



**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL**

S U P E R I O R C O U R T
Commercial Division
*Designated tribunal under the Companies'
Creditors Arrangement Act¹*

No.: 500-11-064901-248

**IN THE MATTER OF THE PROPOSED
PLAN OF COMPROMISE OR
ARRANGEMENT OF STOKES INC.**

THIRD REPORT OF THE MONITOR – January 23, 2025

INTRODUCTION AND BACKGROUND

1. On November 15th, 2024, further to an application (“**Initial Application**”) filed by Stokes Inc. (“**Stokes**” or the “**Applicant**”) and, namely, a first report (“**First Report**”) of Ernst & Young Inc. (then proposed monitor), the Superior Court of the Province of Québec for the district of Montreal (“**Court**”) sitting as the designated tribunal pursuant to the *Companies’ Creditors Arrangement Act*¹ (“**CCAA**”), issued a First Day Initial Order declaring that the Applicant is a debtor company to which the CCAA applies, appointing Ernst & Young Inc., a licensed insolvency trustee, as monitor (“**EY**” or the “**Monitor**”), approving the engagement of FAAN Advisors Group Inc. to act as the Applicant’s chief restructuring officer (“**CRO**”) and granting various relief measures including a stay of proceedings until November 15, 2024 (the “**Initial Order**”).
2. On November 19, 2024, the Court issued an Amended and Restated Initial Order, and subsequently the Rectified Amended and Restated Initial Order (the “**ARIO**”) extending the stay of proceedings to January 24, 2025 (the “**Stay Period**”), increasing certain charges and providing various other relief measures. The Court also issued an Order Approving a Consulting Agreement and Sale Guidelines (“**Liquidation Order**”) approving the consulting agreement entered into between Stokes and a joint venture formed by Tiger Asset Solutions Canada, ULC and GA Capital Solutions Canada, Inc. (the “**Consultant**”) dated November 13, 2024 (the “**Consulting Agreement**”) in respect of the liquidation and closing of 45 Stokes stores (“**Closing Stores**”).
3. On December 23, 2024, the Court issued an Approval, Vesting and Assignment Order (the “**Approval Order**”), *inter alia*: (i) authorizing and approving the execution by the Applicant of the purchase agreement dated December 19, 2024 (the “**Purchase Agreement**”) between Stokes, as seller, and Hart Stores Inc. (“**Hart Stores**” or the “**Purchaser**”), as purchaser, for the sale of all of Stokes’ inventory and intellectual property, and the

¹ R.S.C. 1985, c. C-36, as amended.

assignment of certain leases in respect of 73 stores (the “**Target Stores**”) (the “**Transaction**”), (ii) approving the Transaction (iii) issuing a first distribution (“**First Distribution**”) and (iv) the discharge of the CRO.

4. On January 20th, 2024, the Applicant filed an application (the “**Application**”) seeking the extension of the Stay Period to April 24th, 2025.
5. The present report (“**Third Report**”) is intended to provide the Court with information relevant to the Applicant’s Application, based on the information that has been made available to the Monitor. The Report is presented under the following headings:
 - Introduction and Background;
 - Terms of Reference and Disclaimer;
 - Overview of the Restructuring Proceedings to Date;
 - Transaction;
 - First Distribution;
 - Comparison of Actual and Projected Cash Flow Results;
 - Updated Cash Flow Forecast;
 - Upcoming Restructuring Measures; and
 - Overall Comments and Conclusions.

TERMS OF REFERENCE AND DISCLAIMER

6. In preparing this Third Report and making the comments herein, the Monitor has been provided with and has relied upon certain unaudited, draft and/or internal financial information, company records, management prepared financial information and projections, information from other third-party sources, and has engaged in discussions with the Applicant’s directors, senior management team (“**Management**”) and the Applicant’s legal advisors (collectively, the “**Information**”).
 - 6.1. The Monitor has assumed the integrity and truthfulness of the Information and explanations provided to it, within the context in which it was presented. To date, nothing has come to the attention of the Monitor that would cause it to question the reasonableness of this assumption.
 - 6.2. The Monitor has requested that Management bring to its attention any significant matters which were not addressed in the course of its specific inquiries. Accordingly, this Third Report is based solely on the Information (financial or otherwise) provided by the Applicant.
 - 6.3. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the

Information in a manner that would wholly or partially comply with generally accepted assurance standards or generally accepted standards for review engagements and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.

