

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
(Commercial Division)

(Sitting as a court designated pursuant to the
Bankruptcy and Insolvency Act, RSC 1985, c. B-3
and the *Companies' Creditors Arrangement Act*,
RSC 1985, c. C-36)

No.: 500-11-057985-208

**IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF:**

STOKES INC.

Debtor / Petitioner

-and-

RICHTER ADVISORY GROUP INC.

Trustee / Proposed Monitor

**APPLICATION TO CONTINUE PROCEEDINGS COMMENCED
UNDER PART III OF THE BANKRUPTCY AND INSOLVENCY ACT
AND FOR A TRANSITION ORDER UNDER THE COMPANIES'
CREDITORS ARRANGEMENT ACT**

**(Sections 11, 11.02, 11.51, 11.52 and 11.6(a) of the *Companies'*
Creditors Arrangement Act, RSC 1985, c. C-36)**

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

I. INTRODUCTION

1. The Debtor / Petitioner Stokes Inc. ("**Stokes**" or the "**Company**") is a leading tableware, kitchenware and home décor retailer founded in 1935 and headquartered in Montréal, Québec. The Company has retail operations across Canada.
2. On February 18, 2020, Stokes filed a Notice of intention to make a proposal ("**NOI**") under the relevant provisions of the *Bankruptcy and Insolvency Act*, RSC 1985,

c B-3 (“**BIA**”) and Richter Advisory Group Inc. (“**Richter**”) was appointed as trustee thereto (the “**Trustee**”), the whole as appears from the Court record.

3. At the time of the filing of the NOI, Stokes operated its retail business from a total of 147 retail stores in all of Canada’s provinces (each a “**Store**”, collectively, the “**Stores**”), located in Canada’s major cities, as well as other urban areas. The Company also sells its merchandise through its online business at www.stokesstores.com.
4. On February 24, 2020, at Stokes’ request, the Court granted the *Order Approving an Administration Charge, a D&O Charge, a Consulting Agreement and granting ancillary relief* (the “**First Order**”), as appears from the Court record.
5. On March 18, 2020, at Stokes’ request, the Court granted the *Order Extending the Time to File a Proposal and Granting Ancillary Relief*, as appears from the Court record.
6. On April 28, 2020, at Stokes’ request, the Court granted the *Order Extending the Time to File a Proposal and Granting Ancillary Relief*, as appears from the Court record.
7. On June 11, 2020, at Stokes’ request, the Court granted the *Order Extending the Time to File a Proposal and Granting Ancillary Relief*, as appears from the Court record.
8. By the present Application, Stokes is seeking to continue its restructuring proceedings under the *Companies’ Creditors Arrangement Act*, RSC 1985, c. C-36 (the “**CCAA**”) and the issuance of a transition order substantially in the form of the draft order (the “**Draft Order**”) communicated herewith as **Exhibit P-1**.
9. Stokes submits that an orderly process under the CCAA will be beneficial to all stakeholders, as it will allow the completion of the restructuring process initiated by the Company under the BIA, which process has been delayed by the sudden and unforeseen global COVID-19 pandemic.

II. COMPANY OVERVIEW

A. Background and operations

10. Stokes is a privately-owned company governed by the *Business Corporations Act* (Québec), CQLR c S-31.1, incorporated in 1957. Its registered office is located in Montréal, Québec.
11. Stokes is a subsidiary of Stokes Canada Inc. (“**Stokes Canada**”).
12. The Company sells a variety of merchandise, including merchandise primarily marketed under the “Stokes” and “Thinkkitchen” brands. All intellectual property

rights in connection with the “Stokes”, “Thinkkitchen” and other private label brands are owned by Stokes Canada or other affiliated entities.

B. Operational and financial difficulties

13. Stokes, like many other retail chains, fell victim in recent years to adverse macro-trends, including changing consumer preferences, expensive leases and a general shift away from brick-and-mortar to online retail channels.
14. Increased competition from discount and online retailers has exerted significant downward pressure on pricing and margins and, notwithstanding the Company’s efforts to implement measures to improve its performance, it has not been able to return to profitability.
15. In addition, several factors have contributed to Stokes’ financial difficulties, including the following:
 - (a) Store performance in Western Canada and Alberta in particular has been below expectations;
 - (b) The increase of the minimum wage across several regions has affected the cost of in-store labour;
 - (c) The high cost of rent in certain Stores as a result of certain existing long-term leases; and
 - (d) Significant costs and lost revenue resulting from the implementation of a new enterprise resource planning system (“**ERP**”) and new warehouse management system (“**WMS**”) discussed in greater detail further below.
16. Due to the age, instability and lack of software support for its existing ERP and WMS systems, in June 2019, the Company implemented new ERP and WMS systems. Unfortunately, while the implementation of the ERP system went relatively smoothly, the implementation of the WMS system led to material operational difficulties which impaired the Company’s ability to replenish its Stores with adequate levels of inventory in a timely manner.
17. While Stokes believed that the transition from the old to the new WMS would improve operations, several major issues surfaced, including:
 - (a) Integration and communication issues between the new WMS system and the new ERP system;
 - (b) Logistical issues including inefficient stock picking as well as physical layout and structural challenges in the distribution centers; and

- (c) Significant time and resource commitments at all levels in the organization (management, accounting, IT and operations) to address the above-noted challenges.
- 18. While Stokes worked hard to address the above-noted issues in a timely fashion, the WMS issues caused the Stores to experience serious inventory replenishment issues and lower than required inventory levels for several months, including most notably, during the peak selling season of November and December.
- 19. Since the implementation of the ERP and WMS systems commenced in June 2019, Stokes has been engaged in significant efforts to address the WMS issues and the resulting decline in sales. In addition, the Company has implemented a series of operational turnaround initiatives focused on correcting the WMS issues, optimizing and rationalizing Store operations, changing promotional initiatives, closing underperforming Stores, improving its e-commerce business, developing strategies to improve profitability and conducting an overhead structure review to identify potential synergies and cost savings.
- 20. Unfortunately, the turnaround initiatives described above have not been sufficient to offset the ongoing decline in sales, margins and profitability suffered over the last several years.

III. INDEBTEDNESS AND OBLIGATIONS

- 21. The material aspects of Stokes' indebtedness and obligations are as follows.
 - A. **Secured Indebtedness**
 - 22. Stokes, Stokes Canada and certain other affiliated parties are party to a Loan Agreement dated as of June 17, 2014, with Scotiabank Asset Finance (a division of the Bank of Nova Scotia) ("**Scotia**"), as amended from time to time, pursuant to which Scotia provides Stokes with a secured asset-based revolving credit line and certain other credit facilities (the "**Scotia Loan**").
 - 23. The obligations of Stokes under the Scotia Loan are secured by first ranking hypothecs and liens on substantially all of the Company's assets (collectively, the "**Scotia Security**").
 - 24. The Scotia Loan is used by the Company to fund its working capital requirements and for general purposes. Advances are made based on the amount of available credit, which varies based on the value of the collateral, including inventory and accounts receivable.
 - 25. As of July 13, 2020, the outstanding aggregate indebtedness owing to Scotia under the Scotia Loan totalled approximately CAD 3,298,595.25 and USD 436,698.07, and outstanding letters of credit issued by Scotia totalled approximately USD 2,497,013.59, plus all interest, costs, fees and expenses.

26. As a result of certain events of default that occurred under the Scotia Loan, on February 18, 2020, Stokes and certain affiliated parties entered into a Forbearance Agreement (the “**Forbearance Agreement**”) with Scotia. The Forbearance Agreement sets out the terms and conditions under which Scotia has agreed to tolerate the various defaults under the Scotia Loan and to continue to finance Stokes’ operations during the NOI proceedings.
27. The Forbearance Agreement was necessary to ensure that Stokes would have continued access to financing during the NOI proceedings.
28. On July 15, 2020, Stokes, certain of its affiliated parties and Scotia entered into the following agreements (the “**Restated Scotia Agreements**”) consisting of:
 - (a) an “Amended and Restated Loan Agreement” (the “**Restated Loan Agreement**”), a copy of which is filed in support hereof under seal as **Exhibit P-2**; and
 - (b) a Restated Forbearance Agreement (the “**Restated Forbearance Agreement**”), a copy of which is filed in support hereof under seal as **Exhibit P-3**.
29. The Restated Forbearance Agreement was necessary to ensure that Stokes would continue to have access to financing until the completion of its restructuring process.
30. It is a condition of the Restated Forbearance Agreement that Scotia be considered an unaffected creditor in the CCAA proceedings.
31. Stokes also entered into various agreements for the financing of the acquisition of certain equipment, for use in the Company’s premises. Namely, the Company has entered into sale and lease-back arrangements with HSBC Bank Canada (“**HSBC**”) for the purchase of ERP equipment, in respect of which certain security registrations have been made (the “**HSBC Security**”). As of the date hereof, amounts owing to HSBC are current.

