

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

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

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

STOKES INC.

Petitioner / Debtor

-and-

RICHTER ADVISORY GROUP INC.

Proposal Trustee

FOURTH REPORT OF THE PROPOSAL TRUSTEE
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS

Richter Advisory Group Inc. (the "**Proposal Trustee**"), in its capacity as trustee under the Notice of Intention to Make a Proposal (the "**NOI**"), pursuant to the *Bankruptcy and Insolvency Act* (the "**BIA**"), filed by Stokes Inc. ("**Stokes**", the "**Debtor**" or the "**Company**"), an insolvent person, does hereby report to the Court the following.

INTRODUCTION

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

4. On March 16, 2020, the Proposal Trustee filed its Second Report.
5. On March 18, 2020, the Court granted the First Stay Extension Motion.
6. On April 22, 2020, the Debtor filed a motion entitled *Application for the Extension of Time to File a Proposal and Ancillary Relief* (the “**Second Stay Extension Motion**”).
7. On April 22, 2020, the Proposal Trustee filed its Third Report (the “**Third Report**”).
8. On April 22, 2020, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow together with its report pursuant to Section 50.4(2)(c) of the BIA, covering the period from April 19 to June 13, 2020, which included the major assumptions used in the preparation of the Projections. Concurrently therewith, the Proposal Trustee filed its report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the BIA, all of which were annexed as Exhibit “B” to the Third Report.
9. On April 28, 2020, the Court granted the Second Stay Extension Motion.
10. On June 8, 2020, the Debtor filed a motion entitled *Application for the Extension of Time to File a Proposal and Ancillary Relief* (the “**Third Stay Extension Motion**”) in which the Debtor seeks, *inter alia*, an extension of the delay to file a proposal to July 27, 2020.
11. In order to monitor the affairs and finances of the Debtor, the Proposal Trustee has been provided with access to the books, records and other important documents of the Company.

PURPOSE OF THIS REPORT

12. The purpose of this fourth report of the Proposal Trustee (the “**Fourth Report**”) is to provide this Court with information pertaining to:
 - (i) Activities of the Proposal Trustee since the issuance of the Proposal Trustee’s Third Report;
 - (ii) Activities of the Company;
 - (iii) Financial performance and cash flow projections;
 - (iv) The relief sought by the Company in the Third Stay Extension Motion; and
 - (v) The Proposal Trustee’s recommendations.

TERMS OF REFERENCE

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

ACTIVITIES OF THE PROPOSAL TRUSTEE

17. Since the issuance of the Third Report, the Proposal Trustee has:
 - Monitored the Company's daily receipts and disbursements and the Company's current and ongoing operations;
 - Reviewed weekly variances between the actual cash flow results versus the cash flow projections for the period from April 19 to May 30, 2020;
 - Responded in a timely manner to inquiries from affected stakeholders, including creditors, employees, customers and landlords;
 - Prepared the present report and attended a Court hearing in relation to the NOI process;
 - Updated its website to allow stakeholders to access relevant documents in connection with the NOI process; and
 - Assisted Management:
 - i. with the NOI process and planning of next steps;
 - ii. in the preparation of updated monthly financial projections and weekly cash flow forecasts; and
 - iii. in the review of the go-forward strategy and restructuring plan.

- Participated in several meetings and conference calls with the Debtor, the Chief Restructuring Advisor (the “**CRA**”), the Bank of Nova Scotia (the “**Bank**”) and the legal advisors in connection with the Company’s restructuring efforts, the measures taken to preserve liquidity during the current COVID-19 pandemic, the Company’s go-forward strategy and the negotiation of an extended forbearance agreement.