- 6.4. In view of the purpose of the Third Report, some of the financial information therein may not comply with generally accepted accounting principles.
- 6.5. Some of the information referred to in this Third Report consists of forecasts and projections that were prepared based on Management's current estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable and as a consequence, no assurance can be provided regarding any such forecasted or projected results. Actual results will vary from the forecasts or projections, even if the estimates and assumptions are accurate, and the variations could be significant.
7. This Third Report has been prepared by the Monitor in order to provide additional information to the Court in connection with the Application. This Third Report may not be appropriate for any other purpose and consequently should not be used for any other purpose.

OVERVIEW OF RESTRUCTURING PROCEEDINGS TO DATE

8. Since the Second Report, the Monitor conducted the following activities:
 - 8.1. Assisted in the closing of the Transaction as contemplated in the Purchase Agreement;
 - 8.2. Worked with the Applicant to prepare cut-off calculations in the context of the Transaction in order to ensure that pre and post closing sales and cash receipts were appropriately allocated;
 - 8.3. Issued the Monitor's certificate on December 23, 2024 confirming the closing of the Transaction;
 - 8.4. In the context of the Transaction, assisted with the preparation and issuance of 18 notices of disclaimer of commercial leases for excluded stores and the head office location;
 - 8.5. Responded to queries from various stakeholders and assisted the Applicant in dealing with supplier issues;
 - 8.6. Worked with the Applicant to review the Applicant's actual cash flow as compared to the projected cash flow filed in support of the Initial Application;

- 8.7. Reviewed the Applicant's disbursements as contemplated in the Initial Order;
 - 8.8. Participated in discussions with suppliers and vendors to ensure ongoing supply of goods and services;
 - 8.9. Assisted the Applicant in providing financial information to The Bank of Nova Scotia, the secured lender ("**Scotia**");
 - 8.10. Issued certain distributions in accordance with the Approval Order, as described in further detail in the Third Report;
 - 8.11. Assisted the Applicant in updating its cash flow projections; and
 - 8.12. Prepared the Third Report to the Court.
9. Since the Second Report, Management of Stokes conducted the following significant activities:
- 9.1. Continued to manage the operations in the normal course, subject to the changes resulting from Transaction;
 - 9.2. Negotiated with trade suppliers to obtain necessary goods and services;
 - 9.3. Negotiated with landlord as it relates to Target Stores and the corresponding leases;
 - 9.4. With the assistance of legal counsel and the Monitor, prepared and issued 18 notices of disclaimers of commercial leases for excluded stores and the head office location;
 - 9.5. Closed the Transaction in accordance with the closing conditions reflected in the Purchase Agreement; and
 - 9.6. Terminated certain excluded employees not assumed in the Transaction.

TRANSACTION

10. On December 23, 2024, the Court approved the Transaction between Hart Stores and Stokes. The detail of the Transaction is summarized in the Second Report.
11. The Transaction's effective closing date was December 23, 2024 (the "**Closing**") upon issuance of the Approval Order, receipt of the purchase price and other closing conditions. The Monitor's certificate was subsequently issued.
12. On December 23, 2024 upon Closing, the Monitor received from Hart Stores the remaining balance of the cash portion of the purchase price for a total of \$14.2M, in the Monitor's trust account. As contemplated in the Purchase Agreement, the purchase price consisted of an

amount equal to the inventory valued at Stokes' book value (approximately \$13.7M) and \$500K.