B. Amounts Due to Unsecured Creditors

32. As of the date of the filing of the NOI, Stokes owed an aggregate amount of approximately \$11.4 million to various unsecured creditors including suppliers, employees and landlords.

IV. RESTRUCTURING INITIATED UNDER THE BIA

33. Despite its pre-filing restructuring efforts and following extensive analysis and consideration, Stokes concluded that its best alternative was to engage in a formal restructuring process in order to achieve the best possible outcome for its stakeholders.

34. With the assistance of the Chief Restructuring Advisor (as defined below), its management team and its other advisors, Stokes determined that the best course of action in the current circumstances is to reduce its Canadian retail footprint through the liquidation and closure of 37 Stores (with the possibility of including approximately 2 additional Stores, collectively the “**Closing Stores**”) and to continue implementing measures to reduce operating costs and increase warehouse productivity the whole with the view to returning to profitability as soon as possible.
35. Therefore, as described previously, Stokes filed the NOI on February 18, 2020.

A. Chief Restructuring Advisor

36. As part of its restructuring efforts, on or about January 29, 2020, the Company retained FAAN Advisors Group Inc. (the “**Chief Restructuring Advisor**”) to assist Stokes in its restructuring efforts. The Chief Restructuring Advisor’s mandate includes, *inter alia*, assisting Stokes with the identification and implementation of restructuring initiatives, including the Sale (as defined below) and the development of a proposal to its creditors.
37. The Chief Restructuring Advisor has significant experience in retail restructurings, both in and out of court, and has been providing its experience and expertise to the Company throughout the course of these restructuring proceedings, for the benefit of all of its stakeholders.
38. The engagement of the Chief Restructuring Advisor was approved and ratified by the Court in the context of the First Order.
39. Since its engagement, the Chief Restructuring Advisor has been instrumental in Stokes’ restructuring efforts and has agreed to continue in his role through these CCAA proceedings.

B. Closing Store Liquidation

40. As indicated above, the Company, in consultation with the Trustee and the Chief Restructuring Advisor, conducted an analysis of the performance of each of its Stores and determined that it would be in the best interest of all of its stakeholders to proceed with the liquidation and closing of certain Stores, with the assistance and expertise of the Consultant (as defined below).
41. On February 20, 2020, Stokes entered into an agreement (the “**Consulting Agreement**”) with a joint venture comprised of Tiger Asset Solutions Canada, ULC and GA Retail Canada, ULC (collectively the “**Consultant**”) in order to assist and consult Stokes in relation to the liquidation sale (the “**Sale**”) of all inventory and furnishings, fixtures and equipment located in the Closing Stores.
42. The Consulting Agreement was approved and ratified by the Court in the context of the First Order.

43. The Consultant Agreement provides *inter alia* for the terms of the Sale and the sale guidelines, attached to the Consulting Agreement as Exhibit 3 (the “**Sale Guidelines**”).
44. Following the granting of the First Order, Stokes, with the assistance of the Consultant initiated the Sale, the whole as authorized by the Court.

C. Cost-Reduction and Other Restructuring Efforts

45. Since the filing of the NOI, and until the recent global disruption resulting from the COVID-19 pandemic, Stokes, with the assistance of the Chief Restructuring Advisor and under the supervision of the Trustee, was conducting the Sale at the Closing Stores, operating all other Stores in the ordinary course, while implementing various measures to reduce operating costs and increase warehouse productivity.
46. Stokes was also communicating with its employees, customers and suppliers in order to maintain the stability of its operations and ensure a continued supply of goods, and was considering the various matters with respect to the elaboration of a proposal to Stokes’ creditors.

D. The COVID-19 Global Pandemic and its Aftermath

47. In March 2019, due to the growing global COVID-19 pandemic, several provincial governments ordered the temporary closure of shopping malls and of a number of businesses deemed to be non-essential.
48. As a result, Stokes had no choice but to close all Stores and temporarily lay off all of its employees working therein. Accordingly, the Sale was interrupted.
49. In order to address the sudden and complete loss of all Store revenue, the Company implemented a number of urgent measures to reduce its overhead and expenses to the fullest extent possible, including *inter alia*:
 - (a) temporarily laid off several head office personnel;
 - (b) did not pay the rent for the Stores for the period beginning April 1, 2020, as a result of Stokes’ inability to enjoy peaceful use and occupancy of the premises;
 - (c) engaged in continued negotiations with the landlords of the Stores with regards to rent for the period beginning April 1, 2020. As a result of these negotiations, Stokes has reached agreements with its Landlords regarding unpaid rent for the period from April to June 2020;
 - (d) requested and obtained from HSBC Bank Canada a moratorium on capital payments for its capital lease facilities;

- (e) applied for and received funding from the Canada Emergency Wage Subsidy Program;
 - (f) filed a claim with its insurer under its business interruption coverage. On May 12, 2020, the insurer denied coverage and Stokes is considering next steps;
 - (g) reviewed and revised its inventory purchasing strategy;
 - (h) delayed scheduled merchandise shipments from overseas and local vendors; and
 - (i) negotiated discounts with its vendors on certain goods in transit.
50. As permitted by the Government of Québec, Stokes continued to operate its e-commerce business despite the closing of the Stores. In order to meet the increased e-commerce demand, the Company implemented measures to increase its fulfillment capacity.
51. In recent weeks, in compliance with relevant public health orders, Stokes has been gradually re-opening certain of its Stores. As of the date hereof, all Stores have reopened for business, but with reduced staff, limited opening hours and safety measures.
52. As Closing Stores have reopened for business, Stokes, with the assistance of the Consultant has resumed the Sale at these locations, but with reduced staff and limited opening hours.
53. As at the date hereof, 4 of the Closing Stores have completed their Sale and permanently closed. The Company believes that the Sale will be completed at the Closing Stores by August 31, 2020.
54. Despite the extreme disruption caused by the current situation, Stokes is confident that as Stores reopen to the public across Canada and consumer health and safety is appropriately addressed, its business will be able to recover from these unprecedented events and be viable in the long term, even in a recessionary economic environment.
55. Meanwhile, Stokes, with the assistance of the Chief Restructuring Advisor and the Trustee, continues to review its long-term business plan and financial model to take into account this period of disruption, and the continued uncertainty resulting therefrom.
56. However, the COVID-19 pandemic and the resulting interruption of the Sale have significantly delayed Stokes' restructuring efforts. Stokes will require additional time to complete the Sale and to formulate a proposal for its creditors, and it has now become evident that Stokes will not be in a position to do so prior to the expiry of the 6-month period following the filing of the NOI.

57. Therefore, in order to pursue its restructuring efforts for the benefit of its stakeholders, Stokes is seeking the continuation of these NOI proceedings under the CCAA.

V. CONTINUATION OF RESTRUCTURING UNDER THE CCAA

58. The continuation of the restructuring under the CCAA will allow Stokes to accomplish, *inter alia*, the following steps:

- (a) Continue the Sale at the Closing Stores that have now re-opened;
- (b) Continue the implementation of measures to reduce operating costs and increase warehouse productivity; and
- (c) Work towards bringing forward a CCAA plan to its creditors.

59. The requirements for continuing BIA proposal proceedings under the CCAA are met in this case, given that:

- (a) Stokes is an insolvent company;
- (b) the claims against Stokes total more than \$5,000,000;
- (c) Stokes has not filed a proposal under the BIA;
- (d) Attached as Exhibit B to the report of the Proposed Monitor (as defined below) are weekly cashflow projections for the Company, forecasting the Company's principal use of cash during the next 11 weeks. The Company's cashflow forecasts projects that it will have sufficient cash to fund its projected operating costs until the expiry of the stay period. The Proposed Monitor has reviewed the cashflow forecast and will report thereon in its pre-filing report; and
- (e) the continuation is consistent with the objectives of the CCAA and in the best interest of Stokes' stakeholders.

60. No creditor will be unduly prejudiced by the relief sought herein.

A. General CCAA Relief

61. Stokes submits that the order sought herein is appropriate and necessary, as it is insolvent, and requires the continuance of the stay of proceedings for the benefit of its creditors and other stakeholders.

62. Stokes is concerned that unless the order sought is granted, certain suppliers, creditors and other stakeholders may take steps that will deplete its estate to the detriment of all stakeholders, and jeopardize the progress of the restructuring initiated under the NOI proceedings.

