannot be completed by the Sale Termination Date. Stokes initiated discussions in that regard with the Consultant and other stakeholders.
32. In order to allow for the Sale to resume when possible, with the view of maximizing recoveries for all stakeholders, Stokes and the Consultant have agreed to amend the Consulting Agreement and the Sale Guidelines for the sole purpose of extending the Sale Termination Date to June 12, 2020 (the “**Consulting Agreement Amendment**”), to match the period of the stay extension sought herein.
33. The Company anticipates that once it is in a better position to estimate the date the Sale will resume, it may need to request a further extension of the Sale Termination Date from this Court.
34. In light of the foregoing, Stokes is seeking approval of:
 - (a) the Consulting Agreement Amendment; and
 - (b) the “**Amended Sale Guidelines**”, a copy of the which is filed in support hereof, along with a blackline evidencing the amendment, *en liasse*, as **Exhibit P-1**.

V. CONCLUSION

35. The present Application is supported by the Trustee and by The Bank of Nova Scotia, Stokes’ senior secured lender.
36. Stokes has acted and continues to act in good faith and with due diligence to make a proposal to its creditors.
37. For the reasons set forth above, the Company respectfully submits that it is both appropriate and necessary that this Honourable Court render the orders sought herein.

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

GRANT the present *Application for extension of time to file a proposal and for ancillary relief* (the “**Application**”);

EXTEND the time period within which the Debtor / Petitioner may file a proposal under the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3 to June 12, 2020;

APPROVE and **RATIFY** the Consulting Agreement Amendment (as defined in the Application);

APPROVE and **RATIFY** the Amended Sale Guidelines attached to the order to be rendered as Schedule I;

REQUEST the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States of America, to give effect to the order to be rendered pursuant to the Application and to assist, the Debtor / Petitioner, the Trustee and their respective agents in carrying out the terms of this Order;

ORDER the provisional execution of the order to be rendered on the present Application notwithstanding appeal and without security;

THE WHOLE WITHOUT COSTS, save in the event of contestation.

MONTREAL, April 22, 2020

Osler, Hoskin & Harcourt LLP

Osler, Hoskin & Harcourt LLP

Mtre. Sandra Abitan | Mtre. Julien Morissette |

Mtre. Iliia Kravtsov

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Our file: 1206825

AFFIDAVIT

I the undersigned, Mohammad Rahaman, domiciled for the purpose hereof at 5660 Ferrier Street, Montréal, Province of Québec, H4P 1M7, solemnly declare the following:

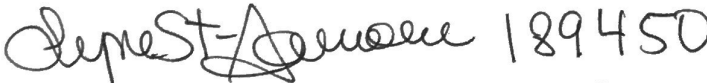
1. I am the Senior Vice-President of Finance and Administration of the Debtor / Petitioner Stokes Inc. and a duly authorized representative of the Debtor / Petitioner for the purposes hereof.
2. I have taken cognizance of the attached *Application for extension of time to file a proposal and for ancillary relief* (the "**Application**").
3. All of the facts alleged in the Application of which I have personal knowledge are true.
4. Where I have obtained facts alleged in the Application from others, I believe them to be true.

AND I HAVE SIGNED:



Mohammad Rahaman

SOLEMNLY DECLARED BEFORE ME BY
TECHNOLOGICAL MEANS IN SAINT-
CONSTANT, QUÉBEC, ON APRIL 22,
2020.



189450

Lyne St-Amour
Commissioner for Oaths for the Province of
Québec

NOTICE OF PRESENTATION

TO: SERVICE LIST (SEE ATTACHED)

TAKE NOTICE that the *Application for extension of time to file a proposal and for ancillary relief* will be presented for hearing and allowance in the Superior Court (Commercial Division), via teleconference, on **April 28, 2020 at 2:00 PM**. Coordinates of the teleconference will be communicated to the Service List in due course.

Any party wishing to contest the *Application for extension of time to file a proposal and for ancillary relief* must so inform the undersigned attorneys no later than April 24, 2020 at 3:00 PM and, by that date and time, provide the undersigned attorneys a written summary of the grounds of contestation.

MONTREAL, April 22, 2020

Osler, Hoskin & Harcourt LLP

Osler, Hoskin & Harcourt LLP

Attorneys for Debtor / Petitioner

**CANADA
PROVINCE OF QUÉBEC
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TO MAKE A PROPOSAL OF:**

STOKES INC.