13. As contemplated in the Purchase Agreement and ancillary documents, Hart Stores:

- 13.1. purchased the Applicant's inventory;
- 13.2. purchased all intellectual property and rights in intellectual property owned by the Applicant and Shivbro, a corporation related to the Applicant;
- 13.3. owns all issued and outstanding shares in the Applicant;
- 13.4. assumed the leases for the Target Stores. Since the Closing, the Purchaser has assumed the leases for an additional 5 stores (the "**Additional Target Stores**") for a total of 78 Stores; and
- 13.5. continued the employment of all the store level employees of the Target Stores and the Additional Target Stores, and substantially all of the employees at the Debtor's head office.

14. As also contemplated in the Purchase Agreement, as and from Closing, the Applicant continued to operate in the normal course the Stores for which Hart Stores has not assumed the related leases, and will continue to do so until the effective date of the disclaimer period for each of the leases relating to those Stores, the whole for the benefit of the Hart Stores. Accordingly, Hart Stores will pay and be solely responsible for all costs and expenses relating to the operation of those stores until the effective date of the disclaimer period for each of the leases relating to those Stores, including all gross payroll expenses, rent, operating expenses, and overhead expenses.

15. As a result of the Transaction, the Applicant was able to maintain the vast majority of its operations, retain the majority of its employees and maintain the majority of its existing leases.

FIRST DISTRIBUTION

16. In accordance with the Approval Order, the Court authorized the Monitor to make a first distribution, being the distribution of the cash portion of the purchase price. As of the date of this Third Report the Monitor proceeded with the following distributions:

- 16.1. repayment of all amounts owing to Scotia, including accrued interest and professional fees (approximately \$8,400K);
- 16.2. held in a separate trust account of the Monitor, to pay Scotia for any amount drawn after the closing under letters of credit issued to Stokes (approximately \$600K, representing an amount equal to 120% of the aggregate amount of the outstanding letters of credit);

- 16.3. payment of amounts of accrued salary for the 2 weeks ended December 21, 2024, including all deductions at source (approximately \$945K);
 - 16.4. payment of any other post-filing obligations of the Applicant, excluding certain post-closing operating liabilities to be paid by the Purchaser (approximately \$619K);
 - 16.5. payment of amounts owed to the CRO, including a success fee of \$300K;
 - 16.6. amounts owed to the Consultant net of the deposit (approximately \$160K); and
 - 16.7. payment of amounts owed to other restructuring professionals, including the Monitor, Monitor's legal counsel and Debtor's legal counsel prior to the Transaction of approximately \$282K.
17. On January 7th, 2025, the Monitor received a transfer of \$3.3M in its trust account from Scotia. This amount primarily represents cash receipts for sales generated from December 19th to December 22nd, 2024. Hart Stores has received the remaining sales receipts deposited to Scotia bank accounts from December 23rd onwards and will continue to do so. Scotia will continue to collect and transfer ongoing sales receipts to Hart Stores until the earlier of: (i) the opening of the new Hart Stores bank accounts; or (ii) January 31st, 2025.
18. In accordance with the Approval Order, the Monitor expects to proceed with the following distributions on behalf of the Applicant:
- 18.1. \$400K held by the Monitor in trust for the payment of the fees and disbursements of the professionals which are secured by the Administration Charge;
 - 18.2. the accrued salary and vacation benefits for Excluded Employees, including all deductions at source (approximately \$340K);
 - 18.3. payment of all accrued and outstanding sales taxes owed by Stokes as at the closing (approximately \$2,250K);
 - 18.4. payment of amounts owed to other restructuring professionals, including the Monitor, Monitor's legal counsel and Debtor's legal counsel; and
 - 18.5. payment of any other post-filing obligations of the Applicant (including and all rent payable between November 15, 2024 and the Closing), excluding certain post-closing operating liabilities to be paid by the Purchaser.
19. As of the date of the Third Report, the Monitor reasonably expects, based on the information provided by Stokes, that the cash portion of the purchase price is sufficient to make those distributions and withholdings in trust. In fact, the Updated Cash Flow Forecast suggests that the Applicant will likely be in a position to fund a plan of arrangement.