63. The CCAA proceedings are therefore necessary to preserve the value of Stokes' business with minimal disruption while it continues its restructuring process.
64. Stokes therefore seeks a stay of proceedings until September 28, 2020, the whole as set forth in the Draft Order (Exhibit P-1).
65. The Stay of proceedings will preserve the status quo and prevent creditors and others from taking steps to try to improve their positions in comparison to other creditors. All stakeholders generally, including creditors, will benefit from the relief sought herein.
66. In the event of a liquidation and complete shut down of operations, the value of Stokes' assets will be substantially reduced, and numerous jobs will be lost, to the detriment of all stakeholders.

B. Appointment of the Monitor

67. Prior to the filing of the NOI, the Court authorized Richter to act as Trustee. Such an authorization was required as an entity related to Richter acted as the auditor of the Company.
68. Since the filing of the NOI, Richter has been acting as Trustee and has been assisting Stokes with the pending CCAA applications and is fully aware of its finances and operations.
69. Richter, in its capacity as proposed monitor (the "**Proposed Monitor**"), intends to file a report confirming its consent to act as the Proposed Monitor in these proceedings.
70. Stokes submits that it is in the best interest of all stakeholders that this Court appoints the Proposed Monitor as monitor pursuant to the CCAA.

C. Charges

71. The First Order granted the following super-priority charges on all of the present and future assets, property and undertaking of Stokes, ranking after the Scotia Security and the HSBC Security but ahead of the claims of all other secured and unsecured creditors, in the following order of priority:
 - (a) A charge to the benefit of the Trustee and its counsel, counsel to Stokes, and the Chief Restructuring Advisor as security for their respective fees and disbursements relating to services rendered in respect of Stokes up to a maximum amount of \$750,000 (the "**Administration Charge**"); and
 - (b) A charge to the benefit of the Director and Officers (as defined below) in the amount of \$500,000 (the "**D&O Charge**").

72. Stokes respectfully requests that this Court grant the same super-priority charges in the context of these CCAA proceedings, ranking after the Scotia Security and the HSBC Security but ahead of the claims of all other secured and unsecured creditors, in the same order of priority as set out above.
73. Stokes will only be able to continue its restructuring with the continued participation of the Company's director and officers (the "**Director and Officers**"), its management and employees. These personnel are essential to the viability of the Company's restructuring efforts.
74. Although Stokes intends to comply with all applicable laws and regulations, including the timely remittance of deductions at source and federal and provincial sales tax, as it has done since the filing of the NOI, the Director and Officers are nevertheless concerned about the potential liability in the context of the present CCAA proceedings.
75. The Director and Officers currently do not benefit from directors and officers' insurance coverage, which further exacerbates the risk to which the Directors and Officers may be exposed in assisting Stokes during these CCAA proceedings.
76. The amount of the D&O Charge takes into account payroll obligations, vacation pay obligations, employee source deduction obligations and sales tax obligations that may arise during these proceedings. It is expected that all these amounts will be paid by the Company in the normal course.
77. The D&O Charge is intended to allow the Director and Officers to focus their efforts on these CCAA proceedings, for the benefit of all stakeholders.
78. The Administration Charge is necessary to ensure participation of the Proposed Monitor and its counsel, counsel to Stokes, and the Chief Restructuring Advisor in these CCAA proceedings.
79. The Proposed Monitor is supportive of the Administration Charge and the D&O Charge.

D. Bi-Monthly Rent Payments

80. The First Order authorized Stokes to make its rental payments on a bi-monthly basis, as opposed to a monthly basis.
81. This measure eases the pressure on the Company's cash flow during the restructuring.
82. Stokes seeks the same authorization in the context of the CCAA proceedings.
83. Stokes respectfully submits that its landlords will continue to receive rental payments for the post-filing period under their respective leases and will not suffer any material prejudice from the continuation of this measure.

E. Amendment of the Consulting Agreement

84. The Consulting Agreement and the Sales Guidelines originally provided that the Sale must be completed by May 24, 2020 (the “**Sale Termination Date**”).
85. Due to the circumstances described above, the Sale Termination Date has been extended from time to time by parties to the Consulting Agreement with approval of the Court, and currently expires on July 27, 2020.
86. Despite the re-opening of the Closing Stores, it is apparent that the Sale cannot be completed by the Sale Termination Date and an additional extension is required.
87. In order to allow for the Sale to be completed, with the view of maximizing recoveries for all stakeholders, Stokes and the Consultant have agreed to amend the Consulting Agreement and the Sale Guidelines for the sole purpose of further extending the Sale Termination Date to August 31, 2020 and amending the list of Closing Stores (the “**Consulting Agreement Amendment**”).
88. In light of the foregoing, Stokes is seeking approval by this Court of:
 - (a) the Consulting Agreement Amendment; and
 - (b) the “**Amended Sale Guidelines**”, a copy of the which is filed in support hereof, along with a list of Closing Stores and a blackline evidencing the amendment, *en liasse*, as **Exhibit P-4**.

VI. CONCLUSION

89. The present Application is supported by Scotia.
90. For the reasons set forth above, the Company respectfully submits that it is both appropriate and necessary that this Honourable Court render the orders sought herein.

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

GRANT the present *Application to Continue Proceedings Commenced Under Part III of the Bankruptcy And Insolvency Act and for a Transition Order under the Companies’ Creditors Arrangement Act* (the “**Application**”);

ISSUE an order substantially in the form of the draft Transition Order communicated in support of the Application as **Exhibit P-1**;

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

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

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

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

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

MONTREAL, July 21, 2020

Osler, Hoskin & Harcourt LLP

Osler, Hoskin & Harcourt LLP

Mtre. Sandra Abitan | Mtre. Julien Morissette |

Mtre. Ilia Kravtsov

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Our file: 1206825

AFFIDAVIT

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

1. I am the Senior Vice-President of Finance and Administration of the Debtor / Petitioner Stokes Inc. and a duly authorized representative of the Debtor / Petitioner for the purposes hereof.
2. I have taken cognizance of the attached *Application to Continue Proceedings Commenced Under Part III of the Bankruptcy And Insolvency Act and for a Transition Order under the Companies' Creditors Arrangement Act* (the "**Application**").
3. All of the facts alleged in the Application of which I have personal knowledge are true.
4. Where I have obtained facts alleged in the Application from others, I believe them to be true.

AND I HAVE SIGNED:



Mohammad Rahaman

SOLEMNLY DECLARED BEFORE ME BY
TECHNOLOGICAL MEANS IN LAVAL,
QUÉBEC, ON JULY 21, 2020.

Danielle Michetti # 229274

Danielle Michetti
Commissioner for Oaths for the Province of
Québec

NOTICE OF PRESENTATION

TO: SERVICE LIST (SEE ATTACHED)

TAKE NOTICE that the *Application to Continue Proceedings Commenced Under Part III of the Bankruptcy And Insolvency Act and for a Transition Order under the Companies' Creditors Arrangement Act* will be presented for hearing and allowance in the Superior Court (Commercial Division), via teleconference on **July 27, 2020 at 9:30 AM**. Coordinates of the teleconference are provided below:

By videoconference: <https://web rtc.scvc.gouv.qc.ca> Meeting ID: 86219188

By teleconference: (514) 335-1080 / (833) 498-4746 Conference ID: 86219188#

Any party wishing to contest the *Application to Continue Proceedings Commenced Under Part III of the Bankruptcy And Insolvency Act and for a Transition Order under the Companies' Creditors Arrangement Act* must so inform the undersigned attorneys no later than July 23, 2020, at 5:00 PM and, by that date and time, provide the undersigned attorneys a written summary of the grounds of contestation.

MONTRÉAL, July 21, 2020

Osler, Hoskin & Harcourt LLP

Osler, Hoskin & Harcourt LLP
Attorneys for Debtor / Petitioner

**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL**

SUPERIOR COURT
(Commercial Division)

(Sitting as a court designated pursuant to the
Bankruptcy and Insolvency Act, RSC 1985, c. B-3
and the *Companies' Creditors Arrangement Act*,
RSC 1985, c. C-36)

No.: 500-11-057985-208

**IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF:**

STOKES INC.

Debtor / Petitioner

-and-

RICHTER ADVISORY GROUP INC.

Trustee / Proposed Monitor

| |
|-------------------------|
| LIST OF EXHIBITS |
|-------------------------|

- P-1 Draft Order
- P-2 Restated Loan Agreement, under seal
- P-3 Restated Forbearance Agreement, under seal
- P-4 Amended Sale Guidelines, list of Closing Stores and blackline, *en liasse*

MONTRÉAL, July 21, 2020

Osler, Hoskin & Harcourt LLP

Osler, Hoskin & Harcourt LLP
Attorneys for Debtor / Petitioner

EXHIBIT P-1

500-11-057985-208

SUPERIOR COURT
(Commercial Division)

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.: 500-11-057985-208

DATE: July 27, 2020

BEFORE THE HONOURABLE MICHEL A. PINSONNAULT, J.S.C.