Debtor / Petitioner

-and-

RICHTER ADVISORY GROUP INC.

Proposal Trustee

LIST OF EXHIBIT

P-1 Amended Sale Guidelines and blackline, *en liasse*

MONTRÉAL, April 22, 2020

Osler, Hoskin & Harcourt LLP

Osler, Hoskin & Harcourt LLP
Attorneys for Debtor / Petitioner

EXHIBIT P-1

Amended Sale Guidelines and blackline, *en liasse*

SALE GUIDELINES

The following procedures shall apply to any sales to be held at Stokes Inc. (“**Stokes**”) retail stores designated in the Consulting Agreement (as defined below) (the “**Stores**”). Terms capitalized but not defined in these Sale Guidelines have the meanings ascribed to them in the Consulting Agreement.

1. Except as otherwise expressly set out herein, and subject to: (i) the Order of the Superior Court of Québec (Commercial Division) (the “**Court**”) approving the Consulting Agreement between a joint venture comprised of Tiger Asset Solutions Canada, ULC and GA Retail Canada ULC (the “**Consultant**”) and Stokes (the “**Consulting Agreement**”) and the transactions contemplated thereunder (the “**Approval Order**”) or (ii) the provisions of the *Bankruptcy and Insolvency Act* (“**BIA**”) and any further Order of the Court; or (iii) any subsequent written agreement between Stokes and its applicable landlord(s) (individually, a “**Landlord**” and, collectively, the “**Landlords**”) and approved by the Consultant, the Sale shall be conducted in accordance with the terms of the applicable leases and other occupancy agreements for each of the affected Stores (individually, a “**Lease**” and, collectively, the “**Leases**”). However, nothing contained herein shall be construed to create or impose upon Stokes or the Consultant any additional restrictions not contained in the applicable Lease or other occupancy agreement.
2. The Sale shall be conducted so that each of the Stores remain open during their normal hours of operation provided for in the respective Leases for the Stores until the applicable premises vacate date for each Store under the Consulting Agreement (the “**Vacate Date**”), and in all cases no later than June 12, 2020. Rent payable under the respective Leases shall be paid as provided in the Approval Order.
3. The Sale shall be conducted in accordance with applicable federal, provincial and municipal laws, unless otherwise ordered by the Court.
4. All display and hanging signs used by the Consultant in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. Notwithstanding anything to the contrary contained in the Leases, the Consultant may advertise the Sale at the Stores as a “everything on sale”, “everything must go”, “store closing” or similar theme sale at the Stores (provided however that no signs shall advertise the Sale as a “bankruptcy”, a “liquidation” or a “going out of business” sale, it being understood that the French equivalent of “clearance” is “liquidation” and that “liquidation” is permitted to be used in French language signs). Forthwith upon request, the Consultant shall provide the proposed signage packages along with proposed dimensions by e-mail or facsimile to the applicable Landlords or to their counsel of record and the applicable Landlord shall notify the Consultant of any requirement for such signage to otherwise comply with the terms of the Lease and/or the Sale Guidelines and where the provisions of the Lease conflicts with these Sale Guidelines, these Sale Guidelines shall govern. The Consultant shall not use neon or day-glow signs or any handwritten signage (save that handwritten “you pay” or “topper” signs may be used). If a Landlord is concerned with “Store Closing” signs being placed in the front window of a Store or with the number or size of the signs in the front window, Stokes, the Consultant and the Landlord will work together to resolve the dispute. Furthermore, with respect to enclosed mall Store location without a separate entrance from the exterior of the

enclosed mall, no exterior signs or signs in common area of a mall shall be used unless explicitly permitted in the applicable Lease. In addition, the Consultant shall be permitted to utilize exterior banners/signs at stand alone or strip mall Stores or enclosed mall Store locations with a separate entrance from the exterior of the enclosed mall; provided, however, that: (i) no signage in any other common areas of a mall shall be used; and (ii) where such banners are not explicitly permitted by the applicable Lease and the Landlord requests in writing that banners are not to be used, no banners shall be used absent further Order of the Court, which may be sought on an expedited basis on notice to the Service List. Any banners used shall be located or hung so as to make clear that the Sale is being conducted only at the affected Store and shall not be wider than the premises occupied by the affected Store. All exterior banners shall be professionally hung and to the extent that there is any damage to the facade of the premises of a Store as a result of the hanging or removal of the exterior banner, such damage shall be professionally repaired at the expense of Stokes. The Consultant shall not utilize any commercial trucks to advertise the Sale on Landlord's property or mall ring roads.