COMPARISON OF ACTUAL AND PROJECTED CASH FLOW RESULTS

20. On November 14, 2024, the Applicant filed a cash flow forecast for the eleven (11) weeks ended January 25, 2025 (the “**Cash Flow Forecast**”). The Cash Flow Forecast is attached to the First Report, as Appendix E.
21. A comparison between the actual and projected receipts and disbursements for the 5-week period ended December 14, 2024, is attached to the Second Report, as Appendix A.
22. As of the date of the Transaction, the Cash Flow Forecast provided in the First Report, is no longer applicable. This Cash Flow Forecast was initially prepared with the underlying assumption of a 45-store liquidation. Consequently, the Monitor has prepared a comparison of the actual and projected receipts and disbursements solely for the week ended December 21, 2024 and presented the cumulative actual results for the three (3) weeks ended January 11, 2025.
23. A comparison between the actual and projected receipts and disbursements for the week ended December 21, 2024, and the actual receipts and disbursements for the three (3) weeks ended January 11, 2025 is attached hereto as **Appendix A**. The Applicant is reporting a \$3.5M unfavourable variance in net cash flows for the week ended December 21, 2024. This variance is mainly due to lower than projected sales receipts compared to forecast and an unfavourable timing difference as it relates to the disbursements. The details of the variances are presented in **Appendix A**.

UPDATED CASH FLOW FORECAST

24. The Applicant has prepared a statement of projected cash flow (the “**Updated Cash Flow Forecast**”), on a weekly basis, for the 15-week period from January 12, 2025 to April 26th, 2025. The Updated Cash Flow excludes ongoing operating activities conducted by the Applicant for the benefit of Hart Stores and described at paragraph 14 of the Third Report. Accordingly, the Updated Cash Flow includes only those disbursements relating to pre-closing obligations or ongoing costs relating to the CCAA proceedings as well as any potential recovery on assets of the Applicant not sold to Hart Stores.
25. The Updated Cash Flow Forecast is accompanied by the representations of the Applicant as prescribed, and by notes outlining the significant assumptions made in preparing the Cash Flow Forecast. The Cash Flow Forecast, the representations of the Applicant and the notes outlining the assumptions are attached to this Report as **Appendix B**.
26. The Updated Cash Flow Forecast, including the notes attached thereto for the 15-week period ending April 26th, 2025, has been prepared by the Applicant for the purpose described in the notes accompanying the Cash Flow Forecast, using probable and hypothetical assumptions set out in the said notes.

27. The Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by the Applicant. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Updated Cash Flow Forecast. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Updated Cash Flow Forecast.
28. Based on this review, nothing has come to the Monitor's attention that causes it to believe that, in all material respects:
 - 28.1. the hypothetical assumptions are not consistent with the purpose of the projection;
 - 28.2. as at the date of this Report, the probable assumptions developed by the Applicant are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the projection, given the hypothetical assumptions;
or
 - 28.3. the Updated Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
29. Since the Updated Cash Flow Forecast 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. In particular, but without limiting the generality of the foregoing, the Monitor reiterates the note of caution stated in paragraph 6.5 of this Third Report.
30. Accordingly, the Monitor expresses no assurance as to whether the Updated Cash Flow Forecast will be achieved. The Updated Cash Flow Forecast has been prepared solely for the purpose described in the notes accompanying the Updated Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.
31. While the Monitor does not express reservations regarding the cash flow statement as prepared by the Applicant, some components thereof are noteworthy and are addressed below.
32. The Updated Cash Flow Forecast indicates that the Applicant has sufficient liquidity to maintain remaining operations throughout the Stay Period and projects surplus funds available to fund a plan of arrangement in the coming months. It is important to note that a potential distribution to creditors is contingent on:
 - 32.1. the outcome of ongoing negotiations with various landlords;
 - 32.2. quantifying the potential creditor claims; and
 - 32.3. the assessment of the tax losses to which the Applicant is entitled to.