IN THE MATTER OF THE COMPROMISE AND ARRANGEMENT OF:

STOKES INC.
Debtor / Petitioner

and

RICHTER ADVISORY GROUP INC.
Monitor

TRANSITION ORDER

- [1] **CONSIDERING** the *Application to Continue Proceedings Commenced under Part III of the Bankruptcy and Insolvency Act and for a Transition Order under the Companies' Creditors Arrangement Act* (the "**Application**") pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36, as amended

(“**CCAA**”) by the Debtor / Petitioner Stokes Inc. (the “**Petitioner**”) and the affidavit of Mr. Mohammad Rahaman, filed in support thereof;

[2] **CONSIDERING** the consent of Richter Advisory Group Inc. to act as monitor (the “**Monitor**”);

[3] **CONSIDERING** the representations of counsel made by videoconference;

[4] **CONSIDERING** the provisions of the CCAA;

THE COURT HEREBY:

[5] **GRANTS** the Application.

[6] **DECLARES** that the proposal proceedings commenced by the Petitioner under Part III of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3 (as amended, the “**BIA**”) are hereby taken up and continued under the CCAA and that the provisions of Part III of the BIA shall have no further application to the Petitioner.

[7] **ISSUES** an order pursuant to the CCAA (the “**Order**”), divided under the following headings:

(a) Service;

(b) Application of the CCAA;

(c) Effective Time;

(d) Plan of Arrangement;

(e) Stay of Proceedings against the Petitioner and the Property;

(f) Stay of Proceedings against the Directors and Officers;

(g) Possession of Property and Operations;

(h) No Exercise of Rights or Remedies;

(i) No Interference with Rights;

(j) Continuation of Services;

(k) Non-Derogation of Rights;

(l) Scotia Unaffected

(m) Directors’ and Officers’ Indemnification and Charge;

(n) Restructuring;

- (o) Powers of the Monitor;
- (p) Priorities and General Provisions Relating to CCAA Charges;
- (q) Consulting Agreement and Sale Guidelines;
- (r) Payment of Rent;
- (s) General.

a. Service

- [8] **ORDERS** that any prior delay for the presentation of this Application is hereby abridged and validated so that the Application is properly returnable today and hereby dispenses with further service thereof.
- [9] **DECLARES** that sufficient prior notice of the presentation of this Application has been given by the Petitioner to interested parties, including the secured creditors who are likely to be affected by the charges created herein.

b. Application of the CCAA

- [10] **DECLARES** that the Petitioner is a debtor company to which the CCAA applies.

c. Effective Time

- [11] **DECLARES** that this Order and all of its provisions are effective as of 12:01 a.m. Montreal time, province of Quebec, on the date of this Order (the “**Effective Time**”).

d. Plan of Arrangement

- [12] **DECLARES** that the Petitioner shall have the authority to file with this Court and to submit to its creditors one or more plans of compromise or arrangement (collectively, the “**Plan**”) in accordance with the CCAA.

e. Stay of Proceedings against the Petitioner and the Property

- [13] **ORDERS** that, until and including September 28, 2020 (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Petitioner, or affecting the Petitioner’s business operations and activities (the “**Business**”) or the Property (as defined herein), including as provided in paragraph [20] **Erreur ! Source du renvoi introuvable.** herein except with leave of this Court. Any and all Proceedings currently under way against or in respect of the Petitioner or affecting the Business or the Property are hereby stayed and suspended pending further order of this Court, the whole subject to subsection 11.1 CCAA.

- [14] **ORDERS** that the rights of Her Majesty in right of Canada and Her Majesty in right of a Province are suspended in accordance with the terms and conditions of subsection 11.09 CCAA.

f. Stay of Proceedings against Directors and Officers

- [15] **ORDERS** that during the Stay Period and except as permitted under subsection 11.03(2) of the CCAA, no Proceeding may be commenced, or continued against any former, present or future director or officer of the Petitioner nor against any person deemed to be a director or an officer of any of the Petitioner under subsection 11.03(3) CCAA (each, a “**Director**”, and collectively the “**Directors**”) in respect of any claim against such Director which arose prior to the Effective Time and which relates to any obligation of the Petitioner where it is alleged that any of the Directors is under any law liable in such capacity for the payment of such obligation.

g. Possession of Property and Operations

- [16] **ORDERS** that the Petitioner shall remain in possession and control of its present and future assets, rights, undertakings and properties of every nature and kind whatsoever, and wherever situated, including all proceeds thereof (collectively the “**Property**”), the whole in accordance with the terms and conditions of this order including, but not limited, to paragraph [32] hereof.
- [17] **ORDERS** that the Petitioner shall be entitled but not required to pay the following expenses with the prior consent of the Monitor whether incurred prior to or after this Order:
- (a) outstanding and future wages, salaries, expenses and, benefits payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
 - (b) the fees and disbursements of any counsel, advisors and agents retained or employed by the Petitioner in respect of these proceedings, at their standard rates and charges.
- [18] **ORDERS** that the Petitioner shall remit, in accordance with legal requirements, or pay:
- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees’ wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Québec Pension Plan, and (iv) income taxes; and
 - (b) all goods and services, harmonized sales or other applicable sales taxes (collectively, “**Sales Taxes**”) required to be remitted by the Petitioner and in

connection with the sale of goods and services by the Petitioner but only where such Sales Taxes are accrued or collected after the date of this Order.

- [19] **AUTHORIZES**, notwithstanding anything to the contrary in this Order, the petitioner to continue to honour or comply with any customer deposits, pre-payments, gift cards, loyalty program and any similar programs offered by the Petitioners.

h. No Exercise of Rights or Remedies

- [20] **ORDERS** that during the Stay Period, and subject to, *inter alia*, subsection 11.1 CCAA, all rights and remedies, including, but not limited to modifications of existing rights and events deemed to occur pursuant to any agreement to which any of the Petitioner is a party as a result of the insolvency of the Petitioner and/or these CCAA proceedings, any events of default or non-performance by the Petitioner or any admissions or evidence in these CCAA proceedings, of any individual, natural person, firm, corporation, partnership, limited liability company, trust, joint venture, association, organization, governmental body or agency, or any other entity (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Petitioner, or affecting the Business, the Property or any part thereof are hereby stayed and suspended except with leave of this Court.
- [21] **DECLARES** that, to the extent any rights, obligations, or prescription, time or limitation periods including, without limitation, to file grievances relating to the Petitioner or any of the Property or the Business may expire (other than pursuant to the terms of any contracts, agreements or arrangements of any nature whatsoever), the term of such rights, obligations, or prescription, time or limitation periods shall hereby be deemed to be extended by a period equal to the Stay Period. Without limitation to the foregoing, in the event that the Petitioner, or any of them, become(s) bankrupt or a receiver as defined in subsection 243(2) of the BIA is appointed in respect of the Petitioner, the period between the date of the Order and the day on which the Stay Period ends shall not be calculated in respect of the Petitioner in determining the 30 day periods referred to in Sections 81.1 and 81.2 of the BIA.

i. No Interference with Rights

- [22] **ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, resiliate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Petitioner except with the written consent of the Monitor, or with leave of this Court.

j. Continuation of Services

- [23] **ORDERS** that during the Stay Period and subject to paragraphs [24] and [25] hereof and subsection 11.01 CCAA, all Persons having verbal or written agreements with the Petitioner or statutory or regulatory mandates for the supply

of goods or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, utility or other goods or services made available to the Petitioner, are hereby restrained until further order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Petitioner, and that the Petitioner shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses, domain names or other services, provided in each case that the normal prices or charges for all such goods or services received after the date of the Order are paid by the Petitioner, without having to provide any security deposit or any other security, in accordance with normal payment practices of the Petitioner or such other practices as may be agreed upon by the supplier or service provider and the Petitioner, as applicable, with the consent of the Monitor, or as may be ordered by this Court.

[24] **ORDERS** that, notwithstanding anything else contained herein and subject to subsection 11.01 CCAA, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided to the Petitioner on or after the date of this Order, nor shall any Person be under any obligation on or after the date of the Order to make further advance of money or otherwise extend any credit to the Petitioner.