5. The Consultant shall be permitted to utilize sign walkers and street signage; provided, however, such sign walkers and street signage shall not be located on the shopping center or mall premises.
6. The Consultant shall be entitled to include additional merchandise in the Sale provided that (a) the additional merchandise is currently in the possession of Stokes (including in its warehouse and distribution center) and has previously been ordered by or on behalf of Stokes and is currently in transit to Stokes; and (b) the additional merchandise is of like kind and category and no less quality to the Merchandise, and consistent with any restrictions on usage of the Stores set out in the applicable Leases.
7. Conspicuous signs shall be posted in the cash register areas of each Store to the effect that all sales are "final" and customers with any questions or complaints are to call Stokes' hotline number.
8. The Consultant shall not distribute handbills, leaflets or other written materials to customers outside of any of the Stores on any Landlord's property, unless explicitly or expressly permitted by the applicable Lease or, if distribution is customary in the shopping centre in which the Store is located. Otherwise, the Consultant may solicit customers in the Stores themselves. The Consultant shall not use any giant balloons, flashing lights or amplified sound to advertise the Sale or solicit customers, except as explicitly or expressly permitted under the applicable Lease, or agreed to by the Landlord.
9. At the conclusion of the Sale in each Store, the Consultant and Stokes shall arrange that the premises for each Store are in "broom-swept" and clean condition, and shall arrange that the Stores are in the same condition as on the commencement of the Sale, ordinary wear and tear excepted. No property of any Landlord of a Store shall be removed or sold during the Sale. No permanent fixtures (other than Stokes FF&E (as defined below) for clarity) may be removed without the Landlord's written consent unless otherwise provided by the applicable Lease and in accordance with the Approval Order. Any trade fixtures or personal property left in a Store after the applicable Vacate Date in respect of which the applicable Lease has been

disclaimed by Stokes shall be deemed abandoned, with the applicable Landlord having the right to dispose of the same as the Landlord chooses, without any liability whatsoever on the part of the Landlord. Nothing in this paragraph shall derogate from or expand upon the Consultant's obligations under the Consulting Agreement.

10. Subject to the terms of paragraph 9 above, the Consultant shall sell furniture, fixtures and equipment owned by Stokes ("**Stokes FF&E**") and located in the Stores during the Sale. For greater certainty, Stokes FF&E does not include any portion of the Stores' HVAC, sprinklers, fire suppression, or fire alarm systems. Stokes and the Consultant may advertise the sale of Stokes FF&E consistent with these Sale Guidelines on the understanding that the Landlord may require such signs to be placed in discreet locations within the Stores reasonably acceptable to the Landlord. Additionally, the purchasers of any Stokes FF&E sold during the Sale shall only be permitted to remove the Stokes FF&E either through the back shipping areas designated by the Landlord or through other areas after regular Store business hours or, through the front door of the Store during Store business hours if the Stokes FF&E can fit in a shopping bag, with Landlord's supervision as required by the Landlord and in accordance with the Approval Order. Stokes shall repair any damage to the Stores resulting from the removal of any Stokes FF&E by Consultant or by third party purchasers of Stokes FF&E.
11. The Consultant shall not make any alterations to interior or exterior Store lighting, except as authorized pursuant to the affected Lease. The hanging of exterior banners or other signage, where permitted in accordance with the terms of these Sale Guidelines, shall not constitute an alteration to a Store.
12. Stokes hereby provides notice to the Landlords of Stokes and the Consultant's intention to sell and remove Stokes FF&E from the Stores. The Consultant shall make commercially reasonable efforts to arrange with each Landlord that so requests, a walk-through with the Consultant to identify the Stokes FF&E subject to the Sale. The relevant Landlord shall be entitled upon request to have a representative present in the applicable Stores to observe such removal. If the Landlord disputes the Consultant's entitlement to sell or remove any Stokes FF&E under the provisions of the Lease, such Stokes FF&E shall remain on the premises and shall be dealt with as agreed between Stokes, the Consultant and such Landlord, or by further Order of the Court upon application by Stokes on at least two (2) days' notice to such Landlord and the proposal Trustee. If Stokes has disclaimed or resiliated the Lease governing such Store in accordance with the BIA, it shall not be required to pay rent under such Lease pending resolution of any such dispute (other than rent payable for the notice period provided for in the BIA), and the disclaimer or resiliation of the Lease shall be without prejudice to Stokes's or the Consultant's claim to the Stokes FF&E in dispute.
13. If a notice of disclaimer or resiliation is delivered pursuant to the BIA to a Landlord while the Sale is ongoing and the Store in question has not yet been vacated, then:
(a) during the notice period prior to the effective time of the disclaimer or resiliation, the Landlord may show the affected leased premises to prospective tenants during normal business hours, on giving Stokes, the proposal Trustee and the Consultant 24 hours' prior written notice; and (b) at the effective time of the disclaimer or resiliation, the relevant Landlord shall be entitled to take possession of any such Store without waiver of or prejudice to any claims or rights such Landlord may have