UPCOMING RESTRUCTURING MEASURES

33. The Applicant anticipates that the restructuring procedures over the coming weeks will include the following:
- 33.1. Review of contracts with vendors and landlords to determine if additional contracts should be terminated or disclaimed;
 - 33.2. Distributions of various sums in accordance with the Approval Order and as described in the Third Report;
 - 33.3. Maintenance of certain transition activities related to the Transaction;
 - 33.4. Termination of remaining employees not assumed in the Transaction; and
 - 33.5. Undertaking of a claims process, subject to approval of the Court, in the context of a potential filing of a plan of arrangement.

OVERALL COMMENTS AND CONCLUSIONS

34. Based on the Monitor's review thus far, the Applicant has displayed diligence, good faith and proper intentions in pursuing these restructuring proceedings.
35. In view of the foregoing and the information received since its engagement, the Monitor considers that the restructuring efforts implemented by the Applicant in the proceedings herein are reasonable.
36. The Monitor recommends that the Court grant the relief requested by the Applicant, to extend the Stay Period to April 25th, 2025. This extension will enable the Applicant and the Monitor to finalize the distributions in accordance with the Approval Order, complete the Transaction transition, and potentially initiate a claims process and develop a viable plan of arrangement in the coming months.
37. All of which is respectfully submitted this 23rd day of January, 2025.



ERNST & YOUNG INC.

Licensed Insolvency Trustee

In its capacity as the monitor in the matter of the proposed compromise and arrangement of Stokes Inc., and not in any other capacity

Martin P. Rosenthal, CPA, CIRP, LIT
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Appendix A

| APPENDIX A | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------|--|--------------------|---|-------------------|
| In the matter of the proposed plan of compromise and arrangement of Stokes Inc. | | | | | | | | |
| Unaudited (in \$CAD) | | | | | | | | |
| Comparison of the actual vs. forecasted results | | | | | Cumulative results | | Results for the 3 | |
| For the week ended December 21st 2024 | | | | | For the 3 weeks ended January 11th, 2025 | | weeks ended | |
| | Actual | Projected | Variance (\$) | Variance (%) | | January 11th, 2025 | Total Cumulative results for the 4 weeks ended January 11th, 2025 | |
| Receipts | | | | | Receipts | | | |
| Sales Receipts | 5,401,421 | 6,944,097 | (1,542,676) | -22% | Sales Receipts | 3,100,005 | | 8,501,426 |
| Proceeds from sale | - | - | - | 0% | Proceeds from sale | 14,210,784 | | 14,210,784 |
| Other receipts | - | - | - | 0% | Other receipts | 164,977 | | 164,977 |
| Total cash receipts | 5,401,421 | 6,944,097 | (1,542,676) | -22% | Total cash receipts | 17,475,766 | | 22,877,187 |
| Disbursements | | | | | Disbursements | | | |
| Salaries & Benefits | - | - | - | 0% | Salaries & Benefits | 945,777 | | 945,777 |
| Occupancy | 78,247 | 94,554 | 16,307 | 17% | Occupancy | - | | 78,247 |
| Merchandise | 376,061 | - | (376,061) | -100% | Merchandise | 59,204 | | 435,265 |
| Sales Taxes | 620,886 | - | (620,886) | -100% | Sales Taxes | - | | 620,886 |
| Operating Expenses | 1,101,851 | 360,780 | (741,071) | -205% | Operating Expenses | 243,967 | | 1,345,818 |
| Interest & Fees | - | - | - | 0% | Interest & Fees | 76,636 | | 76,636 |
| | 2,177,044 | 455,334 | (1,721,710) | -378% | | 1,325,585 | | 3,502,629 |
| Restructuring Disbursements | | | | | Restructuring Disbursements | | | |
| Liquidator Expense | 188,859 | 55,859 | (133,000) | -238% | Liquidator Expense | - | | 188,859 |
| Professional fees | 138,447 | - | (138,447) | -100% | Professional fees | 226,800 | | 365,247 |
| | 327,306 | 55,859 | (271,447) | -486% | | 226,800 | | 554,106 |
| Total Disbursements | 2,504,351 | 511,193 | (1,993,158) | -390% | Total Disbursements | 1,552,384 | | 4,056,735 |
| Net Cash Flow | 2,897,070 | 6,432,904 | (3,535,834) | -55% | Net Cash Flow | 15,923,382 | | 18,820,451 |
| Cash Balance | | | | | Cash Balance | | | |
| Opening Available Cash Balance | (10,580,187) | (11,848,176) | 1,267,989 | 11% | Opening Available Cash Balance | (7,952,964) | | (10,580,187) |
| Net Cash Flow | 2,897,070 | 6,432,904 | (3,535,834) | -55% | Net Cash Flow | 15,923,382 | | 18,820,451 |
| FX and other adjustments | (269,846) | - | (269,846) | -100% | FX and other adjustments | 205,141 | | (64,705) |
| Closing Available Cash Balance | (7,952,964) | (5,415,272) | (2,537,692) | -47% | Closing Available Cash Balance | 8,175,559 | | 8,175,559 |