[25] **ORDERS** that, without limiting the generality of the foregoing and subject to Section 21 of the CCAA, if applicable, cash or cash equivalents placed on deposit by any Petitioner with any Person during the Stay Period, whether in an operating account or otherwise for itself or for another entity, shall not be applied by such Person in reduction or repayment of amounts owing to such Person as of the date of the Order or due on or before the expiry of the Stay Period or in satisfaction of any interest or charges accruing in respect thereof; however, this provision shall not prevent any financial institution from: (i) reimbursing itself for the amount of any cheques drawn by a Petitioner and properly honoured by such institution, or (ii) holding the amount of any cheques or other instruments deposited into a Petitioner' account until those cheques or other instruments have been honoured by the financial institution on which they have been drawn.

k. Non-Derogation of Rights

[26] **ORDERS** that, notwithstanding the foregoing, any Person who provided any kind of letter of credit, guarantee or bond (the "**Issuing Party**") at the request of the Petitioner shall be required to continue honouring any and all such letters, guarantees and bonds, issued on or before the date of the Order, provided that all conditions under such letters, guarantees and bonds are met save and except for defaults resulting from this Order; however, the Issuing Party shall be entitled, where applicable, to retain the bills of lading or shipping or other documents relating thereto until paid.

I. Scotia Unaffected

- [27] **ORDERS** that, notwithstanding the terms of this Order, Scotia (as defined in the Application) shall be unaffected by this Order or these proceedings, and the relationship between the Petitioner and the rights of Scotia shall continue as if this Order had not been granted. Without restricting the generality of the foregoing:
- (a) Scotia will not, in any manner whatsoever, be subject to the stay of proceedings set out in paragraph [13] of this Order and Scotia shall not be subject to any of the prohibitions or restrictions set forth in paragraphs [20] and [22] of this Order;
 - (b) the Restated Scotia Agreements (as defined in the Application) shall be and remain valid and enforceable notwithstanding anything contained in this Order or in any Plan, any proceedings by or concerning the Petitioner under the CCAA, any bankruptcy of Petitioner or any other circumstances whatsoever; and
 - (c) Scotia shall, at all times and under all circumstances, be fully entitled to exercise all of its rights, remedies and recourses under the Restated Scotia Agreements (as defined in the Application).
- [28] **ORDERS** that Scotia shall be treated as an unaffected creditor in any Plan and, notwithstanding anything contained in such Plan, shall be completely unaffected thereby.

m. Directors' and Officers' Indemnification and Charge

- [29] **ORDERS** that the Petitioner shall indemnify its Directors from all claims relating to any obligations or liabilities they may incur and which have accrued as of **February 18, 2020** by reason of or in relation to their respective capacities as directors or officers of the Petitioners after the Effective Time, except where such obligations or liabilities were incurred as a result of such directors' or officers' gross negligence, wilful misconduct or gross or intentional fault as further detailed in Section 11.51 CCAA.
- [30] **ORDERS** that the Directors of the Petitioner shall be entitled to the benefit of and are hereby granted a charge and security in the Property, to the extent of the aggregate amount of **\$500,000** (the "**Directors' Charge**"), as security for the indemnity provided in paragraph [29] of this Order as it relates to obligations and liabilities that the Directors may incur in such capacity after February 18, 2020. The Directors' Charge shall have the priority set out in paragraphs [47] and [48] of this Order.
- [31] **ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Directors shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any

directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts for which the Directors are entitled to be indemnified in accordance with paragraph [29] of this Order.

n. Restructuring

[32] **DECLARES** that, to facilitate the orderly restructuring of its business and financial affairs (the "**Restructuring**") but subject to such requirements as are imposed by the CCAA, the Petitioner, subject to prior approval of the Monitor or further order of the Court, as the case may be, shall have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its operations or locations as they deem appropriate and make provision for the consequences thereof in the Plan;
- (b) pursue all avenues to finance or refinance, market, convey, transfer, assign or in any other manner dispose of the Business or Property, in whole or part, subject to further order of the Court and sections 11.3 and 36 CCAA, and under reserve of subparagraph (d);
- (c) terminate the employment of such of its employees or temporarily or permanently lay off such of its employees as they deem appropriate and, to the extent any amounts in lieu of notice, termination or severance pay or other amounts in respect thereof are not paid in the ordinary course, make provision, on such terms as may be agreed upon between the Petitioner and such employee, or failing such agreement, make provision to deal with, any consequences thereof in the Plan, as the Petitioner may determine;
- (d) subject to the provisions of section 32 CCAA, disclaim or resiliate, any of its agreements, contracts or arrangements of any nature whatsoever, with such disclaimers or resiliation to be on such terms as may be agreed between the Petitioner, as applicable, and the relevant party, or failing such agreement, to make provision for the consequences thereof in the Plan; and
- (e) subject to section 11.3 CCAA, assign any rights and obligations of Petitioner.

[33] **DECLARES** that, if a notice of disclaimer or resiliation is given to a landlord of any of the Petitioner pursuant to section 33 of the CCAA and subsection [32][32](d) of this Order, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours by giving such Petitioner and the Monitor 24 hours prior written notice and (b) at the effective time of the disclaimer or resiliation, the landlord shall be entitled to take possession of any such leased premises and re-lease any such leased premises to third parties on such terms as any such landlord may determine without waiver of, or prejudice to, any claims or rights of the landlord against the Petitioner, provided nothing herein

shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

- [34] **ORDERS** that the Petitioner, as applicable, shall provide to any relevant landlord notice of the intention of any of the Petitioner to remove any fittings, fixtures, installations or leasehold improvements at least seven (7) days in advance. If a Petitioner has already vacated the leased premises, it shall not be considered to be in occupation of such location pending the resolution of any dispute between such Petitioner and the landlord.
- [35] **DECLARES** that, in order to facilitate the Restructuring, the Petitioner may, subject to the approval of the Monitor, or further order of the Court, settle claims of customers and suppliers that are in dispute.
- [36] **DECLARES** that, pursuant to sub-paragraph 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c.5, the Petitioner are permitted, in the course of these proceedings, to disclose personal information of identifiable individuals in their possession or control to stakeholders or prospective investors, financiers, buyers or strategic partners and to their advisers (individually, a “**Third Party**”), but only to the extent desirable or required to negotiate and complete the Restructuring or the preparation and implementation of the Plan or a transaction for that purpose, provided that the Persons to whom such personal information is disclosed enter into confidentiality agreements with the Petitioner binding them to maintain and protect the privacy of such information and to limit the use of such information to the extent necessary to complete the transaction or Restructuring then under negotiation. Upon the completion of the use of personal information for the limited purpose set out herein, the personal information shall be returned to the Petitioner or destroyed. In the event that a Third Party acquires personal information as part of the Restructuring or the preparation or implementation of the Plan or a transaction in furtherance thereof, such Third Party may continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioner.
- [37] **ORDERS** that pursuant to clause 3(c)(i) of the *Electronic Commerce Protection Regulations*, made under *An Act to Promote the Efficiency and Adaptability of the Canadian Economy by Regulating Certain Activities that Discourage Reliance on Electronic Means of Carrying Out Commercial Activities, and to Amend the Canadian Radio-television and Telecommunications Commission Act, the ComApplication Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act*, S.C. 2010, c. 23, the Petitioner and the Monitor are authorized and permitted to send, or cause or permit to be sent, commercial electronic messages to an electronic address of prospective purchasers or bidders and to their advisors but only to the extent desirable or required to provide information with respect to any sales process in these CCAA proceedings.

o. Powers of the Monitor & Administration Charge

- [38] **ORDERS** that *Richter Advisory Group Inc.* is hereby appointed to monitor the business and financial affairs of the Petitioner as an officer of this Court and that **ORDERS** that the Monitor, is hereby exempted from the obligations referred to in Subsections 23(1)a(i), 23(1)a(ii)(B) and 23(1)a(ii)(C) of the CCAA.
- [39] **ORDERS** that the Monitor, in addition to the prescribed powers and obligations, referred to in Section 23 of the CCAA (excluding, for greater certainty, the obligations referred to in Subsections 23(1)a(i), 23(1)a(ii)(B) and 23(1)a(ii)(C) of the CCAA):
- (a) shall, as soon as practicable, within five (5) business days after the date of this Order make this Order publicly available in the manner prescribed under the CCAA;
 - (b) shall assist the Petitioner, to the extent required by the Petitioner, in dealing with its creditors and other interested Persons during the Stay Period;
 - (c) shall assist the Petitioner with the preparation of its cash flow projections and any other projections or reports and the development, negotiation and implementation of the Plan;
 - (d) shall advise and assist the Petitioner to review the Petitioner' business and assess opportunities for cost reduction, revenue enhancement and operating efficiencies;
 - (e) shall assist the Petitioner, to the extent required by the Petitioner, with the Restructuring and in its negotiations with its creditors and other interested Persons and with the holding and administering of any meetings held to consider the Plan;
 - (f) shall report to the Court on the state of the business and financial affairs of the Petitioner or developments in these proceedings or any related proceedings within the time limits set forth in the CCAA and at such time as considered appropriate by the Monitor or as the Court may order and may file consolidated Reports for the Petitioner;
 - (g) shall report to this Court and interested parties, including but not limited to creditors affected by the Plan, with respect to the Monitor's assessment of, and recommendations with respect to, the Plan;
 - (h) may retain and employ such agents, advisers and other assistants as are reasonably necessary for the purpose of carrying out the terms of this Order, including, without limitation, one or more entities related to or affiliated with the Monitor;

- (i) may engage legal counsel to the extent the Monitor considers necessary in connection with the exercise of its powers or the discharge of its obligations in these proceedings and any related proceeding, under this Order or under the CCAA;
- (j) may act as a “foreign representative” of any of the Petitioner or in any other similar capacity in any insolvency, bankruptcy or reorganisation proceedings outside of Canada;
- (k) may give any consent or approval as may be contemplated by this Order or the CCAA;
- (l) may hold and administer funds in connection with arrangements made among the Petitioner, any counter-parties and the Monitor, or by Order of this Court; and
- (m) may perform such other duties as are required by this Order or the CCAA or by this Court from time to time.