against Stokes in respect of such Lease or Store, provided that nothing herein shall relieve such Landlord of any obligation to mitigate any damages claimed in connection therewith.

14. The Consultant and its agents and representatives shall have the same access rights to the Stores as Stokes under the terms of the applicable Lease, and the Landlords shall have the rights of access to the Stores during the Sale provided for in the applicable Lease (subject, for greater certainty, to any applicable stay of proceedings).
15. Stokes and the Consultant shall not conduct any auctions of Merchandise or Stokes FF&E at any of the Stores.
16. The Consultant shall designate a party to be contacted by the Landlords should a dispute arise concerning the conduct of the Sale. The initial contact for Consultant shall be (i) Mark P. Naughton who may be reached by phone at (312) 894-6081 or email at mnaughton@tigergroup.com. If the parties are unable to resolve the dispute between themselves, the Landlord or Stokes shall have the right to schedule a "status hearing" before the Court on no less than two (2) days written notice to the other party or parties, during which time the Consultant shall cease all activity in dispute other than activity expressly permitted herein, pending determination of the matter by the Court; provided, however, subject to paragraph 4 of these Sale Guidelines, if a banner has been hung in accordance with these Sale Guidelines and is the subject of a dispute, the Consultant shall not be required to take any such banner down pending determination of any dispute.
17. Nothing herein or in the Consulting Agreement is or shall be deemed to be a consent by any Landlord to the sale, assignment or transfer of any Lease, or shall, or shall be deemed to, or grant to the Landlord any greater rights than already exist under the terms of any applicable Lease.
18. These Sale Guidelines may be amended by written agreement between the Consultant, Stokes and the applicable Landlord.



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The following procedures shall apply to any sales to be held at Stokes Inc. ("**Stokes**") retail stores designated in the Consulting Agreement (as defined below) (the "**Stores**"). Terms capitalized but not defined in these Sale Guidelines have the meanings ascribed to them in the Consulting Agreement.

1. Except as otherwise expressly set out herein, and subject to: (i) the Order of the Superior Court of Québec (Commercial Division) (the "**Court**") approving the Consulting Agreement between a joint venture comprised of Tiger Asset Solutions Canada, ULC and GA Retail Canada ULC (the "**Consultant**") and Stokes (the "**Consulting Agreement**") and the transactions contemplated thereunder (the "**Approval Order**") or (ii) the provisions of the *Bankruptcy and Insolvency Act* ("**BIA**") and any further Order of the Court; or (iii) any subsequent written agreement between Stokes and its applicable landlord(s) (individually, a "**Landlord**" and, collectively, the "**Landlords**") and approved by the Consultant, the Sale shall be conducted in accordance with the terms of the applicable leases and other occupancy agreements for each of the affected Stores (individually, a "**Lease**" and, collectively, the "**Leases**"). However, nothing contained herein shall be construed to create or impose upon Stokes or the Consultant any additional restrictions not contained in the applicable Lease or other occupancy agreement.
2. The Sale shall be conducted so that each of the Stores remain open during their normal hours of operation provided for in the respective Leases for the Stores until the applicable premises vacate date for each Store under the Consulting Agreement (the "**Vacate Date**"), and in all cases no later than ~~May~~ June 124, 2020. Rent payable under the respective Leases shall be paid as provided in the Approval Order.
3. The Sale shall be conducted in accordance with applicable federal, provincial and municipal laws, unless otherwise ordered by the Court.
4. All display and hanging signs used by the Consultant in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. Notwithstanding anything to the contrary contained in the Leases, the Consultant may advertise the Sale at the Stores as a "everything on sale", "everything must go", "store closing" or similar theme sale at the Stores (provided however that no signs shall advertise the Sale as a "bankruptcy", a "liquidation" or a "going out of business" sale, it being understood that the French equivalent of "clearance" is "liquidation" and that "liquidation" is permitted to be used in French language signs). Forthwith upon request, the Consultant shall provide the proposed signage packages along with proposed dimensions by e-mail or facsimile to the applicable Landlords or to their counsel of record and the applicable Landlord shall notify the Consultant of any requirement for such signage to otherwise comply with the terms of the Lease and/or the Sale Guidelines and where the provisions of the Lease conflicts with these Sale Guidelines, these Sale Guidelines shall govern. The Consultant shall not use neon or day-glow signs or any handwritten signage (save that handwritten "you pay" or "topper" signs may be used). If a Landlord is concerned with "Store Closing" signs being placed in the front window of a Store or with the number or size of the signs in the front window, Stokes, the Consultant and the Landlord will work together to