In the matter of the proposed plan of compromise and arrangement of Stokes Inc.
Actual results for the 4 weeks ended January 11, 2025

| Notes | Line item | Comments |
|-------|---------------------|--|
| 1 | Sales Receipts | The \$1,543K negative variance represents a permanent difference resulting from the lower than anticipated sales results. As a result of the Transaction, the only remaining sales receipts after December 22, 2024 relate to the sales generated the weekend from December 20 th to December 22 nd . |
| 2 | Salaries & Benefits | The salaries & benefits of \$945K relate to the last 2-week pay period before the Transaction closing date ending December 21, 2024. |
| 3 | Occupancy | The \$16K positive variance represents a permanent difference as a result of lower than projected November percentage rent. |
| 4 | Merchandise | The negative variance of \$376K represents a timing difference and partially reverses the prior period's positive variance. |
| 5 | Sales taxes | The negative variance of \$621K is a timing difference as the disbursement of the November sales taxes were paid earlier than initially projected. |
| 6 | Operating Expenses | The negative variance of \$741K represents both a timing and permanent difference. The timing difference can be explained by the following; (i) an outstanding letter of credit for approximately \$418K was drawn upon; and (ii) a deposit of \$150K was made to a transport vendor, which is expected to be recovered upon the conclusion of the CCAA proceedings. The permanent difference can be explained by higher than anticipated marketing expenses as a result of the holiday sale period. |
| 7 | Interest & Fees | The interest & fees disbursement of \$77K represent the final accrued interest disbursed upon repayment of the secured debt. |
| 8 | Liquidator Expense | The negative variance of \$133K represents a timing difference. |
| 9 | Professional Fees | The professional fees disbursement includes fees paid to CCAA professionals such as Osler, McCarthy, EY, FAAN, PwC, Kugler Kandestin and other. The \$138K negative variance represents both a timing and a permanent difference. The permanent difference relates to higher than budgeted professional fees in connection with the services performed for the Transaction. |



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Appendix B

**In the matter of the proposed plan of compromise and arrangement of Stokes Inc.
Weekly Cash Flow Forecast (unaudited)
For the period from January 12, 2025 to April 26, 2025**

