

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.

a legal person having its registered office at
5660 Ferrier Street, Mont-Royal, Quebec
H4P 1M7

Petitioner / Debtor

-and-

RICHTER ADVISORY GROUP INC.

Proposal Trustee

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

Richter Advisory Group Inc. ("**Richter**" or 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 19, 2020, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("**Projections**") together with its report pursuant to Section 50.4(2)(c) of the BIA, covering the period from January 26, 2020, to March 21, 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 First Report.

3. 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 (the “**First Order**”).
4. On February 24, 2020, the Proposal Trustee sent documents by regular mail to all creditors of the Company, as identified by it, which included a Notice to Creditors of Stokes’ Intention to Make a Proposal and other statutory documents. A copy of these documents was annexed as Exhibit “A” to the Second Report of the Proposal Trustee dated March 16, 2020 (the “**Second Report**”).
5. On March 13, 2020, the Debtor filed a motion entitled *Application for the Extension of Time to File a Proposal and Ancillary Relief* (the “**Stay Extension Motion**”).
6. On March 16, 2020, the Proposal Trustee filed its Second Report.
7. On March 18, 2020, the Court granted the Stay Extension Motion (the “**Stay Extension Order**”).
8. 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**”) in which the Debtor seeks, *inter alia*, an extension of the delay to file a proposal to June 12, 2020.
9. 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

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

TERMS OF REFERENCE

11. Unless otherwise noted, all monetary amounts contained in this Third Report are expressed in Canadian dollars.
12. In preparing this Third 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**").
13. Except as otherwise described in this Third 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.
14. Future oriented financial information relied upon in this Third 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

15. Since the issuance of the Second Report, the Proposal Trustee has:
 - Monitored the 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 March 8, 2020, to April 18, 2020;
 - Assisted in the preparation of an updated weekly cash flow forecast;
 - Responded in a timely manner to inquiries from affected stakeholders, including creditors, employees, customers and landlords;
 - Assisted senior management with the NOI process and planning for next steps;
 - Prepared the present report and attended a Court hearing in relation to the NOI process;
 - Updated a website to allow stakeholders to access relevant documents in connection with the NOI process;

- Participated in several meetings and conference calls with the Debtor, the Chief Restructuring Advisor (the “**CRA**”) and the legal advisors in connection with the Company’s restructuring efforts and the measures taken to preserve liquidity during the current COVID-19 pandemic. The Trustee is also providing support to the Debtor during these unprecedented times to reassess its restructuring plan and go-forward strategy in an effort to preserve the enterprise as a going concern and maintain as many jobs as possible.

ACTIVITIES OF THE COMPANY

16. Prior to the Temporary Store Closures (as defined below), Stokes continued operating its go-forward stores in the normal course of business and was conducting the liquidation sale in accordance with the terms of the Consulting Agreement dated February 20, 2020 (the “**Consulting Agreement**”), as well as the relief granted in the First Order and the Stay Extension Order.
17. Effective March 19, 2020, Stokes closed all its retail locations, including the stores being liquidated, as a result of the COVID-19 pandemic and as ordered by the authorities (“**Temporary Store Closures**”).
18. In order to preserve liquidity during this period, the Company has:
 - Delayed scheduled merchandise shipments from overseas and local vendors;
 - Reviewed and revised its inventory purchasing strategy;
 - Negotiated discounts with its vendors on certain goods in transit;
 - Temporarily laid-off all its retail staff as well as 45 non-essential employees at head office;
 - Deferred the payment of rent for all retail locations for the month of April (additional details are provided below);
 - Is negotiating a rent arrangement with its second warehouse landlord and has come to an arrangement with its head office landlord, and also requested and obtained from HSBC Canada moratorium on capital and interest payments for its capital lease facilities.
19. To mitigate the impacts of the COVID-19 pandemic, the Company also intends to seek relief from either the federal or provincial governments through the announced wage subsidies and job-sharing programs, as well as the deferment of payment of sales taxes.
20. The Company has advised the Trustee that it has not paid rent for the month of April 2020 in all its retail locations and that it does not intend on making such payments as long as stores remain closed. 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.

21. The Company has further advised the Trustee of its position, to the effect that while these measures last, it cannot legally be held to pay rent for retail premises in respect of which it does not have the peaceful use and enjoyment, and from which it is prevented from operating in the normal course of business.
22. The Company also advised its landlords, in letters sent on or around April 1, 2020, of its decision to hold back rent payments. Although the Company has received support from most of its landlords in this regard, a number of its landlords are requesting that rent payments be made without further delay.
23. The Company has indicated to the Trustee that it is currently negotiating with its 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.
24. The non-payment of post-filing payables constitutes, in the normal course, a material adverse change which would have led the Trustee to immediately advise the Court. Upon assessing the situation, the Trustee decided that it was appropriate to advise the Court and stakeholders of this state of affairs 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.
25. Since March 19, 2020, the Stokes e-commerce platform has remained opened and sales have significantly increased. Management has reallocated resources to this department to increase its fulfillment capacity.
26. The liquidation sale, which was initially projected to be completed by May 24, 2020, will resume once liquidation stores are reopened. As the reopening date is unknown, no completion date is currently available.