resolve the dispute. Furthermore, with respect to enclosed mall Store location without a separate entrance from the exterior of the enclosed mall, no exterior signs or signs in common area of a mall shall be used unless explicitly permitted in the applicable Lease. In addition, the Consultant shall be permitted to utilize exterior banners/signs at stand alone or strip mall Stores or enclosed mall Store locations with a separate entrance from the exterior of the enclosed mall; provided, however, that: (i) no signage in any other common areas of a mall shall be used; and (ii) where such banners are not explicitly permitted by the applicable Lease and the Landlord requests in writing that banners are not to be used, no banners shall be used absent further Order of the Court, which may be sought on an expedited basis on notice to the Service List. Any banners used shall be located or hung so as to make clear that the Sale is being conducted only at the affected Store and shall not be wider than the premises occupied by the affected Store. All exterior banners shall be professionally hung and to the extent that there is any damage to the facade of the premises of a Store as a result of the hanging or removal of the exterior banner, such damage shall be professionally repaired at the expense of Stokes. The Consultant shall not utilize any commercial trucks to advertise the Sale on Landlord's property or mall ring roads.

5. The Consultant shall be permitted to utilize sign walkers and street signage; provided, however, such sign walkers and street signage shall not be located on the shopping center or mall premises.
6. The Consultant shall be entitled to include additional merchandise in the Sale provided that (a) the additional merchandise is currently in the possession of Stokes (including in its warehouse and distribution center) and has previously been ordered by or on behalf of Stokes and is currently in transit to Stokes; and (b) the additional merchandise is of like kind and category and no less quality to the Merchandise, and consistent with any restrictions on usage of the Stores set out in the applicable Leases.
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9. At the conclusion of the Sale in each Store, the Consultant and Stokes shall arrange that the premises for each Store are in "broom-swept" and clean condition, and shall arrange that the Stores are in the same condition as on the commencement of the Sale, ordinary wear and tear excepted. No property of any Landlord of a Store shall be removed or sold during the Sale. No permanent fixtures (other than Stokes FF&E (as defined below) for clarity) may be removed without the Landlord's written consent unless otherwise provided by the applicable



Lease and in accordance with the Approval Order. Any trade fixtures or personal property left in a Store after the applicable Vacate Date in respect of which the applicable Lease has been disclaimed by Stokes shall be deemed abandoned, with the applicable Landlord having the right to dispose of the same as the Landlord chooses, without any liability whatsoever on the part of the Landlord. Nothing in this paragraph shall derogate from or expand upon the Consultant's obligations under the Consulting Agreement.