| Week Ending | 1 2025-01-18 | 2 2025-01-25 | 3 2025-02-01 | 4 2025-02-08 | 5 2025-02-15 | 6 2025-02-22 | 7 2025-03-01 | 8 2025-03-08 | 9 2025-03-15 | 10 2025-03-22 | 11 2025-03-29 | 12 2025-04-05 | 13 2025-04-12 | 14 2025-04-19 | 15 2025-04-26 | Total |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|
| Other Cash Receipts | 81,674 | - | - | - | - | 400,000 | - | - | - | - | - | - | 282,501 | - | - | 764,175 |
| Total Cash Receipts | 81,674 | - | - | - | - | 400,000 | - | - | - | - | - | - | 282,501 | - | - | 764,175 |
| Disbursements | | | | | | | | | | | | | | | | |
| Occupancy | - | 457,956 | - | - | - | - | - | - | - | - | - | - | - | - | - | 457,956 |
| Salaries & Benefits | - | - | 230,000 | - | - | 110,722 | - | - | - | - | - | - | - | - | - | 340,722 |
| Sales Taxes | - | 110,000 | 2,140,000 | - | - | - | - | - | - | - | - | - | - | - | - | 2,250,000 |
| Operating Expenses | 618,998 | 183,237 | 124,000 | 77,000 | 77,000 | - | 100,000 | - | 100,000 | - | 50,000 | - | 50,000 | - | 50,000 | 1,430,235 |
| | 618,998 | 751,193 | 2,494,000 | 77,000 | 77,000 | 110,722 | 100,000 | - | 100,000 | - | 50,000 | - | 50,000 | - | 50,000 | 4,478,913 |
| Restructring Disbursements | | | | | | | | | | | | | | | | |
| Liquidator Expense | 160,102 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 160,102 |
| Professional Fees | 708,939 | 83,718 | 29,440 | 59,915 | 33,235 | 33,235 | 33,235 | 33,235 | 77,050 | 77,050 | 77,050 | 69,690 | 75,440 | 88,090 | 490,270 | 1,969,591 |
| | 869,041 | 83,718 | 29,440 | 59,915 | 33,235 | 33,235 | 33,235 | 33,235 | 77,050 | 77,050 | 77,050 | 69,690 | 75,440 | 88,090 | 490,270 | 2,129,694 |
| Total Disbursements | 1,488,039 | 834,911 | 2,523,440 | 136,915 | 110,235 | 143,957 | 133,235 | 33,235 | 177,050 | 77,050 | 127,050 | 69,690 | 125,440 | 88,090 | 540,270 | 6,608,607 |
| Net Cashflow | (1,406,365) | (834,911) | (2,523,440) | (136,915) | (110,235) | 256,043 | (133,235) | (33,235) | (177,050) | (77,050) | (127,050) | (69,690) | 157,061 | (88,090) | (540,270) | (5,844,433) |
| Available funds in Monitor Trust Account - Beginning | 7,574,823 | 6,168,458 | 5,333,547 | 2,810,107 | 2,673,192 | 2,562,957 | 2,819,000 | 2,685,765 | 2,652,530 | 2,475,480 | 2,398,430 | 2,271,380 | 2,201,690 | 2,358,750 | 2,270,660 | 7,574,823 |
| Net Cashflow | (1,406,365) | (834,911) | (2,523,440) | (136,915) | (110,235) | 256,043 | (133,235) | (33,235) | (177,050) | (77,050) | (127,050) | (69,690) | 157,061 | (88,090) | (540,270) | (5,844,433) |
| Available funds in Monitor Trust Account - Ending | 6,168,458 | 5,333,547 | 2,810,107 | 2,673,192 | 2,562,957 | 2,819,000 | 2,685,765 | 2,652,530 | 2,475,480 | 2,398,430 | 2,271,380 | 2,201,690 | 2,358,750 | 2,270,660 | 1,730,390 | 1,730,390 |
| Restricted Cash | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 | 600,737 |
| Total funds in Monitor Trust Account | 6,769,194 | 5,934,283 | 3,410,843 | 3,273,928 | 3,163,693 | 3,419,736 | 3,286,501 | 3,253,266 | 3,076,216 | 2,999,166 | 2,872,116 | 2,802,426 | 2,959,487 | 2,871,397 | 2,331,127 | 2,331,127 |

Insolvent Person's Report on Cash-flow Statement

In the matter of the proposed plan of compromise and arrangement of Stokes Inc.

We, Stokes Inc. (the "Debtor"), have developed the assumptions and prepared the attached statement of projected cash-flow of the Debtor, as of the 22nd day of January, 2025, consisting of a statement of projected cash receipts and disbursements for the 15 weeks ending April 26th, 2025.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes accompanying the statement of projected cash-flow, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the projection. All such assumptions have been disclosed in Notes 1 to 14.

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 accompanying the statement of projected cash-flow, using a set of probable and hypothetical assumptions set out in Notes 1 to 14. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DATED AT MONTREAL, this 22nd day of January, 2025.