ACTIVITIES OF THE COMPANY

18. As a result of the COVID-19 pandemic and as ordered by the authorities, Stokes closed all of its retail locations, including the 39 stores being liquidated (“**Closing Stores**”), effective March 19, 2020 and implemented various cost-cutting measures in an effort to preserve its liquidities, including:

- Delaying scheduled merchandise shipments from overseas and local vendors;
- Reviewing and decreasing its inventory purchasing strategy;
- Negotiating discounts with its vendors on certain goods in transit;
- Temporarily laying-off all its retail staff as well as 45 head office employees;
- Deferring the payment of rent for all retail locations for the months of April and May 2020 (additional details are provided below);
- Negotiating rent arrangements with its head office landlord;
- Obtaining from HSBC Bank Canada a two-month moratorium on capital payments for its capital lease facilities.

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

20. Throughout the temporary store closures, the e-commerce platform has remained open and sales have significantly increased. Management has reallocated resources to this department to increase its fulfillment capacity.

21. As government ordered shutdowns are gradually being lifted, Stokes has begun to progressively reopen its retail locations in accordance with government guidelines. As at the date hereof, approximately 60 stores remain closed, mainly in the Greater Montreal and Greater Toronto areas.

22. In order to provide a safe environment for employees and customers and to comply with public health agencies recommendations, Stokes has implemented the following:
- Reviewed its store cleaning procedures and increased its frequency;
 - Provided its employees with personal protective equipment (masks, gloves, etc.); and
 - Limited the number of customers allowed in its stores at the same time, in order to ensure customers may maintain a minimum of two metres apart at all times.
23. As stores are being reopened, Stokes continues to operate its go-forward stores in the normal course of business and liquidate its Closing Stores in accordance with the terms of the Consulting Agreement dated February 20, 2020 (the “**Consulting Agreement**”). As well, store and head office employees that were temporarily laid-off are gradually being rehired in accordance with store reopenings.
24. Prior to the temporary closure of all retail locations, the liquidation sale was projected to be completed by May 24, 2020. Due to the lack of post-reopening sales data, go-forward sales are difficult to forecast and the updated completion date remains undetermined.
25. The Company has advised the Trustee that it has not paid rent for the months of April, May and a portion of June in all its retail locations and only partially paid its head office and second warehouse rent. The decision to hold back rent payments results from the various governmental measures ordered in the context of the global COVID-19 pandemic. Among other measures, government decreed shutdowns have effectively prevented and continue to prevent the Company from conducting its regular retail business operations.
26. The Company has indicated to the Trustee that as of the date hereof, discussions have been initiated with all concerned landlords and that it wishes to reach a negotiated solution for this rent issue with a view to implementing a mutually beneficial resolution for all parties involved. Although certain landlords have informed the Debtor and the Trustee that they are not willing to negotiate, Management remains hopeful that agreements will be reached.
27. The non-payment of post-filing payables was previously disclosed in the Third Report of the Proposal Trustee dated April 22, 2020. Upon assessing the situation, the Trustee decided that it remained appropriate to update the Court and stakeholders on developments in this regard in conjunction with the present request for an extension of the delay to file a proposal, in light of the following:
- (a) The current situation is by no means limited to this Debtor and has been precipitated by a global pandemic which has had an unprecedented impact on the economy as a whole, including on all retailers and other commercial tenants, several of which, to the Trustee’s knowledge, are in discussions with their landlords to obtain rent deferrals or other relief;

- (b) The situation is changing at a rapid pace and the means to address it continue to evolve, including with respect to the aid packages being made available to commercial tenants by the various levels of Government;
 - (c) The Debtor's legal position, though it has yet to be ruled upon by this Court, may constitute sufficient reason to excuse the non-payment of rent for the duration of the Temporary Store Closures; and
 - (d) The Debtor proactively advised its landlords and is currently engaged in discussions with them to address the issue.
28. The Company, with its advisors and the CRA, has also been actively reassessing its options going forward, with a view to adopting a course of action that benefits its stakeholders.
29. Although Management does not contemplate making additional store closures at the moment, it may be required to further reduce its footprint depending on the outcome of the current discussions with its landlords and go-forward sales.
30. The Company has continued to engage in discussions with the representative of its principal secured lender, keeping them informed of current developments.
31. Finally, the Company, with the assistance of the Proposal Trustee, has been in constant communication with its employees, customers and suppliers.