10. Subject to the terms of paragraph 8 above, the Consultant shall sell furniture, fixtures and equipment owned by Stokes ("**Stokes FF&E**") and located in the Stores during the Sale. For greater certainty, Stokes FF&E does not include any portion of the Stores' HVAC, sprinklers, fire suppression, or fire alarm systems. Stokes and the Consultant may advertise the sale of Stokes FF&E consistent with these Sale Guidelines on the understanding that the Landlord may require such signs to be placed in discreet locations within the Stores reasonably acceptable to the Landlord. Additionally, the purchasers of any Stokes FF&E sold during the Sale shall only be permitted to remove the Stokes FF&E either through the back shipping areas designated by the Landlord or through other areas after regular Store business hours or, through the front door of the Store during Store business hours if the Stokes FF&E can fit in a shopping bag, with Landlord's supervision as required by the Landlord and in accordance with the Approval Order. Stokes shall repair any damage to the Stores resulting from the removal of any Stokes FF&E by Consultant or by third party purchasers of Stokes FF&E.
11. The Consultant shall not make any alterations to interior or exterior Store lighting, except as authorized pursuant to the affected Lease. The hanging of exterior banners or other signage, where permitted in accordance with the terms of these Sale Guidelines, shall not constitute an alteration to a Store.
12. Stokes hereby provides notice to the Landlords of Stokes and the Consultant's intention to sell and remove Stokes FF&E from the Stores. The Consultant shall make commercially reasonable efforts to arrange with each Landlord that so requests, a walk-through with the Consultant to identify the Stokes FF&E subject to the Sale. The relevant Landlord shall be entitled upon request to have a representative present in the applicable Stores to observe such removal. If the Landlord disputes the Consultant's entitlement to sell or remove any Stokes FF&E under the provisions of the Lease, such Stokes FF&E shall remain on the premises and shall be dealt with as agreed between Stokes, the Consultant and such Landlord, or by further Order of the Court upon application by Stokes on at least two (2) days' notice to such Landlord and the proposal Trustee. If Stokes has disclaimed or resiliated the Lease governing such Store in accordance with the BIA, it shall not be required to pay rent under such Lease pending resolution of any such dispute (other than rent payable for the notice period provided for in the BIA), and the disclaimer or resiliation of the Lease shall be without prejudice to Stokes's or the Consultant's claim to the Stokes FF&E in dispute.
13. If a notice of disclaimer or resiliation is delivered pursuant to the BIA to a Landlord while the Sale is ongoing and the Store in question has not yet been vacated, then: (a) during the notice period prior to the effective time of the disclaimer or resiliation, the Landlord may show the affected leased premises to prospective tenants during normal business hours, on giving Stokes, the proposal Trustee and



the Consultant 24 hours' prior written notice; and (b) at the effective time of the disclaimer or résiliation, the relevant Landlord shall be entitled to take possession of any such Store without waiver of or prejudice to any claims or rights such Landlord may have against Stokes in respect of such Lease or Store, provided that nothing herein shall relieve such Landlord of any obligation to mitigate any damages claimed in connection therewith.

14. The Consultant and its agents and representatives shall have the same access rights to the Stores as Stokes under the terms of the applicable Lease, and the Landlords shall have the rights of access to the Stores during the Sale provided for in the applicable Lease (subject, for greater certainty, to any applicable stay of proceedings).
15. Stokes and the Consultant shall not conduct any auctions of Merchandise or Stokes FF&E at any of the Stores.
16. The Consultant shall designate a party to be contacted by the Landlords should a dispute arise concerning the conduct of the Sale. The initial contact for Consultant shall be (i) Mark P. Naughton who may be reached by phone at (312) 894-6081 or email at mnaughton@tigergroup.com. If the parties are unable to resolve the dispute between themselves, the Landlord or Stokes shall have the right to schedule a "status hearing" before the Court on no less than two (2) days written notice to the other party or parties, during which time the Consultant shall cease all activity in dispute other than activity expressly permitted herein, pending determination of the matter by the Court; provided, however, subject to paragraph 4 of these Sale Guidelines, if a banner has been hung in accordance with these Sale Guidelines and is the subject of a dispute, the Consultant shall not be required to take any such banner down pending determination of any dispute.
17. Nothing herein or in the Consulting Agreement is or shall be deemed to be a consent by any Landlord to the sale, assignment or transfer of any Lease, or shall, or shall be deemed to, or grant to the Landlord any greater rights than already exist under the terms of any applicable Lease.
18. These Sale Guidelines may be amended by written agreement between the Consultant, Stokes and the applicable Landlord.

No: 500-11-057985-208

**SUPERIOR COURT
(Commercial Division)
DISTRICT OF MONTRÉAL**

**IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF:
STOKES INC.**

Debtor/Petitioner

-and-

RICHTER ADVISORY GROUP INC.

Trustee

**APPLICATION FOR EXTENSION OF TIME TO FILE A
PROPOSAL AND ANCILLARY RELIEF
(Section 50.4(9) of the *Bankruptcy and Insolvency
Act*), AFFIDAVIT, NOTICE OF PRESENTATION, LIST
OF EXHIBIT, EXHIBIT P-1**

ORIGINAL

Code: BO 0323

o/f: 1206825

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