[40] **ORDERS** that the Petitioner and its current and former shareholders, officers, Directors, agents and representatives shall fully cooperate with the Monitor in the exercise of its powers and discharge its duties, rights and obligations as provided and set out in this Order.

[41] **ORDERS** that, without limiting the generality of anything herein, the Petitioner and its Directors, officers, employees and agents, accountants, auditors and all other Persons having notice of the Order shall forthwith provide the Monitor with unrestricted access to all of the Business and Property, including, without limitation, the premises, books, records, data, including data in electronic form, and all other documents of the Petitioner in connection with the Monitor’s duties and responsibilities hereunder.

[42] **DECLARES** that the Monitor may provide creditors and other relevant stakeholders of the Petitioner with information in response to requests made by them in writing addressed to the Monitor and copied to the Petitioner’s counsel. In the case of information that the Monitor has been advised by the Petitioner is confidential, proprietary or competitive, the Monitor shall not provide such information to any Person without the consent of the Petitioner unless otherwise directed by this Court.

[43] **DECLARES** that Section 215 of the BIA applies *mutatis mutandis* and that no action or other proceedings shall be commenced against the Monitor relating to its appointment, its conduct as Monitor or the carrying out of the provisions of any order of this Court, except with prior leave of this Court, on at least seven (7) days’ notice to the Monitor and its counsel.

[44] **DECLARES** that the powers of the Monitor shall be exercised pursuant to its sole discretion and judgment.

- [45] **ORDERS** that the Petitioner shall pay the reasonable fees and disbursements of the Monitor, the Monitor's legal counsel, the Petitioner's legal counsel and other advisers, directly related to these proceedings, the Plan and the Restructuring, whether incurred before or after the Order, and shall provide each with a reasonable retainer in advance on account of such fees and disbursements, if so requested.
- [46] **DECLARES** that the Monitor, the Monitor's legal counsel, the Petitioner' legal counsel, the Chief Restructuring Advisor (as defined in the Application) the Monitor's and the Petitioner' respective advisers, as security for the professional fees and disbursements incurred both before and after the making of this Order and directly related to these proceedings, the Plan and the Restructuring, be entitled to the benefit of and are hereby granted a charge and security in the Property, to the extent of the aggregate amount of **\$750,000** (the "**Administration Charge**"), having the priority established by paragraphs [47] and [48] of this Order.

p. Priorities and General Provisions Relating to CCAA Charges

- [47] **DECLARES** that the priorities of the Administration Charge and the Directors' Charge (collectively, the "**CCAA Charges**"), as between them with respect to any Property to which they apply, shall be as follows:
- (a) first, the Administration Charge;
 - (b) second, the Directors' Charge;
- provided, however, that the CCAA Charges shall, under all circumstances, rank after and be subordinated to (i) the Scotia Security (as defined in the Application) over all Property securing all present and future indebtedness and obligations of Petitioner towards Scotia, and (ii) the HSBC Security (as defined in the Application) (collectively the "**Lender's Charges**").
- [48] **DECLARES** that each of the CCAA Charges shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, charges, options, encumbrances or security of whatever nature or kind other than the Lender's Charges (collectively, the "**Encumbrances**") affecting the Property whether or not charged by such Encumbrances.
- [49] **ORDERS** that, except as otherwise expressly provided for herein, the Petitioner shall not grant any Encumbrances in or against any Property that rank in priority to, or *pari passu* with, any of the CCAA Charges unless the Petitioner, as applicable, obtain the prior written consent of the Monitor and the prior approval of the Court.
- [50] **DECLARES** that each of the CCAA Charges shall attach, as of the Effective Time, to all present and future Property of the Petitioner, notwithstanding any requirement for the consent of any party to any such charge or to comply with any condition precedent.

[51] **DECLARES** that the CCAA Charges and the rights and remedies of the beneficiaries of the CCAA Charges, as applicable, shall be valid and enforceable and not otherwise be limited or impaired in any way by (i) these proceedings and the declarations of insolvency made herein; (ii) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications or any assignments in bankruptcy made or deemed to be made in respect of any Petitioner; or (iii) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any agreement, lease, sub-lease or other arrangement which binds the Petitioner (a “**Third Party Agreement**”), and notwithstanding any provision to the contrary in any Third Party Agreement:

- (a) the creation of any of the CCAA Charges shall not create nor be deemed to constitute a breach by the Petitioner of any Third Party Agreement to which any of the Petitioner is a party; and
- (b) the beneficiaries of the CCAA Charges shall not have any liability to any Person whatsoever as a result of any breach of any Third Party Agreement caused by or resulting from the creation of the CCAA Charges.

[52] **DECLARES** that notwithstanding: (i) these proceedings and the declarations of insolvency made herein; (ii) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications or any assignments in bankruptcy made or deemed to be made in respect of any Petitioner, and (iii) the provisions of any federal or provincial statute, the payments or disposition of Property made by any Petitioner pursuant to this Order and the granting of the CCAA Charges, do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

[53] **DECLARES** that the CCAA Charges shall be valid and enforceable as against all Property of the Petitioner and against all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Petitioner.

q. Consulting Agreement and Sale Guidelines

[54] **APPROVES** and **RATIFIES** the Consulting Agreement Amendment (as defined in the Application).

[55] **APPROVES** and **RATIFIES** the Amended Sale Guidelines attached to this Order as Schedule I.

r. Payment of Rent

[56] **ORDERS** that until a real property or immovable lease is disclaimed or resiliated in accordance with the CCAA, the Petitioner shall pay all amounts constituting rent

or payable as rent under real property or immovable leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Petitioner and the landlord from time to time, for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, or the immediately following business day if that day is not a business day, in advance (but not in arrears).

s. General

- [57] **ORDERS** that no Person shall commence, proceed with or enforce any Proceedings against any of the Directors, employees, legal counsel or financial advisers of the Petitioner or of the Monitor in relation to the Business or Property of the Petitioner, without first obtaining leave of this Court, upon five (5) calendar days' written notice to the Petitioner's counsel, the Monitor's counsel, and to all those referred to in this paragraph whom it is proposed be named in such Proceedings.
- [58] **ORDERS** that, subject to further Order of this Court, all applications in these CCAA proceedings are to be brought on not less than four (4) calendar days' notice to all Persons on the service list. Each application shall specify a date (the "**Initial Return Date**") and time (the "**Initial Return Time**") for the hearing.
- [59] **ORDERS** that any Person wishing to object to the relief sought on an application in these CCAA proceedings must serve responding application materials or a notice stating the objection to the application and the grounds for such objection (a "**Notice of Objection**") in writing to the moving party, the Petitioner and the Monitor, with a copy to all Persons on the service list, no later than 5 p.m. Montréal Time on the date that is three (3) calendar days prior to the Initial Return Date (the "**Objection Deadline**").
- [60] **ORDERS** that, if no Notice of Objection is served by the Objection Deadline, the Judge having carriage of the application (the "**Presiding Judge**") may determine: (a) whether a hearing is necessary; (b) whether such hearing will be in person, by videoconference, by telephone or by written submissions only; and (c) the parties from whom submissions are required (collectively, the "**Hearing Details**"). In the absence of any such determination, a hearing will be held in the ordinary course.
- [61] **ORDERS** that, if a Notice of Objection is served by the Objection Deadline, the interested parties shall appear before the Presiding Judge on the Initial Return Date at the Initial Return Time, or such earlier or later time as may be directed by the Court, to, as the Court may direct: (a) proceed with the hearing on the Initial Return Date and at the Initial Return Time; or (b) establish a schedule for the delivery of materials and the hearing of the contested application and such other matters, including interim relief, as the Court may direct.