27. In view of the current situation, 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.
28. The Company has continued to engage in discussions with the representative of its principal secured lender, keeping them informed of current developments.
29. 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 April 18, 2020

30. The Company's statement of projected cash flow for the period from March 8, 2020 to May 2, 2020 (the "**Cash Flow Statement**") was submitted by the Company as Exhibit "C" to the Second Report.
31. 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 with the exception of rent payments. As previously mentioned, the Company has not paid rent for its retail locations for the month of April 2020 and is negotiating a rent arrangement with its second warehouse landlord, and has come to an arrangement with its head office landlord. The Company intends to address these rent related issues upon the reopening of the stores. Other than these elements, the Debtor has advised the Proposal Trustee that it has not incurred other significant unpaid liabilities since the filing of the NOI.
32. **Exhibit "A"** to this Third Report contains the comparative cash flow statement for the 6-week period ended April 18, 2020. The Company had a negative net cash flow of approximately (\$3.2M) for the 6-week period, which was approximately \$300K higher than initially forecasted due to:
 - (a) Lower than projected store receipts by approximately \$7.8M attributable to the temporary store closures since March 19, 2020;
 - (b) Higher than projected e-commerce receipts by approximately \$500K (i.e. 73%), attributable to the redirection of the customer base to online shopping following the store closures, as well as to the efforts by management to advertise online shopping; and
 - (c) In an effort to offset the lower receipts, total disbursements were approximately \$7.6M less than initially forecasted. This variance is attributable to the temporary store closures since March 19, 2020, as well as to other cost-saving measures.
33. As of the time of writing this Third 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 June 13, 2020

34. **Exhibit “B”** to this Third Report contains the cash flow forecast for the nine (9) week period ending June 13, 2020 (the “**Projections**”).
35. Given the government-ordered shutdowns of all store locations explained above, no store rent payments are projected during the period. In addition, the projections include partial rent payments for both head office and warehouse locations.
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 April 19, 2020 to June 13, 2020. We summarize the Projections as follows:

Stokes Inc. Statement of Projected Cash Flow For the Period from April 19 to June 13, 2020 (\$000's)	
	Total <i>56 days</i>
Receipts	\$ 1,200
Disbursements	
Merchandise	(2,042)
Payroll	(680)
Rent	(135)
Inventory Liquidation Expenses	-
Professional Fees & Consultants	(300)
Others	(999)
	(4,156)
Projected Cash Flow	\$ (2,956)
Projected Opening Scotia Indebtedness	\$ 10,394
Projected Ending Scotia Indebtedness	\$ 13,350

37. The cash flow was presented to the Bank of Nova Scotia, which has indicated that it would support the Company during this period.
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 June 12, 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 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, 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 May 24, 2020 (the "**Sale Termination Date**") to June 12, 2020.
42. In light of the present circumstances, the Trustee supports the Debtor's request to extend the Sale Termination Date to June 12, 2020, as requested in the Second 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 Second 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 Second Stay Extension Motion.

Respectfully submitted at Montreal, this 22nd day of April 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 March 8 to April 18, 2020****(\$000's)**

	Actual	Forecast	Variance	
	<i>42 days</i>	<i>42 days</i>	\$	%
Receipts	\$ 4,006	\$ 11,326	\$ (7,320)	(65%)
Disbursements				
Merchandise	(3,172)	(7,557)	4,385	(58%)
Payroll	(1,573)	(2,069)	496	(24%)
Rent	(494)	(1,862)	1,368	(73%)
Inventory Liquidation Expenses	(490)	(1,584)	1,094	(69%)
Professional Fees & Consultants	(290)	(504)	214	(42%)
Others	(1,223)	(1,240)	17	(1%)
	(7,242)	(14,816)	7,574	(51%)
Projected Cash Flow	\$ (3,236)	\$ (3,490)	\$ 254	(7%)
Projected Opening Scotia Indebtedness	\$ 7,158	\$ 7,114	\$ (44)	(1%)
Projected Ending Scotia Indebtedness	\$ 10,394	\$ 10,604	\$ 210	2%

Scotia indebtedness excludes approximately \$490K of outstandings LCs (\$347K USD) which have not yet been drawn upon.

EXHIBIT B

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

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

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

The attached statement of projected cash flow of Stokes Inc., as of the 22nd day of April 2020, consisting of the period from April 19, 2020 to June 13, 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 22nd day of April 2020.