FINANCIAL PERFORMANCE AND CASH FLOW PROJECTIONS

Cash flow results for the 6-week period ended May 30, 2020

32. Since the filing of the NOI, the Debtor has been paying its suppliers in the ordinary course of business based on negotiated terms or on cash-on-delivery basis apart from the rent and tax remittance deferrals discussed previously. Other than these deferrals, the Debtor has advised the Proposal Trustee that it has not incurred other significant unpaid liabilities since the filing of the NOI.
33. **Exhibit "A"** to this Fourth Report contains the comparative cash flow statement for the 6-week period ended May 30, 2020. The Company had a negative net cash flow of approximately (\$914K) for the 6-week period, which was approximately \$1.3M more favorable than initially forecasted due to:
- (a) Higher than projected e-commerce receipts of approximately \$1.8M, attributable to the positive response from the customer base to online shopping following the store closures, as well as to the efforts by management to advertise its e-commerce platform; and
 - (b) Higher than projected store receipts by approximately \$0.6M attributable to the store reopenings which occurred earlier than forecasted;

(c) The increased receipts were partially offset by increased disbursements of approximately \$1.1M directly attributable the higher e-commerce sales and earlier than forecasted store reopening's.

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

Cash flow forecast for the 9-week period ending August 1, 2020

35. **Exhibit "B"** to this Fourth Report contains the cash flow forecast for the 9-week period ending August 1, 2020 (the "**Projections**").

36. The Projections were prepared by Management with the assistance of the Proposal Trustee, to present the estimated cash receipts, disbursements and indebtedness of Stokes from May 31 to August 1, 2020. We summarize the Projections as follows:

Stokes Inc.	
Statement of Projected Cash Flow	
For the Period from May 31 to Aug 1, 2020	
(\$000's)	Total
	<i>63 days</i>
Receipts	\$ 9,508
Disbursements	
Merchandise	(2,884)
Payroll	(2,930)
Rent	(1,659)
Inventory Liquidation Expenses	(1,349)
Professional Fees & Consultants	(225)
Others	(2,044)
	(11,090)
Projected Cash Flow	\$ (1,582)
Projected Opening Bank Indebtedness	\$ 11,308
Projected Ending Bank Indebtedness	\$ 12,890

37. Although the current forbearance agreement between the Bank and the Debtor expires on June 30, 2020, Management has been engaged in multiple discussions with its principal secured lender to extend the forbearance agreement for several months and possibly through to 2021. Management is confident that a forbearance agreement will be reached with the Bank prior to June 30, 2020.

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

RELIEF SOUGHT BY THE DEBTOR

39. The Debtor is requesting the extension of the Proposal Period to July 27, 2020 (the "**Extension**").

40. The Proposal Trustee supports the Debtor's request for the Extension for the following reasons:

- (a) the Debtor is acting in good faith and with due diligence in taking steps to maximize the value of its assets for the benefit of its creditors;
- (b) given these highly exceptional circumstances, including the inability for any retailer to predict with certainty when the balance of its store locations will reopen for customers, and Management's efforts to reach a consensual arrangement with its landlords, notwithstanding the post-filing rent issue, the Trustee is of the view that any immediate action by the Court would be more prejudicial to the stakeholders than the status quo;
- (c) the Debtor intends to make a proposal to its creditors; and
- (d) the principal secured creditor of the Debtor has been advised of the Extension and does not oppose it.

41. The Debtor is also requesting that this Court approve and ratify an amendment to the Consulting Agreement, as well as the sale guidelines, and to its amendments which were previously approved by this Court, to extend the date pursuant to which the liquidation of the inventory in selected retail locations is to be completed from June 12, 2020 (the "**Sale Termination Date**") to July 27, 2020.

42. In light of the present circumstances, the Trustee supports the Debtor's request to extend the Sale Termination Date to July 27, 2020, as requested in the Third Stay Extension Motion.