- [62] **DECLARES** that this Order and any proceeding or affidavit leading to the Order, shall not, in and of themselves, constitute a default or failure to comply by the Petitioner under any statute, regulation, licence, permit, contract, permission, covenant, agreement, undertaking or other written document or requirement.
- [63] **DECLARES** that, except as otherwise specified herein, the Petitioner and the Monitor are at liberty to serve any notice, proof of claim form, proxy, circular or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery, electronic mail, or electronic transmission to Persons or other appropriate parties at their respective given addresses as last shown on the records of the Petitioner and that any such service shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three (3) business days after mailing if by ordinary mail.
- [64] **DECLARES** that, without limiting the generality of paragraph [63], the Petitioner and any party to these proceedings may serve any court materials in these proceedings on all represented parties electronically, by emailing a PDF or other electronic copy of such materials to counsels' email addresses, provided that the Petitioner shall deliver "hard copies" of such materials upon request to any party as soon as practicable thereafter.
- [65] **DECLARES** that, unless otherwise provided herein, under the CCAA, or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings, unless such Person has served an Answer on the counsel for the Petitioner and the Monitor and has filed such notice with this Court, or appears on the service list prepared by the Monitor, the Petitioner or their respective attorneys, save and except when an order is sought against a Person not previously involved in these proceedings.
- [66] **DECLARES** that the Petitioner or the Monitor may, from time to time, apply to this Court for directions concerning the exercise of their respective powers, duties and rights hereunder or in respect of the proper execution of the Order on notice only to each other.
- [67] **DECLARES** that any interested Person may apply to this Court to vary or rescind the Order or seek other relief upon five (5) calendar days' notice to the Petitioner, the Monitor and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order, such application shall be filed by no later than fifteen (15) days from the date hereof, unless otherwise ordered by this Court.
- [68] **DECLARES** that the Order and all other orders in these proceedings shall have full force and effect in all provinces and territories in Canada.
- [69] **REQUESTS** the aid and recognition of any Court, tribunal, regulatory or administrative body in any Province of Canada and any Canadian federal court or

in the United States of America and any court or administrative body elsewhere, to give effect to this Order and to assist the Petitioner, the Monitor and their respective agents in carrying out the terms of this Order. All Courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioner and the Monitor as may be necessary or desirable to give effect to this Order, and to act in aid of and to be complementary to this Court, in carrying out the terms of this Order.

[70] **ORDERS** the provisional execution of this Order notwithstanding appeal and without security.

[71] **THE WHOLE WITHOUT COSTS.**

Michel A. Pinsonnault, J.S.C.

MTRE SANDRA ABITAN
MTRE JULIEN MORISSETTE
MTRE ILIA KRAVTSOV
(OSLER HOSKIN & HARCOURT LLP)
COUNSEL TO THE PETITIONER

Hearing date: July 27, 2020

EXHIBIT P-4

SALE GUIDELINES

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

1. Except as otherwise expressly set out herein, and subject to: (i) the Order of the Superior Court of Québec (Commercial Division) (the “**Court**”) approving the Consulting Agreement between a joint venture comprised of Tiger Asset Solutions Canada, ULC and GA Retail Canada ULC (the “**Consultant**”) and Stokes (the “**Consulting Agreement**”) and the transactions contemplated thereunder (the “**Approval Order**”) or (ii) the provisions of the *Bankruptcy and Insolvency Act* (“**BIA**”) and any further Order of the Court; or (iii) any subsequent written agreement between Stokes and its applicable landlord(s) (individually, a “**Landlord**” and, collectively, the “**Landlords**”) and approved by the Consultant, the Sale shall be conducted in accordance with the terms of the applicable leases and other occupancy agreements for each of the affected Stores (individually, a “**Lease**” and, collectively, the “**Leases**”). However, nothing contained herein shall be construed to create or impose upon Stokes or the Consultant any additional restrictions not contained in the applicable Lease or other occupancy agreement.
2. The Sale shall be conducted so that each of the Stores remain open during their normal hours of operation provided for in the respective Leases for the Stores until the applicable premises vacate date for each Store under the Consulting Agreement (the “**Vacate Date**”), and in all cases no later than August 31, 2020. Rent payable under the respective Leases shall be paid as provided in the Approval Order.
3. The Sale shall be conducted in accordance with applicable federal, provincial and municipal laws, unless otherwise ordered by the Court.
4. All display and hanging signs used by the Consultant in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. Notwithstanding anything to the contrary contained in the Leases, the Consultant may advertise the Sale at the Stores as a “everything on sale”, “everything must go”, “store closing” or similar theme sale at the Stores (provided however that no signs shall advertise the Sale as a “bankruptcy”, a “liquidation” or a “going out of business” sale, it being understood that the French equivalent of “clearance” is “liquidation” and that “liquidation” is permitted to be used in French language signs). Forthwith upon request, the Consultant shall provide the proposed signage packages along with proposed dimensions by e-mail or facsimile to the applicable Landlords or to their counsel of record and the applicable Landlord shall notify the Consultant of any requirement for such signage to otherwise comply with the terms of the Lease and/or the Sale Guidelines and where the provisions of the Lease conflicts with these Sale Guidelines, these Sale Guidelines shall govern. The Consultant shall not use neon or day-glow signs or any handwritten signage (save that handwritten “you pay” or “topper” signs may be used). If a Landlord is concerned with “Store Closing” signs being placed in the front window of a Store or with the number or size of the signs in the front window, Stokes, the Consultant and the Landlord will work together to resolve the dispute. Furthermore, with respect to enclosed mall Store location without a separate entrance from the exterior of the

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

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

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

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

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

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



SALE GUIDELINES

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

1. Except as otherwise expressly set out herein, and subject to: (i) the Order of the Superior Court of Québec (Commercial Division) (the "**Court**") approving the Consulting Agreement between a joint venture comprised of Tiger Asset Solutions Canada, ULC and GA Retail Canada ULC (the "**Consultant**") and Stokes (the "**Consulting Agreement**") and the transactions contemplated thereunder (the "**Approval Order**") or (ii) the provisions of the *Bankruptcy and Insolvency Act* ("**BIA**") and any further Order of the Court; or (iii) any subsequent written agreement between Stokes and its applicable landlord(s) (individually, a "**Landlord**" and, collectively, the "**Landlords**") and approved by the Consultant, the Sale shall be conducted in accordance with the terms of the applicable leases and other occupancy agreements for each of the affected Stores (individually, a "**Lease**" and, collectively, the "**Leases**"). However, nothing contained herein shall be construed to create or impose upon Stokes or the Consultant any additional restrictions not contained in the applicable Lease or other occupancy agreement.
2. The Sale shall be conducted so that each of the Stores remain open during their normal hours of operation provided for in the respective Leases for the Stores until the applicable premises vacate date for each Store under the Consulting Agreement (the "**Vacate Date**"), and in all cases no later than ~~July 27~~ [August 31, 2020](#). Rent payable under the respective Leases shall be paid as provided in the Approval Order.
3. The Sale shall be conducted in accordance with applicable federal, provincial and municipal laws, unless otherwise ordered by the Court.
4. All display and hanging signs used by the Consultant in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. Notwithstanding anything to the contrary contained in the Leases, the Consultant may advertise the Sale at the Stores as a "everything on sale", "everything must go", "store closing" or similar theme sale at the Stores (provided however that no signs shall advertise the Sale as a "bankruptcy", a "liquidation" or a "going out of business" sale, it being understood that the French equivalent of "clearance" is "liquidation" and that "liquidation" is permitted to be used in French language signs). Forthwith upon request, the Consultant shall provide the proposed signage packages along with proposed dimensions by e-mail or facsimile to the applicable Landlords or to their counsel of record and the applicable Landlord shall notify the Consultant of any requirement for such signage to otherwise comply with the terms of the Lease and/or the Sale Guidelines and where the provisions of the Lease conflicts with these Sale Guidelines, these Sale Guidelines shall govern. The Consultant shall not use neon or day-glow signs or any handwritten signage (save that handwritten "you pay" or "topper" signs may be used). If a Landlord is concerned with "Store Closing" signs being placed in the front window of a Store or with the number or size of the signs in the front window, Stokes, the Consultant and the Landlord will work together to