Richter Advisory Group Inc.
Licensed Insolvency Trustee

Per:



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

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

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

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

Purpose:

Stokes Inc. filed a Notice of Intention to Make a Proposal on February 18, 2020. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Stokes Inc. (the "Company"), for the period from April 19, 2020 to June 13, 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 April 22, 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 April 19, 2020 to June 13, 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:

- General
 - Effective March 19, 2020, Stokes closed all its retail locations, including the stores being liquidated, as a result of the COVID-19 pandemic and as ordered by the authorities;
 - Stokes e-commerce platform is projected to remain open throughout the coronavirus pandemic;
 - Given the inability of the Company to predict with certainty when its store locations will be reopened, for conservative purposes, stores have been projected to remain closed throughout the period.
- Projected Cash Receipts
 - Projected receipts are from e-commerce sales and include applicable sales taxes.
- Projected Cash Disbursements
 - Projected merchandise disbursements are based on current domestic and foreign goods in transit. The projections assume a 7.5% discount on all shipped and unpaid merchandise as the Company is currently in discussion with its supplier to obtain discounts on these shipments. Amounts include sales taxes when applicable;
 - Payroll is based on current headcount levels. Conservatively, the payroll does not reflect any federal subsidies which the Company intends to apply for;
 - Given the government-ordered shutdowns of all store locations, no store rent payments are projected during the period. In addition, the projections include partial rent payments for both head office and warehouse locations. The deferred rent payments will be addressed once stores reopen. 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 information which has been 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. 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 22nd day of April 2020.

Richter Advisory Group Inc.
Licensed Insolvency Trustee

Per:



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

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

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

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

The management of Stokes Inc. developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 22nd day of April 2020, consisting of the period from April 19, 2020 to June 13, 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 22nd day of April 2020.



Stokes Inc.
Debtor

Mohammad Rahaman
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 April 19, 2020 to June 13, 2020, relating to the filing of a Notice of Intention to Make a Proposal on February 18, 2020. This Statement of Projected Cash Flow has been prepared by management on April 22, 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 April 19, 2020 to June 13, 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:

- General
 - Effective March 19, 2020, Stokes closed all its retail locations, including the stores being liquidated, as a result of the COVID-19 pandemic and as ordered by the authorities;
 - Stokes e-commerce platform is projected to remain open throughout the coronavirus pandemic;
 - Given the inability of the Company to predict with certainty when its store locations will be reopened, for conservative purposes, stores have been projected to remain closed throughout the period.
- Projected Cash Receipts
 - Projected receipts are from e-commerce sales and include applicable sales taxes.
- Projected Cash Disbursements
 - Projected merchandise disbursements are based on current domestic and foreign goods in transit. The projections assume a 7.5% discount on all shipped and unpaid merchandise as the Company is currently in discussion with its supplier to obtain discounts on these shipments. Amounts include sales taxes when applicable;

- Payroll is based on current headcount levels. Conservatively, the payroll does not reflect any federal subsidies which the Company intends to apply for;
- Given the government-ordered shutdowns of all store locations, no store rent payments are projected during the period. In addition, the projections include partial rent payments for both head office and warehouse locations. The deferred rent payments will be addressed once stores reopen. 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 information which has been 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. 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 22 nd day of April 2020.



Stokes Inc.
Debtor

Mohammad Rahaman
Name and title of signing officer *cfo*

Stokes Inc. Statement of Projected Cash Flow For the Period from April 19 to June 13, 2020 (\$000's)									Total
	Apr 25 7 days	May 02 7 days	May 09 7 days	May 16 7 days	May 23 7 days	May 30 7 days	Jun 06 7 days	Jun 13 7 days	56 days
Receipts	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 1,200
Disbursements									
Merchandise	(489)	(218)	(234)	(210)	(217)	(150)	(142)	(382)	(2,042)
Payroll	(170)	-	(170)	-	(170)	-	(170)	-	(680)
Rent	-	(45)	-	(45)	-	(45)	-	-	(135)
Inventory Liquidation Expenses	-	-	-	-	-	-	-	-	-
Professional Fees & Consultants	(70)	(20)	(20)	(20)	(70)	(20)	(40)	(40)	(300)
Others	(145)	(150)	(100)	(100)	(145)	(100)	(140)	(119)	(999)
	(874)	(433)	(524)	(375)	(602)	(315)	(492)	(541)	(4,156)
Projected Cash Flow	\$ (724)	\$ (283)	\$ (374)	\$ (225)	\$ (452)	\$ (165)	\$ (342)	\$ (391)	\$ (2,956)
Projected Opening Scotia Indebtedness	\$ 10,394	\$ 11,118	\$ 11,401	\$ 11,775	\$ 12,000	\$ 12,452	\$ 12,617	\$ 12,959	\$ 10,394
Projected Ending Scotia Indebtedness	\$ 11,118	\$ 11,401	\$ 11,775	\$ 12,000	\$ 12,452	\$ 12,617	\$ 12,959	\$ 13,350	\$ 13,350



Mohammad Rahaman, CFO



Olivier Benchaya, CPA, CA, CIRP, LIT