CONCLUSION AND RECOMMENDATION

43. Based on all the foregoing, the Proposal Trustee is of the view that the relief sought by the Debtor in the Third Stay Extension Motion is appropriate and reasonable in the circumstances.

44. The Proposal Trustee is also of the view that the relief requested will enhance the Company's ability to achieve the best possible outcome for its stakeholders.

45. Accordingly, the Proposal Trustee respectfully recommends that this Honorable Court grant the relief sought in the Third Stay Extension Motion.

Respectfully submitted at Montreal, this 8th day of June 2020.

Richter Advisory Group Inc.
Licensed Insolvency Trustee



Olivier Benchaya, CPA, CA, CIRP, LIT

EXHIBIT A

Stokes Inc.				
Statement of Cash Flow				
For the Period from April 19 to May 30, 2020				
(\$000's)	Actual	Forecast	Variance	
	<i>42 days</i>	<i>42 days</i>	\$	%
Receipts	\$ 3,284	\$ 900	\$ 2,384	265%
Disbursements				
Merchandise	(1,982)	(1,518)	(464)	31%
Payroll	(556)	(510)	(46)	9%
Rent	(319)	(135)	(184)	136%
Professional Fees & Consultants	(222)	(220)	(2)	1%
Others	(1,119)	(740)	(379)	51%
	(4,198)	(3,123)	(1,075)	34%
Cash Flow	\$ (914)	\$ (2,223)	\$ 1,309	(59%)
Opening Bank Indebtedness	\$ 10,394	\$ 10,394	\$ -	0%
Ending Bank Indebtedness	\$ 11,308	\$ 12,617	\$ 1,309	10%

Ending Bank indebtedness excludes approximately \$305K of outstanding LCs (\$222K USD) which have not yet been drawn upon.

EXHIBIT B

Stokes Inc.										
Statement of Projected Cash Flow										
For the Period from May 31 to Aug 1, 2020										
(\$000's)	Jun 06	Jun 13	Jun 20	Jun 27	Jul 04	Jul 11	Jul 18	Jul 25	Aug 01	Total
	<i>7 days</i>	<i>7 days</i>	<i>7 days</i>	<i>7 days</i>	<i>7 days</i>	<i>7 days</i>	<i>7 days</i>	<i>7 days</i>	<i>7 days</i>	<i>63 days</i>
Receipts	\$ 1,076	\$ 978	\$ 978	\$ 978	\$ 1,074	\$ 1,134	\$ 1,073	\$ 1,115	\$ 1,103	\$ 9,508
Disbursements										
Merchandise	(207)	(207)	(207)	(207)	(204)	(463)	(463)	(463)	(463)	(2,884)
Payroll	(384)	-	(576)	-	(576)	-	(696)	-	(696)	(2,930)
Rent	(314)	-	(331)	-	(534)	-	(408)	-	(71)	(1,659)
Inventory Liquidation Expenses	(161)	(161)	(161)	(161)	(139)	(139)	(139)	(139)	(148)	(1,349)
Professional Fees & Consultants	(16)	(27)	(21)	(16)	(20)	(20)	(20)	(20)	(65)	(225)
Others	(288)	(231)	(231)	(256)	(211)	(180)	(201)	(204)	(244)	(2,044)
	(1,369)	(625)	(1,527)	(639)	(1,684)	(803)	(1,928)	(827)	(1,688)	(11,090)
Projected Cash Flow	\$ (293)	\$ 352	\$ (549)	\$ 338	\$ (610)	\$ 331	\$ (855)	\$ 288	\$ (584)	\$ (1,582)
Projected Opening Bank Indebtedness	\$ 11,308	\$ 11,601	\$ 11,249	\$ 11,798	\$ 11,459	\$ 12,070	\$ 11,739	\$ 12,594	\$ 12,306	\$ 11,308
Projected Ending Bank Indebtedness	\$ 11,601	\$ 11,249	\$ 11,798	\$ 11,459	\$ 12,070	\$ 11,739	\$ 12,594	\$ 12,306	\$ 12,890	\$ 12,890



Mohammad Rahaman, CFO



Olivier Benchaya, CPA, CA, CIRP, LIT

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

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

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

The management of Stokes Inc. developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 8th day of June 2020, consisting of the period from May 31, 2020 to August 1, 2020.