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

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



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

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



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

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

| Store # | Province | City | SqFt | Banner | Landlord | Location | Zip Code | Address |
|---------|----------|----------------------|------|--------------|--------------------------------------|------------------------------------|----------|---|
| 1125 | QC | Quebec City | 1518 | Stokes | TRUDEL ALLIANCES S.E.C. | Place Fleur de Lys | G1M 3E5 | 550, boul. Hamel O. #C-4, Québec, QC |
| 1154 | QC | St-George de Beauce | 1417 | Stokes | Cominar Real Estate Investment Trust | Carrefour St-George | G5Y 5L6 | 8585, boul Lacroix # 020 & 010, St Georges Beauce, QC |
| 1159 | QC | Dolbeau | 1521 | Stokes | Gestion IBLs | Promenades du Boulevard | G8L 1H1 | 1300 Boul Wallberg, Dolbeau-Mistassini, QC |
| 1178 | QC | Theftford Mines | 1824 | Stokes | Cominar Real Estate Investment Trust | Carrefour Frontenac | G6G 6L5 | 805 boul Frontenac Est #1, Theftford Mines, QC |
| 1187 | QC | Val d'Or | 1629 | Stokes | Westcliff Management | Crrfr du Nord Ouest (Val d'Or) | J9P 5K1 | 1801, 3e Avenue, Val d'Or, QC |
| 1188 | QC | Baie-Comeau | 1662 | Stokes | Westcliff Management | Manicougan (Baie Comeau) | G5C 1C3 | 600 boulevard Lafleche #240, Baie-Comeau, QC |
| 1204 | ON | Peterborough | 2635 | Stokes | Cushman & Wakefield | Lansdowne Pl. (Peterborough) | K9J 7Y5 | 645 Lansdowne Street W. #150, Peterborough, ON |
| 1206 | ON | Timmins | 2758 | Stokes | Riocan Property Services | Timmins Square | P4R 1A1 | 1500 Riverside Drive #18, Timmins, ON |
| 1215 | ON | North Bay | 1904 | Stokes | Morguard Investment Ltd. | Northgate S.C. | P1B 2H3 | 1500 Fisher Street, North Bay, ON |
| 1239 | ON | Ottawa | 1739 | Stokes | Cushman & Wakefield | Carlingwood S. C. | K2A 1H2 | 2121 Carling Ave., Ottawa, ON |
| 1253 | ON | Niagara Falls | 3548 | Stokes | Primaris Management Inc. | Canada 1 Mall (Niagara Falls) | L2H 1G8 | 7500 Lundy's Lane, Niagara Falls, ON |
| 1254 | ON | Owen Sound | 1640 | Stokes | Cushman & Wakefield | Heritage Place | N4K 6N7 | 1350 16th Street East, Owen Sound, ON |
| 1261 | ON | London | 1697 | Stokes | McCor Management | Westmount SC (London) | N6K 1M6 | 785 Wonderland S. #C09, London, ON |
| 1262 | ON | Cornwall | 1839 | Stokes | Partners Reit | Cornwall Sq. (Cornwall) | K6H 6M2 | 1 Water Street East #TT-11, Cornwall, ON |
| 1266 | ON | Toronto | 1831 | Stokes | Cadillac Fairview | TD Centre (Toronto) | M5K 1B1 | 66 Wellington St West, Toronto, ON |
| 1268 | ON | Mississauga | 1939 | Stokes | Cushman & Wakefield | Dixie Outlet Mall | L5E 1V4 | 1250 S Service Rd, Mississauga, ON |
| 1304 | NB | Bathurst UNIT 73B | 1322 | Stokes | Cushman & Wakefield | Bathurst Mall | E2A 3A6 | 1300 St. Peter Ave. #73B, Bathurst, NB |
| 1305 | NB | Atholville | 1926 | Stokes | Immostar | Sugarloaf (Atholville) | E3N 4E2 | 312, Val D'Amour Road #A9, Atholville, NB |
| 1402 | SK | Regina | 1500 | Stokes | Cushman & Wakefield | Cornwall Centre (Regina) | S4P 3Y6 | 2102 11th Avenue #TT11C, Regina, SK |
| 1508 | NS | New Glasgow | 2050 | Stokes | Crombie Developments Ltd. | Highland Sq (New Glasgow) | B2H 2J6 | 689 Westville Road #175, New Glasgow, NS |
| 1617 | AB | Fort McMurray | 1637 | Stokes | Primaris Management Inc. | Peterpond Mall (Fort McMurray) | T9H 1L2 | 9713 Hardin Street, Fort McMurray, AB |
| 1620 | AB | Lloydminster | 1593 | Stokes | Triovest Realty Advisors Inc. | Lloyd Mall (Lloydminster) | T9V 0A7 | 5211 44 Street #137, Lloydminster, AB |
| 1623 | AB | St Albert | 2067 | Stokes | Primaris Management Inc. | St-Albert Centre | T8N 3K8 | 375 St Albert Trail, St-Albert, AB |
| 1624 | AB | Edmonton | 1536 | Stokes | Oxford | Kingsway Mall | T5G 3A6 | 1 Kingsway Garden Mall NW, Edmonton, AB |
| 1701 | BC | Kelowna | 1878 | Stokes | Primaris Management Inc. | Orchard Park S.C. (Kelowna) | V1Y 6H2 | 2271 Harvey Ave. #820, Kelowna, BC |
| 1803 | MB | Winnipeg | 1527 | Stokes | Cadillac Fairview | Polo Park | R3G 0W4 | 1485 Portage Ave., Winnipeg, MB |
| 1903 | NL | St John's | 2096 | Stokes | Plaza Group Inc. | Village S.C.(St John's) | A1E 4N1 | 430 Topsail Road #N3, St-John's, NFLD |
| 3102 | QC | Quebec City | 2212 | Thinkkitchen | Oxford | TK -Gal de la Capitale | G2K 1N4 | 5401, boul. des Galeries #186A, Québec, QC |
| 3105 | QC | Gatineau | 3522 | Thinkkitchen | Riocan Property Services | TK - Riocan de la Gappe (Gatineau) | J8T 0B5 | 75, Boul de la Gappe #10, Gatineau, QC |
| 3106 | QC | Brossard | 2134 | Thinkkitchen | Cominar Real Estate Investment Trust | TK - Mail Champlain (Brossard) | J4W 2T5 | 2151, boul. Lapinière #G18E, Brossard, QC |
| 3201 | ON | Ottawa | 1896 | Thinkkitchen | Controlex Corporation | TK - Ottawa Train Yards | K1G 3S2 | 100 Train Yards Drive # C25, Ottawa, ON |
| 3204 | ON | Sudbury | 1449 | Thinkkitchen | Morguard Investment Ltd. | TK - New Sudbury Center | P3A 1Z2 | 1349 Lasalle Blvd. #41, Sudbury, ON |
| 3212 | ON | Barrie | 2085 | Thinkkitchen | Riocan Property Services | TK - Georgian Mall | L4M 4Z8 | 509 Bayfield Street # A006A, Barrie, ON |
| 3401 | SK | Saskatoon | 1443 | Thinkkitchen | Cushman & Wakefield | TK - Midtown Plaza (Saskatoon) | S7K 1J9 | 201 - 1st Avenue S. #T244, Saskatoon, SK |
| 3601 | AB | Calgary | 1894 | Thinkkitchen | Primaris Management Inc. | TK - Sunridge (Calgary) | T1Y 5T4 | 2525 - 36th Street NE #152A, Calgary, AB |
| 3603 | AB | Edmonton | 1854 | Thinkkitchen | Ivanhoe Cambridge Inc. | TK-Outlet Collection EIA | T9E 1J5 | 1, Outlet Collection Way, EIA, Edmonton, AB |
| 3705 | BC | Tswwassen First Nati | 2298 | Thinkkitchen | Ivanhoe Cambridge Inc. | TK-Tsawwassen Mills | V4M 0B3 | 5000 Canoe Pass Way, Tsawwassen 1st Nation, BC |

Store count 37

May add the following stores:

| | | | | | | | | |
|------|----|---------|------|--------|-----------------|----------------|---------|---|
| 1237 | ON | Kanata | 2349 | Stokes | Bentall Kennedy | Hazeldaen Mall | K2M 1C9 | 300 Eagleson Rd., Kanata, Ont. |
| 1504 | NS | Bedford | 1515 | Stokes | Avison Young | Sunnyside Mall | B4A 3Y4 | 1595 Bedford Highway, #182, Bedford, NS |

No: 500-11-057985-208

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

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

Debtor/Petitioner

-and-

RICHTER ADVISORY GROUP INC.

Proposed Monitor

**APPLICATION TO CONTINUE PROCEEDINGS
COMMENCED UNDER PART III OF THE
BANKRUPTCY AND INSOLVENCY ACT AND FOR A
TRANSITION ORDER UNDER THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT
AFFIDAVIT, NOTICE OF PRESENTATION, LIST OF
EXHIBITS, EXHIBITS P-1, P-4**

ORIGINAL

Code: BO 0323

o/f: 1206825

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Mtre. Iliia Kravtsov
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