Stokes Inc.



per: Mohammad Rahaman
Chief Financial Officer

In the Matter of the proposed compromise and arrangement of Stokes Inc.

NOTES AND ASSUMPTIONS TO THE
PROJECTED STATEMENT OF CASH FLOW
for the period from January 12th to April 26th, 2025

1. Overview: The attached statement of projected cash flow (the "Updated Cash Flow Forecast") for the period from January 12th to April 26th, 2025 (the "Projection Period") reflects cash flows from the Debtor's operations. The Debtor has prepared the Updated Cash Flow Forecast based primarily on the Debtor's current expectations.
2. Purpose: The Updated Cash Flow Forecast has been prepared by Debtor's management to present the anticipated cash inflows and outflows resulting from current operations based on the latest available information.

The Debtor has initiated a restructuring process under the *Companies Creditors' Arrangement Act* ("CCAA") and on December 23rd, 2024 the majority of the Debtor's assets were acquired by Hart Stores Inc. The Updated Cash Flow Forecast reflects the anticipated cash receipts and disbursements, based on substantial changes to the business, specifically resulting from the Transaction. Following the Transaction, Hart Stores Inc. is responsible for all sales receipts and disbursements related to the ongoing operations of the acquired assets and assumed liabilities. The Updated Cash Flow Forecast includes only the post-filing and pre-transaction obligations of the Debtor up to the date of the Transaction.

Although certain operating expenses of the Purchaser for the period subsequent to the closing of the Transaction have transited through the Stokes operating bank account, in order to facilitate certain transactions, these disbursements are being fully funded by the Purchaser and accordingly have been excluded from the projections.

The significant hypothetical assumptions made in preparing the Updated Cash Flow Forecast are presented hereunder.

3. Currency and exchange rates: All amounts are denominated in Canadian currency.
4. Sales receipts: Following the Transaction on December 23, 2024, all sales from that date onwards are attributed to Hart Stores Inc. Consequently, no additional sales receipts are projected in the Updated Cash Flow Forecast.
5. Other Cash Receipts: These cash receipts represent refunds for deposits issued to various vendors prior to December 23, 2024 as a result of the CCAA proceedings.

6. Salaries & benefits: These disbursements represent payments with respect to the vacation accrual for the Excluded Employees, in accordance with the Purchase Agreement and the Approval Order.
7. Occupancy: These disbursements represent payments with respect to the Debtor's portion of the December percentage rent.
8. Merchandise: Following the Transaction on December 23, 2024, Hart Stores Inc. will be responsible for all future merchandise and logistics supplier disbursements. Consequently, these Updated Cash Flow Forecast do not include any such disbursements.
9. Taxes (Sales tax / Provincial Tax): A continued payment of all sales taxes that accrue up until the Transaction date and after the filing of the CCAA proceedings is expected. The projected sales tax disbursement represents the Debtor's portion of the accrued sales taxes owed up until the Transaction Closing date.
10. Operating Expenses: These disbursements represent mostly payments to outbound freight, warehouse expenses, utilities, advertising and other suppliers for post-filing obligations accrued up until the Transaction Closing date.
11. Debt service: As of the date of this Third Report, the secured lender was paid out in entirety. For this reason, there is no debt service included in the Updated Cash Flow Forecast.
12. Liquidator Expense: These disbursements represent the final disbursements associated with the engagement of the Consultant, in accordance with the Consulting Agreement.
13. Professional fees: The professional fees include the fees of the Monitor, the Monitor's counsel and the Debtor's counsel, surrounding the launch of a claims process, filing a plan of arrangement, distributions and finalization of the Debtor's CCAA proceedings. The professional fees for the week ending January 18, 2025, primarily consist of accrued fees related to the work performed surrounding the Transaction, as well as a \$300K success fee owed to the CRO.
14. Restricted Cash: The restricted cash represents funds held in the Monitor's Trust account to pay Scotia for any amount drawn after the closing under letters of credit issued to Stokes. The amount of \$600K represents an amount equal to 120% of the aggregate amount of the outstanding letters of credit.