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

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

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

Dated at the City of Montreal in the Province of Quebec, this 8 th day of June 2020.



Stokes Inc.
Debtor

MOHAMMAD RAHAMAN, CFO
Name and title of signing officer

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

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

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

Purpose:

Stokes Inc. filed a Notice of Intention to Make a Proposal on February 18, 2020. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Stokes Inc. (the "Company"), for the period May 31, 2020 to August 1, 2020, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on June 8, 2020 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period May 31, 2020 to August 1, 2020, considering the economic conditions that are considered the most probable by management.

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

Assumptions:

- Projected Cash Receipts
 - Receipts include projected receipts from stores, e-commerce platform and liquidation sales including applicable sales taxes. Stores and e-commerce receipts are projected based on historical sales and collection patterns. Inventory liquidation receipts are projected based on the result of historical store liquidations and the latest inventory appraisal report.

- 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 and takes into account the Company's gradual store reopenings;
 - Rent is based on rent agreements with lessors adjusted to reflect bi-monthly payments and management's restructuring plan. Amounts include sales taxes;
 - Liquidation disbursements include all projected operating expenses relating to the closing stores and liquidator fees & expenses. They were projected based on historical operating disbursements and the latest inventory appraisal report. Amounts include sales taxes;

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

Dated at the City of Montréal, in the Province of Quebec, this 8th day of June 2020.



Stokes Inc.
Debtor

MOHAMMAD RAHMAN CFO
Name and title of signing officer

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

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

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

The attached statement of projected cash flow of Stokes Inc., as of the 8th day of June 2020, consisting of the period from May 31, 2020 to August 1, 2020, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

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

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

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

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

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

Dated at the City of Montréal, in the Province of Quebec, this 8th day June 2020.

Richter Advisory Group Inc.
Licensed Insolvency Trustee
Per:



Olivier Benchaya, CPA, CA, CIRP, LIT
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District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-057985-208
Estate No.: 41-2618947

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

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

Purpose:

Stokes Inc. filed a Notice of Intention to Make a Proposal on February 18, 2020. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Stokes Inc. (the "Company"), for the period from May 31, 2020 to August 1, 2020, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on June 8, 2020 based on available financial information at that date in accordance with Section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period May 31, 2020 to August 1, 2020, considering the economic conditions that are considered the most probable by management.

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

Assumptions:

- Projected Cash Receipts
 - Receipts include projected receipts from stores, e-commerce platform and liquidation sales including applicable sales taxes. Stores and e-commerce receipts are projected based on historical sales and collection patterns. Inventory liquidation receipts are projected based on the result of historical store liquidations and the latest inventory appraisal report.

- 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 and takes into account the Company's gradual store reopenings;
 - Rent is based on rent agreements with lessors adjusted to reflect bi-monthly payments and management's restructuring plan. Amounts include sales taxes;
 - Liquidation disbursements include all projected operating expenses relating to the closing stores and liquidator fees & expenses. They were projected based on historical operating disbursements and the latest inventory appraisal report. Amounts include sales taxes;
 - Other expenses are primarily comprised of warehouse and head office costs as well as capital lease payments and interest. These expenses are based on historical data adjusted to reflect the current level of activity, current agreements and current interest rates. Amounts include sales taxes where applicable;
 - Professional fees and consulting disbursements reflects management's best estimate to implement the Company's restructuring plan. Amounts include sales taxes;

- The current government remittances for source deductions and sales taxes are included in the disbursement assumptions;
- The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 8th day of June 2020.

Richter Advisory Group Inc.

Licensed Insolvency Trustee

Per:



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